LISTING PARTICULARS **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

€1,100,000,000

Mercury Bondco plc

Up to €1,326,400,000 8¼%/9% Senior Secured Fixed Rate PIK Toggle Notes due 2021
Up to €303,000,000 Senior Secured Floating Rate PIK Toggle Notes due 2021

Mercury Bondco plc, a public limited company incorporated under the laws of Jersey (the "**Issuer**"), is offering (the "**Offering**") €900.0 million in aggregate principal amount of its 8¼%/9% Senior Secured Fixed Rate PIK Toggle Notes due 2021 (the "**Senior Secured Fixed Rate PIK Toggle Notes**") and €200.0 million in aggregate principal amount of its Senior Secured Floating Rate PIK Toggle Notes due 2021 (the "**Senior Secured Floating Rate PIK Toggle Notes**," and together with the Senior Secured Fixed Rate PIK Toggle Notes, the "**Notes**"), as part of the financing for the proposed acquisition (the "**Acquisition**") of Istituto Centrale delle Banche Popolari Italiane S.p.A. and its subsidiaries by Mercury Italy S.r.l. ("**BidCo**"). Both BidCo and the Issuer are indirectly owned by Advent, Bain Capital and Clessidra (each as defined herein).

Interest will be paid on the Senior Secured Fixed Rate PIK Toggle Notes semi-annually in arrears on each May 30 and November 30, commencing on May 30, 2016. The first interest payment on the Senior Secured Fixed Rate PIK Toggle Notes will be paid in cash ("**Cash Interest**"). For each interest period thereafter (other than the final interest period at stated maturity, which will be paid in cash), Cash Interest will be paid, unless the conditions described in this offering memorandum (the "**Offering Memorandum**") are satisfied, in which case we will be entitled to pay, to the extent described in this Offering Memorandum, interest in kind ("**PIK Interest**"). Cash Interest on the Senior Secured Fixed Rate PIK Toggle Notes will accrue at the rate of 8.25% per annum. PIK Interest paid on the Senior Secured Fixed Rate PIK Toggle Notes will accrue at the rate of 9.00% per annum. The Senior Secured Fixed Rate PIK Toggle Notes will mature on May 30, 2021. We may redeem some or all of the Senior Secured Fixed Rate PIK Toggle Notes on or after November 30, 2017, at the redemption prices set forth in this Offering Memorandum. At any time prior to November 30, 2017, we may redeem some or all of the Senior Secured Fixed Rate PIK Toggle Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable "make whole" premium. Prior to November 30, 2017, we may redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate PIK Toggle Notes at the premium set forth under "*Description of the Notes*" with the proceeds from certain specified equity offerings, *provided* that at least 50% of the original principal amount of the Senior Secured Fixed Rate PIK Toggle Notes (including any additional Senior Secured Fixed Rate PIK Toggle Notes) issued under the Indenture remain outstanding. We may also redeem all, but not less than all, of the Senior Secured Fixed Rate PIK Toggle Notes in the event of certain developments affecting taxation. If we undergo certain changes of control, each holder may require us to repurchase all or a portion of its Senior Secured Fixed Rate PIK Toggle Notes at 101% of their principal amount. In addition, in connection with certain tender offers for the Senior Secured Fixed Rate PIK Toggle Notes or the Senior Secured Floating Rate PIK Toggle Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of Notes—Optional Redemption—General.*"

Interest will be paid on the Senior Secured Floating Rate PIK Toggle Notes semi-annually in arrears on each May 30 and November 30, commencing on May 30, 2016. The first interest payment on the Senior Secured Floating Rate PIK Toggle Notes will be paid as Cash Interest. For each interest period thereafter (other than the final interest period at stated maturity, which will be paid in cash), Cash Interest will be paid, unless the conditions described in this Offering Memorandum are satisfied, in which case we will be entitled to pay PIK Interest. Cash Interest on the Senior Secured Floating Rate PIK Toggle Notes will accrue at the rate equal to six-month EURIBOR plus 8.00% per annum, reset semi-annually. PIK Interest on the Senior Secured Floating Rate PIK Toggle Notes will accrue at the rate equal to six-month EURIBOR plus 8.75% per annum, reset semi-annually. The Senior Secured Floating Rate PIK Toggle Notes will mature on May 30, 2021. We may redeem some or all of the Senior Secured Floating Rate PIK Toggle Notes on or after November 30, 2016, at the redemption prices set forth in this Offering Memorandum. At any time prior to November 30, 2016, we may redeem some or all of the Senior Secured Floating Rate PIK Toggle Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable "make whole" premium. We may also redeem all, but not less than all, of the Senior Secured Floating Rate PIK Toggle Notes in the event of certain developments affecting taxation. If we undergo certain changes of control, each holder may require us to repurchase all or a portion of its Senior Secured Floating Rate PIK Toggle Notes at 101% of their principal amount.

Pending the consummation of the Acquisition, an amount equal to the gross proceeds of the Offering of each series of Notes will be deposited into a segregated escrow account in the name of the Issuer but controlled by the Escrow Agent (as defined herein), and pledged on a first-ranking basis in favor of the Trustee (as defined herein) on behalf of the holders of the Notes. The release of escrow proceeds upon consummation of the Acquisition (the date of such release, the "**Completion Date**") will be subject to the satisfaction of certain conditions, including the closing of the Acquisition. The consummation of the Acquisition is subject to certain conditions, including regulatory approval by the European Commission, the Bank of Italy, the European Central Bank and De Nederlandsche Bank. If the Acquisition is not consummated prior to March 31, 2016 (the "**Escrow Longstop Date**"), or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to the aggregate issue price of the relevant series of Notes so redeemed plus accrued and unpaid interest and additional amounts, if any, from the Issue Date (as defined below) of the Notes to the special mandatory redemption date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment to all of the Issuer's existing and future senior indebtedness and will be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes. The Notes will be guaranteed (the "**Guarantees**") on the Issue Date on a several, but not joint, basis by Mercury A Capital Limited, Mercury B Capital Limited and Mercury ABC Capital Limited (collectively, the "**Sponsors' HoldCos**" or the "**Guarantors**") through their respective guarantee agreements (the "**Guarantee Agreements**") which will also guarantee the Revolving Credit Facility Agreement and certain hedging obligations on a senior secured basis (each term as defined herein). The Notes and the Guarantees will be secured as of the Issue Date on a first-priority basis by (i) (until the Completion Date) the Escrow Charge, (ii) pledges of the shares of the Issuer, HoldCo and the Sponsors' HoldCos, (iii) pledges of the bank accounts of the Issuer and each Sponsors' HoldCo and (iv) pledges over the Proceeds Loans (each term as defined herein) (collectively, the "**Collateral**"). No additional security will be granted on the Completion Date. The Collateral will also secure the Revolving Credit Facility Agreement and certain hedging obligations on a senior basis. Under the terms of the Intercreditor Agreement (as defined herein) to be entered into in connection with this Offering, in the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility (as defined herein) and counterparties to certain hedging agreements have been repaid in full. In addition, the Guarantees and the security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. The Notes and the Guarantees will be structurally subordinated to any existing or future indebtedness of HoldCo or any subsidiaries of HoldCo, in each case that are not Guarantors, including obligations owed to trade creditors and depositors.

The Issuer will not be required to procure the Target Group's compliance with the covenants under the Indenture. Instead, breaches of the terms of the Indenture resulting from certain actions of, among others, the Target Group, will result in a default under the Indenture applicable to the Issuer. Further, the Indenture will provide that the occurrence of certain events with respect to the Target and its subsidiaries that would otherwise constitute an event of default will not constitute an event of default if and to the extent that doing so would materially and substantially negatively affect the sound and prudent management of the Target and its subsidiaries or the ability of the Target and its subsidiaries to conduct their core businesses in the ordinary course. See "*Description of Notes—Specified Defaults*."

This Offering Memorandum includes more detailed information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, security, covenants, events of default and transfer restrictions.

There is currently no public market for the Notes. Application has been made to list the Notes on the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF thereof. There is no assurance, however, that this application will be accepted.

This offering memorandum constitutes a prospectus for purposes of Luxembourg law on prospectus securities dated July 10, 2005, as amended.

The maximum aggregate principal amount outstanding of each series of Notes, as indicated on the cover page above, consists of (i) the aggregate principal amount outstanding of each such series as of its issue date and (ii) the maximum amount of PIK interest paid until the maturity date. In the case of the Senior Secured Fixed Rate PIK Toggle Notes, PIK interest is calculated at 9.00%. In the case of the Senior Secured Floating Rate PIK Toggle Notes, PIK interest is calculated at six-month EURIBOR, which we have calculated on the basis of the applicable EURIBOR forward interest rate plus a constant premium of 50 basis points plus 8.75%. This calculation involves assumptions concerning the EURIBOR which should not be interpreted as a representation as to the future development of the EURIBOR. See "*Forward-looking Statements.*"

Investing in the Notes involves a high degree of risk. See the "Risk Factors" section of this Offering Memorandum, beginning on page 48.

Price for the Senior Secured Fixed Rate PIK Toggle Notes: 100.00% plus accrued and unpaid interest, if any, from the Issue Date.

Price for the Senior Secured Floating Rate PIK Toggle Notes: 99.00% plus accrued and unpaid interest, if any, from the Issue Date.

Delivery of the Notes will be made in book-entry form through a common depositary of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about November 13, 2015 (the "**Issue Date**").

The Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1 above €100,000.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In the United States, this Offering is being made only to "qualified institutional buyers" (as defined in Rule 144A of the Securities Act) in compliance with Rule 144A under the Securities Act ("Rule 144A") that are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act")). You are hereby notified that the Initial Purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside of the United States, this Offering is being made to non-U.S. persons in connection with offshore transactions in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "*Plan of Distribution*" and "*Notice to Investors*."

The Issuer is a "covered fund" as defined in Section 13 of the U.S. Bank Holding Company Act of 1956 (the "Volcker Rule"). The Notes may constitute an "ownership interest" within the meaning of the Volcker Rule. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Volcker Rule may negatively affect the ability of certain types of entities to purchase the Notes*" and "*Notice to Investors*."

Global Coordinators and Physical Bookrunners

Goldman Sachs International **HSBC** **J.P. Morgan**

Joint Bookrunners

BofA Merrill Lynch **Citigroup** **UniCredit Bank** **Nomura**

Co-Managers

Credito Valtellinese **Banca Akros SpA Gruppo Bipiemme Banca Popolare di Milano** **UBI Banca**

The date of these Listing Particulars is November 13, 2015

STABILIZATION

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS INTERNATIONAL (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

IMPORTANT INFORMATION

In making an investment decision regarding the Notes offered pursuant to this Offering Memorandum, you must rely on your own examination of the Issuer and the terms of this Offering, including the merits and risks involved. This Offering (as defined herein) is being made on the basis of this Offering Memorandum only. Any decision to purchase Notes in this Offering must be based on the information contained in this Offering Memorandum.

You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of the Issuer and your own assessment of the merits and risks of investing in the Notes. None of the Issuer or the Initial Purchasers is making any representation to you regarding the legality of an investment in the Notes by you under appropriate legal investment or similar laws.

The information contained in this Offering Memorandum has been furnished by the Issuer and other sources we believe to be reliable. This Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request, for the complete information contained in those documents. You should contact the Issuer or the Initial Purchasers with any questions about this Offering. All summaries contained herein are qualified in their entirety by this reference. Copies of certain documents and other information relating to the issuance of the Notes will be available at the offices of Greenlit Consultancy S.a.r.l, 2 rue Belle Vue, L-7214 Bereldange, Luxembourg. See "*Listing and General Information*."

The Initial Purchasers will provide prospective investors with a copy of this Offering Memorandum and any related amendments or supplements. By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision on whether or not to invest in the Notes.

The information set forth in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book-entry interests.

By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with this Offering to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer or the Initial Purchasers. The information contained in this Offering Memorandum is accurate as of the date hereof. The Issuer's and the Guarantors' and HoldCo's, the Target's and its subsidiaries' business, financial condition or other information contained in this Offering Memorandum may change after the date hereof. Neither the delivery of this Offering Memorandum at any time nor any subsequent commitment to purchase the Notes shall, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in the business of the Issuer since the date of this Offering Memorandum.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer has made all reasonable inquiries and confirmed to the best of its knowledge, information and belief that the information contained in this Offering Memorandum is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held, and that it is not aware of any facts the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

The Initial Purchasers make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or the future.

In accordance with normal and accepted market practice, neither the Trustee, the Security Agent, the Paying Agent, the Registrar, the Escrow Agent nor the Transfer Agent is responsible for the contents of this Offering Memorandum or expresses any opinion as to the merits of the Notes under this Offering Memorandum.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "*Plan of Distribution*" and "*Notice to Investors*."

We intend to list the Notes on the Luxembourg Stock Exchange and admit the Notes for trading on the Euro MTF thereof, and have submitted this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this Offering Memorandum. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that our application to list the Notes on the Luxembourg Stock Exchange and admit the Notes for trading on the Euro MTF thereof will be approved as of the settlement date for the Notes or any date thereafter, and settlement of the Notes is not conditioned on obtaining such listing.

We reserve the right to withdraw this Offering at any time. We are making this Offering subject to the terms described in this Offering Memorandum and the purchase agreement among the Issuer and the Initial Purchasers relating to the purchase and sale of the Notes. The Issuer and the Initial Purchasers each reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective investor less than the full amount of the Notes sought by such investor. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The distribution of this Offering Memorandum and the offer and sale of the Notes are restricted by law in some jurisdictions. This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Each prospective offeree or purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Initial Purchasers shall have any responsibility therefor. See "*Notice to Prospective Investors in the United States*," "*Notice to Certain European Investors*," "*Plan of Distribution*" and "*Notice to Investors*."

A copy of this Offering Memorandum has been delivered to the registrar of companies in Jersey (the "**Jersey Registrar**") in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the Jersey Registrar has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission (the "**Commission**") has given, and has not withdrawn, or will have given prior to the issue of the Notes by the Issuer and not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Notes. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law. It must be distinctly understood that, in giving these consents, neither the Jersey

Registrar nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this Offering Memorandum you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

This Offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Notice to Investors*."

This Offering Memorandum is being provided (1) to U.S. investors that the Issuer reasonably believes to be QIBs under Rule 144A who are also Qualified Purchasers for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States who are not U.S. persons in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

CERTAIN VOLCKER RULE CONSIDERATIONS

Section 13 of the Bank Holding Company Act of 1956, as amended (together with the rules, regulations and published guidance thereunder, the "**Volcker Rule**") generally prohibits certain banking entities from engaging in proprietary trading, or from acquiring or retaining an ownership interest in, sponsoring or having certain relationships with covered funds, unless pursuant to an exclusion or exemption under the Volcker Rule. The Issuer is considered a "covered fund" for purposes of the Volcker Rule. Each purchaser of the Notes must make its own determination as to whether it is subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain the Notes. Investors in the Notes are responsible for analyzing their own regulatory position and none of the Issuer, the Initial Purchasers, the Security Agent, the Trustee or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the treatment of the Issuer under the Volcker Rule, or to such investor's investment in the Notes on the Issue Date or at any time in the future. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Volcker Rule may negatively affect the ability of certain types of entities to purchase the Notes*" and "*Notice to Investors.*"

CERTAIN CONSIDERATIONS REGARDING SALES INTO CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights, or consult with a legal advisor.

Pursuant to Section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below), from the requirement to produce a prospectus for offers of the Notes. In relation to each Member State of the European Economic Area ("**EEA**") which has implemented the

Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State no offer of Notes to the public in that Relevant Member State may be made other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require us or any Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

For the purposes of this section, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

This Offering Memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (iii) are persons falling within Articles 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Italy

No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998, as subsequently integrated and amended (the "**Italian Financial Act**"). Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations, including any requirement or limitation which may be imposed, from time to time, by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") or by the Bank of Italy, as the case may be. The Notes cannot be offered or sold in the Republic of Italy either on the primary or on the secondary market to any natural persons or to entities other than qualified investors (i.e. *investitori qualificati*) as defined pursuant to Article 100 of the Italian Financial Act and Article 34 ter, paragraph 1, letter b) of Regulation No. 11971 of May 14, 1999 as amended (the "**Issuers Regulation**") issued by the CONSOB or unless in all other circumstances which are exempt from the rules on public offers pursuant to the Italian Financial Act and the implementing CONSOB regulations, including the Issuers Regulation.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum, and no other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other material relating to the Notes in Italy is made as follows: (a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No 385 of September 1, 1993 as subsequently integrated and amended, the Italian Financial Act, CONSOB Regulation No. 16190 of October 29, 2007 as subsequently integrated and amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority. Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

AVAILABLE INFORMATION

The Issuer is not subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). The Issuer has agreed that it will make available, upon request, to any holder or prospective purchaser of the Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which it is not subject to Section 13 or 15(d) of the Exchange Act, or exempt by virtue of Rule 12g3-2(b) thereunder. Any such requests should be directed to the Issuer at 47 Esplanade, St Helier, Jersey JE1 0BD, attn: Martino Gobbi; +44(0)1534 835600.

CERTAIN DEFINITIONS

The following terms used in this Offering Memorandum have the meanings assigned to them below:

"Acquisition"	The acquisition as described under "*Summary—The Transactions*."
"Acquisition Agreement"	The sale and purchase agreement dated as of June 19, 2015, described under "*Summary—The Transactions—The Acquisition*."
"Acquisition Vehicles"	The Issuer, together with the Sponsors' NewCos, the Sponsors' HoldCos, HoldCo and BidCo.
"Advent"	Advent International Corporation and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them.
"AFS"	Those assets on our balance sheet classified as available-for-sale financial assets under IFRS.
"AFS Portfolio"	Our portfolio of available-for-sale financial assets. Our AFS Portfolio primarily consists of Italian government bonds. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition—Factors Affecting Our Other Group Activities Reporting Segment*."
"Bain Capital"	Bain Capital Investors, LLC and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them.
"BidCo"	Mercury Italy S.r.l., a private limited company (*Società a Responsabilità Limitata*) established under the laws of the Republic of Italy.
"BPO Services Business"	The reporting segment referred to as "Application outsourcing and innovative services" in our Financial Statements.
"CartaSi"	CartaSi S.p.A.
"CartaSi reporting segment"	The reporting segment referred to as "E-Money" in our Financial Statements which comprises CartaSi S.p.A. and HelpLine S.p.A.
"Clessidra"	Clessidra SGR S.p.A. in its capacity as managing company of the fund Clessidra Capital Partners 3.
"Collateral"	The collateral securing the Notes on a first-priority basis consisting of (i) (until the Completion Date) the Escrow Charge, (ii) pledges of the shares of the Issuer, HoldCo and the Sponsors' HoldCos, (iii) pledges of the bank accounts of the Issuer and the Sponsors' HoldCos and (iv) pledges over the Proceeds Loans.
"Completion Date"	The date on which the proceeds of the Offering are released from the Escrow Account and the Acquisition is consummated.
"Escrow Account"	The segregated escrow account in which the proceeds from the offering of the Senior Secured Fixed Rate PIK Toggle Notes and the Senior Secured Floating Rate PIK Toggle Notes will be deposited on the Issue Date.
"Escrow Agent"	Elavon Financial Services Limited, UK Branch.
"Escrow Charge"	The escrow account charge to be dated as of the Issue Date between the Issuer, the Trustee and the Escrow Agent, pursuant to which the initial funds deposited in the segregated Escrow Account will be charged on a first-priority basis to secure the Notes.
"Escrow Longstop Date"	March 31, 2016.
"EU"	European Union.
"EU Interchange Regulation"	Regulation (EU) 2015/751 of the European Parliament and of the Council of April 29, 2015 on interchange fees for card-based payment transactions.
"EURIBOR"	EURIBOR has the meaning ascribed to it under "*Description of the Notes*."
"euro," "EUR" or "€"	The lawful currency of the EU Member States participating in the European Monetary Union.
"Financing"	The transactions described under "*Summary—The Transactions—The Financing*."
"Group," "we," "us" and "our"	Except where the context otherwise requires, (i) when referring to operations, businesses, market shares or historical financial results, the Target Group, (ii) when referring to the Financing and pro forma indebtedness obligations, one or more of the Issuer and the Sponsors' HoldCos and (iii) when referring to the Transactions, one or more of the Issuer, the Sponsors' HoldCos, HoldCo and BidCo.
"Guarantees"	The guarantees to be issued by the Guarantors on the Issue Date on a several, but not joint, basis.
"HelpLine"	Help Line S.p.A., a majority-owned subsidiary of the Target.

"HoldCo"	Mercury UK Holdco Limited, established as a private limited company under the laws of England and Wales.
"IFRS"	International Financial Reporting Standards, as adopted by the EU.
"Indenture"	The indenture to be entered into on or about the Issue Date, governing the Notes offered hereby, as described in "*Description of the Notes*."
"Initial Purchasers"	Collectively, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Citigroup Global Markets Limited, UniCredit Bank AG, Nomura International plc, Credito Valtellinese s.c., Banca Akros SpA and Unione di Banche Italiane S.P.A.
"Intercreditor Agreement"	The intercreditor agreement to be entered into on or about the Issue Date, between, among others, the Issuer, U.S. Bank Trustees Limited as trustee for the holders of the Notes, the facility agent with respect to the Revolving Credit Facility, certain creditors thereunder and the Security Agent, as amended, supplemented and restated from time to time.
"Issue Date"	On or about November 13, 2015, the date on which the Notes will be delivered in book-entry form through a common depositary for Euroclear and Clearstream.
"Issuer"	Mercury Bondco plc, established as a public limited company under the laws of Jersey.
"Italian Civil Code"	The Italian civil code (*codice civile*) approved by the Royal Decree No. 262 of March 16, 1942, as subsequently amended and restated.
"Notes"	Collectively, the Senior Secured Fixed Rate PIK Toggle Notes and the Senior Secured Floating Rate PIK Toggle Notes.
"Offering"	This offering of the Notes pursuant to this Offering Memorandum.
"Offering Memorandum"	This offering memorandum in relation to the Notes.
"Payments Business"	The reporting segment referred to as "Payments" in our Financial Statements.
"Post-Completion Merger"	The intended merger of BidCo and ICBPI following the completion of the Acquisition.
"Proceeds Loans"	The loans of the proceeds of this Offering, to be drawn down on or about the Completion Date, by the Issuer, as lender, to each of the Sponsors' HoldCos, as borrowers.
"Revolving Credit Facility"	The €55.0 million revolving credit facility established under the Revolving Credit Facility Agreement, which is described in more detail in "*Description of Other Indebtedness—Revolving Credit Facility*."
"Revolving Credit Facility Agreement"	The €55.0 million revolving credit facility agreement to be entered into on or about the Issue Date between, among others, the Issuer, the Sponsors' HoldCos, the Agent (as defined therein), the Security Agent and the Original Issuing Bank, as amended, supplemented and restated from time to time, which is described in more detail in "*Description of Other Indebtedness—Revolving Credit Facility*."
"Securities Act"	The U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
"Securities Services Business"	The reporting segment referred to as "Securities services" in our Financial Statements.
"Security Agent"	U.S. Bank Trustees Limited, in its capacity as security agent for the secured creditors, including from the Issue Date, the holders of the Notes, the Trustee and the lenders under the Revolving Credit Facility.
"Senior Secured Fixed Rate PIK Toggle Notes"	The Issuer's €900.0 million in aggregate principal amount of its $8^1/_4$%/9% senior secured fixed rate PIK Toggle notes due 2021.
"Senior Secured Floating Rate PIK Toggle Notes"	The Issuer's €200.0 million in aggregate principal amount of its senior secured floating rate PIK Toggle notes due 2021.
"SME"	Small- or medium-sized enterprise. We define small- and medium-sized enterprises as enterprises that generate annual merchant acquiring transaction values of less than €2.0 million and between €2.0 million and €10.0 million, respectively.
"Sponsors"	Collectively, Advent, Bain Capital and Clessidra.
"Sponsors' HoldCos" or "Guarantors"	Mercury A Capital Limited, Mercury B Capital Limited and Mercury ABC Capital Limited.
"Sponsors' NewCos"	Mercury (AI) S.à r.l., Mercury (BC) S.à r.l. and Fides S.p.A..
"Target" or "ICBPI"	Istituto Centrale delle Banche Popolari Italiane S.p.A.
"Target Group"	The Target and its subsidiaries.

"Transactions"	Collectively, the Acquisition and the Financing, including the use of proceeds from the Offering. See "*Summary—The Transactions*" and "*The Transactions*."
"Trustee"...	U.S. Bank Trustees Limited; in its capacity as trustee under the Indenture.
"United States" or "U.S."	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
"U.S. Dollars," "dollars," "U.S.$" or "$"	The lawful currency of the United States.
"U.S. GAAP"...	Generally accepted accounting principles in the United States.

GLOSSARY OF PAYMENT AND BANKING TERMS

"ACH"	Automated Clearing House, an electronic network established to process the credit and debit transactions of the public and private sectors.
"acquirer" or "acquiring bank"	The bank or financial institution that executes card payments on behalf of a merchant.
"acquiring"	The full scope of services necessary to enable a merchant to accommodate and execute electronic payments.
"Additional Tier 1 Capital"	A measure of a bank's financial strength from a regulatory perspective. It primarily consists of certain issued and paid-in subordinated (by its terms) and unsecured instruments which provide for payment of dividends or coupons only out of distributable reserves and prohibit repayment of principal without supervisory approval, as further defined in CRD IV.
"AML"	Anti-money laundering.
"ATM"	Automated teller machine.
"AUM"	Assets under management.
"banking book"	An accounting term referring to assets on a bank's balance sheet that are expected to be held to maturity. Assets in the banking book are generally not required to be marked-to-market and receive different treatment for purposes of regulatory capital than assets in the trading book.
"Basel I"	The set of minimum capital requirements for banks published by the Basel Committee in 1988.
"Basel II"	The set of minimum capital requirements, supervisory review process and market discipline disclosure requirements for banks published by the Basel Committee in 2004.
"Basel III"	The current banking supervision standards defined by the Basel Committee and published in 2011.
"Basel Committee"	The Basel Committee on Banking Supervision.
"BI-COMP"	The Italian national clearing and settlement system for euro-denominated retail payments which is managed by the Bank of Italy.
"BIN" or "bank identification number"	The first few figures on the face of a payment card which identify the card issuer and card scheme.
"BPO" or "business process outsourcing"	The contracting of a specific business task to a third-party service provider.
"cardholder"	A person to whom a payment card has been issued.
"card penetration"	Except where expressly stated otherwise, card spending as a percentage of total private consumption.
"card scheme"	A payment network linked to payment cards (e.g. credit, charge, debit and prepaid cards) which can be accessed by banks by entering into the scheme.
"card scheme operator"	The operators of card schemes, primarily including Visa, MasterCard, American Express, Diners Club and JCB.
"card spending"	The measure of the value of transactions executed through payment cards (including credit, charge, debit and prepaid cards) issued in a particular country, regardless of whether the payment card is used in the country of issuance or abroad.
"CBI Gateway"	The *Corporate Banking Interbancario* platform, an Italian interbank transaction network which acts as a payment hub connecting public authorities and corporations and allowing for direct payment collection and delivery of supporting documentation between banks and authorities.
"CET1 Capital"	Common Equity Tier 1 Capital, the primary measure of a bank's financial strength from a regulatory perspective. It is composed mainly of equity capital, net of regulatory deductions. See "*Regulation—Regulatory Regimes Applicable to ICBPI and CartaSi—Capital Adequacy Requirements*."
"CET1 capital ratio"	A regulatory risk-based ratio calculated as CET1 Capital divided by Risk Weighted Assets. See "*Regulation—Regulatory Regimes Applicable to ICBPI and CartaSi—Capital Adequacy Requirements*."
"charge card"	A payment card with an underlying revolving credit account from which the cardholder can borrow money, the balance of which must be settled in full each month.
"commercial card"	A sub-category of payment cards that is issued to a corporation instead of an individual.
"CONSOB"	Commissione Nazionale per le Società e la Borsa.

"CRD IV"	The Fourth Capital Requirements Directive, a Directive and an accompanying Regulation that together prescribe EU capital adequacy and liquidity requirements for banks and certain other regulated institutions and implement Basel III in the European Union. CRD IV came into effect on January 1, 2014.
"credit card"	A payment card with an underlying revolving credit account from which the cardholder can borrow money, the balance of which may be rolled over from month to month or settled in full each month.
"debit card"	A payment card which allows the cardholder to withdraw funds from a designated bank account to make payments.
"EACHA"	European Automated Clearing House Association, a clearing model based on the interconnection of local clearing systems.
"EBA"	The European Banking Authority, an independent EU agency which works to ensure effective and consistent prudential regulation and supervision across the EU banking sector.
"EBA Clearing"	A provider of pan-European payment infrastructures and clearing systems including EURO1 (for single euro transactions of high value), STEP1 (for single euro payments for small and medium-sized banks), STEP2 (for euro retail payments) and MyBank (for online payments).
"eCommerce"	Electronic commerce.
"EMV"	Europay MasterCard Visa, a technical standard for "smart" (or "chip") payment cards and for the payment terminals and ATMs which accept them.
"Eurosystem"	A system consisting of the European Central Bank and the central banks of the member states of the Eurozone.
"fully loaded CET1 capital ratio"	CET1 capital ratio computed before the application of transitional provisions set out in CRD IV.
"GIANOS"	*Generatore Indici di Anomalia per Operazioni Sospette*, a software for the identification of suspicious activity, KYC procedures and the assessment of customer risk profiles.
"gift card"	A type of prepaid card that cannot be recharged and can no longer be used, when the stored value is depleted.
"ICF" or "interchange fee"	A fee paid by a merchant acquirer to the card issuer per transaction. The card issuer may or may not deduct the fee from the amount it pays to the merchant acquirer, subject to the applicable agreement.
"ICT"	Information and communications technology.
"ICT security"	Information and communications technology security, which is the security measure used to protect the information and communications technology of a company.
"IMF"	International Monetary Fund.
"issuer," "issuing bank" or "card issuer"	A bank or financial institution that provides payment cards and the services necessary to execute electronic payments.
"issuing"	The process of issuing credit, charge, debit and prepaid cards to consumers.
"KYC"	Know-your-customer, which denotes the heavily regulated process of banks and other service providers verifying the identity of their clients.
"merchant"	A person or company offering goods or services for sale.
"merchant acquirer"	An entity that provides services necessary to enable a merchant to accommodate and execute electronic payments.
"MSC" or "merchant service charge"	A fee paid by the merchant to the acquiring bank, typically at the end of each month. The interchange fee is a cost to merchant acquirers and is recovered from merchants through the merchant service charge which merchants pay. For an illustrative description of the Italian payment solutions fee cycle, see "*Industry—The Payment Solutions Economic Model*."
"NAV"	Net asset value.
"net MSC" or "net merchant service charge"	The net fee for a card payment transaction retained by the merchant acquirer, after paying interchange and card scheme fees. For an illustrative description of the Italian payment solutions fee cycle, see "*Our Industry—The Payment Solutions Economic Model*."
"NFC"	Near Field Communication, a technology which allows smartphones and other devices to establish radio communication with each other by touching the devices together or bringing them into proximity.
"Own Funds"	A measure of a bank's financial strength from a regulatory perspective. It consists of the sum of CET1 Capital, Tier 1 Capital and Tier 2 Capital, as further defined in CRD IV.

"PagoBancomat"	An Italian payment network for debit card transactions at enabled POS terminals.
"payment card"	A card which can be used to make non-cash payments, including charge, commercial, credit, debit or prepaid cards.
"POS"	The point of sale at which a customer makes a payment to the merchant in exchange for goods or services. A POS may be real, as in the case of a "brick and mortar" store, or virtual, as in the case of an eCommerce retailer.
"POS terminal" or "POS portal"	A physical terminal or virtual online portal that allows for non-cash payments at a POS, such as a merchant or website.
"prepaid card"	A payment card which bears a stored value through which payments can be made until the stored value is depleted. Prepaid cards can be rechargeable or non-rechargeable (such as gift cards) and may be limited in their use to a particular store or group of stores (such as store cards) or unlimited.
"private consumption"	The value of goods and services acquired and consumed by individuals, households and non-profit institutions serving households.
"Risk Weighted Assets" or "RWA"	Risk-weighted assets, a measure of a bank's assets and off-balance-sheet exposures, weighted according to risk, which is used to determine a bank's regulatory capital requirements.
"scheme fee"	The fee paid by an issuing bank to the card scheme operator.
"SEDA"	SEPA-compliant Electronic Database Alignment, an Italian initiative which provides for the exchange, processing and routing of information between two financial institutions.
"SEPA"	The Single Euro Payments Area, a European initiative which integrates and simplifies the processing of electronic euro payments within SEPA's jurisdiction.
"shadow economy"	All economic activities that circumvent or evade the institutionally established fiscal rules as codified in a relevant tax code, therefore reducing tax collection in a country.
"store card"	A payment card that may only be used in one store or group of stores.
"TARGET2"	An interbank payment system for real-time gross settlement of transfers throughout the Eurosystem, used for whole-sale, large-value payments.
"Tier 1 Capital"	A measure of a bank's financial strength from a regulatory perspective. It consists of CET1 capital and Additional Tier 1 Capital.
"Tier 1 capital ratio"	A regulatory risk-based ratio calculated as Tier 1 Capital divided by Risk Weighted Assets.
"Tier 2 Capital"	A measure of a bank's financial strength from a regulatory perspective. It primarily consists of certain issued and paid-in subordinated and unsecured instruments, as further defined in CRD IV.
"Total capital ratio"	A regulatory risk-based ratio calculated as Own Funds divided by Risk Weighted Assets.
"trading book"	An accounting term referring to assets on a bank's balance sheet that are tradeable in markets considered to be liquid. Assets in the trading book are generally required to be marked-to-market daily and receive different treatment for purposes of regulatory capital than assets in the banking book.
"Value at Risk" or "VaR"	A statistical technique used to measure and quantify the level of financial risk within a bank or investment portfolio over a specific time frame.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Acquisition Vehicles were formed for the purposes of undertaking the Acquisition and, in the case of the Issuer, issuing the Notes offered hereby. They have no material assets or liabilities and they have not engaged in any activities other than those related to their formation in preparation for the Transactions. We do not present in this Offering Memorandum any financial information or financial statements of the Acquisition Vehicles, other than (i) the audited opening balance sheet of the Issuer as of June 18, 2015 and (ii) certain limited financial data presented at the Sponsors' HoldCo level on a combined basis as adjusted to reflect the Transactions. All other historical financial information included in this Offering Memorandum is that of the Target and its consolidated subsidiaries.

The historical financial information included in this Offering Memorandum, including the financial information discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," has been derived, without material adjustment, from translations of the:

- audited consolidated financial statements of the Target for each of the three years ended December 31, 2012, 2013 and 2014, which are presented in accordance with IFRS (the "**Audited Financial Statements**"); and

- unaudited condensed interim consolidated financial statements of the Target for each of the six months ended June 30, 2014 and 2015, which are presented in accordance with IAS 34 "*Interim Financial Information*" (the "**Interim Financial Statements**" and, together with the Audited Financial Statements, the "**Financial Statements**").

These Financial Statements are included elsewhere in this Offering Memorandum. Our Financial Statements and various other numbers and percentages set forth in this Offering Memorandum are presented in euro, rounded to the nearest thousand, unless otherwise noted. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

We present in this Offering Memorandum certain financial information on an as adjusted basis to give pro forma effect to the Transactions, including the issuance of the Notes offered hereby and the application of the net proceeds thereof as described in "*Use of Proceeds*." See "*Summary—Summary Historical Financial and Other Information*" and "*Capitalization*." The pro forma information is provided for illustrative purposes only and does not purport to represent what our actual results of operations or financial position would have been if this Offering had occurred, in the case of net debt, on June 30, 2015 or, in the case of interest expense, as of July 1, 2014. The pro forma information set forth in this Offering Memorandum is based upon available information and certain assumptions and estimates that we believe are reasonable. Our historical results may not be indicative of our future results following consummation of the Transactions. The pro forma information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed.

In the future, we will report our financial results to holders of the Notes at the level of HoldCo in accordance with IFRS. We will also report unconsolidated results of the Issuer and each of the Sponsors' HoldCos. HoldCo will account for the Acquisition using the acquisition method of accounting under IFRS, which will affect the comparability of HoldCo's future consolidated financial statements with the information presented herein.

In making an investment decision, you must rely upon your own examination of the terms of this Offering and the financial information contained in this Offering Memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in this Offering Memorandum.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are disclosed in our Audited Financial Statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies*."

Non-IFRS Financial Information

In this Offering Memorandum, we present certain financial measures that are not recognized by IFRS and that may not be permitted to appear on the face of the financial statements or footnotes thereto.

The primary non-IFRS financial measures used in this Offering Memorandum are operating revenue, operating profit, EBITDA, EBITDA margin, normalized EBITDA and normalized EBITDA margin.

"**adjusted return on average equity**" is defined as profit for the year attributable to the owner of the parent divided by average shareholders' equity. Average shareholders' equity is calculated by adding the equity attributable to the owner of the parent at the beginning of a period to the equity attributable to the owner of the parent at the end of such period and dividing the result by two. For the year ended December 31, 2013, adjusted return on average equity includes an adjustment to equity attributable to the owner of the parent at the end of the period and profit for the period attributable to the owner of parent, in each case, for a one-time payment of a surcharge applicable to financial institutions in 2013, which accounted for additional income tax of €12.7 million in the year ended December 31, 2013.

"**adjusted return on average tangible equity**" is defined as profit for the year attributable to the owner of the parent divided by average tangible shareholders' equity. Average tangible shareholders' equity is calculated as average shareholders' equity net of average intangible assets. Average shareholders' equity is calculated by adding the equity attributable to the owner of the parent at the beginning of a period to the equity attributable to the owner of the parent at the end of such period and dividing the result by two; average intangible assets is calculated by adding the intangible assets at the beginning of a period to the intangible assets at the end of such period and dividing the result by two. For the year ended December 31, 2013, adjusted return on average tangible equity includes an adjustment to equity attributable to the owner of the parent at the end of the period and profit for the period attributable to the owner of parent, in each case, for a one-time payment of a surcharge applicable to financial institutions in 2013, which accounted for additional income tax of €12.7 million in the year ended December 31, 2013.

"**EBITDA**" is defined as operating profit, adding back Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit), as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Reconciliation of Management Accounts*."

"**EBITDA margin**" is defined as EBITDA divided by operating revenue.

"**like-for-like EBITDA**" is defined as EBITDA, and "**like-for-like operating revenue**" is defined as operating revenue, in each case, adjusted to equalize across periods the contribution by two former shareholders and our Other Group Activities reporting segment on the basis of the actual contributions for the twelve months ended June 30, 2015:

- The first adjustment relates to the Target's former shareholders and partner banks Intesa SanPaolo and UniCredit. When the Target acquired CartaSi in 2009, it was aware that these two banks, which are the largest banks in Italy, would gradually insource their card issuing and merchant acquiring requirements, resulting in gradually declining business for CartaSi over the following years. Therefore, we adjust EBITDA and operating revenue for the years ended December 31, 2012, 2013 and 2014 to (i) eliminate the actual contribution by Intesa SanPaolo and Unicredit for each such period and (ii) add to each such period the actual contribution by Intesa SanPaolo and Unicredit for the twelve months ended June 30, 2015.

- The second adjustment relates to the Target's Other Group Activities reporting segment. This reporting segment receives and invests the surplus liquidity generated by the Target's Payments and Securities Services reporting segments. One of the primary investments made using this surplus liquidity is in Italian government bonds, typically with a maturity of three to four years. Since the yield on Italian government bonds declined significantly over the last three years, the Target currently holds Italian government bonds with a higher coupon than would be attainable in the present interest rate environment. As our legacy holdings of Italian government bonds mature and are replaced with new issues, both the average yield on our portfolio and our net interest income decrease compared to each preceding period. Therefore, we adjust EBITDA and operating revenue for the years ended December 31, 2012, 2013 and 2014 to (i) eliminate the actual contribution by our Other Group Activities reporting segment for each such period and (ii) add to each such period the actual contribution by our Other Group Activities reporting segment for the twelve months ended June 30, 2015. For an analysis showing the effect of changes in the average yield accruing on our AFS Portfolio, the internal transfer price charged for the invested surplus liquidity and the size of our AFS Portfolio, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition—Factors Affecting Our Other Group Activities Reporting Segment*."

We monitor like-for-like EBITDA and like-for-like operating revenue because we believe these measures enhance our understanding of the organic growth of our EBITDA and operating revenue, respectively.

"**Normalized EBITDA**" is defined as EBITDA, further adjusted as described in footnote (3) of "*Summary—Summary Historical Financial and Other Information—Other Financial and Operating Information*."

"**Normalized EBITDA margin**" is defined as normalized EBITDA divided by operating revenue.

"**Pro Forma CET1 Capital Ratio**" is defined as our CET1 capital ratio, adjusted for the removal of an additional discretionary capital requirement. Following the Bank of Italy's audit of the Target Group between October 20, 2008 and December 19, 2008, the Bank of Italy imposed an additional discretionary capital requirement on the Target Group, which reduced its CET1 capital ratio. The additional requirement reflected the Target Group's exposure to operational risk, reputational risk and deficiencies in related controls and was equal to 100% of the capital requirement for operational risk from time to time. With effect as of September 30, 2015, however, the Bank of Italy repealed this discretionary regulatory capital requirement. Pro Forma CET1 Capital Ratio represents our CET1 capital ratio as of a certain historical date, assuming the add-on capital requirement had already been removed at such date.

"**Operating costs**" is defined as the sum of Administrative expenses, Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit), Other net operating expenses/income and Net accruals to provision for risk and charge, as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Reconciliation of Management Accounts*."

"**Operating profit**" is defined as the sum of operating revenue and operating costs, as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Reconciliation of Management Accounts*."

"**Operating revenue**" is defined as the sum of net fee, commission and other business income, net interest income, net trading/hedging income and dividends from equity investments and AFS, as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Reconciliation of Management Accounts*."

"**Normalized profit**" is defined as profit attributable to the owners of the parent for the twelve months ending June 30, 2014, after giving effect to the adjustments described under footnote (5) under "*Summary—Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*."

We use EBITDA-based measures and "operating revenue," "operating costs" and "operating profit" as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. These measures are used, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performance of our business. We believe EBITDA-based measures are useful and commonly used measures of financial performance in addition to "profit," and other profitability measures under IFRS because they facilitate operating performance comparisons from period to period and company to company. For an explanation of why we use "operating revenue," "operating costs" and "operating profit," see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Reconciliation of Management Accounts.*"

By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA-based measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe EBITDA-based measures are regularly used by the investment community as a means of comparison of companies in our industry.

Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS.

The EBITDA-based measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on our debt;

- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, the EBITDA-based measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS measures only supplementally to evaluate our performance. Please see "*Summary—Summary Historical Financial and Other Information*," "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and the related notes included elsewhere in this Offering Memorandum. EBITDA and normalized EBITDA may be defined or calculated differently from the corresponding terms under the Indenture.

For a description of how our EBITDA-based measures are calculated from our consolidated result from operations and a reconciliation of EBITDA and normalized EBITDA to our IFRS results presented in this Offering Memorandum and a calculation of our other EBITDA-based measures, see "*Summary—Summary Historical Financial and Other Information*."

Certain key performance indicators and other non-financial operating data included in this Offering Memorandum are derived from management estimates, are not part of our financial statements or our accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these measures should not be considered in isolation or as an alternative measure of performance under IFRS.

We present in this Offering Memorandum certain data derived from the Target's consolidated and reporting segment management accounts. These management accounts differ in important ways from the Financial Statements presented in accordance with IFRS. In particular, the Target's management accounts are prepared to supplement the Financial Statements with information on the consolidated operating revenue of the Target Group and our operating performance on a reporting segment basis. The Financial Statements present the revenues and costs of certain activities not core to the operations of a bank under the line items other net operating expenses/income, as part of operating costs. Because many of the Target Group's operations, including its POS Business, ATM management, HelpLine, debit servicing, clearing, digital corporate banking, BPO Services and certain other operations are not considered under IFRS to be financial income core to the operations of a bank, a significant amount of our revenues and costs are classified in the Financial Statements under other net operating expenses/income. In the Target's management accounts, we reassign the amounts under such line items in the Financial Statements to the line items operating revenue and operating costs to provide a clearer picture of our operating results. Operating profits in the Target's management accounts are the sum of operating revenues and operating costs. Adding the line items depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets, share of gain/losses of investees, non-recurring/extraordinary operating costs/income, income taxes and profit for the period attributable to non-controlling interests reconciles operating profit in the Target's management accounts to profit for the period attributable to the owners of the parent in the Financial Statements. The line items presented in the Target's management accounts are not recognized by IFRS and may not be permitted to appear on the face of the Financial Statements in the manner presented herein. Different companies and analysts may calculate the line items presented in the Target's management accounts differently, so making comparisons among companies on this basis should be done very carefully. The line items presented in the Target's management accounts are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for our results of operations as reported in accordance with IFRS. For a discussion of the differences in classification, and for a reconciliation of the line items presented in the Target's management accounts to the line items reported in our Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Explanation of Key Line Items—Management Accounts*" and "*—Results of Operations—Reconciliation of Management Accounts*."

INDUSTRY, RANKING AND OTHER DATA

General

In this Offering Memorandum, we rely on and refer to information regarding our business and the market in which we operate and compete. Certain market data and economic and industry data and forecasts used in this Offering Memorandum were obtained from governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include, for instance, publicly available data from Euromonitor International and The Nilson Report and reports by First Annapolis and GfK Eurisko that we commissioned. In considering the industry and market data included in this Offering Memorandum, prospective investors should note that this information may be subject to significant uncertainty due to differing definitions of the relevant markets and market segments described. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, thus requiring us to rely on internally developed data. Consequently, we have made our estimates largely based on internal surveys and studies. There are no third-party providers of market data specific to our industries. In the absence of such information, we have made statements regarding our industry and market share based on our experience, our own investigation of market conditions and our management's best estimates. While we believe our estimates to be reliable, they have not been verified by any independent sources and we cannot assure you that any of our assumptions are accurate or correctly reflect our position in the industry. Neither we nor any of the Initial Purchasers make any representation as to the accuracy of such information.

Primary Metrics

The primary metrics we use in this Offering Memorandum include market share, card spending and card penetration. Set forth below is a description of how these metrics have been calculated:

"**Market share**" refers to the percentage of a specified market captured by a certain provider in that market. Unless expressly stated otherwise, all references to market shares in this Offering Memorandum are exclusively based on the Italian market. We measure market share (i) in the card issuing and merchant acquiring markets on the basis of total aggregate value of transactions generated by payment cards participating in the Visa or MasterCard card schemes, (ii) in the POS management market on the basis of number of POS managed, (iii) in the SEPA interbank clearing market and CBI Gateway market on the basis of number of transactions processed, (iv) in the depositary bank market on the basis of AUM and (v) in the BPO market on the basis of total number of users of our proprietary GIANOS software compared to the total number of Italian banks.

"**Card spending**" measures the value of transactions executed through payment cards (including credit, charge, debit and prepaid cards) issued in a particular country, regardless of whether the payment card is used in the country of issuance or abroad.

"**Card penetration**," except where expressly stated otherwise, is defined as card spending as a percentage of total private consumption.

Third-party Sources

Industry and consultant publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of these studies and publications is reliable, neither we nor the Initial Purchasers have independently verified the data that were extracted or derived from these industry and consultant publications or reports and cannot guarantee their accuracy or completeness or the accuracy or completeness of the assumptions that the providers of the data reports have made in compiling this data. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. Further, the providers of the data reports do not warrant, represent or guarantee the accuracy and completeness of any information in this Offering Memorandum, and neither do the providers of the data reports accept any responsibility or liability to any party who relies on any information contained in this Offering Memorandum. Research by Euromonitor International should not be considered as the opinion of Euromonitor International as to the value of any security or the advisability of investing in the Issuer or the Target Group or any of their respective affiliates.

Proprietary Data

In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum was estimated, extrapolated or derived based on assumptions we deem reasonable and from our own research, surveys, studies and experience. In light of the absence of publicly available information on a significant proportion of participants in the industry, the data on market sizes and projected growth rates should be viewed with caution. Our internal estimates have not been verified by any independent sources and neither we nor the Initial Purchasers can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Offering Memorandum.

The projections and forward-looking statements in this section are not guarantees of future performance, and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "*Risk Factors*," "*Forward-Looking Statements*," "*Industry*" and "*Our Business*" for further discussion.

In calculating our market share, we have made certain assumptions for each of our businesses. Set forth below is a description of the major assumptions underpinning our market share estimates:

Card Issuing, Merchant Acquiring. In the year ended December 31, 2014, we acted as card issuer and merchant acquirer in payment card transactions for tens of billions of euros in value. Owing to the large size of these samples, we believe that the distribution of market share among us and our competitors that we observe in these respective samples is representative of the market as a whole. In addition, we assume that consumer behavior with respect to the card issuing and merchant acquiring markets is independent such that consumers holding a payment card issued by any particular card issuer (e.g. CartaSi) are not more or less likely to make card purchases at a merchant where that card issuer is also the merchant acquirer. We believe this assumption is reasonable because consumers typically make their purchasing decisions without considering, or necessarily knowing, who acts as merchant acquirer for a given merchant. For the issuing market, our calculations are based on the volume of card spending by all payment cards issued in Italy, whether the spending takes place in Italy or abroad. For the acquiring market, our calculations are based on acquiring volumes for Italian merchants. We calculate eCommerce market share on the basis of card spending by Italian-issued payment cards at any eCommerce merchant (regardless of geographical location), as well as card spending by any payment card (whether Italian-issued or not) at eCommerce merchants registered in Italy. On the basis of the aforementioned assumptions, we believe that we are able to make reasonable estimates of overall market shares in the Italian card issuing and merchant acquiring markets by applying the market share we observe in our respective samples as card issuer and merchant acquirer to estimate the total market size, including those transactions where we are neither card issuer nor merchant acquirer. We believe that our assumptions and extrapolations of our own data result in reasonable estimates of overall market shares in the Italian card issuing and merchant acquiring markets.

SMEs. Our market share of SMEs excludes: (i) the eCommerce market, given that the classification of SMEs refers to only physical brick and mortar merchants; (ii) ATM withdrawals, since there are no merchants in an ATM transaction where consumers are merely withdrawing cash and not purchasing a product or interacting with a shop; and (iii) transactions made at fuel stations, which we exclude when calculating our market share because the merchant acquiring market at fuel stations is highly fragmented, with a large number of different merchant acquirers, which is unrepresentative of the market as a whole.

CURRENCIES AND EXCHANGE RATES

We publish our financial statements in euro. The following tables set forth, for the periods and dates indicated, the period end, average, high and low exchange rates, as published by Bloomberg expressed in U.S. Dollars per €1.00.

On November 3, 2015 the exchange rate of the euro compared to the U.S. Dollar was €1.0959 per U.S. Dollar.

	U.S.$ per €1.00			
	Period Average[(1)]	**High**	**Low**	**Period End**
Year				
2010	1.3266	1.4510	1.1952	1.3366
2011	1.3924	1.4874	1.2925	1.2960
2012	1.2859	1.3463	1.2053	1.3197
2013	1.3300	1.3789	1.2819	1.3789
2014	1.3209	1.3866	1.2100	1.2100
Month				
May 2015	1.1160	1.1432	1.0882	1.0973
June 2015	1.1212	1.1374	1.0919	1.1153
July 2015	1.0997	1.1129	1.0841	1.1003
August 2015	1.1755	1.3431	1.0492	1.1204
September 2015	1.1232	1.1367	1.1117	1.1182
October 2015	1.1232	1.1445	1.0967	1.1018
November 2015 (through November 3, 2015)	1.0990	1.1021	1.0959	1.0959

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

Our inclusion of these exchange rates and other exchange rates specified elsewhere in this Offering Memorandum should not be construed as representations that the euro amounts actually represent such U.S. Dollar amounts or could have been or could be converted into U.S. Dollars at any particular rate, if at all.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains and refers to certain forward-looking statements with respect to our financial condition, results of operations and business. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements concerning the potential exposure to market risks and statements expressing management's expectations, beliefs, plans, objectives, intentions, estimates, forecasts, projections and assumptions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

Forward-looking statements are typically identified by words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "objectives," "outlook," "probably," "project," "will," "seek," "target" and other words of similar meaning in connection with a discussion of future operating or financial performance. All of these forward-looking statements are based on estimates and assumptions made by such entities that, although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon any forward-looking statements. There are important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements. In addition, even if our actual results are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- a deterioration in economic conditions in Italy;
- disruption to our ICT and information systems;
- an inability to maintain relationships with our partner banks;
- an increase in or change to regulation in Italy and Europe;
- increased competition from third parties;
- increased insourcing of operations by our bank customers;
- a reduction in our number of customers due to consolidation in the Italian banking market;
- the cost of adapting to and providing new technologies and services;
- credit risk from our customers and partner banks;
- fraud by third parties;
- market and interest rate risk, and sovereign risk in relation to Italian government bonds;
- liquidity risk;
- adverse changes to payment network rules or standards;
- the impact of privacy and data protection regulation;
- a failure to adequately protect data;
- adverse changes to interchange regulations;
- adverse changes in the composition of the Eurozone;
- failure to successfully integrate acquired businesses;
- failure to attract and retain key employees;
- inadequate risk management policies and procedures;

- adverse results of litigation;
- inadequate insurance coverage, or increased insurance costs;
- infringement of or failure to obtain the intellectual property rights of third parties;
- lack of control over our minority interests;
- disruptions due to labor disputes or work stoppages;
- deterioration of the Italian residential and commercial real estate markets;
- impairments to goodwill, intangibles and investments;
- changes to our tax laws or challenges or changes to our tax position; and
- other factors discussed in this Offering Memorandum.

The foregoing factors should not be construed as exhaustive. We urge you to read this Offering Memorandum, including the sections entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*" and "*Our Business*" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements are expressly qualified in their entirety by the cautionary statements referred to in this section and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk Factors*." In light of these risks, our results could differ materially from the forward-looking statements contained in this Offering Memorandum.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain Taxation Considerations*."

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of its respective holder.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Memorandum. Investors should consider this Offering Memorandum in its entirety, including the information referred to under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Financial Statements and the notes thereto, prior to making an investment in the Notes.

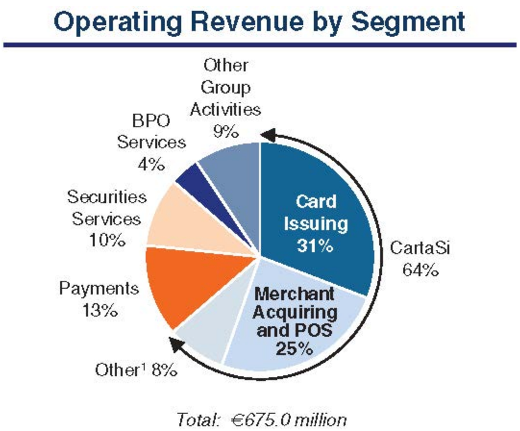
We have estimated certain information in this Offering Memorandum regarding market share and our position relative to our competitors based on our internal data and certain extrapolations. See "Industry, Ranking and Other Data."

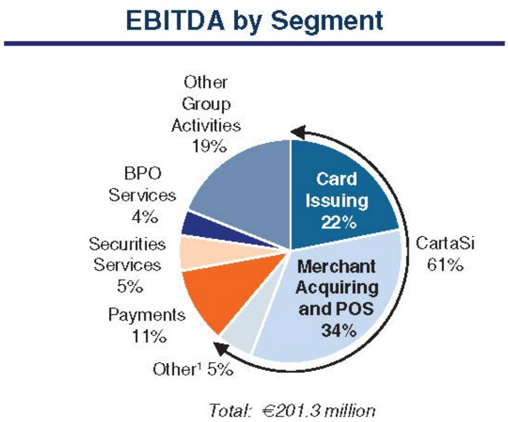
This summary includes certain technical terms that are commonly used in our industry. See "Glossary of Payment and Banking Terms" for a detailed explanation of these terms. When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses, market shares or historical financial results, such terms refer to the Target Group, (ii) when referring to the Financing and pro forma indebtedness obligations, such terms refer to one or more of the Issuer and the Sponsors' HoldCos and (iii) when referring to the Transactions, such terms refer to one or more of the Issuer, the Sponsors' HoldCos, HoldCo and BidCo.

Overview

We are the leading diversified payments banking group in Italy, providing industry-leading services to merchants, consumers and financial institutions. We are a key operator in the Italian financial system. Our customers include virtually all banks in the Italian market, and we estimate that more than 75% of the total consumer card spending in Italy for the year ended December 31, 2014 flowed through our business. For the twelve months ended June 30, 2015, we generated operating revenue of €675.0 million, normalized EBITDA of €233.4 million and normalized profit of €117.9 million.

The following charts show our operating revenue and EBITDA by reporting segment for the twelve months ended June 30, 2015.





Note: Does not include consolidation adjustments.

(1) Includes operating revenue generated by CartaSi S.p.A. from debit servicing and ATM management, operating revenue generated by HelpLine S.p.A. and operating revenue generated by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

The following paragraphs provide an overview of our market-leading card issuing, merchant acquiring, payments, securities and business process outsourcing services in Italy.

CartaSi—Card Issuing, Merchant Acquiring and POS Management

Through our highly-recognizable CartaSi brand, we are the leading card issuer in Italy, with approximately 49% of the Italian card issuing market for the year ended December 31, 2014, and the only card co-issuer of significant scale in Italy, with approximately 64% market share in credit cards and approximately 11% market share in debit and prepaid cards. In addition, we are the leading provider of merchant acquiring and POS services in Italy, with approximately 65% market share of merchant acquiring volumes for the year ended December 31, 2014, and approximately 30% market share by the number of POS terminals as of December 31, 2014. The size of the Italian market, together with our leading market positions, makes us one of the largest card issuing companies in Europe, according to The Nilson Report. For the twelve months ended June 30, 2015, our CartaSi business units accounted for €432.0 million, or 64.0%, of our operating revenue and €123.1 million, or 61.2%, of our EBITDA.

ICBPI—Payments Services

In our payments services business, we leverage our ICBPI brand to provide banking and clearing services and digital corporate banking services to banks and large corporate and public sector clients. For the twelve months ended June 30, 2015, this business accounted for €87.7 million, or 13.0%, of our operating revenue and €22.2 million, or 11.0%, of our EBITDA.

ICBPI—Securities Services

Our securities services business offers fund services, global custody services and investment services under the ICBPI brand to funds and financial institutions. For the twelve months ended June 30, 2015, this business represented €66.5 million, or 9.8%, of our operating revenue and €10.3 million, or 5.1%, of our EBITDA.

Oasi—BPO Services

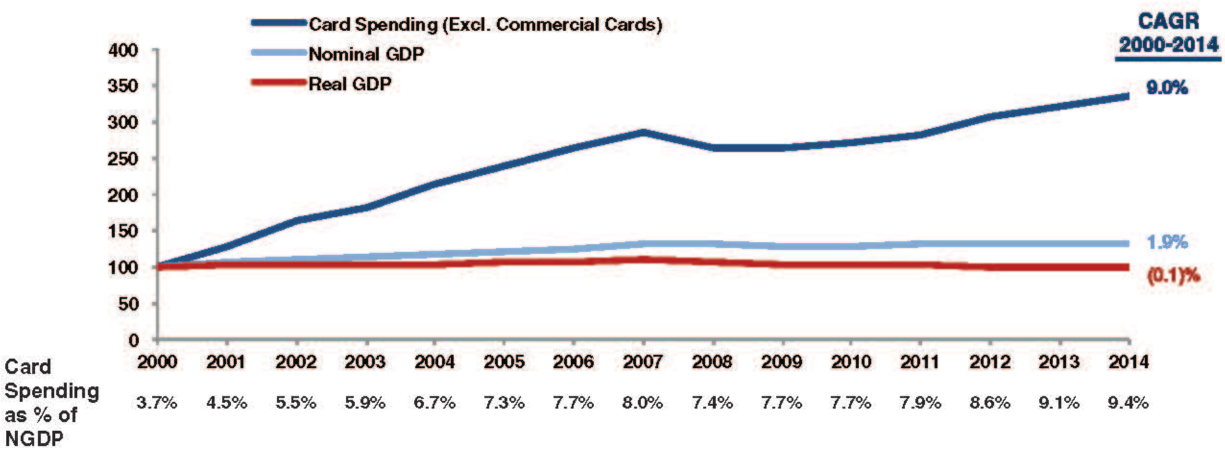
Our business process outsourcing services business provides anti-money laundering, know-your-customer, regulatory reporting, compliance and internal governance and ICT security services. For the twelve months ended June 30, 2015, this business generated €28.7 million, or 4.3%, of our operating revenue and €7.6 million, or 3.8%, of our EBITDA.

ICBPI—Other Group Activities

Our ICBPI treasury function manages our financing needs, resources and settlement activities at the group level.

As further detailed under "*Regulation*," we are subject to Bank of Italy oversight, with parts of our business regulated as payment institutions, and parts requiring us to hold banking licenses.

We believe our leading market positions in the card issuing, merchant acquiring, and payments industries will enable us to continue to benefit from the attractive dynamics of the Italian electronic payments market. In 2014, the Italian electronic payments market was the fourth-largest electronic payments market in Western Europe, but card penetration lagged significantly behind the three largest EU economies and, at 16%, fell short of the EU average of 39%, according to Euromonitor International, leaving significant potential for further growth. We believe favorable government and regulatory policies, beneficial demographic changes (with younger generations more likely to use payment cards than older generations) and an increasing market trend toward the use of mobile, eCommerce and digital payments are key drivers of a trend towards payment cards and electronic payments. According to Euromonitor International, card spending in Italy has grown at a compound annual growth rate of 9.0% since 2000, significantly outpacing the underlying nominal GDP growth rate, which has grown at 1.9% per annum over the period.



Source: IMF, Euromonitor International—Consumer Finance 2015.

Our leading market positions, scale, diversity of services and attractive customer base historically have resulted in stable, diversified revenue streams. Moreover, our business is profitable, having generated € 107.3 million of profit (attributable to the owners of the parent) for the twelve months ended June 30, 2015. This profit generation provides us with the financial strength to grow our business while still maintaining a CET1 capital ratio (15.16% as of June 30, 2015, compared to a regulatory requirement of 7.0% for CET1) ahead of other leading Italian financial institutions. For example, according to public filings, Intesa SanPaolo's CET1 capital ratio was 13.4% and UniCredit's CET1 capital ratio was 10.5%, in each case as of June 30, 2015. Since 2009, we had been subject to an additional discretionary capital requirement imposed by the Bank of Italy (the "**add-on capital requirement**") that reduced our CET1 capital ratio. With effect as of September 30, 2015, however, the Bank of Italy repealed the add-on capital requirement. Had the add-on capital requirement already been removed as of June 30, 2015, our CET1 capital ratio would have been 21.49% instead of 15.16%. See "*Regulation—Regulatory Regimes Applicable to CartaSi and ICBPI—Capital Adequacy Requirements*." This robust profit generation is coupled with strong cash flow generation in our businesses, which benefit from an outsourced ICT processing model with limited capital expenditure requirements. We believe there are significant opportunities to improve our profitability through operating revenue growth by taking advantage of favorable market and regulatory conditions and through improved operational efficiencies.

For the twelve months ended June 30, 2015, we generated operating revenue of €675.0 million, EBITDA of €201.3 million, normalized EBITDA of €233.4 million, profit for the period (attributable to the owners of the parent) of €107.3 million and normalized profit of €117.9 million.

As illustrated in the graphic and further described below, our businesses' operations consist of the following: CartaSi (card issuing, merchant acquiring, POS management, debit card servicing, ATM management and our HelpLine customer care business units); ICBPI (payments services and securities services); and Oasi (business process outsourcing services). We also hold several minority interests in business partners that are of strategic relevance and are key service providers to our core businesses, such as the payments processor Equens SE.

GRUPPO ICBPI

Business	1 CartaSi S.p.A. — Card Issuing	CartaSi S.p.A. — Merchant Acquiring & POS	CartaSi S.p.A. — Other	2 Payments Services	3 Securities Services	4 Outsourcing (BPO Services)	5 Other[1]
Brand	CartaSi			ICBPI		Oasi	ICBPI
Product / Services Provided	• Credit, charge and prepaid card issuing • Majority of cards issued in partnership with banks • Direct issuing for large corporates	• Merchant acquiring, POS terminal rental and eCommerce solutions • Direct acquiring for large corporates	• Debit card servicing • ATM set-up and maintenance • Customer care (HelpLine)	• Banking and clearing & settlement services • Digital Corporate Banking	• Fund services • Global custody • Investment services	• Outsourcing services for AML, regulatory reporting, compliance & internal governance and ICT Security	• Group management and treasury functions including returns from AFS Portfolio
Customers[2]	• Wholesale: partner banks and corporates • Retail: 15 million cards	• Wholesale: partner banks and corporates • Retail: 687,000 merchants	• Banks operating in Italy • Retail: 11 million cards	• Customer Banks • Corporate clients • Public sector clients	• Mutual funds • Pension funds • Real estate funds • Private equity funds • Funds of funds	• Customer Banks • Insurance companies • Financial institutions • Banking service bureau	• N/A
Operating Revenue[3]: €675 million	€209 million 31%	€167 million 25%	€56 million 8%	€88 million 13%	€67 million 10%	€29 million 4%	€60 million 9%
EBITDA[3]: €201 million	€44 million 22%	€68 million 34%	€11 million 5%	€22 million 11%	€10 million 5%	€8 million 4%	€38 million 19%
EBITDA Margin[3]: 30%	21%	41%	19%	25%	16%	26%	63%

CartaSi accounts for 64% of operating revenues and 61% of EBITDA

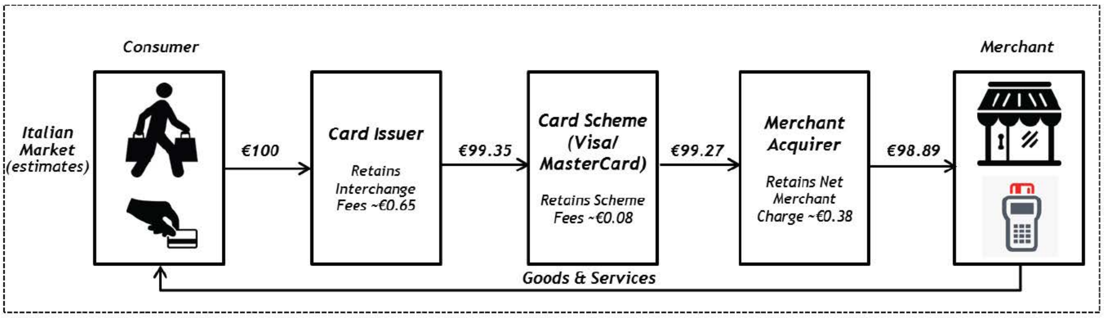
(1) Includes consolidation adjustments accounting for €(3.6) million of operating revenue and €(0.1) million of EBITDA.

(2) Numbers are approximate and represent the values as of June 30, 2015.

(3) Numbers are approximate and represent the values for the twelve months ended June 30, 2015.

CartaSi—Card Issuing, Merchant Acquiring and POS Management

CartaSi mainly includes our card issuing, merchant acquiring and POS businesses and generated €432.0 million, or 64.0%, of our operating revenue and €123.1 million, or 61.2%, of our EBITDA, in each case for the twelve months ended June 30, 2015. CartaSi undertakes card issuing, merchant acquiring and POS functions both directly with merchants and consumers under license agreements with Italian partner banks and as a back-end services provider for other Italian partner banks. CartaSi's services allow Italian partner banks to focus on their core activities and benefit from CartaSi's scale, while at the same time providing CartaSi access to such partner banks' network of merchants and cardholders. CartaSi has key bank relationships with the vast majority of banks operating in Italy, including Monte dei Paschi di Siena, UBI Banca, Banco Popolare, Cariparma, Deutsche Bank, Banca Popolare dell'Emilia Romagna, Banca Carige and Banca Popolare di Milano. The following illustrations show the card issuing and merchant acquiring payment flows for a notional transaction in Italy:



The chart above illustrates a notional payment transaction, using general market estimates. Contract terms vary.

* Illustrative hypothetical financial figures for Visa/MasterCard credit and debit cards in Italy.

Card Issuing

Our CartaSi card issuing business (the "**Card Issuing Business**") is the #1 issuer of credit, charge and prepaid cards in Italy by value of transactions, with approximately 49% market share for the year ended December 31, 2014. Founded in 1985, CartaSi played a key role in the introduction of credit cards to the Italian market. Through CartaSi, we issue credit, charge and prepaid cards to consumers, typically together with our partner banks, who serve as the main distribution channels for our Card Issuing Business. In some cases, we issue credit, charge and prepaid cards to large corporate customers without the involvement of a partner bank. While most of the payment cards issued by CartaSi are credit or charge cards, we believe there are significant opportunities to expand our already strong presence in prepaid cards in Italy.

Approximately 89% of operating revenue and approximately 70% of transaction volumes in our Card Issuing Business is generated under multi-year, automatically renewing licensing agreements in which we partner with banks that rely on us to handle their card issuing functions, benefit from our economies of scale, and use our tie-in with the international payment networks and card schemes of Visa and MasterCard. Most CartaSi payment cards issued with a partner bank under our licensing arrangements are co-branded with both the CartaSi logo and the partner bank's logo, which has resulted in high brand recognition, with 90% prompted and unprompted brand recognition of CartaSi by Italian credit card holders in a recent survey by GfK Eurisko. Under these licensing arrangements, CartaSi undertakes product development and marketing, customer care, fraud management and fee collection, whereas credit risk management, credit scoring, distribution and pricing are handled by the partner bank. When we issue payment cards through these licensing arrangements, the cardholder enters into a contract with CartaSi. Since our partner banks typically assume the ultimate credit risk for purchases by our cardholder customers, we have recourse both to our cardholder customer and our partner bank for more than 99.7% of all credit, charge and prepaid cards we manage.

The remaining approximately 11% of operating revenue and approximately 30% of transaction volumes in our Card Issuing Business that is not generated under licensing agreements is generated under servicing arrangements in which we manage credit, charge and prepaid cards on behalf of partner banks who handle product development, marketing, distribution, pricing and fee collection, but require our services for payment card administration.

For the twelve months ended June 30, 2015, no single partner bank accounted for more than 10% of our operating revenue.

In addition to traditional payment cards (which themselves include recent innovations such as contactless payments), we offer mobile solutions such as our e-wallet MySi. MySi enables customers that download the mobile application to record the details of their payment cards and make purchases using only their smartphone, without entering the authentication data relating to payment card or other personal information.

For the payment cards we manage under a licensing agreement, we generate revenue in our Card Issuing Business by collecting annual management fees, interchange fees and other fees from the cardholder and retaining a portion of these fees paid before passing the remainder on to our partner banks. Our CartaSi business units as a total capture between approximately 40% and 50% of all fees generated (net of card scheme fees) from a typical credit, charge or prepaid card. Our Card Issuing Business generated €209.2 million, or 31.0%, of our operating revenue, and €44.0 million, or 21.9%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Card Issuing*."

Merchant Acquiring and POS Management

Our CartaSi merchant acquiring business (the "**Merchant Acquiring Business**") and POS business (the "**POS Business**") are the market leaders in Italy, with approximately 65% market share of merchant acquiring volumes for the year ended December 31, 2014 and approximately 30% market share by the number of POS terminals as of December 31, 2014.

Our CartaSi Merchant Acquiring Business sets up and manages credit, charge, debit and prepaid card payment acceptance (including account activation, transaction processing, as well as fraud, dispute and HelpLine functions) for merchants. Typically, we partner with a bank in connection with the delivery of our merchant acquiring services. The partner bank introduces us to merchants through its branch networks and handles sales, distribution and retail pricing, and, in some cases, product development. Most of the merchants that utilize our merchant acquiring systems are SMEs, and we have approximately 79% market share in this attractive base of customers that is also characterized by a high degree of customer retention. In selected cases, we also provide merchant acquiring services directly to large merchants.

We also configure, activate, maintain and provide helpdesk services for POS terminals for merchants. CartaSi POS are typically distributed through partner banks and generally bundled with other merchant acquiring services. Our approximately 30% market share in the number of POS terminals makes us the market leader in the segment. We believe that our market share in POS does not match our market share in merchant acquiring primarily due to our partner banks' and merchant customers' legacy relationships with other POS terminal providers.

CartaSi's Merchant Acquiring and POS Businesses have a track record of innovation, leading the market with initiatives such as mobile point of sale, contactless enabled POS terminals and tablet and smartphone rendering. While most of the merchants using our merchant acquiring services are store-based, we also serve eCommerce merchants. As of December 31, 2014, we believe we had a market share of approximately 15% for merchant acquiring and POS services for eCommerce merchants. We believe we are the leading Italian merchant acquirer and POS provider in the rapidly growing domestic eCommerce field and the #2 company in the Italian market, which we believe provides a strong platform to capitalize on potential future growth in this market segment.

When providing our merchant acquiring services under a license agreement, we generate revenue by collecting the merchant service charge ("**MSC**") from merchants, which is typically due at the end of each month and based on the aggregate transaction value. From the gross MSC collected, CartaSi deducts and withholds CartaSi's percentage fee and transaction fee as well as the corresponding interchange fee (which is passed through to the card issuer), and remits the balance to the partner bank. In a situation in which we provide merchant acquiring services under a servicing agreement, we are paid a fee per transaction handled by the partner bank. Our POS services typically involve payment to us of a set-up fee and a monthly rental or maintenance fee, which is shared with the distributing partner bank. Our CartaSi business units as a total capture between approximately 40% and 50% of all fees generated (net of card scheme fees) from a typical credit, charge or prepaid card.

Our CartaSi Merchant Acquiring and POS Businesses together generated € 166.8 million, or 24.7%, of our operating revenue, and €68.3 million, or 34.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Merchant Acquiring and POS*."

Other CartaSi Business Units

In addition to card issuing, merchant acquiring and POS management, CartaSi generates revenue from three smaller business units: debit servicing, which includes administering Italian debit card transactions as a service for banks, ATM management, which sets up and maintains approximately 9,400 ATMs, and our HelpLine business. See "*Our Business—Our Services—Merchant Acquiring and POS—Other CartaSi Business Units*." These business units together contributed €56.1 million, or 8.3%, of our operating revenue, and €10.7 million, or 5.3%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Merchant Acquiring and POS*."

ICBPI—Payments Services

Our ICBPI payments services business (the "**Payments Business**") manages approximately one billion transactions per year. ICBPI is one of the leading providers by number of transactions processed through domestic and SEPA interbank clearing services in Italy, the #1 provider by number of transactions processed through the *Corporate Banking Interbancario* platform (the "**CBI Gateway**") and we believe that ICBPI is also a leader in the Italian e-banking market. Our Payments Business generated €87.7 million, or 13.0%, of our operating revenue, and €22.2 million, or 11.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. The Payments Business consists of two main business units: banking and clearing services and digital corporate banking. See "*Our Business—Our Services—Payments Business*."

Banking and Clearing Services

Our ICBPI banking and clearing services span the payments value chain, ranging from the supply of payment infrastructure, payments management, clearing and settlement to intermediary services. Our intermediary services include the management of interbank payments and the honoring of bills, checks, pensions and social security vouchers issued by the *Istituto Nazionale Previdenza Sociale* ("**INPS**"), Italy's national pension administrator, and letters of credit, as well as the related back office activities. Leveraging existing capabilities, we also provide customized payments and collection management services to large corporate and public sector clients such as Autostrade-Telepass, American Express and INPS.

Digital Corporate Banking

In our digital corporate banking unit, ICBPI supplies payments services to banks and large corporate clients. Our offering includes white label digital solutions allowing banks to establish their own branded corporate e-banking platform, specialized payment platforms, applications for invoice management and storage and other financial supply chain products, enabling prepaid card recharging, payment of bills, payment of postal orders and other services via the internet, mobile phones or ATMs. This business unit also provides our market leading CBI Gateway services. The CBI Gateway is an Italian payment platform that was initially designed to facilitate interbank payments and communication between corporations. Subsequently it was integrated into a payment hub also connecting public authorities and allowing for direct payment collection and delivery of supporting documentation between banks and public authorities such as the Bank of Italy. ICBPI is the #1 provider by number of transactions in CBI Gateway services.

ICBPI—Securities Services

We have a market-leading securities services business (the "**Securities Services Business**"). With a market share of approximately 33% by value of the market for depositary banks for pension funds as of December 31, 2014, our Securities Services Business is the #1 depositary bank for pension funds serving the Italian market. We are also the #3 service provider to funds incorporated in Italy and the only significant service provider incorporated in Italy in terms of assets in deposit. We have a diversified service offering across the securities services value chain, including investment services, settlement, custody, depositary bank and other fund administration services. We provide both off-the-shelf and highly customized solutions, subject to the needs of our customers, which include pension funds, mutual funds and other Italian banking and financial institutions. Our Securities Services Business generated €66.5 million, or 9.8%, of our operating revenue, and €10.3 million, or 5.1%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Securities Services Business*."

Our activities as a depositary bank for Italian pension funds, mutual funds, funds of funds, private equity and real estate funds are the primary source of our deposits which allow us to provide funding to our CartaSi Card Issuing and Merchant Acquiring Businesses. Additionally, we generate a significant part of revenue in this business unit from acting as transfer agent and performing net asset value calculations for our fund customers.

Our investment services business unit offers our customers independent financial research and consulting, institutional sales trading, brokerage and market making, with coverage of both Italy and key international markets, and equipped with sophisticated trading systems. We believe that reputation is critical in this business and that our experience and expertise have earned us our clients' trust as a valued counterparty for their transactions.

Additionally, through our Securities Services Business we engage in global custody activities, including settlement of transactions, custody and securities lending services.

Oasi—BPO Services

Our Oasi business process outsourcing services business (the "**BPO Services Business**") provides anti-money laundering and regulatory reporting services. In addition, Oasi provides consulting services with respect to compliance and internal governance and ICT security. The customers of our anti-money laundering business unit include approximately 680 financial institutions, and our regulatory reporting business serves approximately 155 financial institutions. We employ the GIANOS software for the identification of suspicious activity, KYC procedures and the assessment of customer risk profiles, and believe that our market share in anti-money laundering services is approximately 90% among banks operating in Italy as of December 31, 2014. Our service offering encompasses both Italian and European anti-money laundering rules and regulations, and our recently-introduced compliance, internal audit and ICT security business units drive growth in our BPO Services Business. Our BPO Services Business generated €28.7 million, or 4.3%, or our operating revenue, and € 7.6 million, or 3.8%, of our EBITDA, in each case, for the twelve months ended June 30, 2015. See "*Our Business—Our Services—BPO Services Business*."

Other Group Activities

Our Other Group Activities reporting segment provides several group management and treasury functions. It receives surplus liquidity generated in our Payments and Securities Services Businesses, which it utilizes to fund CartaSi's customer receivables, to make investments (primarily in Italian government bonds) and to manage the Group's overall liquidity. The Other Group Activities reporting segment generates revenue from the interest charged to CartaSi for funding CartaSi's receivables and the yield received on its investments; to the extent such revenue exceeds the transfer pricing rates payable to the Payments and Securities Services reporting segments, it retains a positive net interest margin. Our Other Group Activities reporting segment generated €63.7 million, or 9.4%, of our operating revenue, and €38.1 million, or 19.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015 and before consolidation adjustments. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*."

Competitive Strengths

Leading Market Positions Across the Italian Payments Value Chain

We have market-leading positions across the payments value chain, including:

CartaSi—Card Issuing, Merchant Acquiring and POS Management

- CartaSi's Card Issuing Business is the:
  - #1 card issuer in Italy, with approximately 49% market share, and the only card co-issuer of significant scale in Italy, with approximately 64% market share in credit cards and approximately 11% market share in debit and prepaid cards; and
  - beneficiary of 90% brand recognition and close relationships with key bank customers, with most payment cards being co-branded with the CartaSi and co-issuer bank logo.
- CartaSi's Merchant Acquiring and POS Businesses are the:
  - #1 merchant acquirer by card spending in Italy, with approximately 65% market share of merchant acquiring volume for the year ended December 31, 2014;
  - #1 in POS management, with approximately 30% market share in terms of the number of POS terminals managed as of December 31, 2014; and
  - #1 in SMEs customers, with approximately 79% market share of Visa/MasterCard transactions for the year ended December 31, 2014.

ICBPI—Payments Services

- Our ICBPI Payments Business is one of the leading providers by number of transactions of domestic and SEPA interbank clearing services in Italy and the #1 provider by number of transactions processed through the CBI Gateway.

ICBPI—Securities Services

- Market-leading securities services, including the #1 depositary bank for Italian pension funds, with approximately 33% market share by value of the market for depositary banks for pension funds as of December 31, 2014.

Oasi—BPO Services

- Our Oasi BPO Services Business (including compliance and data management) served approximately 680 financial institutions with anti-money laundering training and approximately 155 financial institutions with regulatory reporting services as of December 31, 2014. The business retained a market share in anti-money laundering services of approximately 90% among banks operating in Italy as of December 31, 2014.

Our operations in Italy make us one of the largest card issuing companies in Europe, according to The Nilson Report. Despite our market-leading positions and scale, we believe we still have significant scope to grow along with the attractive, and growing, Italian payments market in which we operate.

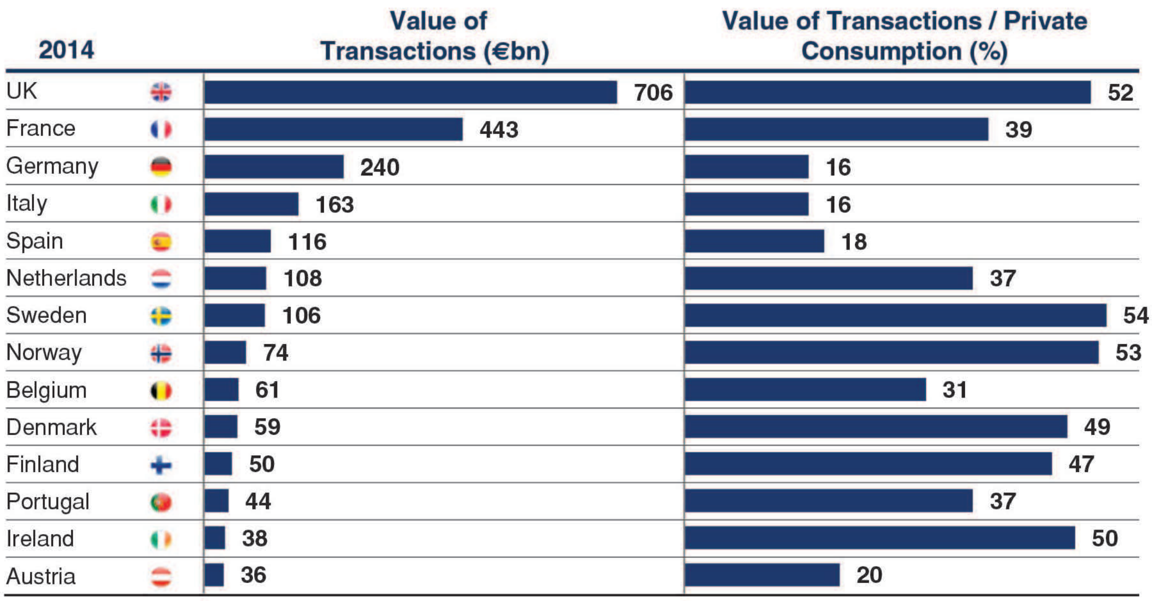
__Structurally Attractive Market Benefiting from Strong Long-Term Tailwinds__

We believe that we are well-placed as the leading Italian credit, charge and prepaid card issuer, merchant acquirer and POS manager to capitalize on favorable trends in our market, including (i) under-penetration of payment card use in the Italian market, (ii) government and regulatory emphasis on electronic payments instead of cash payments, (iii) growth opportunities in eCommerce and mobile payments and (iv) our attractive customer base.

Under-Penetration of Payment Card Use in the Italian Market

Although Italy benefits from a well-connected electronic payments infrastructure, the Italian payment card market is under-penetrated, with the rate of use of card payments in Italy less than half that of the EU average (excluding Italy) of 39% as of December 31, 2014, according to Euromonitor International. As shown in the chart below, at 16% card penetration, Italy is significantly behind the three largest EU economies in terms of payment card use.

We believe this under-penetration provides us with a significant opportunity as the market leader in Italy to grow in tandem with any potential increase in penetration of payment card and electronic payments usage to the extent Italy catches up to the EU norm. We also believe that factors such as government and regulatory policy, growth in eCommerce and mobile wallets, as well as generational shifts in preferred payment types (with younger generations more likely to use payment cards than older generations) will further support increased penetration of payment card use and electronic payments in Italy.



Source: IMF, Euromonitor International—Consumer Finance 2015.

Value of transactions includes value of payments through debit cards, prepaid cards, charge card, commercials and credit cards. ATM withdrawals not included.

Government and Regulatory Emphasis on Electronic Payments Instead of Cash Payments

Governments and regulators are increasing their focus on preventing tax avoidance, money laundering and corruption in an effort to boost tax receipts and limit the scope of the shadow economy, which is believed to be a significant feature in some parts of Italy. Because all electronic payments are recorded, generate receipts and leave an electronic footprint, governments and regulators have implemented policies which promote card payments and other account-based electronic payments in lieu of cash payments. For example, Italian Prime Minister Matteo Renzi's government made the option of card payment mandatory for all purchases greater than €30 and has introduced legislation which, if implemented, will provide tax breaks for consumers on payment card purchases and for merchants on payment systems upgrades (such as buying or upgrading POS terminals), tax cash deposits greater than €200 per day and mandate the use of e-invoicing for certain sectors such as retailers, grocery stores, vending machines and the self-employed. In 2012, the Italian government also placed a cap of € 999.99 on cash transactions, although Prime Minister Renzi has recently announced that he will propose to raise this cap to €3,000. We have also benefited from banking regulatory policies, which we believe incentivize banks to outsource non-core businesses, such as merchant acquiring, POS and card issuing, to companies such as us, which benefit from greater economies of scale.

Growth Opportunities in eCommerce and Mobile Payments

We believe we are the leading Italian merchant acquirer and POS provider in the rapidly growing domestic eCommerce field which we believe provides a strong platform to capitalize on potential future growth in this market segment. We believe that penetration of payment card and electronic payment use in Italy will come not only through traditional payment cards, but also through eCommerce and mobile payment solutions. We believe we are known as an innovation leader in Italy, having introduced contactless payments, our e-wallet MySi, cloud-based electronic payments (i.e., host card emulation), integrated POS solutions and omni-channel payment solutions (that is, payment by mobile phone or tablet, online or in a store) in recent years and having positioned ourselves to continue to grow as these trends develop.

In part due to the factors of growth in card penetration, generational shifts, government regulation and increased mobile and eCommerce spend, payment card transaction value in Italy has grown significantly, and is expected to continue to grow, driving value in our Merchant Acquiring, POS and Card Issuing Businesses. Payment card transaction value has grown at a compound annual growth rate in card spending (excluding commercial cards) of 9.0% since 2000, significantly outpacing the underlying nominal GDP growth rate, which has grown at a compound annual growth rate of 1.9% over the period, according to Euromonitor International.

Our Attractive Customer Base

We also benefit from an attractive customer base skewed toward SME merchants in our Merchant Acquiring and POS Businesses. We believe SME merchants are high-value customers and are attractive due their high rate of retention. Smaller merchants are also more likely to require additional services, which we are able to offer on a cost-effective basis given our scale. We are well-positioned as the key partner of virtually all of Italy's local community banks (who serve as a key distribution channel for our Merchant Acquiring and POS Businesses) to access the highly fragmented SME segment in Italy.

Long-Term Contracts and Strong Customer Relationships

Our leading market positions, scale, diversity of services and attractive customer base historically have resulted in stable, diversified revenue streams. The following graphic illustrates the stability and diversity of our revenues through our long-term contractual relationships and high rate of customer retention:

Ranking[(1)]	Relationship in years	Managed cards for customer	
		Total	as % of all managed cards
Customer # 1	> 15 years	1,370,837	5.4%
Customer # 2	> 15 years	1,102,596	4.3%
Customer # 3	> 15 years	998,223	3.9%
Customer # 4	> 15 years	918,141	3.6%
Customer # 5	> 15 years	836,116	3.3%
Customer # 6	> 15 years	778,394	3.0%
Customer # 7	> 15 years	720,916	2.8%
Customer # 8	> 15 years	460,007	1.8%
Customer # 9	> 15 years	405,866	1.6%
Customer # 10	> 15 years	347,470	1.4%

(1) The table above shows our top ten customers by contribution to operating revenue, ordered by the number of cards managed for each of these customers. Includes credit, charge and prepaid cards.

The majority of the revenues generated by CartaSi are generated through our long-term relationships with partner banks, some of which date back to the formation of ICBPI in 1939. The licensing arrangements we have with partner banks in our Card Issuing and Merchant Acquiring Businesses renew automatically, and we believe that partner banks may prefer to maintain their relationships with us so as to avoid inconvenience and service interruption for their and our cardholder and merchant customers that would result from a switch of suppliers. Our long-term relationships with these partner banks allow us to use their branch networks and customer relationships as our distribution network, in order to attract cardholder customers for our Card Issuing Business and merchant customers for our Merchant Acquiring Business. In our experience, our merchant acquiring and POS customer base of predominantly SMEs tends to switch payments providers less often than larger customers. For the twelve months ended June 30, 2015, no single partner bank accounted for more than 10% of our operating revenue.

In addition, we believe we face limited risk of banks in-sourcing the card issuing, merchant acquiring or POS services that we provide. In our Merchant Acquiring and POS Businesses, we believe that our partner banks would find that insourcing these non-core banking services would be less cost-effective than partnering with us, due to the economies of scale from which CartaSi benefits, and regulatory pressure on these partner banks to focus on their core banking businesses. In the Card Issuing Business, issuing and processing require specialized knowledge, a large scale and a clear strategic rationale, including incurring the cost of participating in Visa and MasterCard card licensing schemes, and we believe that no company in Italy matches CartaSi's strengths in these areas. Based on the current level of interchange fees, we estimate that a bank would need a portfolio of at least one million credit or charge cards to make insourcing of our card issuing services commercially viable. Even where partner banks have a strategic rationale to insource their card issuing or merchant acquiring functions, we believe our scale would incentivize them to continue under a servicing agreement with us, rather than to insource all functions. Given that our bank customers span the range of the Italian banking industry, many of our bank customers are significantly smaller than this threshold, and we believe past attempts by certain banks to insource such functions are likely to deter followers because even banks of significant scale have faced difficulties. As such, we believe that the risk of insourcing is limited, even if some degree of consolidation among our partner banks occurs. In addition, if our partner banks were to insource their acquiring functions, they would need to implement extensive changes to their acquiring systems, which might result in significant disruption to their customers. We believe that because of the close relationships required with local banks and their branch networks for success in the Italian market, non-Italian merchant acquirers historically have struggled to gain market share, and no international merchant acquirers have a material presence in Italy. In connection with the Acquisition, our current shareholder banks, which accounted for approximately 50% of our operating revenue for the year ended December 31, 2014, in their capacity as our partner banks and bank customers, have agreed to extend the terms of their contracts with us until five years after consummation of the Transactions, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years, and to maintain their level of business with us for a certain period of time. See "*Our Business—Our Customers*."

Based on our experience, we believe that our Payments Business is generally characterized by what we believe are strong and long-term customer relationships. Revenue in our Securities Services Business has generally been stable. We also expect to continue to benefit from a back-stop of vendor covenants entered into in connection with past acquisitions. Pursuant to these covenants, the vendors from which we acquired certain components of our Securities Services Business have guaranteed stable revenues under our main depositary bank agreements for certain time periods, in some cases for as long as ten years.

We believe that the stability of our revenues is also a result of the regulated nature of our business, which limits the entrance of new competitors. In line with our scale, we believe we have developed strong relationships with regulatory bodies, including the Bank of Italy and the European Central Bank, which has helped our business to thrive in a changing regulatory environment that emphasizes a shift away from cash-based payments. Each of our businesses is difficult to replicate or replace. We also believe that regulatory activity will drive volume growth, particularly for our Merchant Acquiring and POS Businesses from forthcoming interchange fee regulation, which will limit the interchange fees payable by our Merchant Acquiring Business. In other jurisdictions in which similar legislation has been enacted, merchant acquiring and POS businesses have benefited.

Infrastructure-Like Asset Critical to Italian Payment Flows

Our scale, client base of cardholders, merchants, banks, funds and other financial institutions and long-term relationships with partner banks make us a key pillar in the Italian financial system. We serve the entire banking market across our businesses and we estimate that more than 75% of the total consumer card spending in Italy for the year ended December 31, 2014 flowed through some aspect of our business. Our businesses combine market-leading service, brand recognition, product design, payment card portfolio management and a scalable, versatile ICT infrastructure with specialized knowledge, an understanding of Italian consumer behavior and preferences and marketing networks on a nationwide scale which distinguish us from our competitors. In each case, we believe that these advantages have contributed to our reputation for reliability as a trustworthy partner in the Italian financial system. We believe our scale and long-term, mutually beneficial relationships with banks throughout the Italian banking sector make us a difficult-to-replace component of Italian payment flows, reinforcing our market leading positions and customer relationships and setting the foundations for our strong financial model of long-term growth.

Attractive Financial Model with Long-Term Revenue Growth and Strong Profitability

We have consistently demonstrated the stability and profitability of our business, with like-for-like operating revenue and like-for-like EBITDA growing at compound annual growth rates of 2.8% and 4.6%, respectively, between the year ended December 31, 2012 and the twelve months ended June 30, 2015. See "*Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*."

Our revenue sources are also diversified, with our Merchant Acquiring and POS Businesses benefiting from a highly fragmented and diversified mix of merchants, skewed toward high-value SMEs. Our Card Issuing, Merchant Acquiring, POS and Payments Businesses serve virtually the entire Italian banking system, with our top ten partner banks accounting for 47% of our operating revenue for the twelve months ended June 30, 2015. With a stock of approximately 15 million credit, charge and prepaid cards as of December 31, 2014, we also have a highly diversified cardholder customer base. We are also diversified in terms of services provided, with our largest business unit representing 31% of our operating revenue for the twelve months ended June 30, 2015.

Our business is profitable, having generated €107.3 million of profit for the period (attributable to the owners of the parent) for the twelve months ended June 30, 2015. This income generation provides us with the financial strength to grow our business while still maintaining a CET1 capital ratio (15.16% as of June 30, 2015 and a Pro Forma CET1 Capital Ratio of 21.49%) ahead of other leading Italian financial institutions. For example, according to public filings, Intesa San Paolo's CET1 capital ratio was 13.4% and UniCredit's CET1 capital ratio was 10.5%, in each case as of June 30, 2015. This robust profit generation is coupled with strong cash flow generation in the underlying operating companies, which benefit from an outsourced ICT processing model with limited capital expenditure requirements. Moreover, we believe that efficiency benefits due to the existing scale of our CartaSi business units allow us to capture greater value from the future growth of our business compared to our competitors. We believe there are significant opportunities to improve our profitability through revenue growth by taking advantage of favorable market and regulatory conditions and through improved operational efficiencies. See "*—Our Strategies—Increase Operational Efficiency.*"

We expect the factors described above, including our market leading positions, attractive markets and long-term contracts and what we believe are strong customer relationships, to continue to drive the profitability of our business under the leadership of our management team and future shareholders.

Experienced Management Team with Strong Support from Sponsors Highly Experienced in the Payments Sector

ICBPI is led by its chairman Giovanni De Censi and managing director and general manager Giuseppe Capponcelli, who have more than 50 collective years of management experience in the Italian financial sector. Mr. De Censi has extensive experience in the banking sector and has been the Chairman of ICBPI since 1995, driving our expansion as Italy's leading diversified payments banking group. Mr. Capponcelli has a strong background and several years of experience in financial services and information technology and he played a key role in the development of the financial infrastructure for Italian payment systems. During his tenure at ICBPI, Mr. Capponcelli successfully implemented both revenue growth and cost-cutting initiatives, while continuously working to improve customer service. Mr. Capponcelli has been a member of the supervisory board of Equens SE since January 1, 2012 and a member of the Visa Europe Board since May 1, 2015.

In addition, we expect to benefit from the market expertise, business relationships, knowledge and experience of our future shareholders, Advent, Bain Capital and Clessidra. Advent and Bain Capital are among the pre-eminent global investors in the payments industry. In 2010, Advent and Bain Capital jointly invested in Worldpay, an international payments processor. In 2014, Advent and Bain Capital made another joint investment in Nets, a Scandinavian payments processor and, in 2009, Advent invested in Vantiv, a public, U.S.-based payment processing and technology provider.

Worldpay, Nets and Vantiv all experienced significant improvement in their operating performance under the ownership of our Sponsors, who have created a track record of significant revenue and profitability growth and success in driving operational efficiencies in the payments industry. Under the ownership of Advent and Bain Capital, Worldpay has grown its net revenue from £717 million in the year ended December 31, 2012 to £919 million in the twelve months ended June 30, 2015 (representing a compound annual growth rate of 10.4%) and has increased its underlying EBITDA from £305 million in the year ended December 31, 2012 to £396 million in the twelve months ended June 30, 2015 (representing a compound annual growth rate of 11.1%). Building on their experience with Worldpay, Advent and Bain Capital are implementing a similar strategy and best practices at Nets as at Worldpay and are seeing excellent results in growing Nets's business and increasing its profitability.

Our sponsor consortium also benefits from extensive market presence and experience in the Italian market and regulatory environment, as evidenced by recent investments in companies such as Cerved and Anima.

Our Strategies

We have developed the following strategies together with our future shareholders to maintain and expand our market-leading positions, grow and make our businesses more profitable, and exploit market opportunities:

Continue to Enhance Market-Leading Positions and Capture Additional Value

We intend to continue to enhance our market leading positions across the payments value chain, including CartaSi's position as the #1 merchant acquiring and POS and #1 card issuing business in Italy, by improving our sales team, further developing our product offering and widening our distribution model in our Payments Business. For CartaSi's Card Issuing and Merchant Acquiring Businesses, we intend to enhance CartaSi's sales team and improve our already strong ties with our bank customers by introducing dedicated bank relationship managers. We also intend to optimize our sales and demand management strategies to make our sales efforts more focused and effective, as well as to strengthen card issuing loyalty schemes and customer relationships across our Card Issuing, Merchant Acquiring and POS Businesses in an effort to increase our customer retention and acquisition rates. We believe we are known as an innovation leader in the Italian payments industry, and we intend to maintain and grow that track record by further developing our product offering in digital products, international debit cards and enhanced eCommerce capabilities, and by providing a more integrated product offering across our Card Issuing, Merchant Acquiring, and POS Businesses. As part of our effort to grow our Payments Business, we plan to improve our customer service with dedicated client services and innovative solutions teams for our payments services customers. We also aim to widen the distribution model in our Payments Business into adjacent channels, such as receivables management, supply chain services (such as invoicing) and multichannel payments options for corporate banking, and to expand our payments services product portfolio to capitalize on regulatory and other market changes, such as instant payments.

Increase Payment Card Usage by Cardholders and Card Penetration for CartaSi

We believe the Italian electronic payments market, when compared to other markets in Europe, exhibits a relatively well-developed payment infrastructure but a low penetration of card payments compared to cash payments, with the rate of payment card use in Italy less than half that of the EU average (excluding Italy) of 39% as of December 31, 2014, according to Euromonitor International and with use in Italy significantly below that of the three largest EU economies. We believe there is an opportunity to grow our business as the Italian market continues to converge toward the EU norm. To capitalize on and further this opportunity, we plan to incentivize increased payment card usage through the increased use of bonus and loyalty programs, such as our cash-back program SmartSi and our loyalty program IoSi. We also intend to engage to a greater degree with our partner banks with the aim of improving the effectiveness of marketing to cardholders through joint marketing and coordination efforts. We also plan to enhance the value proposition inherent in using payment cards as a form of payment more frequently by incentivizing payment card usage through tailored tiers of credit cards with staged levels of fees and benefits. We believe that in conjunction with these efforts, we will continue to benefit from government and regulatory initiatives to increase the rate of use of payment cards and electronic payments in lieu of cash payments.

Continue to Lead in Payments Technology and Product Innovation in Italy, Including New Commercialization and Cross-Selling Initiatives

As an integrated component of the Italian payments services market, we recognize that a market-leading product portfolio is critical to our long-term success and will drive our future growth. We also recognize the value of our track record as a market leader in innovation. As such, we intend not only to enhance our core products to adapt to customers' changing needs, but also to identify and commercialize innovative new products in anticipation of emerging needs and market trends. To stay on the leading edge of product development, we intend to upgrade our eCommerce offering by entering into partnerships with eCommerce platforms, with the aim of further expanding our market position in that growing market. We also intend to further invest in contactless payments, integrated POS solutions and omni-channel payment solutions, e.g., payment by mobile phone or tablet, online or in a store. Given that we receive a significant amount of bulk data about purchases and use trends, we intend to better analyze and use that data in driving value for our cardholder, merchant and bank customers. We may also in the future explore areas outside our current business model, including insurance products cross-selling and opportunities outside of Italy.

Grow our Payments, Securities Services and BPO Services Businesses

We intend to leverage our market-leading positions in Italy to grow our Payments, Securities Services and BPO Services Businesses. In our Payments Business, we believe we can capture additional market share as our bank customers migrate to pan-European clearing services. We also plan to expand our Payments Business into adjacent channels such as receivables management, invoicing and other supply chain services and multichannel payments options for corporate banking. In addition, we intend to develop a new platform for real-time payments and a B2B online marketplace. In our Securities Services Business, our strategy is to develop correspondent bank services, proactively market our capabilities in anticipation of positive potential regulatory changes and develop and diversify our global custody and investment services offering. We also believe there are significant opportunities for cross-selling, including leveraging our strength in fraud detection and outsourcing services with our CartaSi customers. In addition, we intend to expand the scope of our BPO Services Business by offering an enhanced portfolio of payment data analytics and bundling our business process outsourcing services with our payments services to provide a full-service payments management hub.

Increase Operational Efficiency

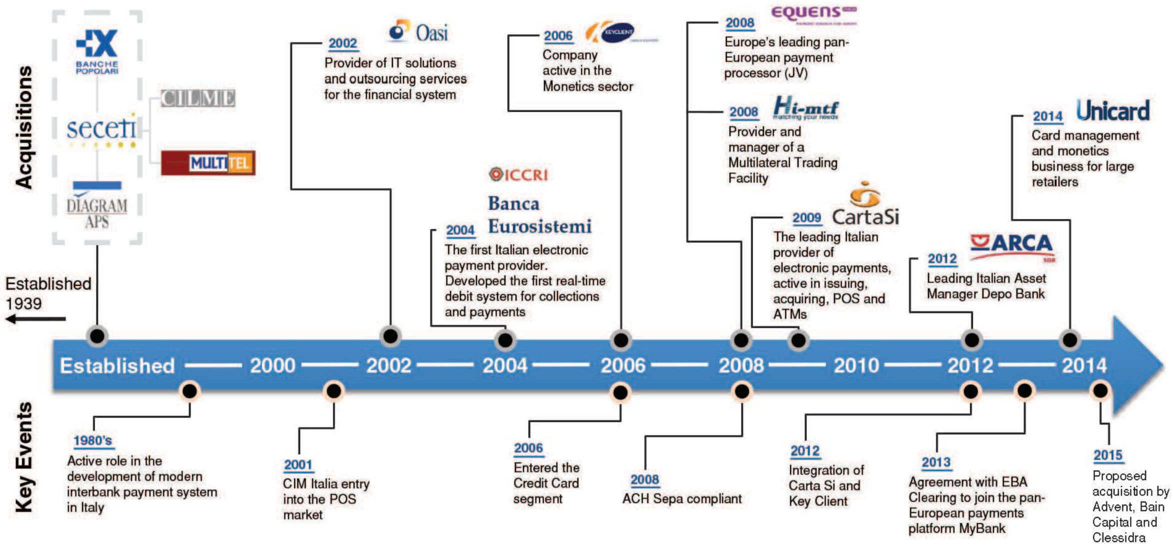
We believe that we have significant potential to enhance our already strong bottom line performance and strengthen our business over the long term by improving our operational efficiency. Our future shareholders have an extensive track record of driving efficiency in their other investments in the payments industry, including Nets, Vantiv and Worldpay, providing us with an opportunity to implement their established best practices to significantly improve our operational efficiency. As a result, we believe that there are significant opportunities to continue to improve our operational efficiency across our businesses. For example, we believe that we can reduce our ICT costs and non-ICT procurement and other expenses. We believe we can realize potential ICT cost savings through improved demand management, termination of lossmaking projects and other initiatives, as well as achieve a reduction in the costs of our processing contracts and other outsourced relationships. We expect non-ICT procurement expenses can be reduced through enhanced category management, standardized negotiation procedures, procurement pipeline and vendor database management. We also expect to realize other cost savings by achieving efficiencies throughout our businesses. See "*Summary Historical Financial and Other Information—Other Financial and Operating Information."* To the extent we generate cost savings from these initiatives, we plan to refocus investment in product development and ICT systems to further drive improvements in operational efficiency. Our future shareholders estimate that the total annualized run-rate benefit to EBITDA from these operational efficiencies which are expected to be realized within two-to-three years following the Acquisition, will be approximately €31.2 million, net of expenses associated with achievement. These estimated operational efficiencies are based on our future shareholders' experience with previous investments in the industry, as well as industry benchmarking, advice from industry experts and management consultants retained in connection with the Acquisition. There can be no assurance that we will realize all or any of these potential operational efficiencies. See "*Forward-Looking Statements*."

Explore Selective Acquisitions of Synergistic and High Growth Businesses

We believe ICBPI provides a strong platform due to our scale advantage and integrated business model, thereby offering significant potential for synergies with other payments services businesses. We have a long and successful track record in integrating businesses and achieving synergies. Given our future shareholders' extensive industry experience and significant organizational capabilities, we also expect to benefit from their expertise in complementary and value-accretive businesses. We intend to selectively evaluate and potentially acquire high growth companies with synergistic technologies, customer relationships and product offerings as appropriate opportunities arise.

History

ICBPI was founded in 1939 by six Italian cooperative, or *popolari*, banks as a joint undertaking to provide essential banking infrastructure to the entire network of Italy's *popolari* banks. In keeping with this objective, we gradually expanded our service offering over the course of the following decades. In addition, we broadened our shareholder base to include other types of banks. Driven by emerging outsourcing trends and growing economies of scale, we grew our service offering both organically and through a series of synergistic acquisitions. We strengthened our Payments Business and debit card activities through the add-on acquisition of a similar business from *Banca Popolare di Lodi* which widened our network of partner banks to include the *Casse di Risparmio* banks. The subsequent acquisitions of KeyClient in 2006 and CartaSi in 2009 solidified our position in the Italian payment card issuing and merchant acquiring industries. In 2010, we devised a strategy to expand our service offering through the inception of our Securities Services Business, which was realized through the acquisition of Centrosim (a company engaged in investment services) and a portfolio of depositary bank activities. Most recently, we acquired two additional card issuing businesses called C-Card and Unicard, which merged with CartaSi in December 2014 and August 2015, respectively. The following graphic shows the key acquisitions that we have made in the development of our business.



Recent Developments

Recent Trading

Our estimated EBITDA and operating revenue for the two months ended August 31, 2015 increased compared to our EBITDA and operating revenues for the two months ended August 31, 2014. Our estimated operating revenue increased by approximately €3.5 million, or 3.0%, to approximately €119.6 million for the two months ended August 31, 2015 from €116.1 million for the two months ended August 31, 2014. Our estimated EBITDA increased by approximately €2.9 million, or 7.1%, to approximately €43.1 million for the two months ended August 31, 2015 from €40.2 million for the two months ended August 31, 2014. Our estimated consolidated profit attributable to the owners of the parent increased by €2.1 million, or 11.0%, to € 21.7 million for the two months ended August 31, 2015 from €19.5 million for the two months ended ended August 31, 2014. These increases were primarily achieved as a result of a higher contribution, both to operating revenue and EBITDA, of our CartaSi, Securities Services and BPO Services reporting segments. Contribution of our Payments reporting segment to EBITDA increased despite a decrease in operating revenue due to lower net interest income (which is an expense for our Payments reporting segment). The increase in our business activities was partly offset by lower operating revenue and EBITDA generated from our Other Group Activities reporting segment, in line with our results for the six months ended June 30, 2015. CartaSi's contribution to operating revenue and EBITDA was positively affected by non-recurring income of €3.8 million relating to our transfer to Unicredit of merchant acquiring contracts with Unicredit customers; these contracts generated a monthly average of approximately €0.4 million in operating revenue for the twelve months ended June 30, 2015. Excluding the contribution of this non-recurring income, the estimated contribution to operating revenue and EBITDA of our CartaSi reporting segment for the two months ended August 31, 2015 increased compared to the two months ended August 31, 2014, whereas our estimated Group revenue and EBITDA for the two months ended August 31, 2015 was in line with our performance for the two months ended August 31, 2014.

The preliminary financial results presented above are derived from our accounting records and internal management accounts and have not been prepared on the same basis as our Financial Statements. For a description of "EBITDA" and "operating revenue," see "Presentation of Financial and Other Information—Non-IFRS Financial Information," and for *a description of how our management accounts differ from our Financial Statements, see "Summary Historical Financial and Other Information—Summary Management Accounts Information." This information has not been audited, reviewed or compiled, nor have any procedures been performed by our independent auditors with respect thereto. Accordingly, you should not place undue reliance on it, and no opinion or any other form of assurance is provided with respect thereto. Our preliminary financial results are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and are not intended to be a comprehensive statement of our financial or operational results for the two months ended August 31, 2015. We have not yet prepared consolidated financial statements for the nine months ended September 30, 2015. Accordingly, the preliminary financial results presented above are subject to the completion of our results for the nine months ended September 30, 2015, may change and those changes may be material. See "Risk Factors" and "Forward-Looking Statements."*

Acquisition of Visa Europe by Visa Inc.

On November 2, 2015, Visa Inc. announced that it had entered into a transaction agreement with Visa Europe Limited ("**Visa Europe**"), of which CartaSi is a shareholder, pursuant to which Visa Inc. agreed to acquire 100% of the share capital of Visa Europe for a total consideration of up to €21.2 billion. Under the terms disclosed, Visa Inc. will pay up-front consideration of (i) €11.5 billion in cash and (ii) preferred stock convertible into Visa Inc. class A common stock valued at approximately €5.0 billion as of the date of announcement (net of contingent liabilities of Visa Europe). Four years after closing of this transaction, Visa Inc. will pay contingent consideration of up to €4.7 billion (including €0.7 million of interest), subject to the achievement of certain net revenue levels. Visa Inc.'s announcement stated that the transaction is expected to close by the end of June 2016. Closing of the transaction is subject to certain closing conditions, including regulatory approval. Because CartaSi is a shareholder of Visa Europe, we expect to participate in the sale proceeds and for CartaSi to receive a certain amount of each type of consideration paid in connection with the transaction, based on negotiations with Visa Inc. and certain other factors. We expect to carry on business with Visa Europe and, following the transaction, Visa Inc., in the ordinary course.

Following the transaction, the selling banks under the Acquisition Agreement will be entitled to an earnout payment from the proceeds of the sale of Visa Europe equivalent to (i) if proceeds of €400.0 million or less are received by CartaSi, 80% of the proceeds or (ii) if more than €400.0 million of proceeds are received by CartaSi, €320.0 million, plus amounts in excess of €400.0 million. Under either scenario, each selling bank will be entitled to receive proceeds based on its pro rata shares in ICBPI sold pursuant to the Acquisition Agreement and the percentage of shares owned by ICBPI in CartaSi at the time such proceeds are received. See "*The Transactions*" and "*Description of the Notes—Specified Defaults—Restricted Payments*."

The foregoing summary does not purport to be complete, is based on public statements and filings, and has not been independently verified by us or any independent sources. We cannot assure you that the sale of Visa Europe will be completed by the time specified above or at all. See "Forward Looking Statements" and "*Our Business—Material Contracts—CartaSi Relationship with Visa Europe*."

Equens Worldline combination

Equens SE, in which we hold a 20% equity interest and to which we outsource certain payment processing and other ICT activities mainly related to payment cards and payments, and Worldline, a European leader in payment and transaction services, announced on November 3, 2015, that they have signed a memorandum of understanding to combine their businesses. Pursuant to the combination, which is expected to close during the second quarter of 2016, and which is subject to certain closing conditions (including regulatory approval), Worldline will own 63.6% of the combined business, and the current shareholders of Equens SE will own 36.4% of the combined business. As a result of this exchange ratio and the impact of the renegotiation of ICBPI's contract with Equens, ICBPI will own 5.8% of the combined business. ICBPI has granted its consent to the combination in connection with the recent renegotiation of its contracts with Equens SE and expects to carry on business with Equens SE and, following the combination, the combined business, in the ordinary course.

The foregoing summary does not purport to be complete, is based on public statements and filings, and has not been independently verified by us or any independent sources. We cannot assure you that the Equens Worldline combination will be completed by the time specified above or at all. See "Forward Looking Statements," "*Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*" and "*Our Business—Our Minority Interests*."

CartaSi Management Change

Laura Cioli, who had held the position of chief executive officer of CartaSi since 2013, has informed us of her resignation, which took effect on October 29, 2015. Following Ms. Cioli's resignation, Giuseppe Capponcelli, the chief executive officer of ICBPI, was appointed as the new chief executive officer of CartaSi. See "*Risk Factors—Risks Related to Our Business—We may not be able to attract, integrate, manage, and retain qualified personnel or key employees.*"

The Issuer

The Issuer, Mercury Bondco plc, was incorporated in Jersey on June 18, 2015. It is a public limited company, incorporated and established under the laws of Jersey, registered under number 118800 and having its registered office at 47 Esplanade, St Helier, JE1 0BD Jersey. The Issuer has an authorized share capital of €10,000 divided into 10,000 ordinary shares with a par value of €1.00 each. The Issuer's immediate shareholders are the Sponsors' NewCos which are controlled by the Sponsors. See "*Management*" and "*Principal Shareholders.*"

Our Principal Shareholders

Advent International

Founded in 1984, Advent International is one of the largest and most experienced global private equity investors. The firm has invested in more than 300 private equity transactions in 40 countries and as of March 31, 2015, had $32 billion in assets under management. With offices on four continents, Advent has established a globally integrated team of over 180 investment professionals across North America, Europe, Latin America and Asia. The firm focuses on investments in five core sectors, including business and financial services; healthcare; industrial; retail, consumer and leisure; and technology, media and telecom. Advent's investment track record in the business and financial services industry includes over 60 transactions, such as TransUnion, Invercap Holdings, Alianza Fiduciaria, Nets and Hypo Alpe Adria. The firm operates from 13 offices in twelve countries, with affiliates in additional countries and employs over 180 investment professionals.

Bain Capital

Bain Capital, LLC is a leading global private investment firm, which advises and manages capital across several asset classes, including private equity, venture capital, public equity and leveraged debt assets. Since its inception in 1984, Bain Capital, LLC and its affiliates have completed over 450 transactions across a broad range of industries including Industrials, Financial and Business Services, Consumer & Retail, Technology, Media & Telecommunications and Healthcare. The firm has a strong track record of investments in the European financial and business services industry, including its investments in Cerved Group, Nets and Worldpay, as well as a number of market leading companies globally such as Bellsystem24, Burger King, Burlington Coat Factory, Domino's Pizza, HCA, IMCD, Novacap, Samsonite, Securitas Direct and SigmaKalon. Headquartered in Boston, Bain Capital, LLC and its affiliates have offices in New York, Chicago, Palo Alto, London, Luxembourg, Munich, Hong Kong, Mumbai, Shanghai, Tokyo and Melbourne.

Clessidra

Clessidra SGR S.p.A. is the leading private equity firm exclusively dedicated to the Italian market. It was formed in 2003 and has completed 20 transactions in its first twelve years of operation, each involving targets headquartered in Italy such as Anima, Cerved Group, Pirelli, Giochi Preziosi, Moby, Sisal and Balconi. Leveraging the significant professional experience of its partners in the field of private equity and complex financial transactions, Clessidra SGR S.p.A. has demonstrated a strong ability to identify, execute and create value for its investments.

Rollover Shareholders

Certain selling banks under the Acquisition Agreement are expected to remain invested in our business by maintaining a small holding of the shares of the Target. BidCo has agreed to acquire an aggregate of 89.0% of the Target's share capital, with the selling banks under the Acquisition Agreement maintaining an aggregate holding of up to 8.4% of the shares of the Target, while up to 2.1% of the shares in the Target are expected to be held by non-selling minority shareholders (disregarding treasury shares). 0.5% of the Target's share capital are currently held in treasury.

In connection with the Acquisition, our current shareholder banks, which accounted for approximately 50% of our operating revenue for the year ended December 31, 2014, in their capacity as our partner banks and bank customers, have agreed to extend the terms of their key contracts with us for up to five years after consummation of the Transactions, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years, and to maintain their level of business with us for a certain period of time. See "*Our Business—Our Customers*."

The Transactions

The Acquisition

On June 19, 2015, BidCo, an entity indirectly owned by the Sponsors, entered into an agreement relating to the sale and purchase of the Target (the "**Acquisition Agreement**"), to acquire, directly or indirectly, 85.3% of the Target's share capital from the sellers. Subsequently, BidCo entered negotiations both with certain sellers under the Acquisition Agreement and certain of the Target's other minority shareholders in respect of the acquisition of additional shares in the Target. On October 15, 2015, BidCo entered into an agreement to acquire an additional 3.7% of the Target's share capital from other minority shareholders. As a result, BidCo has agreed to acquire an aggregate of 89.0% of the Target's share capital, with the selling banks under the Acquisition Agreement maintaining an aggregate holding of up to 8.4% of the shares of the Target, while up to 2.1% of the shares in the Target are expected to be held by non-selling minority shareholders. 0.5% of the Target's share capital are currently held in treasury. BidCo expects to purchase additional shares in the Target over the near term in order to increase its total shareholding to up to 91.1% of the Target's share capital.

The consummation of the Acquisition is subject to the satisfaction of certain conditions, including regulatory approval of the Acquisition by the European Commission, the Bank of Italy, the European Central Bank and De Nederlandsche Bank. See "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to significant uncertainties and risks*." The Acquisition Agreement will terminate in accordance with its terms if the conditions precedent to completion have not been fulfilled by December 31, 2015, unless amended by the parties thereto in accordance with its terms.

The purchase price for the Acquisition is expected to be approximately €1,923.0 million, including deferred consideration in the amount of €89.0 million. Pursuant to the Acquisition Agreement, the amount of deferred consideration will become due and payable to the sellers on the earlier of May 31, 2016 and five business days after the date the Target distributes a dividend, if any, in respect of the year ended December 31, 2015 to its shareholders. Additionally, the sellers are entitled to an earnout payment in the event of a future sale, transfer, distribution of dividends or liquidation proceeds, reimbursement of capital and/or similar transactions (subject to certain exceptions) with respect to the Target Group's interest in Visa Europe Limited. On November 2, 2015, Visa Inc. announced that it had entered into a transaction agreement with Visa Europe, of which CartaSi is a shareholder, pursuant to which Visa Inc. agreed to acquire 100% of the share capital of Visa Europe for a total consideration of up to €21.2 billion. Such announcement stated that Visa Inc. expects the acquisition to close by the end of June 2016. We expect that the earnout under the Acquisition Agreement will be triggered by the announced acquisition of Visa Europe by Visa Inc.

The purchasers and the sellers have agreed that, as a condition to closing, the commercial agreements between the selling banks (and their affiliates) and the Target (and its affiliates) will be modified in certain ways. The term of the agreements will be extended until five years after consummation of the Transactions, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years. In addition, the selling banks will continue to purchase from the Target Group an equal or higher value of products and services than that purchased in 2014 during the term of the agreements. The purchasers and the selling banks have also agreed that, within six months after consummation of the Transactions, the relevant commercial agreements between the purchasers and the selling banks will be renegotiated in good faith in accordance with certain guidelines. For a breakdown of our operating revenue by customer group (including the selling banks under the Acquisition Agreement), see "*Our Business—Our Customers*."

The Issuer is indirectly owned by the Sponsors. The Acquisition Vehicles were formed to facilitate the Transactions.

The Financing

We expect to finance the Acquisition as follows upon consummation of the Acquisition:

- the Issuer will on-lend the proceeds from the Offering of the Notes in an aggregate principal amount of €1,100.0 million to the Sponsors' HoldCos via multiple intercompany loans (the "**Proceeds Loans**"); and

- the Sponsors' HoldCos, in turn, will then contribute the proceeds received under the Proceeds Loans (less a certain amount held at the Sponsors' HoldCos for purposes of paying deferred consideration and the first interest payment in respect of the Notes), together with the € 933.4 million in proceeds of the equity contributions received from the Sponsors' NewCos, to HoldCo's equity. HoldCo, in turn, will contribute such proceeds to BidCo's equity (the "**Equity Contribution**").

The proceeds from the financing described above (including amounts held at Sponsor HoldCos) will be used to:

- fund the consideration payable for at least 89.0% of the Target's share capital (disregarding treasury shares) including a certain amount of deferred consideration;

- to reserve €49.4 million in respect of the first interest payment on the Notes; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the Offering.

Pending the consummation of the Acquisition, an amount equal to the gross proceeds of the Offering will be deposited into a segregated Escrow Account in the name of the Issuer but controlled by the Escrow Agent, and pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions, including the completion of the Acquisition. Consummation of the Acquisition is subject to certain conditions, including regulatory approvals. If the Acquisition is not consummated on or prior to March 31, 2016, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to the aggregate issue price of the respective Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. In the event that the special mandatory redemption price payable upon such special mandatory redemption exceeds the amount of the escrowed property, each of the Sponsors will be required to make an equity contribution to their respective Sponsors' HoldCo for further payment to the Issuer in an amount required to enable the Issuer to pay the accrued and unpaid interest, plus additional amounts, if any, owing to the holders of the Notes, pursuant to one or more agreements between each of Advent, Bain and Clessidra and the Trustee. See "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

We refer to the Acquisition and the Financing together as the "**Transactions**." See "*Use of Proceeds*," "*Capitalization*," "*Description of the Notes*." Purchases of shares in the Target or CartaSi from minority shareholders, the interest expense for the Notes.

Sources and Uses of the Transactions

The expected estimated sources and uses of the funds necessary to consummate the Transactions (including the Acquisition) are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including certain adjustments to the purchase price of the Acquisition, purchases of shares in the Target or CartaSi from minority shareholders, the interest expense for the Notes, differences from our estimates of fees and expenses and the actual Completion Date. Any changes in these amounts may affect the amount of the Equity Contribution, the Proceeds Loans or the Acquisition purchase price.

Sources		**Uses**	
(in € millions)		**(in € millions)**	
Equity Contribution	933.4	Acquisition purchase price (at closing)[2]	1,834.0
Total equity	*933.4*	Cash overfund (deferred consideration)[3]	50.0
Senior Secured Fixed Rate PIK Toggle Notes	900.0	Initial interest payment overfund[4]	49.4
Senior Secured Floating Rate PIK Toggle Notes	200.0	Total transaction costs[5]	100.0
Total debt[1]	*1,100.0*		
Total Sources	**2,033.4**	**Total Uses**	**2,033.4**

(1) The proceeds from the Notes will be on-lent via the Proceeds Loans to the Sponsors' HoldCos.

(2) Represents the consideration for 89.0% of the share capital of the Target to be paid to the sellers excluding €89.0 million of deferred consideration. A portion of the proceeds of the Proceeds Loans received by each Sponsors' HoldCo, together with the Equity Contribution of each Sponsors' HoldCo, will be contributed to HoldCo and by HoldCo to BidCo to fund the consideration payable for the Acquisition.

(3) The Sponsors' HoldCos will retain from the proceeds of the Proceeds Loans an amount of €50.0 million, reserved for partial payment of deferred consideration in an amount of € 89.0 million.

(4) The Sponsors' HoldCos will retain from the proceeds of the Proceeds Loans an amount sufficient to enable the Issuer to make the first interest payments on each of the Senior Secured Fixed Rate PIK Toggle Notes and Senior Secured Floating Rate PIK Toggle Notes in cash. The value shown above represents the estimated aggregate amount of interest.

(5) Represents certain estimated fees and expenses associated with the Transactions, including commitment, placement and other financing fees, financial advisory costs, other transaction costs (including original issue discount) and professional fees.

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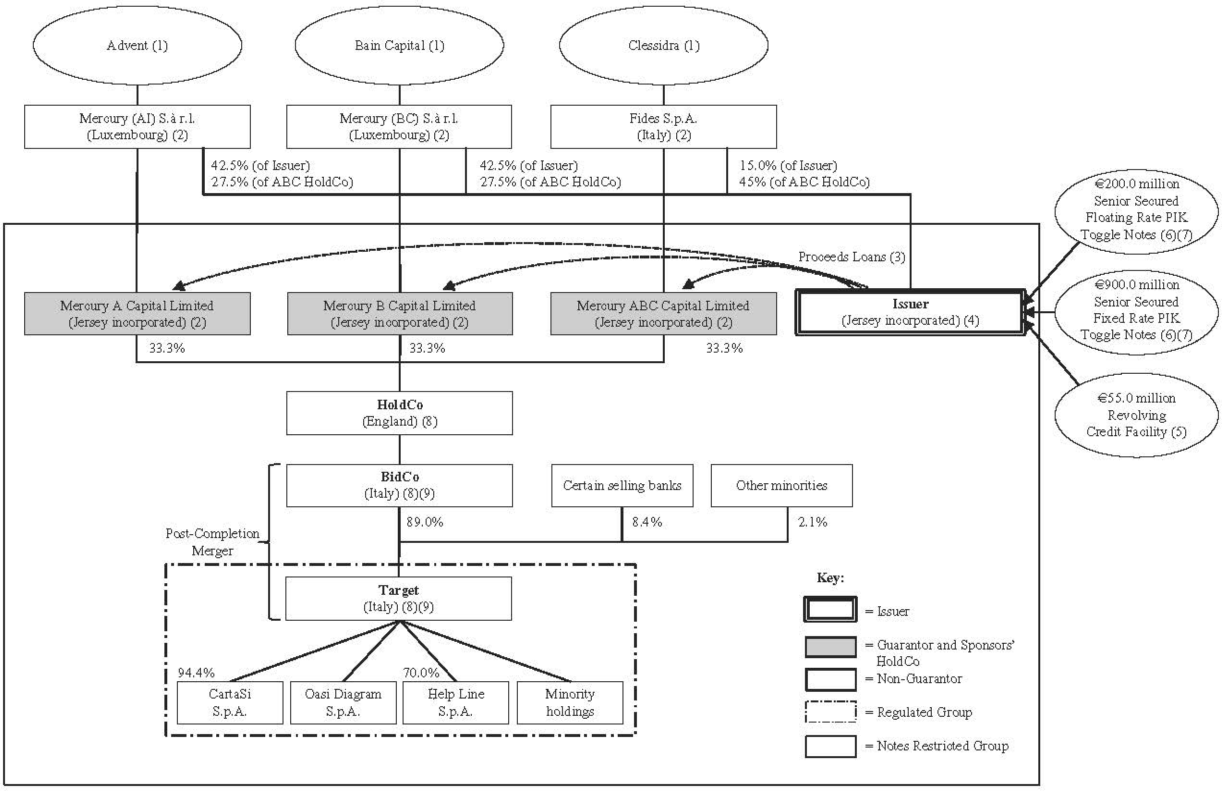
SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the Transactions. All entities shown below are 100% directly or indirectly owned unless otherwise indicated. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "Description of the Notes," "Description of Other Indebtedness" and "Capitalization."



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(1) Upon consummation of the Acquisition, Advent, Bain Capital and Clessidra (the "**Sponsors**") are expected to indirectly hold (through their respective intermediate holding companies) at least 89.0% of the share capital of the Target (disregarding 0.5% of the Target's shares held in treasury). See "*Principal Shareholders*" and "*Principal Shareholders—Management Equity Plan*."

(2) In connection with the Acquisition, each Sponsor incorporated a wholly-owned subsidiary (Mercury (AI) S.à r.l., Mercury (BC) S.à r.l. and Fides S.p.A., together the "**Sponsors' NewCos**") and each of the Sponsors' NewCos, in turn, incorporated a subsidiary (Mercury A Capital Limited, Mercury B Capital Limited and Mercury ABC Capital Limited, together the "**Sponsors' HoldCos**"). Upon consummation of the Acquisition, each Sponsors' NewCo will fund its respective portion of the €933.4 million in aggregate equity contribution to the ordinary share capital of its Sponsors' HoldCo. The Sponsors' HoldCos are each incorporated in Jersey, but tax resident in the United Kingdom.

(3) Upon consummation of the Acquisition, the Issuer will on-lend the proceeds from the Offering of the Notes in an aggregate principal amount of €1,100.0 million to the Sponsors' HoldCos via multiple intercompany loans. The Sponsors' HoldCos, in turn, will then contribute the proceeds received under the Proceeds Loans (less a certain amount held at the Sponsors' HoldCos for purposes of paying deferred consideration in connection with the Acquisition and the first interest payment in respect of the Notes), together with the €933.4 million proceeds of the equity contributions received from the Sponsors' NewCos, to HoldCo's equity. HoldCo, in turn, will contribute such proceeds to BidCo's equity which will use the proceeds to fund the Acquisition purchase price.

(4) In connection with the Acquisition, the Sponsors incorporated the Acquisition Vehicles including the Issuer. Mercury (AI) S.à r.l., Mercury (BC) S.à r.l. and Fides S.p.A. hold an equity interest in the Issuer of 42.5%, 42.5% and 15.0%, respectively. The Issuer is incorporated in Jersey, but tax resident in the United Kingdom.

(5) On or about the Issue Date, the Issuer and each Sponsors' HoldCo will enter into the Revolving Credit Facility Agreement, which will provide the Issuer and each Sponsors' HoldCo with an aggregate €55.0 million Revolving Credit Facility. Following the Completion Date, any member of the Group that is incorporated in Jersey, Luxembourg or England and Wales (or any other jurisdiction approved by the agent for the Revolving Credit Facility (acting on the instructions of all of the lenders under the Revolving Credit Facility)) may also become a borrower under the Revolving Credit Facility Agreement by acceding to such agreement as a borrower. The Revolving Credit Facility Agreement will be guaranteed on a senior basis by the Guarantors and secured by the same Collateral as the Notes. We expect the Revolving Credit Facility to be undrawn on the Completion Date. See "*Description of Other Indebtedness—Revolving Credit Facility*" for further information. Under the terms of the Intercreditor Agreement, holders of the Notes will receive proceeds from the enforcement of the Collateral only after certain obligations that have priority with respect to such proceeds have been repaid in full, including (i) obligations under the Revolving Credit Facility, (ii) other Indebtedness incurred pursuant to the terms of the Indenture that is entitled to rank senior to the Notes with respect to the proceeds of an enforcement of the Collateral and (iii) certain hedging obligations.

(6) As of the Completion Date, the Guarantors' only assets will be the shares in HoldCo and the Guarantors will have had no revenues or revenue generating operations.

(7) The Notes will be senior secured obligations of the Issuer and will rank *pari passu* in right of payment to all of the Issuer's existing and future senior indebtedness and will be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes. The Notes will be guaranteed on the Issue Date on a senior basis by the Sponsors' HoldCos, which will also guarantee the Issuer's obligations under the Revolving Credit Facility and certain hedging obligations on a senior secured basis. The Sponsors' HoldCos' guarantees of the Notes will be on a several, but not joint, basis, meaning that each Guarantor will guarantee a principal amount of the Notes equivalent to its shareholding interest in HoldCo, which in each case will constitute $33^1/_3$% of the aggregate principal amount of each of the Senior Secured Fixed Rate PIK Toggle Notes and Senior Secured Floating Rate PIK Toggle Notes. The Notes and the Guarantees will be secured as of the Issue Date on a first-priority basis by (i) (until the Completion Date) the Escrow Charge, (ii) pledges of the shares of the Issuer, HoldCo and the Sponsors' HoldCos, (iii) pledges of the bank accounts of the Issuer and the Sponsors' HoldCos and (iv) pledges over the Proceeds Loans (the "**Collateral**"). The Collateral will also secure the Revolving Credit Facility Agreement and certain hedging obligations. The validity and enforceability of the Guarantees and the security interests and the liability of each Guarantor under a Guarantee will be subject to certain limitations under local law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." In the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after lenders under the Revolving Credit Facility Agreement and the counterparties to certain hedging arrangements have been repaid in full. The Guarantees will be subject to the terms of the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Security*."

(8) None of HoldCo, BidCo, the Target or any of the Target's subsidiaries will guarantee or provide other credit support for the Notes. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Notes and the Guarantees will be structurally subordinated to the claims of creditors, including depositors and trade creditors, and preferred stockholders and minority stockholders of HoldCo and non-guarantor subsidiaries of HoldCo, including BidCo, the Target and the Target's subsidiaries*."

Due to Italian regulatory restrictions applicable to banks and banking groups, only the Issuer will be a signatory to, and only the Issuer will agree to be bound by, the covenants. The Indenture will, due to such Italian regulatory restrictions, be drafted instead to provide for the occurrence of a default of the Issuer upon the breach by a subsidiary of the Sponsors' NewCos of the covenants applicable to the Issuer, as if such covenants applied to such subsidiary. However, this provision will only apply on and after the Completion Date. As a result, the Indenture will not be drafted to allow for a default of the Issuer to occur prior to the Completion Date due to the Target and its subsidiaries taking (or failing to take) any actions.

(9) Following the Completion Date, we intend to merge BidCo with and into the Target, with the Target being the surviving entity. We expect to complete the Post-Completion Merger within six to twelve months following the Completion Date. The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Transactions—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all*."

THE OFFERING

The following summary of the Offering contains basic information about the Notes, the Guarantees and the Collateral. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, the Guarantees and the Collateral including certain definitions of terms used in this summary, see "Description of the Notes."

Issuer	Mercury Bondco plc, a public limited company incorporated under the laws of Jersey.
Notes Offered	
Senior Secured Fixed Rate PIK Toggle Notes	€900.0 million in aggregate principal amount of $8\frac{1}{4}$% / 9% Senior Secured Fixed Rate PIK Toggle Notes due 2021.
Senior Secured Floating Rate PIK Toggle Notes	€200.0 million in aggregate principal amount of Senior Secured Floating Rate PIK Toggle Notes due 2021.
Issue Date	On or about November 13, 2015.
Issue Price	
Senior Secured Fixed Rate PIK Toggle Notes	100.00%, plus accrued and unpaid interest from the Issue Date.
Senior Secured Floating Rate PIK Toggle Notes	99.00%, plus accrued and unpaid interest from the Issue Date.
Maturity Date	
Senior Secured Fixed Rate PIK Toggle Notes	May 30, 2021.
Senior Secured Floating Rate PIK Toggle Notes	May 30, 2021.
Interest Rate	
Senior Secured Fixed Rate PIK Toggle Notes	Cash Interest (as defined below) will accrue at the rate of 8.25% per annum. PIK Interest (as defined below) will accrue at the rate of 9.00% per annum. Interest on the Senior Secured Fixed Rate PIK Toggle Notes will accrue from the Issue Date.
Senior Secured Floating Rate PIK Toggle Notes	Cash Interest will accrue at the rate equal to six-month EURIBOR plus 8.00% per annum, reset semi-annually. PIK Interest will accrue at the rate equal to six-month EURIBOR plus 8.75% per annum, reset semi-annually. Interest on the Senior Secured Floating Rate PIK Toggle Notes will accrue from the Issue Date.
Interest Payment	We will pay the first interest payment on the Notes in cash ("**Cash Interest**"). For each interest period thereafter (other than the final interest period at stated maturity, which will be paid in cash), we will be required to pay Cash Interest, unless the conditions described in this Offering Memorandum are satisfied, in which case we will be entitled to pay, to the extent described in this Offering Memorandum, interest in kind ("**PIK Interest**").
Interest Payment Dates	
Senior Secured Fixed Rate PIK Toggle Notes	Interest is payable on the Senior Secured Fixed Rate PIK Toggle Notes semi-annually in arrears on each May 30 and November 30, commencing on May 30, 2016.
Senior Secured Floating Rate PIK Toggle Notes	Interest is payable on the Senior Secured Floating Rate PIK Toggle Notes semi-annually in arrears on each May 30 and November 30, commencing on May 30, 2016.
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available. While the Notes may only be traded in denominations of €100,000 and in integral multiples of €1 in excess thereof, for the purpose of the International Central Securities Depositories ("**ICSDs**"), the minimum denomination will be considered to be €1. For the avoidance of doubt, the ICSDs are not required to monitor or enforce the minimum amount.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer; • be secured as set forth under "—*Security*"; • rank *pari passu* in right of payment to any existing and future senior indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Issuer's obligations under the Revolving Credit Facility Agreement and certain hedging obligations; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;

- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes or which secure such other indebtedness on a senior-priority basis, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Sponsors' Holdcos, HoldCo or subsidiaries of HoldCo, in each case that are not Guarantors, including obligations owed to trade creditors and depositors.

Guarantee .... The Notes will be guaranteed on the Issue Date, on a several, but not joint, basis by the Sponsors' HoldCos (the "**Guarantors**").

The obligations of each Guarantor will be limited as described under the heading "*Description of the Notes—The Notes Guarantees*."

Each Guarantee will be subject to certain contractual and legal limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*." In addition, the Guarantees may be released under certain circumstances. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

As of June 30, 2015, after giving pro forma effect to the Transactions, the Issuer together with the Target on a combined basis would have had €1,100.0 million principal amount of indebtedness, of which €900.0 million is represented by the Senior Secured Fixed Rate PIK Toggle Notes and €200.0 million is represented by the Senior Secured Floating Rate PIK Toggle Notes, and €55.0 million available for drawing under the Revolving Credit Facility.

Ranking of the Guarantees .... Each Guarantee will:

- be a general senior obligation of the relevant Guarantor;
- be secured as set forth under "*—Security*";
- rank *pari passu* in right of payment to any existing and future indebtedness of the relevant Guarantor that is not expressly subordinated in right of payment to the Notes, including the relevant Guarantor's obligations under the Revolving Credit Facility Agreement;
- rank senior in right of payment to any existing and future indebtedness of the relevant Guarantor that is expressly subordinated in right of payment to such Guarantee;
- be effectively subordinated to any existing or future indebtedness or obligation of the relevant Guarantor that is secured by property or assets that do not secure such Guarantee or which secure such other indebtedness on a senior-priority basis, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness or obligation of the subsidiaries of such Guarantor that are not Guarantors.

As of the Completion Date, the Guarantors' only assets will be the shares in HoldCo and the Guarantors are expected to have no revenues or revenue generating operations.

Security .... Subject to certain agreed security principles and certain perfection requirements, the Notes and the Guarantees (upon the granting thereof by the respective Guarantors) will be secured on the Issue Date by first-ranking pledges over:

- the escrow account to which the gross proceeds of the offering of the Senior Secured Fixed Rate PIK Toggle Notes and the Senior Secured Floating Rate PIK Toggle Notes will be deposited on the Issue Date;
- the shares of the Issuer, HoldCo and the Sponsors' HoldCos;
- the bank accounts of the Issuer and the Sponsors' HoldCos; and
- the Proceeds Loans (collectively, the "**Collateral**").

The Collateral will also secure the obligations of the Issuer and the Guarantors under the Revolving Credit Facility and certain hedging obligations. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after lenders under the Revolving Credit Facility and counterparties to certain hedging obligations have been repaid in full. See "*Risk Factors—Risks Related to the Financial Profile of the Issuer and the Sponsors' HoldCos—Creditors under the Revolving Credit Facility and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes and the claims of the holders of the Notes effectively will be subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets securing such creditors which do not also secure the Notes*."

The security interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. In addition, the security interests in the Collateral may be released under certain circumstances. Subject to the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. For more information on the security interests granted, see "Description of the Notes—Security" and for more information on potential limitations to the security interests, see "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests" and "Risk Factors—Risks Related to the Notes and the Guarantees."**Escrow of Proceeds; Special Mandatory Redemption**Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Notes into a segregated Escrow Account. The Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee in its capacity on behalf of the holders of the Notes. Upon delivery to the Trustee in its relevant capacity and the Escrow Agent of an officer's certificate stating that the conditions to the release of the proceeds from escrow are satisfied, the escrow proceeds will be released to the Issuer and utilized as described in "*The Transactions*," "*Use of Proceeds*," and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*." These conditions will include, among other things, the consummation of the Acquisition pursuant to the terms of the Acquisition Agreement promptly following the escrow release. The consummation of the Acquisition is subject to the satisfaction of certain conditions, including regulatory approval.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (d) the Initial Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "Events of Default" below on or prior to the Escrow Longstop Date (the date of any such event being the "**Special Termination Date**"), the Issuer will redeem all of the Notes (the "**Special Mandatory Redemption**") at a price (the "**Special Mandatory Redemption Price**") equal to the aggregate issue price of the respective Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below) (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "**Special Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Principal Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property to the Issuer. In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, each of the Sponsors will be required to make an equity contribution to their respective Sponsors' HoldCo for further payment to the Issuer in an amount required to enable the Issuer to pay the accrued and unpaid interest, plus Additional Amounts, if any, owing to the Holders of the Notes, pursuant to one or more agreements between each of Advent, Bain and Clessidra and the Trustee. See "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

Use of Proceeds .... Upon release from escrow, the proceeds from the Offering of the Notes, together with the Equity Contribution, will be on-lent to the Sponsors' HoldCos via the Proceeds Loans and used to (i) fund the consideration payable for the capital stock of the Target purchased in the Acquisition; (ii) reserve €49.4 million in respect of the first interest payment on the Notes; and (iii) pay the fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the Offering. See "*The Transactions—The Financing*" and "*Use of Proceeds*."

Optional Redemption

Senior Secured Fixed Rate PIK Toggle Notes............................... At any time prior to November 30, 2017, the Issuer may redeem all or part of the Senior Secured Fixed Rate PIK Toggle Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "*make-whole*" premium, as described under "*Description of the Notes—Optional Redemption*."

Prior to November 30, 2017, the Issuer may, on one or more occasions, redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate PIK Toggle Notes issued under the Indenture with the proceeds from specified equity offerings at a redemption price equal to 108.2500% of the aggregate principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, *provided* that at least 50% of the original principal amount of the Senior Secured Fixed Rate PIK Toggle Notes (including any additional Senior Secured Fixed Rate PIK Toggle Notes) issued under the Indenture remains outstanding. See "*Description of the Notes—Optional Redemption*."

The Issuer may redeem all or part of the Senior Secured Fixed Rate PIK Toggle Notes at any time on or after November 30, 2017 at the redemption prices described under "*Description of the Notes—Optional Redemption*."

Senior Secured Floating Rate PIK Toggle Notes............................... At any time prior to November 30, 2016, the Issuer may redeem all or part of the Senior Secured Floating Rate PIK Toggle Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "*make-whole*" premium, as described under "*Description of the Notes—Optional Redemption*."

The Issuer may redeem all or part of the Senior Secured Floating Rate PIK Toggle Notes at any time on or after November 30, 2016 at the redemption prices described under "*Description of the Notes—Optional Redemption*."

Additional Amounts; Tax Redemption .... All payments made by the Issuer or any Guarantor under or with with respect to the Notes or the Guarantees will be made without withholding or deduction for taxes or other governmental charges in any Relevant Taxing Jurisdiction (as defined in "*Description of the Notes—Withholding Taxes*"), except to the extent required by law. If withholding or deduction is required by law, the Issuer or the relevant Guarantor will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes*."

If certain changes in the law of any Relevant Taxing Jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

Original Issue Discount .... Because the interest on the Notes is not unconditionally payable in cash at least annually over the term of the Notes, the Notes will be considered to be issued with original issue discount ("OID") for U.S. federal income tax purposes. A U.S. Holder (as defined in "Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations") generally will be required to include such OID in gross income as ordinary income as it accrues on a constant yield basis for U.S. federal income tax purposes, potentially in advance of the receipt of the cash payments to which such OID is attributable and regardless of such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. See "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

Change of Control.......................... Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). See "*Description of the Notes—Change of Control*."

Tender Offers................................ In connection with certain tender offers for the Senior Secured Fixed Rate PIK Toggle Notes or the Senior Secured Floating Rate PIK Toggle Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of Notes—Optional Redemption—General*."

Certain Covenants and Specified Defaults....................................... The Indenture will limit, among other things, the ability of the Issuer to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments;
- make certain investments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities, or make certain asset sales;
- enter into certain transactions with affiliates;
- impair the security interests for the benefit of the holders of the Notes;
- guarantee certain indebtedness; and
- undertake activities other than those customarily undertaken by a finance subsidiary.

Due to Italian regulatory restrictions applicable to banks and banking groups, only the Issuer will be a signatory to, and only the Issuer will agree to be bound by, the covenants. The Indenture will, due to such Italian regulatory restrictions, be drafted instead to provide for the occurrence of a default of the Issuer upon the breach by a subsidiary of the Sponsors' NewCos of the covenants applicable to the Issuer, as if such covenants applied to such subsidiary. However, this provision will only apply on and after the Completion Date. As a result, the Indenture will not be drafted to allow for an event of default to occur prior to the Completion Date due to the Target and its subsidiaries taking (or failing to take) certain actions.

Certain of the covenants and events of default will be suspended if and for as long as we achieve investment-grade ratings. See "*Description of the Notes—Certain Covenants Applicable to the Issuer—Suspension of Covenants and Specified Defaults on Achievement of Investment Grade Status on Achievement of Investment Grade Status*."

Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants Applicable to the Issuer*."

Transfer Restrictions..................... The Notes and the Guarantees have not been registered under the Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See "*Notice to Investors*." Holders of the Notes will not have the benefit of any exchange or registration rights.

No Prior Market .... Although application has been made to have the Notes listed on the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF thereof in accordance with its rules, no assurances can be given that the Notes will become, or remain, listed on the Luxembourg Stock Exchange. The Notes will be new securities for which there is no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that an active trading market for the Notes will develop or be maintained.

Risk Factors.................................... Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.

Governing Law...............................	The Notes, the Indenture and the Guarantee Agreements will be governed by New York law. The Intercreditor Agreement and the Revolving Credit Facility Agreement will be governed by English law. The security documents will be governed by Jersey and English law.
Trustee of the holders of the Notes	U.S. Bank Trustees Limited.
Security Agent...............................	U.S. Bank Trustees Limited.
Transfer Agent, Calculation Agent and Paying Agent...........	Elavon Financial Services Limited, UK Branch.
Registrar..	Elavon Financial Services Limited.
Escrow Agent................................	Elavon Financial Services Limited, UK Branch.
Listing Agent.................................	Lucid Issuer Services Limited.

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SUMMARY HISTORICAL FINANCIAL AND OTHER INFORMATION

The following tables present the Target's summary financial information and have been derived from, and should be read in conjunction with, the Audited Financial Statements and the Interim Financial Statements, which are included elsewhere in this Offering Memorandum, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Financial Information," "Use of Proceeds" and "Capitalization." See also "Presentation of Financial and Other Information." The Financial Statements are presented in accordance with IFRS. The information below is not necessarily indicative of the results of future operations.

All historical financial information presented in this Offering Memorandum is that of the Target and its subsidiaries; accordingly, all references to "we," "us," "our" or the "Group" in respect of historical financial information in this Offering Memorandum are to the Target and its subsidiaries on a consolidated basis, unless the context indicates otherwise. When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses, market shares or historical financial results, such terms refer to the Target Group, (ii) when referring to the Financing and pro forma indebtedness obligations, such terms refer to one or more of the Issuer and the Sponsors' HoldCos and (iii) when referring to the Transactions, such terms refer to one or more of the Issuer, the Sponsors' HoldCos, HoldCo and BidCo.

The summary consolidated income and cash flow information for the twelve months ended June 30, 2015 has been calculated by adding the unaudited consolidated interim financial results for the six months ended June 30, 2015, derived from the Interim Financial Statements and the Target's accounting records, and the historical financial results for the year ended December 31, 2014, derived from the Audited Financial Statements and subtracting the unaudited consolidated interim financial information for the six months ended June 30, 2014, derived from the Interim Financial Statements and the Target's accounting records. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting.

This Offering Memorandum also includes pro forma financial information, presented to give pro forma effect to the Transactions. The pro forma financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position we would have reported, had the Transactions been completed as of (i) June 30, 2015 for purposes of the calculation of net financial debt and (ii) July 1, 2014 for the purposes of the calculation of cash interest expense and should not be taken as indicative of our future consolidated results of operations or financial position.

Summary Consolidated Income Statement Information

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € millions)					
Interest and similar income	*121.1*	*102.9*	*93.3*	*49.6*	*39.4*	*83.1*
Interest and similar charges	*(34.1)*	*(25.8)*	*(24.4)*	*(13.0)*	*(10.9)*	*(22.3)*
Net interest income	87.0	77.1	68.8	36.6	28.5	60.8
Fee and commission income	*978.9*	*1,017.7*	*1,033.7*	*496.6*	*507.5*	*1,044.6*
Fee and commission expense	*(621.8)*	*(678.0)*	*(673.3)*	*(319.3)*	*(328.3)*	*(682.3)*
Net fee and commission income	357.1	339.7	360.4	177.3	179.2	362.3
Dividends and similar income	0.2	1.0	0.3	0.0	0.0	0.3
Net trading income	9.6	4.1	5.0	2.1	3.3	6.2
Net profit on sale or repurchase	0.1	3.7	3.5	—	—	3.5
Total income	**454.0**	**425.7**	**438.1**	**216.0**	**211.0**	**433.1**
Net impairment losses	(6.7)	(7.2)	(6.0)	(1.9)	(1.7)	(5.8)
Net financial income	**447.2**	**418.4**	**432.1**	**214.1**	**209.3**	**427.3**
Administrative expenses:	(513.5)	(503.6)	(524.3)	(258.5)	(255.9)	(521.7)
a) payroll and related costs	*(130.4)*	*(132.5)*	*(140.1)*	*(70.0)*	*(72.7)*	*(142.8)*
b) other administrative expenses	*(383.1)*	*(371.1)*	*(384.2)*	*(188.5)*	*(183.2)*	*(378.9)*
Net accruals to provisions for risks and charges	(11.4)	(2.1)	(1.4)	(5.6)	(1.8)	2.4
Depreciation and net impairment losses on property	(19.4)	(20.1)	(20.1)	(9.5)	(10.4)	(21)
Amortization and net impairment losses on intangible assets	(14.3)	(12.9)	(16.5)	(7.0)	(10.2)	(19.7)
Other net operating expenses/income	272.8	283.1	288.7	131.4	138.4	295.7
Operating costs	**(285.8)**	**(255.6)**	**(273.6)**	**(149.1)**	**(139.9)**	**(264.4)**
Share of losses of investees	**(6.9)**	**(11.4)**	**(1.2)**	**0.4**	**0.5**	**(1.1)**
Pre-tax profit from current operations	**154.4**	**151.4**	**157.4**	**65.4**	**69.9**	**161.8**
Income taxes	(59.9)	(75.3)	(57.8)	(28.4)	(21.2)	(50.6)
Post-tax profit from continuing operations	94.5	76.1	99.6	37.0	48.7	111.2
Profit for the period	94.5	76.1	99.6	37.0	48.7	111.2
Profit for the period attributable to non-controlling interests	(4.4)	(2.9)	(3.3)	(0.9)	(1.7)	(4.1)
Profit for the period attributable to the owners of the parent	**90.1**	**73.2**	**96.4**	**36.1**	**47.0**	**107.3**

Summary Statement of Financial Position

	As of December 31,			As of June 30,	
	2012	2013	2014	2014	2015
	(in € millions)				
Assets					
Cash and cash equivalents	181.3	186.5	0.5	0.9	26.5
Financial assets held for trading[(1)]	244.1	10.7	19.6	18.2	13.3
Available-for-sale financial assets[(1)]	1,930.3	2,518.1	2,535.3	2,585.1	2,725.8
Held-to-maturity investments[(1)]	107.6	91.9	46.0	47.8	36.1
Loans and receivables with banks	1,724.6	1,043.8	610.7	1,475.2	987.7
Loans and receivables with customers	3,152.4	3,533.4	3,855.0	3,793.1	4,725.3
Equity investments	114.1	109.2	106.7	109.4	106.9
Property, equipment and investment property	167.6	171.2	173.1	168.2	168.1
Intangible assets	149.4	143.9	169.9	147.1	163.8
including goodwill	*77.3*	*77.3*	*77.7*	*81.5*	*77.7*
Tax assets	61.3	71.8	54.2	50.7	54.5
Other assets	539.9	495.6	464.9	626.4	544.6
Total assets	**8,372.6**	**8,375.8**	**8,035.9**	**9,022.1**	**9,552.7**
Liabilities					
Due to banks	3,162.3	2,219.9	2,502.5	3,632.4	1,852.3
Due to customers	3,100.6	4,008.6	3,099.5	3,281.4	5,647.9
Securities issued	10.0	10.0	—	—	—
Financial liabilities held for trading	29.1	7.1	6.2	13.0	6.6
Tax liabilities	48.7	48.1	41.1	46.6	38.1
Other liabilities	1,145.6	1,140.6	1,362.7	1,067.3	960.9
Post-employment benefits	21.6	19.5	22.9	20.6	21.6
Provisions for risks and charges	54.3	46.1	43.5	48.2	42.4
Valuation reserves	60.6	77.8	75.5	93.1	71.5
Reserves	432.7	507.8	565.2	565.2	644.5
Share premium	148.2	148.2	148.2	148.2	148.2
Share capital	42.6	42.6	42.6	42.6	42.6
Equity attributable to non-controlling interests	26.3	26.4	29.8	27.4	29.2
Profit /loss for the year	90.1	73.2	96.4	36.0	47.0
Total liabilities and equity	**8,372.6**	**8,375.8**	**8,035.9**	**9,022.1**	**9,552.7**

(1) For each period from 2011 to 2013, the Target reclassified Italian government bonds from its portfolio of financial assets held-for-trading to its available-for-sale financial assets. As a result of such reclassification, which began in 2011 and concluded in 2013, the value of the Target's available-for-sale securities portfolio increased from 2012 to 2013. The reclassification was executed in accordance with IAS 38 and in connection with the international sovereign debt crisis of 2011 and a significant increase of the German bund rate in the beginning of 2011. However, the increase in available-for-sale financial assets for each period between 2012 and 2015 is mainly related to additional purchases of Italian government bonds.

Summary Management Accounts Information

We present below and elsewhere in this Offering Memorandum certain data derived from the Target's consolidated and reporting segment management accounts. These management accounts differ in important ways from the Financial Statements presented in accordance with IFRS. In particular, the Target's management accounts are prepared to supplement the Financial Statements with information on the consolidated operating revenue of the Target Group and our operating performance on a reporting segment basis. The Financial Statements present the revenues and costs of certain activities not core to the operations of a bank under the line items other net operating expenses/income, as part of operating costs. Because many of the Target Group's operations, including its POS Business, ATM management, HelpLine, debit servicing, clearing, digital corporate banking, BPO Services and certain other operations are not considered under IFRS to be financial income core to the operations of a bank, a significant amount of our revenues and costs are classified in the Financial Statements under other net operating expenses/income. In the Target's management accounts, we reassign the amounts under such line items in the Financial Statements to the line items operating revenue and operating costs to provide a clearer picture of our operating results. Operating profits in the Target's management accounts are the sum of operating revenues and operating costs. Adding the line items depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets, share of gain/losses of investees, non-recurring/extraordinary operating costs/income, income taxes and profit for the period attributable to non-controlling interests reconciles operating profit in the Target's management accounts to profit for the period attributable to the owners of the parent in the Financial Statements. The line items presented in the Target's management accounts are not recognized by IFRS and may not be permitted to appear on the face of the Financial Statements in the manner presented herein. Different companies and analysts may calculate the line items presented in the Target's management accounts differently, so making comparisons among companies on this basis should be done very carefully. The line items presented in the Target's management accounts are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for our results of operations as reported in accordance with IFRS. For a discussion of the differences in classification and a reconciliation of the Target's Management Accounts to the Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Explanation of Key Line Items—Management Accounts*" and "*—Reconciliation of Management Accounts.*"

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
			(in € millions)			
Net fee, commission and other business income)	569.4	575.0	595.0	283.3	294.0	605.8
Net interest income	87.0	77.6	69.9	36.6	30.0	63.4
Net trading/hedging income	9.4	4.2	5.0	2.7	3.1	5.4
Dividends from equity investments and AFS	2.1	2.1	0.4	0.2	0.3	0.5
Operating revenue	**667.9**	**658.8**	**670.4**	**322.8**	**327.4**	**675.0**
Administrative expenses	(458.9)	(462.1)	(464.9)	(231.0)	(231.1)	(465.1)
thereof: Payroll and related costs	(127.8)	(131.1)	(134.3)	(69.2)	(71.0)	(136.2)
thereof: Other administrative expenses	(331.2)	(331.0)	(330.6)	(161.8)	(160.0)	(328.9)
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in Operating profit)	(24.3)	(25.4)	(27.9)	(12.8)	(15.3)	(30.4)
Other net operating expenses/income	5.9	12.6	5.3	2.7	1.7	4.4
Net accruals to provision for risk and charge	(18.8)	(15.5)	(15.3)	(9.5)	(7.3)	(13.1)
Operating costs	**(496.2)**	**(490.4)**	**(502.8)**	**(250.5)**	**(251.9)**	**(504.2)**
Operating revenue	667.9	658.8	670.4	322.8	327.4	675.0
Operating costs	(496.2)	(490.4)	(502.8)	(250.5)	(251.9)	(504.2)
Operating profit	**171.7**	**168.4**	**167.6**	**72.2**	**75.5**	**170.8**
Operating revenue	667.9	658.8	670.4	322.8	327.4	675.0
Operating costs (net of depreciation and amortization)	(471.9)	(465.0)	(474.9)	(237.8)	(236.6)	(473.8)
EBITDA	**196.0**	**193.8**	**195.5**	**85.0**	**90.8**	**201.3**

Other Segment Information

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
	(in € millions)					
Operating Revenue	**667.9**	**658.8**	**670.4**	**322.8**	**327.4**	**675.0**
CartaSi	430.5	419.8	429.5	204.9	207.4	432.0
Card Issuing	*205.5*	*204.0*	*207.3*	*96.8*	*98.7*	*209.2*
Merchant Acquiring and POS	*173.3*	*164.3*	*166.0*	*81.2*	*82.0*	*166.8*
Other[(1)]	*51.7*	*51.5*	*56.3*	*26.9*	*26.7*	*56.1*
Payments	91.4	89.4	87.0	41.4	42.1	87.7
Securities Services	38.9	53.8	62.4	31.1	35.1	66.5
BPO Services	24.3	22.6	26.7	11.7	13.8	28.7
Other Group Activities	88.6	76.2	68.2	34.8	30.3	63.7
Consolidation adjustments	(5.8)	(3.0)	(3.5)	(1.1)	(1.2)	(3.6)
EBITDA	**196.0**	**193.8**	**195.5**	**85.0**	**90.8**	**201.3**
CartaSi	117.3	113.7	119.7	49.3	52.7	123.1
Card Issuing	*36.3*	*38.3*	*43.7*	*14.6*	*14.9*	*44.0*
Merchant Acquiring and POS	*71.2*	*64.3*	*64.9*	*28.4*	*31.8*	*68.3*
Other[(1)]	*9.8*	*11.0*	*11.0*	*6.3*	*6.1*	*10.7*
Payments	21.3	23.0	17.1	4.5	9.6	22.2
Securities Services	0.8	3.3	8.3	5.4	7.4	10.3
BPO Services	7.2	6.4	7.2	3.1	3.5	7.6
Other Group Activities	49.4	46.9	43.3	22.7	17.5	38.1
Consolidation adjustments	0.0	0.5	(0.1)	(0.0)	(0.0)	(0.1)
EBITDA Margin	**29.3%**	**29.4%**	**29.2%**	**26.3%**	**27.7%**	**29.8%**
CartaSi	27.2%	27.1%	27.9%	24.1%	25.4%	28.5%
Card Issuing	*17.7%*	*18.8%*	*21.1%*	*15.1%*	*15.1%*	*21.0%*
Merchant Acquiring and POS	*41.1%*	*39.1%*	*39.1%*	*35.1%*	*38.8%*	*41.0%*
Other	*19.0%*	*21.4%*	*19.5%*	*23.2%*	*22.8%*	*19.0%*
Payments	23.3%	25.7%	19.7%	10.9%	22.8%	25.3%
Securities Services	2.1%	6.1%	13.3%	17.4%	21.1%	15.6%
BPO Services	29.6%	28.3%	27.0%	26.5%	25.4%	26.4%
Other Group Activities	55.8%	61.5%	63.5%	65.2%	57.8%	59.8%
Consolidation adjustments	0.0%	(16.7)%	2.9%	0.0%	0.0%	2.8%

(1) Includes operating revenue generated by CartaSi S.p.A. from debit servicing and ATM management, operating revenue generated by HelpLine S.p.A. and operating revenue generated by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

Other Financial and Operating Information

Other Financial Information

	Year ended December 31, 2012	2013	2014	Six months ended June 30, 2014	2015	Twelve months ended June 30, 2015
	(in € millions)					
Operating revenue[1]	667.9	658.8	670.4	322.8	327.4	675.0
Like-for-like operating revenue[2]	629.8	641.8	665.2	—	—	675.0
EBITDA[3]	196.0	193.8	195.5	85.0	90.8	201.3
EBITDA margin[4]	*29.3%*	*29.4%*	*29.2%*	*26.3%*	*27.7%*	*29.8%*
Like-for-like EBITDA[2]	180.1	183.3	189.7	—	—	201.3
Normalized EBITDA[3]						233.4
Normalized EBITDA margin[4]						*34.6%*
Profit for the period attributable to the owners of the parent	90.1	73.2	96.4	36.1	47.0	107.3
Normalized profit[5]						117.9
Normalized Profit of Target Available to HoldCo[6]						100.5
Pro Forma CET1 Capital Ratio[7]						21.49%
Adjusted return on average equity[8]	12.6%	10.5%	10.8%	—	—	11.7%
Adjusted return on average tangible equity[9]	15.3%	12.8%	13.2%	—	—	14.0%
Pro forma net financial debt[10]						1,050.6
Pro forma cash interest expense[11]						90.3
Ratio of pro forma net financial debt to normalized EBITDA[3][10]						4.5x
Ratio of normalized EBITDA to pro forma cash interest expense[3][11]						2.6x
Ratio of Normalized Profit of Target Available to HoldCo to pro forma cash interest expense[6][11]						1.1x

(1) Operating revenue is derived from the Target's management accounts. For a reconciliation of income statement information presented in the Target's management accounts to our Financial Statements, including a reconciliation of operating revenue, as presented in the Target's management accounts, to net financial income, as presented in our Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Reconciliation of Management Accounts*."

(2) We define "**like-for-like operating revenue**" as operating revenue, and "**like-for-like EBITDA**" as EBITDA, in each case, adjusted to equalize across periods the contribution by (a) two former shareholders and (b) our Other Group Activities reporting segment on the basis of the actual contributions for the twelve months ended June 30, 2015. See "*Presentation of Financial and Other Information—Non-IFRS Financial Information*." The following table is a reconciliation of the aforementioned adjustments to our actual operating revenue and EBITDA:

	Year ended December 31, 2012	2013	2014	Six months ended June 30, 2014	2015	Twelve months ended June 30, 2015
	(in € millions)					
Operating revenue	667.9	658.8	670.4	322.8	327.4	675.0
Equalization: Other Group Activities	(22.7)	(13.1)	(4.6)	N/A	N/A	—
Equalization: Intesa SanPaolo, Unicredit	(15.4)	(3.9)	(0.6)	N/A	N/A	—
Like-for-like operating revenue	**629.8**	**641.8**	**665.2**	**N/A**	**N/A**	**675.0**
EBITDA	196.0	193.8	195.5	85.0	90.8	201.3
Equalization: Other Group Activities	(11.4)	(9.3)	(5.2)	N/A	N/A	—
Equalization: Intesa SanPaolo, Unicredit	(4.5)	(1.2)	(0.6)	N/A	N/A	—
Like-for-like EBITDA	**180.1**	**183.3**	**189.7**	**N/A**	**N/A**	**201.3**

(3) We define EBITDA as operating profit for the period (as derived from the Target's management accounts) adding back depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit). We define normalized EBITDA as EBITDA adjusted for revised accounting practices the Sponsors plan to implement following the Completion Date, expected cost savings through implementation of operational efficiency measures, including the ICT and procurement savings described below, the monetization of certain card issuing services and the average annualized decrease in interest income from our AFS Portfolio that we expect over the next five years as high yielding Italian government bonds in our AFS Portfolio mature and the impact of the sale of merchant acquiring contracts to UniCredit. We believe that these EBITDA-based measures are useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. These Non-IFRS Measures are not indicators of performance recognized under IFRS. These Non-IFRS Measures are not necessarily comparable to the performance figures published by other companies. You should exercise caution in comparing these Non-IFRS Measures as reported by us to

Non-IFRS Measures of other companies. For more information, see "*Presentation of Financial and Other Information—Non-IFRS Financial Information*." The following table is a reconciliation of profit for the period to EBITDA and normalized EBITDA, in each case as defined by us, for the periods presented:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € millions)					
Profit for the period attributable to the owners of the parent	**90.1**	**73.2**	**96.4**	**36.1**	**47.0**	**107.3**
Profit for the period attributable to non-controlling interests	4.4	2.9	3.3	0.9	1.7	4.1
Income taxes	59.9	75.3	57.8	28.4	21.2	50.6
Share of losses of investees	6.9	11.4	1.2	(0.4)	(0.5)	1.0
Non recurring/extraordinary net financial income	5.9	0.3	3.8	0.2	0.3	3.9
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets	9.5	7.5	8.6	3.8	5.3	10.1
Other non-recurring/extraordinary operating costs	(5.1)	(2.4)	(3.4)	3.4	0.6	(6.2)
Operating profit	**171.7**	**168.4**	**167.6**	**72.2**	**75.5**	**170.8**
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	24.3	25.3	27.9	12.8	15.3	30.4
EBITDA	**196.0**	**193.8**	**195.5**	**85.0**	**90.8**	**201.3**
Capitalization of ICT expenditures(A)						21.3
ICT and procurement savings(B)						31.2
Monetization of free card issuing services(C)						3.5
Expected average annualized decrease in interest income from AFS Portfolio(D)						(22.0)
Merchant acquiring contracts sold to UniCredit(E)						(1.9)
Normalized EBITDA						**233.4**

(A) Capitalization of ICT expenditures relates to the effect on EBITDA of capitalizing 33% of ICT expenditures (excluding payment processing costs) in respect of the twelve months ended June 30, 2015. For the twelve months ended June 30, 2015, the Target capitalized approximately 13% of all ICT expenditures. On the basis of benchmarks in the banking and financial services industry, we believe that 33% of the Target's total ICT expenditures for the twelve months ended June 30, 2015 related to growth and transformation and so could have been capitalized. The adjustment has been calculated as if the Target had capitalized 33% of the total ICT costs, in line with the aforementioned industry benchmarks, and excluding the amounts actually capitalized by the Target in such period. Following the Acquisition, and subject to an internal review by the Target and its auditors following the Acquisition, we intend to capitalize ICT expenditures in a manner that conforms to these industry benchmarks. Implementation of any new policy is expected to be achieved within a two-to-three year period following the Acquisition. Any such capitalized expenditures would likely be amortized over a three-to-five year period.

(B) ICT and procurement savings gives effect to estimated savings, net of related expenses, that we expect to realize within two-to-three years following the consummation of the Acquisition following the implementation of certain operational efficiency measures. The estimated annualized run-rate impact of these savings on EBITDA includes:

(i) €9.0 million from the annualized run-rate effect after three years of the completed renegotiation of our payment processing contract;

(ii) €3.0 million from the termination of loss-making merchant acquiring contracts;

(iii) €8.0 million from procurement savings initiatives. These include €3.0 million from initiatives launched in 2015 (excluding the estimated €2.6 million impact of such initiatives already reflected in the results for the six months ended June 30, 2015) and an additional €5.0 million arising from expected savings across POS, ATM & card production, printing, postage and distribution, software, network & telecoms, facilities management, marketing and communication, travel, insurance and human resources;

(iv) €3.0 million from the planned outsourcing of ICT terminal management for our ATMs;

(v) €1.3 million from the planned migration of call center outsourcing contracts to cheaper alternatives upon the expiration of such contracts in 2015;

(vi) €3.9 million from an initiative to improve pricing for ICT consulting and other professional services resulting from a competitive tender for such services; and

(vii) €3.0 million from the termination of loss-making ICT projects following a review of the ICT projects pipeline and the elimination of smaller projects consuming resources with little expected financial impact.

Our estimates of these savings are based on the Sponsors' experience with previous investments, as well as industry benchmarking, the advice of industry experts and management consultants retained in connection with the Acquisition. However, there can be no assurance that we will realize all, or any, of these potential cost savings. See "*Forward-Looking Statements*." The assumptions used in estimating savings and related expenses are made in reliance on the information available to us and our judgments based on such information. These assumptions are inherently uncertain and subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results or timeline to differ materially from those contemplated in our savings estimates.

(C) CartaSi provides certain cost-bearing services to our card issuing customers free of charge. We have identified certain of these services that, based on our review of industry benchmarks and the Sponsors' experience with previous investments in the industry, other players in our industry charge customers to provide. We therefore intend to undertake initiatives to better recover the costs of such services in the future, which we estimate will result in an increase of €3.5 million in annualized run-rate EBITDA. In calculating the estimated EBITDA impact of such improved monetization of services currently provided free of charge, we have assumed that charging customers for such services currently provided for free will not result in an increase in customer churn. There can be no assurance that we are able to commercialize these services in the time period estimated or at all. Other industry players may begin offering these services free of charge or undertake other competitive measures that could lead to or increase customer churn.

(D) Our holdings of Italian government bonds made up 98.5% of our total AFS Portfolio as of June 30, 2015, and are accounted for as available-for-sale financial assets. In line with relevant accounting principles, interest income accruing on the AFS Portfolio is accounted for at amortized cost—that is, using the historical yield. Since the yields on the three-to-four year maturity Italian government bonds that we purchased in 2011 and 2012 were significantly higher than present yields, the average yield that we currently receive on our AFS Portfolio is higher than the yield that would be achievable if the AFS Portfolio was replaced at present market yields. As the Italian government bonds that we purchased in 2011 and 2012 mature and are replaced with lower-yielding Italian government bonds, we expect the interest income from our AFS Portfolio to decrease. We estimate that the effect of this decrease in interest income over the next five years will have an average annual impact on EBITDA of €22.0 million. We estimate this average annual impact using the following reinvestment cycle:

- based on the actual composition of our AFS Portfolio as of August 31, 2015, we assume that we would continuously reinvest the proceeds of any maturing Italian government bond held in our AFS Portfolio in a new three-year Italian government bond (or a bond with a lower maturity if the original maturity of the re-invested bond was lower than three years);

- we estimate the expected yield earned on any newly-purchased bond using the forward Italian government bond yield curve as of September 30, 2015; and

- we then calculate the notional interest income that we would earn in each year from 2016 to 2020 and take the average of the five-year period.

The assumptions used in estimating this adjustment are made in reliance on the information available to us and our judgments based on such information. These assumptions are inherently uncertain and subject to a wide variety of significant market and economic risks and uncertainties that could cause actual results to differ materially from this estimate.

(E) Represents the annualized run-rate effect of the loss of revenue from the transfer of certain merchant acquiring contracts with UniCredit customers to UniCredit in connection with their ongoing insourcing of merchant acquiring services. In connection with this transfer, UniCredit made a payment of €3.8 million to CartaSi, which is not reflected in this adjustment. See "*Summary—Recent Trading*."

(4) EBITDA margin represents EBITDA divided by operating revenue. Normalized EBITDA margin represents normalized EBITDA divided by operating revenue (without considering the potential impact such adjustments to EBITDA may have on operating revenue).

(5) We define normalized profit as profit attributable to the owners of the parent for the twelve months ended June 30, 2015, after giving effect to the adjustments below. In order to calculate these adjustments, we make a number of assumptions. These assumptions are inherently uncertain and subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those assumed in the adjustments below. We believe that these adjustments to profit attributable to the owners of the parent are useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. These Non-IFRS Measures are not indicators of performance recognized under IFRS. These Non-IFRS Measures are not necessarily comparable to the performance figures published by other companies. You should exercise caution in comparing these Non-IFRS Measures as reported by us to Non-IFRS Measures of other companies. For more information, see "*Presentation of Financial and Other Information—Non-IFRS Financial Information*".

	Twelve months ended June 30,(in € millions)
	2015

Profit for the period attributable to the owners of the parent	**107.3**
Capitalization of ICT expenditures(A)	4.4
ICT and procurement savings(A)	20.2
Monetization of free card issuing services(A)	2.4
Expected average annualized decrease in interest income from AFS Portfolio(A)	(15.1)
Merchant acquiring contracts sold to UniCredit(A)	(1.3)
Normalized profit(B)	**117.9**

(A) Represents the estimated effect on profit for the period attributable to the owners of the parent for each of the adjustments to EBITDA described under footnote (3) above. Each adjustment gives effect to the effective annual tax rate of the Target of 31.3% for the twelve months ended June 30, 2015, and each adjustment ignores the impact of the 5.6% minority interest in CartaSi, the total effect of which is estimated to be less than €1.0 million on such adjustments. The adjustment related to capitalization of ICT expenditures is based on the average annual savings over the next five years (taking into account the offsetting depreciation charge). The adjustment to ICT and procurement savings takes into account our equity interest in the payment processor with which we renegotiated the contract.

(B) This figure does not take into account certain potential tax optimization benefits that the Sponsors and the Target may pursue following the Acquisition.

(6) For a detailed description of normalized profit of Target available to HoldCo, see "*—Normalized Profit of Target Available to HoldCo and HoldCo Liquidity"* below.

(7) We define Pro Forma CET1 Capital Ratio as our CET1 capital ratio, adjusted for the removal of an additional discretionary capital requirement. Following the Bank of Italy's audit of the Target Group between October 20, 2008 and December 19, 2008, the Bank of Italy imposed an additional discretionary capital requirement on the Target Group, which reduced its CET1 capital ratio. This add-on capital requirement reflected the Target Group's exposure to operational risk, reputational risk and deficiencies in related controls and was equal to 100% of the capital requirement for operational risk from time to time. With effect as of September 30, 2015, however, the Bank of Italy repealed the add-on capital requirement. Pro Forma CET1 Capital Ratio represents our CET1 capital ratio as of a certain historic date, assuming the add-on capital requirement had already been removed at such date. We believe that Pro Forma CET1 Capital Ratio is useful to investors in evaluating our financial condition post consummation of the Acquisition. Pro Forma CET1 Capital Ratio is not a financial measure recognized under IFRS and is not necessarily comparable to the financial measures published by other companies. You should exercise caution in comparing Pro Forma CET1 Capital Ratio as reported by us to Non-IFRS Measures of other companies. For more information, see "*Presentation of Financial and Other Information—Non-IFRS Financial Information*" and "*Risk Factors—Risks Related to Our Business—Our business is subject to a variety of complex regulatory regimes, and changes in law and regulation impose or could impose operational restrictions on us, increase our expenses and/or otherwise have a material adverse effect on our business*." There can be no assurances that other discretionary regulatory capital requirements will not be imposed in the future. The following table is a reconciliation of our CET1 capital ratio as of June 30, 2015 to Pro Forma CET1 Capital Ratio, as defined by us:

	As of June 30, 2015
CET1 capital ratio	15.16%
Add-on capital requirement(A)	6.34%
Pro Forma CET1 Capital Ratio	**21.49%**

(A) The add-on capital requirement historically imposed on us by the Bank of Italy was equal to 100% of the capital requirement for operational risk from time to time, as required pursuant to the CRD IV Package. As a result, as of June 30, 2015, the add-on capital requirement was €112.9 million.

In the business plan discussed with the Bank of Italy in connection with the Acquisition, we presented guidance targeting a minimum CET1 capital ratio of 14% for distribution of dividends by ICBPI.

(8) We define "**adjusted return on average equity**" as profit for the year attributable to the owner of the parent divided by average shareholders' equity. Average shareholders' equity is calculated by adding the equity attributable to the owner of the parent at the beginning of a period to the equity attributable to the owner of the parent at the end of such period and dividing the result by two. For the year ended December 31, 2013, adjusted return on average equity includes an adjustment to equity attributable to the owner of the parent at the end of the period and profit for the period attributable to the owner of parent, in each case, for a one-time payment of a surcharge applicable to financial institutions in 2013, which accounted for additional income tax of €12.7 million in the year ended December 31, 2013. The following table is a reconciliation of the

aforementioned adjustments to their respective closest comparable measure calculated in accordance with IFRS:

	As of December 31 2013
	(in € millions)
Equity attributable to the owner of the parent	849.5
One-time financial institutions income tax	12.7
Equity attributable to the owner of the parent (adjusted)	**862.2**
Profit for the year attributable to the owner of the parent	73.2
One-time financial institutions income tax	12.7
Profit for the year attributable to the owner of the parent (adjusted)	**85.9**

(9) We define "**adjusted return on average tangible equity**" as profit for the year attributable to the owner of the parent divided by average tangible shareholders' equity. Average tangible shareholders' equity is calculated as average shareholders' equity net of average intangible assets. Average shareholders' equity is calculated by adding the equity attributable to the owner of the parent at the beginning of a period to the equity attributable to the owner of the parent at the end of such period and dividing the result by two; average intangible assets is calculated by adding the intangible assets at the beginning of a period to the intangible assets at the end of such period and dividing the result by two. For the year ended December 31, 2013, adjusted return on average tangible equity includes an adjustment to equity attributable to the owner of the parent at the end of the period and profit for the period attributable to the owner of the parent, in each case, for a one-time payment of a surcharge applicable to financial institutions in 2013, which accounted for additional income tax of €12.7 million in the year ended December 31, 2013. For a reconciliation of the aforementioned adjustments to their respective closest comparable measure calculated in accordance with IFRS, see footnote (8) above.

(10) Pro forma net financial debt represents the pro forma gross financial debt of the Sponsors' HoldCos, minus cash at the Issuer and/or the Sponsors' HoldCos (including the initial interest payment overfund, but excluding the amount retained to pay deferred consideration), after giving effect to the Transactions as if they had occurred on June 30, 2015. As of June 30, 2015, after giving effect to the Transactions, there would have been no long-term liabilities of HoldCo on a consolidated basis. See "*Use of Proceeds*."

(11) Pro forma cash interest expense represents the estimated cash interest expense of the Sponsors' HoldCos on a pro forma basis for the twelve months ended June 30, 2015, after giving effect to the Transactions as if they had occurred on July 1, 2014.

Normalized Profit of Target Available to HoldCo and HoldCo Liquidity

The following table provides an overview of the main factors driving the Target's capacity to make distributions to its shareholders and other sources of funding potentially available to HoldCo. Dividends indirectly received by the Issuer from the Target through the Sponsors' HoldCos, along with drawings on the Revolving Credit Facility, are expected to be the Issuer's principal sources of liquidity and thus a key determinant of its ability to pay cash interest on the Notes.

	Twelve Months Ended June 30, 2015
	(in € millions)
Normalized profit(1)	117.9
Minority equity interests(2)	(13.0)
Tax leakage(3)	(4.4)
Normalized Profit of Target Available to HoldCo(4)	**100.5**
Additional liquidity available to the Sponsors' HoldCos	104.4
Initial interest payment overfund(5)	49.4
Revolving Credit Facility(6)	55.0
Notional excess capital buffer available to HoldCo(7)	173.7

(1) For a description of the calculation of normalized profit, see footnote (5) under "*—Other Financial Information*." The distribution of dividends by the Target will be proposed by the board of directors of the Target, and resolved for approval by BidCo (and, following the Post-Completion Merger, HoldCo), subject to the maintenance of adequate capital ratios at the banking group level (on both a consolidated and a standalone basis) and compliance with applicable recommendations of the Bank of Italy. The distribution of dividends is based on annual profits or distributable reserves as disclosed in the Target's Audited Financial Statements. As such, dividends are typically only distributed following the fiscal year end of December 31, once financial statements for such year preceding year have been audited and such distribution has been proposed by the Target's board of directors and approved by the Target's shareholders' meeting. For the purposes of this notional analysis, we use normalized profit as a proxy for annual profits and assume that the Target has (on both an individual and consolidated basis) sufficient distributable reserves, measured for the twelve months ended June 30, 2015.

(2) Approximately 8.4% of the shares of the Target will continue to be held by the sellers under the Acquisition Agreement and up to 2.1% of the Target will continue to be held by other minority shareholders (disregarding the 0.5% of the Target's share capital that is currently held in treasury). As a result, a corresponding percentage of the dividends paid by the Target to BidCo and, after the Post-Completion Merger, to HoldCo, for further distribution to the Sponsors' HoldCos and the Issuer will be paid to these minority shareholders. This amount excludes the effect of shares in the Target held in treasury.

(3) Dividends paid from the Target to BidCo and, after the Post-Completion Merger, to HoldCo, are expected to be subject to the following taxes: (i) 5% of the dividend is expected to be subject to Italian corporate income tax (IRES) at a rate of 27.5%; and (ii) 50% of the dividend is expected to be subject to production taxes (IRAP) at a rate of 5.57%.

(4) This analysis of the normalized profit of the Target attributable to HoldCo and HoldCo liquidity for the twelve months ended June 30, 2015 is notional. Dividends paid by the Target, if any, in respect of the year ended December 31, 2015, will be based on the actual profit, distributable reserves and capital adequacy ratios and targets of the Target as of December 31, 2015, and subject to the determination of the board of directors of the Target and the shareholders of the Target. No assurances can be made that for the year ended December 31, 2015, or for any subsequent period, the Target will have generated sufficient profit or have sufficient distributable reserves and be in compliance with its regulatory capital adequacy ratios to make a distribution. As of June 30, 2015, the Target had distributable reserves of €662.4 million. Any such distributions in respect of the year ending December 31, 2015 are not expected to be made until the beginning of the second quarter of 2016. Furthermore, CartaSi must also meet certain capital adequacy ratios and have sufficient distributable reserves in order to make distributions to its parent company, the Target. As of June 30, 2015, the Target (on an individual basis) and CartaSi were each in compliance with the respective capital adequacy ratios applicable to them. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Capital Ratios*."

(5) The Sponsors' HoldCos will retain from the proceeds of the Proceeds Loans an amount sufficient to enable the Issuer to make the first interest payment on the Notes in cash. We estimate the aggregate amount of interest due on such interest payment date will be €49.4 million.

(6) Represents amounts available for drawing under the Revolving Credit Facility, which is expected to remain undrawn as of the Issue Date.

(7) Represents the calculation of the Target's notional excess capital above a 14% CET1 capital ratio as of June 30, 2015, after giving effect to minority interest leakage (as described in footnote (2) above) and tax leakage (as described in footnote (3) above, and after netting out the deferred consideration owed to the selling banks under the Acquisition Agreement not included in the €50.0 million cash overfund reserved in respect thereof, as further detailed in the following table:

	Twelve Months Ended June 30, 2015
	(in € millions)
Excess capital of Target above 14% CET1 capital ratio[(A)]	249.3
Minority interest leakage	(27.4)
Tax leakage	(9.2)
Net deferred consideration	(39.0)
Notional excess capital buffer available to HoldCo	**173.7**

(A) The normalized profit of the Target available to HoldCo is based on the Target Group's compliance with applicable regulatory capital requirements in that distributions would not result in the Target violating such requirements. As of June 30, 2015, the Target would have been in compliance with all of its regulatory capital requirements (including its prescribed CET1 capital ratio, Tier 1 capital ratio and total capital ratio). The Target's Pro Forma CET1 Capital Ratio, adjusted for the removal of the add-on capital requirement as further described under footnote (7) under "*—Other Financial Information*" above, would have been 21.49%. In the business plan discussed with the Bank of Italy in connection with the Acquisition, we presented guidance targeting a minimum consolidated CET1 capital ratio of 14% for distribution of dividends by ICBPI. On the basis of the Target's Pro Forma CET1 Ratio, the Target's excess capital above a 14% CET1 capital ratio would have been €249.3 million as of June 30, 2015.

Financial Condition

The following table provides an overview of our own funds, exposures, capital requirements and capital ratios as of June 30, 2014 and 2015, and as of December 31, 2012, 2013 and 2014, in each case, as reported pursuant to IFRS. See "*Regulation—Regulatory Regimes Applicable to CartaSi and ICBPI—Capital Adequacy Requirements*," "*Risk Factors—Risks Related to Our Business—Our business is subject to a variety of complex regulatory regimes, and changes in law and regulation impose or could impose operational restrictions on us, increase our expenses and/or otherwise have a material adverse effect on our business*" and our Financial Statements included elsewhere herein.

	As of December 31,			As of June 30,	
	2012[11]	**2013[11]**	**2014**	**2014**	**2015**
	(in € millions, except where stated otherwise)				
Own funds[1]					
Common Equity Tier 1 (CET1)[2]	—	—	667.1	638.7	725.7
Tier 1 capital[3]	485.4	555.7	667.1	638.7	725.7
Tier 2 capital[4]	26.1	31.2	16.0	22.6	8.3
Total own funds	**511.5**	**586.9**	**683.1**	**661.3**	**733.9**
Capital Requirements					
Credit and counterparty risk	126.0	110.7	145.4	185.9	155.2
Market risk	6.3	0.9	1.2	2.9	2.0
Operational risk	65.8	66.2	112.9	66.2	112.9
Other calculation elements[5]	65.8	66.2	112.9	66.2	112.9
Total prudential requirements	**263.8**	**244.0**	**372.5**	**321.1**	**383.0**
Risk-Weighted Assets and capital ratios					
Risk-weighted assets	3,298.1	3,049.5	4,655.6	4,013.3	4,787.4
CET1 capital ratio[6]	—	—	14.33%	15.91%	15.16%
Tier 1 capital ratio[7]	14.72%	18.22%	14.33%	15.91%	15.16%
Total capital ratio[8]	15.51%	19.25%	14.67%	16.48%	15.33%
Pro Forma CET1 Capital Ratio[9]					21.49%
Capital buffer above 14% CET1 capital ratio[10]					249.3

(1) CET1 Capital, Tier 1 Capital and Tier 2 Capital were all calculated in accordance with then-applicable regulations. These regulations have changed between the periods presented and, as a result, the values presented are not directly comparable.

(2) Common Equity Tier 1 Capital is the primary measure of a bank's financial strength from a regulatory perspective. It is composed mainly of equity capital, net of regulatory deductions.

(3) Tier 1 capital is a measure of a bank's financial strength from a regulatory perspective. It consists of CET1 capital and Additional Tier 1 Capital.

(4) Tier 2 Capital is a measure of a bank's financial strength from a regulatory perspective. The Target's Tier 2 Capital consists entirely of unrealized gains from our AFS Portfolio, which are partially excluded from CET1 Capital and added back to Tier 2 Capital pursuant to transitional rules under CRD IV.

(5) Represents a discretionary regulatory capital requirement mandated by the Bank of Italy pursuant to communication no. 206782, dated February 25, 2009, following the Bank of Italy's audit of the Target Group between October 20, 2008 and December 19, 2008. The add-on capital requirement was imposed in consideration of the Target Group's exposure to operational risk, reputational risk and deficiencies in related controls and is equal to 100% of the capital requirement for operational risk from time to time. The Bank of Italy repealed the add-on capital requirement with effect as of September 30, 2015, pursuant to communication no. 0950748, dated September 11, 2015.

(6) Calculated as CET1 capital / risk-weighted assets. On a fully-loaded basis, our CET1 capital ratio as of June 30, 2015 would have been 15.47%.

(7) Calculated as Tier 1 capital / risk-weighted assets. On a fully-loaded basis, our Tier 1 capital ratio as of June 30, 2015 would have been 15.47%.

(8) Calculated as Total own funds / risk weighted assets. On a fully-loaded basis, our Total capital ratio as of June 30, 2015 would have been 15.47%.

(9) "Pro Forma CET1 Capital Ratio" is defined as our CET1 capital ratio, adjusted for the removal of an additional discretionary capital requirement. Following the Bank of Italy's audit of the Target Group between October 20, 2008 and December 19, 2008, the Bank of Italy imposed an additional discretionary capital requirement on the Target Group, which reduced its CET1 capital ratio. The add-on capital requirement reflected the Target Group's exposure to operational risk, reputational risk and deficiencies in related controls and was equal to 100% of the capital requirement for operational risk from time to time. With effect as of September 30, 2015, however, the Bank of Italy repealed the add-on capital requirement. Pro Forma CET1 Capital Ratio represents our CET1 capital ratio as of a certain historical date, assuming the add-on capital requirement had already been removed at such date.

(10) On the basis of the Target's Pro Forma CET1 Capital Ratio, the Target's excess capital above a 14% CET1 capital ratio would have been €249.3 million as of June 30, 2015.

(11) Calculated on the basis of Basel II.

Other Operating Data

	As of and for the year ended December 31,			As of and for the six months ended June 30,		As of and for the twelve months ended June 30,
	2012	2013	2014	2014	2015	2015
CartaSi reporting segment[1]						
Number of managed cards[A]	21,368	24,152	25,623	24,466	26,415	26,415
Debit cards	*10,279*	*11,204*	*11,069*	*10,927*	*11,385*	*11,385*
Charge cards	*8,162*	*8,447*	*9,092*	*8,519*	*9,222*	*9,222*
Prepaid cards	*2,440*	*4,035*	*5,023*	*4,570*	*5,380*	*5,380*
Credit cards	*487*	*465*	*439*	*451*	*427*	*427*
Value of card transactions[B]	65,207	70,459	74,538	34,915	37,156	76,778
Issuing[2]	*22,721*	*22,493*	*25,988*	*12,175*	*13,287*	*27,100*
Acquiring[2]	*42,486*	*47,965*	*48,550*	*22,740*	*23,869*	*49,679*
Number of managed transactions[C]	1,886.5	2,075.9	2,233.5	1,072.0	1,172.9	2,334.4
Issuing[3]	*832.7*	*893.5*	*969.3*	*475.2*	*523.0*	*1,017.2*
Acquiring[3]	*1,053.8*	*1,182.4*	*1,264.2*	*596.8*	*649.9*	*1,317.2*
Number of managed POS[D]	481,421	502,966	541,219	517,443	554,290	554,290
Number of managed ATMs[D]	9,929	9,806	9,628	9,661	9,414	9,414
Payments reporting segment[1]						
Number of banking payment transactions[C][4]	318.8	345.7	466.0	219.4	244.2	490.7
Number of clearing transactions[C][4]	1,480.4	1,492.4	810.9	458.2	321.4	674.1
Number of e-banking workstations[D]	180,535	186,742	203,001	194,298	240,363	240,363
Securities Services reporting segment[1]						
Depositary bank—amount of assets in custody[B][5]	35,049	41,289	54,111	44,993	57,326	57,326
Global custody—amount of assets in custody[B][5]	58,596	82,625	125,452	119,454	130,599	130,599
Value of brokerage negotiation[B]	45,433	39,995	45,841	25,207	27,801	48,435

(1) The figures presented above are subject to variation from period to period, including due to seasonality and acquisitions. See "*Managements' Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition" and "Risk Factors—Risks Related to Our Business*."

(2) Aggregates credit, charge and prepaid cards managed under the licensing model. See "*Our Business—Our Services—Card Issuing—Licensing (Card Issuing)* and "*Our Business—Our Services—Merchant Acquiring and POS—Licensing (Merchant Acquiring)*."

(3) Aggregates debit, credit, charge and prepaid cards managed under the licensing or servicing model. See "*Our Business—Our Services—Card Issuing*" and "*Our Business—Our Services—Merchant Acquiring and POS*."

(4) Clearing transactions include certain banking payment transactions.

(5) Global custody—Amount of Assets in custody includes most of the assets comprised in Depositary Bank—Amount of Assets in custody.

(A) Represents the number at period-end expressed in thousands.

(B) Represents the value for the period expressed in euro millions.

(C) Represents the number for the period expressed in millions.

(D) Represents the number at period-end.

RISK FACTORS

An investment in the Notes entails risks. There are a number of factors, including those specified below, that may adversely affect our ability to make payments under the Notes. You could therefore lose a substantial portion or all of your investment in the Notes. Consequently, an investment in the Notes should be considered only by persons who can assume such risk. You should note that the risks described below are not the only risks that we face. The risks described below are all of the risks we consider to be material. However, there may be additional risks that we currently consider immaterial or of which we are currently unaware, and any of these risks could have the effects set forth above. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses, market shares or historical financial results, such terms refer to the Target and its subsidiaries, (ii) when referring to the Financing and pro forma indebtedness obligations, such terms refer to one or more of the the the Issuer and the Sponsors' HoldCos and (iii) when referring to the Transactions, such terms refer to one or more of the Issuer, the Sponsors' HoldCos, HoldCo and BidCo.

Risks Related to Our Business

Economic conditions in Italy may adversely affect consumer spending, which may adversely impact our revenues and profitability.

We operate exclusively within Italy and derive virtually all of our operating revenue from within Italy, making us vulnerable to risks associated with this geographic market.

For the twelve months ended June 30, 2015, operating revenue generated by CartaSi (Card Issuing, Merchant Acquiring and other CartaSi business units) and our Payments Business was €519.8 million, or 77%, of our total operating revenue. Operating revenue in these businesses is generated through the fees we receive, which are a function of the number and volume of payment transactions we execute. These, in turn, are tied to the overall level of consumer, business and government spending in Italy. In our Securities Services Business, general economic conditions could affect the saving habits of the Italian population and, consequently, reduce the amount of our clients' AUM and therefore our assets in custody, which could adversely affect our operating revenue. In this context, we are exposed to possible fluctuations in revenue, profitability and cash flows as a result of general economic conditions in Italy that affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. Such general economic conditions may change unexpectedly as a result of a large number of factors over which we have no control, such as government policy, monetary policy and international economic conditions. A sustained deterioration in general economic conditions in Italy, or increases in interest rates in Italy, may adversely affect our financial performance by reducing the number of transactions or spend on transactions involving payment cards. Furthermore, if economic conditions cause the banks with which we partner to tighten credit requirements, this could decrease the number of cardholders and therefore the number and volume of spend in payment card transactions. Since we have a certain amount of fixed and semi-fixed costs, including debt servicing costs, rent and salaries, our ability to quickly adjust costs and respond to changes in our business and the economy may be limited. In light of all of the above, a reduction in the amount of consumer spending could result in a decrease of our revenue and profits, materially and adversely impacting our financial condition and results of operations.

Our operations are dependent on ICT and information systems, and any disruption of information systems, whether widespread or localized, could adversely impact our operations.

The integrity, reliability and operational performance of our ICT infrastructure and technology network are critical to our operations. The most significant of these is our acquiring platform, which is a combination of systems that process payment authorizations from and assist with settlement with the card schemes, and assist with remittance to our merchant customers. Our issuing platform, which regulates the use of our payment cards by cardholders, is also very significant. Both of these systems are outsourced to third-party service providers. See "*Our Business—Information and Communications Technology*." In addition to our acquiring and issuing platforms, we rely on fully-outsourced services for clearing and settlement (ACH) connectivity, application centers and foreign transaction in our Payment Business, as well as for investment and trading, global custody and funds administration in our Securities Services Business and in our treasury function.

The availability of our acquiring and issuing platforms and other products may be interrupted by damage or disruption to our or our third-party service providers' ICT systems. For instance, we have historically experienced a small number of serious failures in the ICT systems provided by our main third-party ICT service providers. These failures were primarily due to malfunctions of hardware or coding errors in software products. Failures can also be caused by the migration to new systems. For example, when we migrated our ICT infrastructure to SEPA in 2014, our provider Equens encountered service interruptions due to temporary blocks and delays which also affected our customers. Such disruption may be due to malicious increases in system usage (including as a result of a denial of service or similar attacks which exceed network or gateway capacity), hardware or software defects, human error, unauthorized access, fire, power loss, natural hazards, the impact of war and terrorism, disasters or similarly disruptive events, as well as planned upgrades and improvements which may be subject to developmental delay or fail to be effective. We perform a part of our disaster recovery operations ourselves and utilize select third parties for other aspects of recovery. To the extent we outsource our disaster recovery operations, we are at risk of the vendor's unresponsiveness in the event of breakdowns in our systems.

In addition, the services we provide are dependent on links to telecommunications providers that we do not control. We require telecommunications providers to process data and depend on internet sites in the fulfillment of solutions and services and in responding to customer inquiries. Data storage and processing by these links to telecommunications providers may fail due to power outages, technical errors and other malfunctions. Our own backup data may not be sufficient to restore the data lost as a result of such a failure, and we may not be able to compensate for a loss of data or failure in data processing in a timely manner or at all. In addition, we depend on our telecommunications providers to send our information and data to servers around the world, including those for Visa and MasterCard. Any damage to, or failure by our service providers to properly maintain our data centers, failure of our telecommunications links or inability to access these internet sites could cause interruptions in operations that adversely affect our ability to meet our customers' requirements and materially adversely affect our business, financial condition, results of operations and prospects.

Our merchant customers require us to maintain a certain level of systems availability, and failure to maintain agreed levels of service availability or to reliably process our customers' transactions could result in loss of revenues as well as in customers switching to a different payments services provider. A loss of customers due to performance issues, system interruptions or other failures could result in a loss of revenues, payment of contractual or consequential damages, reputational harm, additional operating expenses in order to remediate any failures, and exposure to other losses and liabilities. Although we maintain property and business interruption insurance, any such insurance may not be adequate to compensate us for all losses or failures that may occur. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ICT processing infrastructure is outsourced to third parties, which raises the risk that such third parties could be affected by disruptions, not perform as expected, increase prices, fail or otherwise not act in our interests.

Certain elements of the ICT systems infrastructure which we depend on to carry out services necessary for our core business activities, including payment processing, are outsourced to third parties. See "*Our Business—Information and Communications Technology.*" In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. For example, in the past several years we have made substantial investments to outsource our data center to Equens, to which we also outsourced our merchant acquiring platform. The services and functions provided by these third parties, including payment processing, and assistance with settlement with card scheme operators, protection against electronic attacks, legacy infrastructure and systems, and the supply of the POS terminals that we lease to our merchant customers, are critical to our business. With respect to this infrastructure, we maintain relationships with a limited number of third-party suppliers including Equens and SIA. Unione Fiduciaria and Bankadati are key ICT suppliers for other activities of our Group. We face the risk that one or more of our key third-party suppliers will fail to deliver the products or services that we require, or that such products and services will fail to meet required operating and security standards. Supply or service curtailments or interruptions could arise from shortages of components or raw materials, as well as from labor disputes, transportation disruptions, impaired financial condition of suppliers, extreme weather or other natural disasters. In the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our customers, in individual cases, or if the suppliers are insolvent, in whole or in part. There can be no assurance of the continued performance, accuracy, compliance and security of any of our third-party providers. In particular, in the case of an industry-wide cyclical upturn or in the case of high demand for a particular product, our suppliers of software, hardware and other services may receive customer orders beyond the capacity of their operations, which could result in late delivery to us, should these suppliers elect to fulfil the accounts of other customers first. We may also not be able to recover monies paid to such suppliers or obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner. In addition, our third-party providers may increase their prices or alter their terms to our detriment. There are a limited number of adequate third-party suppliers available, and if our contractual arrangements with any third-party providers are terminated or no longer offered on reasonable terms, we may not be able to find an alternative supplier on a timely basis, on equivalent terms or without significant expense or at all. Our ability to renew our existing contracts with suppliers of products or services, or enter into new contractual relationships, with these or other suppliers, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond our control. In addition, our suppliers may enter into arrangements with our competitors.

In some cases, our third-party service providers may compete with us. For example, our ICT service provider SIA competes with us with respect to clearing services in our Payments Business and also provides card issuing and merchant acquiring services.

As a result of these factors, our ability to operate our business or execute our strategy may be limited due to disruption, delay, defect, quality issues, capacity shortage, or other issues adversely affecting service or product quality. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We depend on our relationships with our partner banks which are our primary distribution channel for our CartaSi business units. If we are unable to maintain these relationships, or if our partner banks are unable to maintain relationships with merchants or cardholders, our businesses may be adversely affected.

A substantial portion of CartaSi's business is conducted through partner banks which originate the business relationship with consumers in CartaSi's Card Issuing Business and merchants in our Merchant Acquiring Business through their extensive branch network and preexisting business relationships. See "*Our Business—Our Services—Card Issuing*" and "*—Merchant Acquiring and POS*." We rely on the continuing growth of our merchant and cardholder relationships and our relationships with partner banks are key to our business and prospects. Although our relationships with our partner banks are governed by contracts, these contracts are not long-term and can be terminated by our partner banks (subject to certain limitations for our partner banks that are also selling shareholder banks for a certain period of time; see "*The Transactions—The Acquisition*") with three months' notice. "*Our Business—Material Contracts—CartaSi Agreements with Partner Banks*." To the extent we are unable to maintain our relationships with partner banks, or to the extent such banks partner with a competitor instead of partnering with us, we would lose our primary distribution channel for CartaSi's Card Issuing and Merchant Acquiring Business and our primary customers for our Payments Business and BPO Business. The loss or deterioration of these relationships would have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to a variety of complex regulatory regimes, and changes in law and regulation impose or could impose operational restrictions on us, increase our expenses and/or otherwise have a material adverse effect on our business.

We are subject to complex regulatory requirements, including supervision by the Bank of Italy and CONSOB and significant regulation applicable to companies supplying banking, financial or payments services. Regulators oversee a number of areas of our business, including liquidity levels, capital adequacy, leverage, money laundering prevention, data protection, transparency and propriety in dealings with customers, and reporting and registration obligations. See "*Regulation*." Any failure to comply with regulation, or adapt to regulation as and when it changes, may have a material adverse effect on our business, financial condition, results of operations and prospects. See "*Regulation.*"

Basel III

On January 1, 2014, the CRD IV came into effect implementing the Basel III accord in the European Union. See "*Regulation*." Our business is impacted by the rules implementing the Basel III accord, and in particular, the new rules on liquidity and any increase in the capital ratios. With respect to capital ratios, we believe that the greatest impact will likely come from the introduction of a stricter regime of deductions than those that applied previously. These regulations, as well as future laws and regulations, may have a material adverse effect upon our business, financial condition, results of operations and prospects.

CRD IV rules rely on guidance published by the Basel Committee on Banking Supervision (the "**Basel Committee**") to calculate regulatory capital requirements, including for credit risk and operational risk. This guidance is currently under revision and subject to change. In particular, the Basel Committee recently issued three proposals which are relevant to our business:

- first, the Basel Committee issued a proposal in which it suggests revising the current methodology to calculate the regulatory capital requirement for operational risk;
- second, the Basel Committee issued a proposal in which it suggests revising the current methodology to calculate the regulatory capital requirement for credit risk; and
- third, the Basel Committee issued a proposal in which it suggests designing a capital floor based on standardized, non-internal modelled approaches. The proposed floor would replace the existing transitional capital floor based on the Basel I framework. The floor will be based on revised standardized approaches for credit, market and operational risk, which are currently under consultation.

The Basel Committee has not yet released the final revised methodology for the calculation of regulatory capital requirements for credit risk or operational risk, or for the application of a new capital floor, and the timeline and guidance for implementation of the final requirements are still uncertain. However, any revised methodology may increase our regulatory capital requirements. As far as credit risk is concerned, higher regulatory capital requirements may result from the different treatment of credit exposure to banks. As far as operational risk is concerned, higher regulatory capital requirements may result from a different aggregation of fees and commissions. Finally, higher regulatory capital requirements may arise from the application of higher capital floors.

In addition to the above, supervisory authorities may at any time review our internal models for calculating RWAs and require the application of stricter criteria, leading to higher RWAs, with a negative impact on our operations, financial condition and results of operations. For example, in 2008, a Bank of Italy audit of our Group identified a high exposure to operational and reputational risks mainly due to deficiencies in our anti-money laundering compliance system. As a result, they imposed an additional capital requirement upon us, both at a consolidated level and at an individual level, which was equal to 100% of the operational risks requirement. In the first half of 2015, the Bank of Italy performed a specific audit to evaluate the processes we implemented in order to manage and control our operational risk. As a result of this audit and of the supervisory review and evaluation process (SREP), the Bank of Italy removed the additional requirement with effect as of September 30, 2015. There can be no assurance that we will not be subject to the application of stricter criteria for calculating RWAs in the future, which would negatively impact our operations, financial condition and results of operations.

Furthermore, under the current regulatory regime, the Target Group and other banks that calculate risk weights for sovereign bonds under the standardized approach are allowed to apply a zero risk weight to the sovereign debt of an EU member state, if such debt is denominated and funded in the currency of the relevant member state. While sovereign risk is not currently part of any of the aforementioned consultations on RWAs, the Basel Committee has announced as part of its 2015-2016 work program that it has initiated a review of the existing regulatory treatment of sovereign risk and will consider potential policy options. A change in the regulatory treatment of government bond holdings, including the application of higher risk weights, may lead to higher capital requirements for the Target Group. See "*—We are exposed to market and interest rate risk, as well as sovereign risk primarily due to our holding of Italian government bonds in our banking book.*"

Deferred Tax Assets

Changes to the treatment of deferred tax assets could potentially have a significant effect on Italian banks, as different deferred tax assets receive different treatment under Basel III rules. The deferred tax assets recognized in our financial statements primarily relate to goodwill that has been tax-certified, impairments of loans and related losses in excess of the amount fully deductible in the financial year and capital losses recognized in the equity reserve related to available-for-sale securities, as provided for under applicable Italian rules and regulation. As of June 30, 2015, deferred tax assets amounted in aggregate to €54.2 million, of which €39.5 million may be converted into tax credits pursuant to Law No. 214 of December 22, 2011 ("**Law 214/2011**").

Our future ability to include deferred tax assets in our regulatory capital as currently provided for under Italian rules and regulations is uncertain. This uncertainty results from, on the one hand, requests for information sent by the European Commission in April 2015 to the governments of Spain, Portugal, Italy and Greece relating to national treatment of deferred tax assets and, on the other hand, the Italian Law Decree No. 83 of June 27, 2015 which partly repealed previous rules. As such, some types of deferred tax assets (including those related to goodwill) will no longer be eligible for recognition as tax credits and will need to be deducted for purposes of calculating the CET1 capital ratio (see Article 17 of Italian Law Decree No. 83 of June 27, 2015). This change applies only to deferred tax assets arising from 2015. If we are required to exclude deferred tax assets from our calculation of regulatory capital, our capital adequacy ratios would decrease and we may be required to raise additional capital to meet the requirements in effect from time to time. See "*Regulation—Regulatory Regimes Applicable to CartaSi and ICBPI—Capital Adequacy Requirements*."

Other

Member States must have transposed into national law by July 3, 2015 EU Directive 2014/49, regarding the deposit guarantee scheme, and EU Directive 2014/59 regarding, among other things, the Single Resolution Fund. The Single Resolution Fund will go into effect from January 1, 2016. Uncertainty exists as to how national implementing regulations will provide for the determination and payment of contributions to these funds, and amounts that we may be required to contribute may be significant, thereby impacting our cash flows and liquidity.

In addition, in our Securities Services Business, we are also exposed to the potential risk of market abuse. See "*Regulation*." Any failure to comply with these rules may result in criminal offences of insider trading or market manipulation, including the manipulation of benchmarks.

In addition to the regulatory regimes listed above, the EBA has launched a consultation process on the criteria for determining "minimum required eligible liabilities"—that is, the minimum own-funds and eligible liabilities that banks and lending institutions must maintain to ensure loss absorbency capacity. Once adopted, such regulations may require us to set aside additional own-funds and eligible liabilities, which we may not be able to do if we have insufficient funds.

Should we breach these or other applicable regulations, regulators are entitled to bring administrative, criminal and civil proceedings against us which could result in, among other things, authorizations being suspended or revoked, formal warnings, fines, penalties and other disciplinary measures. These may have a material adverse effect on our business, financial condition, results of operations and prospects.

While we strive to comply with all applicable laws and regulations, compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Further, applicable laws and regulations and their interpretation and application may change from time to time, and those changes could have a material adverse effect on us. In addition, a failure to comply with applicable laws or regulations could also have a material adverse effect on our business, financial condition, results of operations and prospects.

Competition for each of our businesses is intense.

The market for card issuing, merchant acquiring and POS payments services, securities services and BPO services is highly competitive. In each of our businesses, we mainly compete on the basis of technology, speed and performance, quality and reliability, brand, reputation and customer service. A decline in the market for any of our services as a result of increased competition, a decrease in consumer spending or a shift in consumer payment preferences, could have a material adverse effect on our business. We may face increased competition in the future as new national and international companies enter the market and existing competitors expand their services. Some competitors may have or develop a lower cost structure. New competitors or alliances among competitors could emerge, resulting in a loss of business for us and a corresponding decline in revenues and profit margin. In certain cases, our competitors may have substantially greater financial, technological and marketing resources than we do. If competitors are better able to exploit these advantages, we may not be able to attract or retain customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, if we fail to respond to changes in technology or consumer payment preferences, we could lose business to competitors.

Our competitors include financial institutions and well-established payments services providers. In CartaSi's Card Issuing and Merchant Acquiring and POS Businesses, our primary competitors are Intesa SanPaolo (including through its subsidiary Setefi), Poste Italiane and UniCredit. In our Payments Services Business, our primary competitors are SIA and ICCREA for clearing activities and Info Group for digital corporate banking services. In our Securities Services Business, our primary competitors are State Street, Société Generale and BNP Paribas. We believe we are the leading provider by market share in the Italian AML market, with a market share of approximately 90% and 45% in the Italian banking and life insurance markets, respectively. Our primary competitors with respect to our BPO Services Business are other major consulting firms. See "*Industry.*"

If competition causes us to reduce the fees we charge in order to attract or retain customers, there is no assurance that we would be able to successfully control our costs or maintain our profit margins. Moreover, if we are unable to offer consistently higher transaction acceptance rates to our merchant customers compared to our competitors, we face the risk that we will lose merchant customers and market share to those competitors. One or more of these factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are also facing new competitive pressure from non-traditional payments services providers and other parties entering the payments industry, such as PayPal, Google, Apple, and Amazon, which may compete in one or more of the payments services which we provide. These companies have significant financial resources and robust networks and are highly regarded by consumers. If these companies gain a greater share of total electronic payments transactions or if we are unable to successfully react to changes in the industry spurred by the entry of these new market participants, it could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, we also face competitive pressure from new payment technologies which in some cases do not require the use of a payment card. These solutions use an online technology that allows customers to transfer funds from their bank account or credit card to another individual's account via the internet or a mobile phone. Direct settlement systems are not common for payments between merchants and consumers, however it is possible that their acceptance will increase in the future, resulting in direct settlement transactions in retail stores.

Our business must also comply with the applicable antitrust and competition regulation. See "*Regulation*." Any failure to comply with these regulations or adapt to new regulations as and when they change, may have a material adverse effect on our business, financial condition, results of operations and prospects.

We face the risk of our bank customers insourcing our Card Issuing, Merchant Acquiring, POS and other businesses.

We often compete against our existing or potential clients' in-house services. Many of our clients have or could in the future have the capacity, scale and strategic rationale necessary to provide the services we provide in-house, leading them to undertake a cost analysis of whether it is preferable to insource or continue to outsource their payments requirements. In addition, clients may find insourcing preferable because they are able to exercise greater control over insourced functions and are able to adapt insourced functions more quickly to changing business needs or customer preferences. This could result in a decrease in the number of our clients, or require us to lower our fees in order to match the costs associated with in-house services. For example, when we acquired CartaSi in 2009, the two largest banks in Italy, Intesa SanPaolo and UniCredit, decided to insource their card issuing and merchant acquiring requirements, resulting in lost business for us. In addition, our servicing model platform in both our Card Issuing and Merchant Acquiring Business is based on the premise that banks have primarily insourced those functions and only require assistance in servicing those businesses. Additional insourcing or changes in how banks insource in the future could have a material adverse effect on our business, financial condition, results of operations and prospects.

Consolidation in the Italian banking market could adversely affect our business and results of operations by reducing the number of our customers and increasing the risk of insourcing or the impact of our customers switching to a different service provider.

We expect a trend of mergers and consolidations in the banking and financial services industry in Italy to potentially continue, particularly among the Italian *popolari* banks. The Popolari reform, which requires the *popolari* banks to transform into joint stock companies, will affect governance structures and is expected to result in further consolidation of the Italian banking sector. Most of our partner banks are *popolari* banks, and mergers and consolidations of financial institutions (including *popolari* banks) may reduce our number of clients, potential clients and partner banks in our distribution model, which could adversely affect our revenues. Further, if our clients or partner banks fail or merge with or are acquired by other entities that are not our clients or that use fewer of our services, we will likely generate less revenue from such clients. It is also possible that the larger banks or financial institutions which emerge from mergers or consolidations would have greater leverage in negotiating terms with us. Our customers benefit from the economies of scale in our business, but to the extent that our customers grow through consolidation or otherwise are able to replicate such economies of scale themselves, they may decide to insource the functions which we provide or could provide. Additionally, our dependency on partner banks increases with their scale, such that the loss of a single partner bank could have a greater impact on our revenues, profitability and cash flows once it has consolidated with other banks. Any of these developments could have a material adverse effect on our business, financial condition, results of operations and prospects.

It may be costly for us to adapt to new technology and provide new services in response to changes in the payments services industry, and a market-disruptive technology or service in the payments industry or changes in the regulations governing the payments services industry could adversely affect our results of operations, financial condition and prospects.

Our businesses operate in industries that are subject to technological advancements, developing industry standards and changing customer needs and preferences. The process of developing new, high-technology products and services and enhancing existing products and services is complex, costly and uncertain, and any failure by us to accurately anticipate customers' changing needs and emerging technological trends could significantly harm our market share and results of operations. We must anticipate and respond to these industry and customer changes in order to remain competitive within our markets. We may need to make capital expenditure in order to develop new technologies before knowing whether our predictions will accurately reflect customer preferences, or, if we are unable to develop the necessary technologies internally, we may have to spend money in an attempt to license or acquire technologies from third parties. We believe that future growth in the electronic commerce market will be driven by a combination of factors including speed, cost, ease-of-use, security and the quality of products and services offered to consumers and businesses. However, we may be unable to develop or commercialize technological advances and introduce new products in a manner and to an extent sufficient for us to remain competitive within our industry. In addition, the success of our electronic commerce businesses also relies on financial institutions and other third parties to market our services to their customers. If any of these third parties abandons, curtails or insufficiently increases its marketing efforts, it could have a material adverse effect on our business, results of operations and financial condition. We may, among other things, lack capacity to invest the required level of human and financial resources necessary to develop these products, commit errors or misjudgments in our planning in these areas or experience difficulties in implementing rollouts. In addition, we may not be able to meet our product development and delivery schedules as a consequence of unforeseen problems during the design, development or manufacturing phases of new product and technology introductions. Delays in product development may also lead to a need for greater investments in research and development. If we encounter increased costs associated with new product development and product enhancements for which we are unable to realize sufficient revenues, the costs of the related new product development may not be recoverable. The increase in costs of, or the decrease in revenues from, newly developed products, or both, could have a material adverse effect on our business, financial condition and results of operations. Any failure to remain innovative or to introduce new or upgraded technologies that are responsive to changing consumer, merchant customer, card scheme or regulatory requirements may have a material adverse effect on our competitiveness and could cause us to lose market share, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

As Italy's leading diversified payments banking group, we operate in the financial services sector. In the wake of increasing internet penetration and the advent of smartphones and tablet computers, the financial services sector may be disrupted by changing regulations and/or emerging technologies that seek to compete with established business models. New technologies, including continuing advancements in the areas of proximity payment devices (such as contactless payment cards), digital currencies (including bitcoin and other technologies) and remote payment technologies (such as cloud-based accounts), and evolving consumer behaviour (including shifts towards digitization, cost transparency and mobility) are rapidly changing the way people transact business around the world. Traditional and non-traditional competitors such as mobile, technology and telecommunications companies and aggregators are working to deliver digital and mobile payments services for both consumers and merchants, which may obviate the need for credit and debit cards. As a result, consumers may decide to make less use, or no use at all, of their payment cards.

In addition to emerging technologies, changes in regulations can impact consumers' use of payment cards. For example, in 2012 the Italian government placed a cap of €999.99 on cash transactions, but recently Italian Prime Minister Matteo Renzi has announced that he will propose to raise this cap to €3,000. If the Italian government were to raise the cap on cash transactions, consumers may decide to use their payment cards less in favor of cash.

Our competitors may be able to innovate or adjust to new regulations faster than we can, and new technologies may increase competitive pressure by enabling our competitors to offer more efficient or lower-cost services. Our success will depend in part on our ability to develop new technologies and adapt to technological changes and evolving industry standards, which may require us to undertake significant research and development, including accompanying research and development costs. We may not have, or may not be able to attract, the level of human resources necessary for these research and development efforts. If we are unable to continue to keep pace with innovation, manage the shift to mobile, device-based and multi-channel commerce, adjust to new regulations or improve the quality of our customers' experience, our business, financial condition, results of operations and prospects could be adversely affected.

We are subject to potential credit risk from our customers, as well as short term credit risk from our partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, we could experience material losses.

Although our partner banks typically assume the ultimate credit risk for the vast majority of our payment cards under their contracts with us, CartaSi is subject to credit risk from two primary sources. First, CartaSi extends credit to cardholders in its Card Issuing Business to fund such customers' payment card purchases. Subject to whether the payment card used to complete the purchase was a credit, charge or debit card, the outstanding balances may be settled with the cardholder or its bank only up to 45 days later. Second, in its Merchant Acquiring Business, CartaSi typically bridges differences in the timing of settlement between counterparties, such that our merchant customers receive funds from CartaSi prior to CartaSi receiving matching funds from the cardholder and its bank that transacted with the merchant. In the year ended December 31, 2014, credit losses amounted to €4.3 million. For a detailed description of our credit risk exposure see "*Our Business—Funding, Settlement and Credit Risk*."

Furthermore, with respect to licensing agreements and the associate model, in our Merchant Acquiring Business, we are subject to credit risk from our merchant customers for the amount we pay for transactions where goods or services have not yet been provided by the merchant to the consumer, or which are disputed by the cardholder. In such an instance, the transaction amount is normally "charged back" to the merchant and the purchase price is refunded by us to the cardholder. Even if we are unable to collect the chargeback amount from our merchant customer, the card scheme rules require us to return the full payment amount, including the issuer fee and scheme interchange fees, to the card issuing bank (paying via the card schemes). If we are unable to subsequently collect this amount from our merchant customer, due to the merchant's insolvency, a dispute or other unwillingness to pay, or for other reasons, then we could bear the loss for the amount of the refund paid to the consumer or cardholder. Our efforts to manage our credit risk by proactively identifying at-risk merchants or obtaining collateral from at-risk merchants may prove unsuccessful in mitigating the risk of a default on such obligations by one or more of our significant merchant customers, which could have a material adverse effect on our business, financial condition and, results of operations and prospects. See "*Our Business—Funding, Settlement and Credit Risk—Merchant Acquiring.*"

In addition, we are subject to risks relating to transactions in which we make a determination as to whether to authorize a payment card transaction prior to receiving approval from the card scheme operator or the issuing bank in cases where the authorization from the card issuing bank is delayed or unavailable. In such instances, if we decide to authorize a transaction which the card issuing bank subsequently does not accept, then we may be liable for the amount of the transaction.

We are also subject to credit risk for the amount of the issuer interchange fees, scheme fees, and our own fees. In each CartaSi transaction that is carried out, fees are received by the card issuer (including us, if we are acting as such), the card scheme and the merchant acquirer (including us, if we are acting as such). We do not always net out these fees when we pay our merchant customers the transaction payment amount, but in certain instances we instead send a monthly invoice. If a materially significant number of merchants refuse or delay to pay these fee invoices, we could experience a material loss.

In our Payments and Securities Services Businesses, we are primarily exposed to the credit risk of other banks and mutual funds. See "*Our Business—Our Customers*."

Fraud by merchants, cardholders, suppliers or others could have a material adverse effect on our business, financial condition and results of operations.

We have potential financial liability and could suffer reputational damage for fraudulent electronic payment transactions, fraudulent credits initiated by merchants or others, or fraudulent sales of goods or services, including fraudulent sales by our merchant customers. Examples of merchant fraud could include the sale of counterfeit goods or the deliberate use of a stolen or counterfeit credit or debit card, payment card number, or other credentials to record a false sale or credit transaction by merchants or other parties, the processing of an invalid payment card, or intentional failure to deliver merchandise or services sold in an otherwise valid transaction. In the year ended December 31, 2014, our Card Issuing and Merchant Acquiring Businesses were subject to fraudulent transactions in an amount of €8.7 million. The cases of fraud can be categorized into unauthorized internet transactions, counterfeit credit cards, stolen credit cards, lost credit cards and other cases, which accounted for approximately 56%, 23%, 14%, 5% and 2% of all fraudulent transactions during such period, respectively. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud and identifying theft, and failure to effectively manage risk and prevent fraud could increase our chargeback liability or cause us to incur other liabilities, including sanctions and fines. Although we have comprehensive screening and detection systems to alert our transaction monitoring and risk teams of potential fraud, these may be ineffective in preventing all instances of fraud or be subject to technological interruptions and it is possible that incidents of fraud could increase in the future. Increases in chargebacks or other liabilities could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to market and interest rate risk, as well as sovereign risk primarily due to our holding of Italian government bonds in our banking book.

We are exposed to the risk that the value of a financial asset (or liability) may decrease (or increase) as a result of changes in market variables, such as credit spreads, interest rates, share prices and exchange rates. Market risk arises in relation to our trading book, including traded financial instruments and our banking book, which comprises those assets and liabilities not included in the trading book. Market risk arises from potential changes in the value of financial instruments (belonging to either the trading or the banking book) as a result of changes in interest rates, exchange rates, share prices, commodity prices, credit spreads and other risks. Changes in prices may reflect changes in the performance of the economy, national and international financial markets generally, monetary and tax policies, global market liquidity, the availability and cost of capital, actions by rating agencies, Italian and international political events, wars, conflicts and acts of terrorism.

Risks connected with changes in interest rates depend in turn upon a number of factors beyond our control, such as monetary policies, macroeconomic performance and the political situation in Italy. In particular, the results from banking and lending transactions depend upon our exposure to interest rates and the sensitivity of our exposure, that is to say, the effects that changes in relevant market interest rates have upon our interest margin and our financial condition. Any lack of alignment between the interest income that accrues to us, and the interest expense we pay (in the absence of suitable instruments guarding against such discrepancies) may have a material adverse effect upon our business, financial condition, results of operations and prospects (through, for example, an increase to the cost of funding that is more marked than any increase in the yield from assets, or a reduction in the yield from assets that is not matched by a decrease in the cost of funding).

As of June 30, 2015, the sensitivity of the banking book was such that an increase of 100 basis points in yield produced a decrease of €19.3 million (compared to a decrease of €28.7 million as of December 31, 2014). Value increased by €19.3 million when yield decreased 100 basis points (compared to €28.7 million as of December 31, 2014).

For a more detailed description of the interest rate and price risk inherent in our banking book, see section 1.2.2 of Part E of each of our Audited Financial Statements included elsewhere herein.

We are also subject to sovereign risk, primarily due to our holding of Italian government bonds in our banking book. Sovereign risk is the risk that governments will default on their debt obligations, will be unable to refinance their debts as they fall due, or will nationalize parts of their economy. Changes in the value of sovereign bonds, whether as a result of the change in the creditworthiness of sovereign issuers or otherwise, remains a material risk, given our exposure to such issuers in general and to Italy in particular.

Our Payments and Securities Services Business generate surplus liquidity in the ordinary course of their respective businesses. Applying internal transfer prices, we transfer the surplus liquidity to our Other Group Activities reporting segment. We use this liquidity, as a matter of priority, to fund CartaSi's Card Issuing and Merchant Acquiring Businesses, whereas any excess liquidity is used for general liquidity management and investment purposes. We invest primarily in Italian government bonds with an average maturity of 1.3 years. We have in the past held, and continue to hold, Italian government bonds with a higher coupon than would be attainable in the present interest rate environment. As a result, our operating revenue is impacted by the yield on Italian government bonds and we are subject to the sovereign risk of Italy. If this risk were to materialize, it could result in a significant decline in the value of our holding of Italian government bonds.

For operating purposes, market risk is monitored using a value at risk-measure, which represents the greatest loss that may result over a particular time horizon, with a specified confidence interval. As of June 30, 2015, the value at risk of our trading book, calculated with a confidence interval of 99% and a time horizon of one day, was €236,000, while, over the course of 2014, the average value at risk was €112,000.

Although we act in compliance with our comprehensive "risk appetite framework" and have specific corporate bodies and functions, as well as policies and procedures in place that seek to identify, monitor and manage such risks (see "*Regulation*"), unexpected events, or any inadequacy of those policies and procedures, may have a material adverse effect upon our business, financial condition, results of operations and prospects.

We are exposed to liquidity risks.

The ability to obtain liquidity and access the market for long-term funding are essential elements for the conduct of the ordinary business of banks and financial institutions. In particular, liquidity and long-term funding are fundamental to a bank's ability to meet both its anticipated and unanticipated payment obligations in a manner that does not prejudice its day-to-day operations, financial position or balance sheet.

Liquidity risk refers to any inability on our part to meet payment obligations. It arises where, for internal reasons (such as a specific major issue) or external reasons (such as macroeconomic conditions), we face a sudden reduction in available liquidity, or a sudden need to increase funding. Typically, liquidity risk arises in two forms:

- market liquidity risk: we are unable to liquidate an asset without incurring capital losses, or within a particular period, because of a lack of liquidity or inefficiencies in the relevant market; and

- funding liquidity risk: we are unable to meet anticipated or unanticipated payment commitments in an economical manner or without a material adverse effect upon our day-to-day business or financial condition.

As of June 30, 2015, our loan-to-deposit ratio was 83.7%, as compared to 124.4% as of December 31, 2014, and the average for the Italian banking industry as a whole. As of December 31, 2013, our loan-to-deposit ratio was 88.1%, compared to an Italian banking industry average of 107.2%. As at December 31, 2012, our loan-to-deposit ratio was 101.7%, as compared to an average for the Italian banking industry as a whole of 109.5% (Source: Italian Banking Association, Monthly Outlook, February 2015, February 2014 and February 2013).

Pursuant to Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, setting out prudential requirements for credit institutions and investment firms, since January 1, 2015, we have been required to maintain a minimum liquidity coverage ratio ("**LCR**") of 60%, which will increase gradually to 100% by January 1, 2018. Under the same rules, we will have to maintain a minimum net stable funding ratio of 100% ("**NSFR**") starting from January 1, 2018. As of June 30, 2015, our LCR is approximately 245% and we estimate that our NSFR is approximately 115%. Calculation of these two ratios is based on regulatory requirements with limited discretion or judgment involved in the calculation of such ratios.

In recent years, we have operated in a macroeconomic environment that has been characterized by periods of high volatility and unstable financial markets. Such instability and market volatility has made it considerably more difficult to access liquidity in the institutional market. This has led to a contraction in interbank lending, resulting in a significant increase in the cost of funding in the retail market, partly as customers suffered a widespread and increasing loss of confidence in European banking institutions. Notwithstanding our establishment of systems for monitoring and managing our liquidity risk, should market conditions be adverse for an extended period, or if the economic environment were to perform negatively overall, or our credit standing were to decline, or more generally we were to be unable to access the market to meet our liquidity requirements and/or the regulatory requirements introduced at any time in implementation of Basel III, such factors individually or in combination may have a material adverse effect upon our business, financial condition, results of operations and prospects.

Changes in regulation may lead to a requirement that the Issuer be consolidated with the Regulated Group.

We face the risk that Italian or European regulators may change the regulations applicable to us so that the financial information of the Issuer and/or the Sponsor's NewCos, which is currently outside the Regulated Group, must be consolidated with that of the Regulated Group. This would lead to a reduction of capital ratios within the Regulated Group and could result in a breach of the capital requirements applicable to us.

Any such change in applicable regulations, in conjunction with our failure to comply with such regulations, may lead to fines, supervisory sanctions and otherwise have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in payment network rules or standards could adversely affect our business, financial condition and results of operations.

The majority of the transactions we process are through international payment card schemes run by two key card scheme operators, Visa and MasterCard, which together process approximately 90% of our total transactions. In order to access the international card schemes' networks in providing acquiring and processing services, we must have the relevant operating licenses or memberships required by Visa and MasterCard and other card schemes. As part of our registration with card schemes, we and our merchant customers are subject to operating rules, including mandatory ICT systems requirements. The card schemes can change (and have in the past changed) their rules, including changes to ICT system requirements, with little notice to their members, particularly in response to regulatory changes.

Payment networks generally establish their rules to allocate responsibilities among the payment networks' participants and generally structure and change such rules for any number of reasons, including as a result of changes in the regulatory environment, to maintain or attract new participants or to serve their own strategic initiatives. In some cases, payment networks compete with us and their ability to modify and enhance their rules in their sole discretion may provide them an advantage in selling or developing their own services that may compete directly or indirectly with our services. Moreover, if the card schemes become more dependent on proprietary technology and seek to provide value added services to issuers and merchants, there is a heightened risk that the rules and standards they promulgate will be prompted by their own self-interest. Given the size and scale of Visa and MasterCard, they have significant leverage in setting new policies and ensuring compliance with those policies. The termination of our member registration or our status as a certified service provider, or any changes in card association or other payment network rules or standards, including interpretation and implementation of the rules or standards, that increase our cost of doing business or limit our ability to provide transaction processing services to or through our clients, could have a material adverse effect on our business, financial condition and results of operations.

If we are in non-compliance with any scheme rules as a result of changes to the rules or standards, we or our merchant customers may receive a fine and such fines and penalties could increase our operating costs, and we may be unable to pass these costs along to customers, which could result in lower profit margins. Additionally, if a violation is material enough, there is a risk of damaging the relationship we have with the card schemes to such an extent that their willingness to expand their business relationships, or continue their existing business relationship with us is restricted and, in certain cases, could lead them to terminate their relationship with us. Failure to comply with the card scheme rules could also result in the restriction, suspension or termination of our licenses to acquire payment transactions or to act with sponsoring banks under servicing agreements to use their BIN and license. If this were to occur, we would be unable to process transactions using the relevant card scheme, which could have a material adverse effect on our business, financial condition and results of operations.

As a member of Visa Europe, CartaSi may become liable for liabilities and losses of Visa Europe.

CartaSi is a member of Visa Europe Limited ("**Visa Europe**"), a mutually-owned card scheme. By virtue of its membership, CartaSi has potentially unlimited liability that is unlimited in terms of both time and the potential quantum of liability under the terms of the Visa Europe operating regulations, along with all other members of Visa Europe in respect of actual losses incurred by Visa Europe in Visa Europe's operation of the card scheme. Although investigations by competition authorities in Europe in respect of credit and debit interchange rates have closed following certain commitments made by Visa Europe to the European Commission and the introduction of the EU Interchange Regulation, several retailers in Europe have brought court proceedings against, or entered into so-called "standstill" agreements with, Visa Europe and other Visa entities in relation to alleged breach of competition law. It is not currently possible to predict the outcome of the proceedings against Visa Europe or the potential impact, if any, of these proceedings on the members of Visa Europe, including CartaSi. In the event that Visa Europe were to lose any such court proceedings and sought to claim against its members, including CartaSi, under the terms of the Visa Europe operating regulations and such a claim were successful, it is possible that CartaSi's exposure to this potential uncapped liability could have a material adverse effect on our business, financial condition, results of operations and prospects. See "*Summary—Recent Developments—Acquisition of Visa Europe by Visa Inc.*"

Regulation in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business opportunities.

We are subject to extensive European and Italian laws and regulations on privacy, information security and data protection, the main and most relevant of which relate to the collection, protection and use of personal and business data, consumer credit data and other information and the provision of credit ratings, including EU Directive No. 95/46/EC (the "**European Data Protection Directive**"), the E-Privacy Directive 2002/58/EC and national laws implementing each of them (such as the Italian Data Protection Code), the Italian Regulations for Prudential Supervision of Banks (Italian Central Bank Circular No. 285 of December 17, 2013) and EU Regulation 1060/2009 on credit rating agencies, as supplemented by EU Regulation 449/2012. See "*Regulation*."

In particular, we receive, store and process highly sensitive personal and business information, as well as other data regarding both our customers and other businesses and individuals. There is increasing awareness and concern among the general public, governmental bodies, and others regarding marketing and privacy matters, particularly as they relate to individual privacy interests. These concerns may result in new or amended laws and regulations that could adversely impact our business. In particular, and in addition to incurring compliance costs, changes to such laws and regulations may create significant business interruption risks if we are no longer able to use customer data in the manner in which we have previously.

We are subject to industry standards and the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable EU and Italian laws, policies, legal obligations, decisions, opinions of relevant local and foreign authorities and industry codes of conduct relating to privacy and data protection. These laws and regulations are subject to frequent revisions and differing interpretations, have generally become more stringent over time and may be inconsistent between countries or conflict with other rules or our practices. It is also possible that these obligations may not be applied consistently across courts belonging to primary levels of jurisdiction in Italy or the EU. Any failure or perceived failure by us to comply with such obligations or our privacy policies, or any compromise of security that results in the unauthorized processing, release, or transfer of information, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our members and customers to lose trust in us, which could have a material adverse effect on our business. Additionally, if third parties we work with, such as customers, banking and financial institutions, suppliers or developers, violate applicable laws or our policies, such violations may also put the information in our database at risk and could in turn have a material adverse effect on our business. Furthermore, compliance with current and new laws and regulations may result in additional compliance costs and, under certain circumstances, require changes in the way we conduct our business, which, in each case, could adversely impact us. See "*Our Business—Regulation*."

In the EU, Member States including Italy have implemented the European Data Protection Directive, which obligates the controller and/or processor of an individual's personal data to, among other things, take technical and organizational measures necessary to protect personal data. The costs of complying with the European Data Protection Directive are increasing, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Recent events at large retailers which compromised account data, as well as the discovery of monitoring activities by certain governmental agencies, have resulted in a heightened legislative and regulatory focus on privacy, data protection and information security around the world and, in particular, the European Union. European legislators and regulators are increasingly adopting or revising privacy, data protection and information security laws that could potentially have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer and/or employee information, and some of our current or planned business activities. In light of such raised awareness, on January 25, 2012, the European Commission published its draft data protection regulation (the "**Data Protection Regulation**") which is proposed to have direct effect in Italy. This initial draft was followed by drafts from the European Parliament and the European Council. In July 2015, the Trialogue stage of the legislative process began. This is where all three drafts are discussed and negotiated between the Council, the EU-Commission and the European Parliament. Agreement is expected to be reached by early 2016, and the Data Protection Regulation will come into effect after a two year transition period. The current forms of the Data Protection Regulation propose a number of changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU Regulation. When implemented, the Data Protection Regulation may strengthen individuals' rights and impose stricter requirements on companies processing personal data. For example, the regulation might limit our rights to process personal data, make it difficult to obtain credit information and lead to cost-intensive administrative processes, or require changes in our organizational structure. If we do not comply with our obligations under the Data Protection Regulation, the maximum fine as per the current draft will be the greater of €100 million, or 2-5% of our annual worldwide turnover. Depending on the outcome of the legislative process, the Data Protection Regulation may impose a substantially higher compliance burden on us, particularly in respect of any security measures applied to the data, and force us to make changes in the way we use our customer data.

Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory and/or governmental investigations and/or actions, litigation, fines, sanctions and damage to our reputation. Such failures could have a material adverse effect on our financial condition and results of operations.

Unauthorized disclosure of data, whether through cyber security breaches, computer viruses or otherwise, or illegal storage or use of customer data by us could expose us to liability, protracted and costly litigation, affect our operations and damage our reputation.

We process sensitive personal consumer data (including, in certain instances, consumer names, addresses, credit and debit card numbers and bank account details) and merchant customer data (including merchant names, addresses, sales data and bank account details) as part of our business, and therefore we must comply with strict data protection and privacy laws in Italy and the European Union, as well as comply with card scheme rules. These laws and rules impose certain standards of protection and safeguarding on our ability to collect and use personal information relating to customers and potential customers, and could make us liable in the event of a loss of control of such data or as a result of unauthorized third-party access. Unauthorized data disclosure could occur through cyber security breaches as a result of human error, external hacking, malware infection, malicious or accidental user activity, internal security breaches, and physical security breaches due to unauthorized personnel gaining physical access.

We and our customers and suppliers who carry out our outsourcing, have been in the past and could be in the future subject to breaches of security by hackers. A future breach of our system or that of one of our customers or outsourcing partners may subject us to material losses or liability, including payment network fines and assessments, and claims for unauthorized purchases with misappropriated credit, debit or card information, impersonation or other similar fraud claims. A misuse of such data or a cybersecurity breach could harm our reputation and deter clients from using electronic payments generally and our services specifically, increase our operating expenses in order to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny, subject us to lawsuits, result in the imposition of material penalties and fines under Italian, EU or other applicable law international laws or regulations or by the payment networks, and adversely affect our continued participation in credit card schemes and partnerships with banks.

The loss of merchant or cardholder data by us could result in significant reputational damage, costs to be paid to credit card issuers for the issuance of new payment cards, costs related to compensating merchant customers, and significant fines and sanctions by the card schemes or Italian governmental bodies. We could also be prohibited by the card schemes from processing transactions on their networks, which would have a material adverse effect on our business, financial condition and results of operations.

Under card scheme rules, we are responsible for maintaining compliance with the Payment Card Industry Data Security Standards ("**PCI DSS**"), and to monitor PCI DSS compliance by certain of our third parties (including our merchant customers and third-party service providers). However, there can be no assurance that we will be able to ensure compliance by our own systems or by third parties in this regard. In addition, certain of our agreements with third parties who have access to merchant and consumer data may fail to include enforceable confidentiality obligations, and even if included, these contractual requirements may not be followed or may not prevent the unauthorized use or disclosure of data. Any failure by a third-party to comply with our contractual licensing or regulatory requirements, including requirements with respect to the handling of consumer data, could lead to the loss of cardholder data by our merchant customers and other third-party partners for whom we are responsible, and could require us to terminate our relationship with violating merchants. This could result in reputational damage, significant fines or penalties from the card schemes, the loss of card scheme membership, and a material adverse effect on our business, financial condition and results of operations.

Interchange regulation may adversely affect the results of operations of CartaSi's Card Issuing Business.

Card issuer compensation fees, known as "interchange fees," are subject to regulation by the European Union pursuant to the Regulation (EU) 2015/751 of the European Parliament and of the Council of April, 29 2015 on interchange fees for card-based payment transactions (the "**Interchange Fees Regulation**"). The Interchange Fees Regulation is likely to have an impact on merchant acquirers' operations in terms of client billing, pricing and contracting. It is also likely that we will have to reflect interchange rate changes by lowering our charges to merchants. If we fail to do so, or if any resulting re-pricing exercise with our merchant customers generates prices that are unattractive to large numbers of merchants, we may lose customers. Additionally, the Interchange Fees Regulation requires changes to terminals to reflect changes to the "Honor All Cards" rule (a rule obliging all merchants to accept payment cards issued under the same brand), co-badging and steering rules (rules which prevent merchants from steering consumers in the choice of a payment instrument instead of cash), as well as costly changes to our existing merchant agreements. These or other provisions of the Interchange Fees Regulation could result in increased costs, additional operational and commercial complexity, and disrupt our systems and operations. This could have a material adverse effect on our business, financial condition, results of operations and prospects.

We could be adversely affected by changes to the composition of the Eurozone.

If one or more countries in the Eurozone default on their debt obligations and/or cease using the euro, there may be significant, extended and generalized dislocation in the financial markets and in the wider European economy, which may negatively affect our business, results of operations and financial condition. The departure of one or more countries from the Eurozone may lead to the imposition of exchange rate control laws. The departure or risk of departure from the euro by one or more eurozone countries could increase our exposure to changes in exchange rates and have negative effects on our existing relationships with our suppliers or customers, resulting in a negative impact on our business, financial condition and results of operations. In addition, the possible dissolution of the euro entirely, or the threat of such dissolution, could lead to increased market volatility, which in turn could have an adverse effect on our business. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. These potential developments could adversely affect our operations.

Market perceptions concerning the instability of the euro and the potential re-introduction of individual currencies within the Eurozone could also have adverse consequences for us. Financial markets and the supply of credit may be negatively impacted by recent developments in Greece and fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrading of or defaults on sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability and sustainability of the euro given the economic and political circumstances in individual member states.

A deterioration in general economic conditions caused by instability in the Eurozone could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our selective acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses.

As part of our growth strategy, we evaluate opportunities for acquiring complementary businesses that may supplement our internal growth. However, there can be no assurance that we will be able to identify and purchase suitable operations. Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs and not realize all the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, the success of any acquisition depends in part on our ability to integrate the acquired company, which may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. Although we typically conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover all operational deficiencies or material liabilities of an acquired business for which we may be responsible as a successor owner or operator, and actual developments may differ significantly from our expectations. The failure to successfully integrate these acquired businesses or to discover such liabilities could adversely affect our financial condition and results of operations. Moreover, our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less-favorable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors.

Furthermore, acquisitions of additional diversified payments companies may require the approval of governmental authorities (either at country or, in the case of the EU, European level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. If we use available cash on hand to finance acquisitions, our ability to make dividend payments may be limited or we may not be able to make such dividend payments at all. There can be no assurance that we will be successful in completing business acquisitions or integrating previously acquired companies.

In addition, acquisitions may increase the Risk-Weighted Assets, or reduce the regulatory capital, of the Target Group and therefore result in lower capital ratios. Lower capital ratios, in turn, may decrease the amount of profit of the Target that is available for distribution to its shareholders. As a result, acquisitions may have an adverse impact on the Target's ability to distribute sufficient liquidity to its shareholders to enable the Issuer to service its obligations under the Notes.

To date, we have conducted all of our business from within Italy and exclusively served the Italian market. Therefore, we lack experience operating in foreign markets. However, in the future we may enter international markets, including other European markets, which will require substantial amounts of management time and attention. Our products and overall marketing approach may not be accepted in other markets to the extent needed to make our international expansion profitable. In addition, the additional demands on management from these activities may detract from our efforts in our current markets and adversely affect our operating results therein. Any international expansion will expose us to the risks normally associated with conducting international business operations, including unexpected changes in regulatory requirements, changes in foreign legislation, possible foreign currency controls, currency exchange rate fluctuations or devaluations, tariffs, difficulties in staffing and managing foreign operations, difficulties in obtaining and managing suppliers, potential negative tax consequences and difficulties collecting accounts receivable.

We may not be able to attract, integrate, manage, and retain qualified personnel or key employees.

Our future operating results depend in significant part upon the continued contribution of our board of directors, key senior management and technical, financial and operations personnel. Management of our growth will require, among other things, stringent control of financial systems and operations, the continued development of our management control, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, sufficient internal succession planning for key roles and the presence of adequate supervision. The personal connections and relationships of our board of directors and key management are important to the conduct of our business. If we were to unexpectedly lose a member of our key management or fail to maintain one of the strategic relationships of our key management team, our business and results of operations could be materially adversely affected. For example, the chief executive officer of CartaSi has informed us of her resignation which took effect on October 29, 2015.

In particular, the success of our business depends on our ability to successfully adapt to rapidly changing technological, social, economic, and regulatory developments. This necessitates a range of specialist personnel, particularly in the areas of engineering, technical support, finance and controls, sales, administration and operations, and requires us to retain, recruit, and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our business and operations. The market for qualified personnel is competitive and we may not succeed in recruiting additional personnel, or we may fail to replace departing personnel with suitable successors. For example, following the resignation of the chief executive officer of CartaSi, we are in the process of recruiting a replacement. There may be a limited number of persons with the requisite skills to serve in this position and we cannot assure you that we will be able to identify or employ qualified internal or external candidates within a reasonable timeframe. Our efforts to retain and develop personnel may also result in additional expenses, which could adversely affect our profitability. We cannot guarantee that key personnel, including executive officers, will remain in our employment or that we will be able to attract and retain qualified personnel in the future, which could have a material adverse effect on our business.

Our risk management policies and procedures may not be fully effective in mitigating our risk exposure.

Our risk management policies and procedures may not be fully effective in identifying, monitoring and managing the risks we face. Some of our risk evaluation methods depend on information provided by third parties and on public information regarding markets, customers or other matters that are otherwise not generated by us. In some cases, that information may not be accurate, complete or up-to-date. If our policies and procedures are not fully effective or if we are not always successful in capturing all risks to which we are or may be exposed, we may suffer harm to our reputation or be subject to litigation or regulatory actions that could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the risk of litigation and other claims.

From time to time, we are involved in various litigation matters and governmental or regulatory investigations, prosecutions or similar matters arising out of our current or future business. See "*Our Business—Legal Proceedings.*" Our insurance or indemnities or amounts we have provisioned may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. As a member of a mutually owned card scheme (Visa Europe), we have joint and several liability along with all other members of Visa Europe in respect of certain matters raising the possibility, for example, that a class action against Visa Europe could result in liability for us. This liability may continue despite the recent announcement of Visa Inc. that it had agreed to acquire 100% of the share capital of Visa Europe from CartaSi and the other shareholders of Visa Europe. This is because, for example, Visa Inc. and the other parties thereto entered into a litigation management deed which sets forth agreed upon procedures for the management of the existing and potential litigation relating to the setting and implementation of multilateral interchange fee rates in the Visa Europe territory. The provisions of the litigation management deed may allocate certain litigation related expenses and losses to Visa Europe and there can be no assurance that this will not trigger our liability. Furthermore, there is no guarantee that we will be successful in defending ourselves in pending or future litigation or similar matters under various laws. Should the ultimate judgments or settlements significantly exceed our insurance coverage or provisions, they could have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.

We seek to maintain comprehensive insurance coverage at commercially reasonable rates. Although we carry property damage and business interruption, directors' and officers' liability, employers' practice liability and general liability insurance as well as insurance coverage against dishonest acts by employees, our insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurances that our insurance will be sufficient to cover the full extent of all losses or liabilities for which we are insured and we cannot guarantee that we will be able to renew our current insurance policies on favorable terms, or at all. In addition, if we or other payment services providers sustain significant losses or make significant insurance claims, then our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

Our business may suffer if we are sued for infringing the intellectual property rights of third parties, or if we are unable to obtain rights to third-party intellectual property on which our business depends.

Product development and differentiation in our industry requires the use of intellectual property rights, particularly trademarks, licenses and trade secrets. These proprietary rights are important to our business, and our ability to compete effectively with other companies in the market is enhanced by the ability to access technology through cross-trading intellectual property rights. We also rely upon trade secrets, know-how, continuing technological innovations and licensing rights to develop, maintain and strengthen our competitive position. We pursue a policy of generally obtaining patent protection in key jurisdictions for patentable subject matter in our proprietary devices and also attempt to review third-party patents and patent applications to the extent publicly available to develop an effective patent strategy, avoid infringement of third-party patents, identify licensing opportunities and monitor the patent claims of others. Third parties may in the future assert claims that our systems or products infringe their proprietary rights. Such infringement claims, even if without merit, may cause us to incur significant costs in defending against those claims. We may be required to discontinue using any infringing technology or services, pay damages or royalty fees, expend resources to develop non-infringing technology, dedicate significant financial and management resources to defend these claims, or purchase licenses or pay royalties for alternative technology.

Similarly, we depend on our ability to license intellectual property from third parties. These or other third parties may become unwilling to license intellectual property that is necessary to our business on terms that are acceptable to us. In both cases, we may be unable to acquire licenses on satisfactory commercial terms or at all. As a result, we may find that we are unable to continue to offer the products and services upon which our business depends.

We may be unsuccessful in our applications for any pending or future patent applications. Any current or future patents issued or licensed to us may be challenged, invalidated or circumvented, and the rights granted thereunder may not provide a competitive advantage to us or prevent competitors from entering markets that we currently serve. Furthermore, we may not be able to protect our own proprietary technology and other intellectual property, which could enable competitors to develop services that compete with our own. We rely on copyright, trademark, and trade secret laws, as well as confidentiality, licensing and other contractual arrangements to establish and protect the proprietary aspects of our services. See "*Our Business—Intellectual Property.*" If we are unable to prevent misappropriation of our intellectual property, competitors may be able to use and adapt such intellectual property to our detriment.

We may initiate litigation to enforce our patents, protect our trade secrets and know-how, or determine the enforceability, scope and validity of the proprietary rights of others. Any lawsuits that we initiate could be expensive, time-consuming and divert management's attention from other business concerns. In addition, we may not prevail in lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially valuable. In addition, any successful infringement proceedings may be economically worthless for us if they take too much time and the intellectual property right, or the product developed on the basis of it, becomes obsolete. Any such failure to protect our intellectual property could diminish our competitive advantage and cause us to lose customers to competitors, which would adversely affect our financial condition and results of operations.

Shared control or lack of control of our minority interests may delay decisions or actions regarding such minority interests.

We hold a 20% equity interest in Equens SE, the largest payment card and payment processor in Europe and headquartered in Utrecht, Netherlands. We also hold a 25% equity interest in Hi-Mtf S.I.M. S.p.A. which operates multilateral trading facilities for securities, and a 24% equity interest in Unione Fiduciaria S.p.A. which offers depositary banking, portfolio management, accounting and other services. We cannot control these companies, including any non-performance, default or bankruptcy on their part. Our minority interests may also lack adequate internal controls systems or financial reporting systems to provide adequate and timely information for our reporting purposes. In the event that they do not observe their obligations, it is possible that such minority interests would not be able to operate in accordance with our business plans. Moreover, we cannot control the actions of the other shareholders of our minority interests, including any decisions to sell their respective equity interests. Additionally, differences in views with the other shareholders of our minority interests may also result in delayed decisions or in failures to agree on major matters, potentially adversely affecting the business and operations of the applicable company and in turn our business and operations.

If we experience labor disputes or work stoppages, our business could be materially adversely affected.

The Italian constitution provides that all employees of Italian companies have the right to set up and join trade unions and to carry on union activities, including appointing workers' representatives to negotiate with their employer. The right to go on strike is provided for under Italian law. We cannot guarantee that our employees will not go on strike in the future. Any work stoppages resulting from employee strikes could hinder our ability to provide our standard level of customer service. In addition, we have collective bargaining agreements with our employees. Any failure to extend or renegotiate our collective bargaining agreements on terms favorable to us, or at all, could have a material adverse effect on our business. There can be no assurance that our employees will not make claims or that we will not incur work stoppages in the future, which if they occurred, would have a material adverse effect on our business, financial condition or results of operations.

Our real estate portfolio may be negatively affected by the deterioration of residential and commercial real estate markets, and we may be required to record impairments.

We have a significant real estate portfolio. As of June 30, 2015, the book value of land and buildings totaled €131.3 million. Of this amount, €56.0 million related to land (comprising €38.9 million used in the business and €17.1 million held for investment) and €75.3 million related to buildings (comprising €47.2 million used in the business and €28.1 million held for investment).

In recent years, the Italian property market has experienced a decline in investment, both in residential and non-residential construction, and a decline in property sales, predominantly as a result of the present economic uncertainties, the challenging employment outlook, the decrease in disposable income, and the increase in taxes on various types of real estate.

Recently, such declines in value have led to impairments of our real estate portfolio. In accordance with IAS 36 (Impairment of Assets) and guidance issued jointly by the Bank of Italy, CONSOB and the Italian Insurance Monitoring Institute ("**IVASS**"), we carried out an assessment of its real estate assets held for investment, which did not lead to impairments.

Should the property market continue to deteriorate, the value of our real estate portfolio may be further negatively impacted, with future asset impairments and related losses.

Goodwill, intangibles and investment impairments may have negative effects on our results of operations.

As of June 30, 2015, we had intangible assets of €163.9 million, of which € 77.7 million related to goodwill. Such assets represented 16.7% of our shareholders' equity. All of our intangible assets are measured at cost. Intangible assets other than goodwill, or with a finite useful life, are amortized on a straight-line basis over their useful life. At the end of each financial year, and every interim accounting period, where there is any indication that an asset may be impaired, its recoverable amount is calculated. The amount of the loss is the difference between the carrying amount and the recoverable amount, and is recognized in the income statement.

In particular, IAS 36 establishes the principles for recognizing, measuring and disclosing the impairment of various kinds of assets, including goodwill, illustrating the principles that an issuer should follow to ensure that its operations are reflected on its balance sheet at a value that is not higher than the recoverable value. IAS 36 requires a comparison to be made between the carrying amount and the recoverable amount of goodwill whenever there is an indication of impairment, and at least once a year, when full-year financial statements are prepared. The recoverable amount of goodwill is calculated with reference to our cash generating units, as goodwill is unable to produce cash flows on its own.

The future development of the macroeconomic environment or other factors could lead to possibly significant impairments to be recognized in the future, with potentially a material adverse effect upon our business, financial condition, results of operations and prospects.

Changes in tax laws or challenges to the Group's tax position could adversely affect the Group's results of operations and financial condition.

The Group is subject to complex tax laws. Changes in tax laws could adversely affect the Group's tax position, including our effective tax rate or tax payments. The Group often relies on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that the relevant tax authorities are in agreement with the Group's interpretation of these laws. If the Group's tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require the Group to pay taxes that the Group currently does not collect or pay or increase the costs of the Group's services to track and collect such taxes, which could increase the Group's costs of operations or the Group's effective tax rate and have a negative effect on the Group's business, financial condition and results of operations. In addition, we may be subject to taxes and surcharges applicable to financial institutions. For example, we made a one-time payment of a surcharge applicable to financial institutions in 2013, which accounted for additional income tax of € 12.7 million in the year ended December 31, 2013. The occurrence of any of the foregoing tax risks could have a material adverse effect on the Group's business, financial condition and results of operations.

If the Issuer were to cease to qualify as a securitization company, this may have an adverse effect on the Issuer's United Kingdom tax position, which could adversely affect the Issuer's ability to make timely payment of interest and principal under the Notes.

The Issuer is incorporated in Jersey and resident for tax purposes in the United Kingdom and has been advised that it should be a "securitization company" for the purposes of the Taxation of Securitization Companies Regulations 2006 (SI

2006/3296). Accordingly, the Issuer should be subject to corporation tax in the United Kingdom on its "retained profit" only, in accordance with the special regime for securitization companies as provided for by those regulations.

If the Issuer were to cease to qualify as a securitization company for the purposes of those regulations, this may have an adverse effect on the Issuer's United Kingdom tax position, which could adversely affect the Issuer's ability to make timely payment of interest and principal under the Notes.

Risks Related to the Financial Profile of the Issuer and the Sponsors' HoldCos

The substantial leverage and debt service obligations of the Issuer and the Sponsors' HoldCos could prevent them from fulfilling their obligations with respect to the Notes and the Guarantees.

After the issuance of the Notes, the Issuer and the Sponsors' HoldCos will be highly leveraged. As of June 30, 2015, after giving effect to the Transactions and the application of the proceeds from the Financing, the Issuer would have had total debt of €1,100.0 million, representing indebtedness under the Notes and the Sponsors' HoldCos would have also had €1,100.0 million of debt outstanding (on a combined basis), representing (without duplication) their obligations under the Guarantees and the Proceeds Loans. The terms of the Indenture and the Revolving Credit Facility Agreement will permit the Issuer and the Sponsors' HoldCos to incur substantial additional indebtedness, including in respect of committed borrowings of up to €55.0 million under the Revolving Credit Facility. See "*Capitalization*." In addition, HoldCo and its subsidiaries will also be permitted to incur obligations, including ordinary course funding obligations and settlement obligations of the Target Group, that do not constitute indebtedness under the terms of the Notes and the Revolving Credit Facility Agreement.

The degree to which the Issuer and the Sponsors' HoldCos will be leveraged following the issuance of the Notes could have important consequences for our business and holders of the Notes, including the following:

- making it difficult for the Issuer to satisfy its obligations with respect to the Notes or other indebtedness, or for the Sponsors' HoldCos to satisfy their respective obligations under the Guarantees or other indebtedness;

- increasing the Issuer's and the Sponsors' HoldCos' vulnerability to, and reducing their flexibility to respond to, general adverse economic and credit conditions; and

- limiting the Issuer's and the Sponsors' HoldCos' ability to raise additional debt or equity capital and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on the financial position and results of operations of the Issuer and the Sponsors' HoldCos, and on their ability to fulfill their obligations under the Notes and the Guarantees.

The Issuer is a finance subsidiary that has no revenue generating operations of its own and will be dependent upon payments by the Sponsors' HoldCos under the Proceeds Loans to meet its obligations on the Notes, and Sponsors' Holdcos are dependent upon dividend payments by HoldCo and its subsidiaries to fund payments on the Proceeds Loans.

The Issuer is a finance subsidiary of the Sponsors' NewCos formed in connection with the issuance of the Notes with no business or revenue-generating operations other than the issuance of the Notes. The only significant assets of the Issuer on the Issue Date will consist of its interests in the Escrow Account. Following any release of funds from the Escrow Account, the only significant assets of the Issuer are expected to be the cash in its bank accounts and receivables under the Proceeds Loans. Following the Acquisition, the Issuer's material liabilities are expected to be the Notes and any drawings under the Revolving Credit Facility Agreement. Furthermore, the Indenture will prohibit the Issuer from engaging in any activities other than certain limited activities permitted under "*Description of the Notes—Certain Covenants Applicable to the Issuer*."

The Sponsors' HoldCos will be required under the terms of the Proceeds Loans to provide funds to the Issuer in order to meet the obligations on the Notes, including funding for asset sale and change of control offers. However, because BidCo, HoldCo and the Sponsors' HoldCos were formed to facilitate the Transactions and have no business or revenue-generating operations, the Sponsors' HoldCos will be dependent upon payments from HoldCo, HoldCo will in turn be dependent on payments from BidCo, and BidCo will in turn be dependent on distributions from the Target. If the Target does not distribute dividends to BidCo sufficient to enable payment of interest on the Proceeds Loans by the Sponsors' HoldCos, interest payments on the Notes may be made in kind. If, when the Notes become due and payable, the Sponsors' HoldCos do not have sufficient cash to repay amounts outstanding under the Proceeds Loans, the ability of the Issuer to repay the Notes will be limited, and the Issuer may be required to incur additional debt or issue equity to repay the Notes. None of

HoldCo, BidCo, the Target or any subsidiary of the Target will guarantee the Notes or have any obligation to make any payment in respect of the Notes.

The ability of the Sponsors' HoldCos to make payments on the Proceeds Loans, and therefore, the ability of the Issuer to make payments on the Notes, is dependent upon the Target distributing dividends to its parent companies. However, the Target is under no obligation to distribute dividends, and may be restricted from distributing dividends if it is not sufficiently profitable, if it is not meeting certain capital adequacy ratios or if it does not have sufficient distributable reserves.

The amount of funds available to the Issuer to make cash interest payments on the Notes will ultimately depend on whether the Target makes dividends to its parent companies sufficient to make such payments. Whether or not the Target makes dividends to its parents will be resolved upon by the shareholders' meeting, upon proposal by the board of directors of the Target, who are under no obligation to cause the Target to pay a dividend. The proposal of the board of directors to the shareholders' meeting of the Target will be made in light of the profitability and compliance of the Target and its operating subsidiaries with applicable regulatory requirements, which, in turn, will be affected by all of the factors discussed in these "*Risk Factors*" and elsewhere in this Offering Memorandum. Even if the Target and its operating subsidiaries have sufficient cash available for making a dividend, they may be restricted or prevented from distributing dividends to their parent companies as a result of capital adequacy or other regulatory requirements applicable to the Target or the terms of any agreements governing their debt. See "*Regulation—Capital Adequacy Requirements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition*." In addition, in the business plan discussed with the Bank of Italy in connection with the Acquisition, we presented guidance targeting a minimum consolidated CET1 capital ratio of 14% for distribution of dividends by the Target.

The determination of the board of directors of the Target to distribute dividends will also depend on the level of distributable reserves of the Target. Goodwill impairment and other non-cash charges in our consolidated income statement following the consummation of the Acquisition, as well as charges recognized directly in equity, such as actuarial losses, foreign exchange rate adjustments and losses on hedges, if incurred, could potentially reduce the Target's reserves available for distribution and thus reduce or prevent distributions to the Target's parent companies. We cannot assure you that the Target will distribute dividends to its parent companies in an amount sufficient to service the Proceeds Loans and the Notes, or at all.

Italian and European regulators are entitled to restrict distribution of the Target's profits for prudential reasons. In this context, Bank of Italy circular 285 prohibits the distribution of dividends that may result in a bank's failure to meet the applicable capital requirements. Similarly, the Banking Supervision department of the European Central Bank ("**ECB**") has cautioned banks to adopt a conservative policy when distributing dividends, taking into account the current challenging economic and financial conditions, and in order to continue to build their capital base to meet the capital requirements that will be fully phased in by 2019. The Bank of Italy confirmed this recommendation, on March 3, 2015, highlighting that banks should adopt dividend policies which take into account internal levels of capital and reminding banks of their obligation to refrain from distributing dividends from reserves in periods where a loss is incurred.

Furthermore, the proposal by the board of directors to the shareholders' meeting of the Target whether to distribute dividends is based on the annual profits and distributable reserves as stated in the Target's audited annual financial statements. As such, dividends are typically only distributed following the fiscal year end of December 31, once financial statements for such preceding year have been audited and such distribution has been approved by the Target's board of directors.

Furthermore, dividends made on the Target's equity must be made on a pro rata basis, and so any third-parties holding shares in the Target other than BidCo and (following the proposed merger between the Target and BidCo) HoldCo will result in a diminution in the amount of any dividend made by the Target that is available to be applied to service the Proceeds Loans and, thereby, the Notes. As of the Completion Date, the Sponsors' HoldCos are expected indirectly to hold via their combined holdings in HoldCo, and HoldCo's holdings in BidCo, at least 89.0% of the share capital of the Target. The effect of the minority third party shareholdings in the Target will be that up to 11% (disregarding the 0.5% of the Target's share capital that are currently held in treasury) of any dividend made by the Target will be paid to such minority interest holders, and will not be available for servicing the Proceeds Loans and the Notes.

Applicable tax laws may also subject any distribution of dividends by the Target or its parent companies to further taxation. In particular, dividends paid from the Target to BidCo and, after the Post-Completion Merger, to HoldCo, are expected to be subject to the following taxes: (i) 5% of the dividend is expected to be subject to Italian corporate income tax (IRES) at a rate of 27.5%; and (ii) 50% of the dividend is expected to be subject to production taxes (IRAP) at a rate of 5.57%. These or any other applicable taxes would reduce the amount of dividends available for servicing the Proceeds Loans and the Notes.

Applicable law may also limit the amount of dividends or distributions that HoldCo and BidCo make on their equity interests, or even prevent such payments. In particular, the ability of HoldCo and BidCo to distribute dividends to the Sponsors' HoldCos, in order for the Sponsors' HoldCos to make payments on the Proceeds Loans to the Issuer, will generally be limited to the amount of distributable reserves available to them. Financial assistance rules, corporate benefit laws and other legal restrictions also may limit or prevent distributions, which, if violated, might require the recipient to refund unlawful payments.

Holders of the Notes will not have any direct claim on the cash flows or assets of HoldCo, BidCo, the Target or any of the Target's subsidiaries. Such subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make funds available to the Issuer for these payments.

The realization of any of these risks could have a material adverse effect on the ability of the Issuer to pay cash interest on the Notes and on the ability of the Issuer to repay the Notes at their maturity or make offers to purchase the Notes in an asset sale offer or change of control offer.

In the event of a bank failure of the Target, BidCo's equity investment in the Target may be subject to a statutory bail-in, which could result in the loss of part or all of your investment.

On May 6, 2014, the Council of the European Union adopted the EU Bank Recovery and Resolution Directive ("**BRRD**"), which provides for a bail-in power and requires Member States to provide resolution authorities with the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters). The bail-in power enables the relevant regulator to recapitalize a failed bank by, for instance, allocating losses to its shareholders. If the Target Group were to fail and come within the realm of its regulators' bail-power, BidCo (or, following the Post-Completion Merger, HoldCo) may forfeit part or all of its equity interests in the Target Group and would likely receive no or insufficient consideration to allow the Issuer and the Sponsors' HoldCos to meet their obligations under the Notes and the Guarantees. This could result in the loss of all or part of your investment in the Notes.

The Issuer is subject to restrictive debt covenants and events of default that may limit the Issuer's ability to finance future operations and to pursue business opportunities and activities.

The Indenture will restrict, among other things, the Issuer's ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Issuer or their restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Issuer;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- impair security interests for the benefit of the holders of the Notes; and
- undertake activities or hold assets other than those typically undertaken by a finance subsidiary.

All these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants Applicable to the Issuer.*" The covenants to which the Issuer is subject could limit its ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

The Revolving Credit Facility Agreement also contains affirmative and negative covenants that, in certain cases, may be more restrictive than the covenants contained in the Indenture, including a requirement not to exceed a specified ratio of drawn super senior facilities debt to consolidated pro forma EBITDA of HoldCo. See "*Description of Other Indebtedness—Revolving Credit Facility.*" The Issuer's ability to meet these financial ratios and tests can be affected by events beyond our control, and we cannot assure you that the Issuer will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the Revolving Credit Facility Agreement. Upon the occurrence of any event of default under the Revolving Credit Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable and proceed to take remedies under the Revolving Credit Facility Agreement which are available during the continuance of an Event of Default. In addition, any default or acceleration under the Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture (in the case of an acceleration or payment default). If the creditors of the Issuer, including the creditors under the Revolving Credit Facility Agreement, accelerate the payment of those amounts or, in the case of letters of credit, require the provision of cash collateral, we cannot assure you that the Issuer or the Guarantors will have sufficient cash or assets to repay or, as the case may be, pay in full those amounts, to satisfy all other liabilities which would be due and payable and to make payments to enable the Issuer to repay the Notes, in full or in part.

If the Issuer or the Guarantors are unable to repay outstanding borrowings when due, the lenders under the Revolving Credit Facility Agreement will also have the right to proceed against the collateral granted to them securing the indebtedness owed to them. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain hedging agreements have been repaid in full.

The realization of any of these risks could have a material adverse effect on the financial position of the Issuer and the Sponsors' HoldCos and their ability to fulfill their respective obligations under the Notes and the Guarantees.

Creditors under the Revolving Credit Facility and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes, and the claims of the holders of the Notes effectively will be subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets securing such creditors which do not also secure the Notes.

The obligations under the Notes and the Guarantees are secured on a contractual, first-priority basis with security interests over Collateral that also secures the obligations under the Revolving Credit Facility Agreement and certain hedging obligations. The Indenture also permits the Collateral to be pledged to secure additional indebtedness, including on a contractual first-priority basis in accordance with the terms thereof and the Intercreditor Agreement. The Security Agent will act on behalf of the lenders under the Revolving Credit Facility Agreement, certain hedge counterparties, the Trustee and holders of the Notes.

Under the terms of the Intercreditor Agreement, the proceeds from enforcement of the Collateral will be applied first to repay amounts due under the Revolving Credit Facility and certain hedging obligations. Any remaining amounts will then be applied, *pari passu* and *pro rata*, to amounts due under the Notes and certain other *pari passu* additional indebtedness of the Issuer and the Guarantors. See "*Description of Other Indebtedness—Intercreditor Agreement.*" If you (or the Trustee on your behalf) receive any proceeds from enforcement of the Collateral prior to the satisfaction of the Notes and the Guarantees, you (or the Trustee on your behalf) will be required to turn over such proceeds until claims under such other indebtedness are satisfied and until ratable claims are equally satisfied. As a result, the claims of the holders of the Notes will be effectively subordinated to the rights of the existing and future secured creditors of the Issuer and the Sponsors' HoldCos who have priority in respect of proceeds from enforcement of the liens over assets that constitute Collateral to the extent of the value of such assets. Hence, you may recover less from the proceeds of an enforcement action than you otherwise would have. As a result of these and other provisions in the Intercreditor Agreement, you may not be able to recover any amounts under the Notes or the Guarantees in the event of a default on the Notes.

The Issuer and the Sponsors' HoldCos will be permitted to borrow additional indebtedness in the future under the terms of the Indenture, and will in some cases be permitted to secure such indebtedness, including in certain cases, on a super priority basis.

The Issuer will require a significant amount of cash to meet its obligations under its indebtedness, which it may not be able to raise.

Prior to repayment of the Notes, we will be required to refinance or repay certain other debt, including debt under the Revolving Credit Facility Agreement. At the maturity of the Notes in 2021, or at the maturity of any other debt incurred by the Issuer or the Guarantors, if the Issuer or relevant Guarantors do not have sufficient cash to repay their respective debt obligations, the Issuer or such Guarantors may be required to refinance their respective indebtedness. We cannot assure you that the Issuer or the Guarantors will be able to refinance or repay any of our debt, including the Notes, on commercially reasonable terms or at all. Any refinancing of our debt could be at higher interest rates than our current debt and may require the Issuer to comply with more onerous covenants. If the Issuer or a Guarantor is unable to refinance all or a portion of its indebtedness or obtain such refinancing on terms acceptable to us, it may not be able to repay the Notes at their maturity. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets.

Any failure to make payments on our debt, including repaying the Notes at their maturity, on a timely basis would likely result in a reduction of our credit rating, which could also harm the ability of the Issuer to incur additional indebtedness. See "*—Risks Related to the Notes and the Guarantees—Changes in respect of the public ratings of the Issuer or the public debt ratings of the Notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt*." In addition, the terms of the Issuer's debt, including the Notes and the Revolving Credit Facility Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations, which could cause an event of default under the Issuer's debt and result in:

- the holders of the Issuer's debt declaring all outstanding principal and interest to be due and payable;
- the lenders under the Revolving Credit Facility Agreement being able to terminate their commitments to lend us money; and
- the Issuer and/or the Sponsors' HoldCos being forced into bankruptcy or liquidation, which could result in you losing your investment in the Notes.

Any of the aforementioned risks could have a material adverse effect on the financial position of the Issuer and the Sponsors' HoldCos and their ability to fulfill their respective obligations under the Notes and the Guarantees.

Despite the Issuer's and the Sponsors' HoldCos' current level of indebtedness, the Issuer and the Sponsors' HoldCos may still be able to incur substantially more debt in the future, which may make it difficult for them to repay their debt, including the Notes.

The Issuer and the Sponsors' HoldCos may incur substantial additional debt in the future. The Issuer and the Sponsors' HoldCos have the ability to borrow up to €55.0 million under the Revolving Credit Facility, which will be secured by the Collateral. In addition, the Indenture permits the incurrence of a substantial amount of indebtedness, including indebtedness secured on assets that do not constitute Collateral at HoldCo and subsidiaries of HoldCo (none of which guarantee the Notes) and permits the incurrence by Guarantors of indebtedness that shares in the Collateral. Any debt that HoldCo or subsidiaries of HoldCo incur would be structurally senior to the Notes to the extent that such subsidiaries do not guarantee the Notes, and such other debt could be secured or could mature prior to the Notes. See "*Risks Related to the Notes and the Guarantees—The Notes and the Guarantees will be structurally subordinated to the claims of creditors, including depositors and trade creditors, and preferred stockholders and minority stockholders of HoldCo and non-guarantor subsidiaries of HoldCo, including BidCo, the Target and the Target's subsidiaries*." Although the Indenture and the Revolving Credit Facility Agreement will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If the Issuer, the Sponsors' HoldCos, HoldCo or the subsidiaries of HoldCo incur additional debt, the related risks that the Issuer and the Sponsors' HoldCos now face would increase. In addition, the Indenture and the Revolving Credit Facility Agreement will not prevent us from incurring obligations that do not constitute indebtedness as defined under those agreements, including ordinary course funding obligations and settlement obligations of the Target Group. Furthermore, the Issuer will be permitted to designate Restricted Subsidiaries (other than the Sponsors' HoldCos or HoldCo) under the Indenture as Unrestricted Subsidiaries (as defined under "*Description of the Notes—Certain Definitions*"), and such Unrestricted Subsidiaries would be permitted to borrow beyond the limitations specified in the Indenture and engage in other activities in which Restricted Subsidiaries may not engage.

The Issuer and each Sponsors' HoldCo is incorporated under the laws of Jersey, which may not provide the level of legal certainty and transparency afforded by incorporation in a U.S. state.

The Issuer and each Sponsors' HoldCo is incorporated under the laws of Jersey, a British crown dependency that is an island located off the coast of Normandy, France. Jersey is not a member of the EU. Jersey legislation regarding companies is largely based on English corporate law principles. However, there can be no assurance that Jersey law will not change in the future or that it will serve to protect investors in a similar fashion afforded under corporate law principles in the United States or other jurisdictions with which you may be familiar, which could adversely affect your rights.

If the Issuer and the Sponsors' HoldCos do not satisfy the conditions precedent for utilization of the Revolving Credit Facility, they may be required to seek alternative sources of financing to ensure sufficient liquidity reserves.

While the Issuer and the Sponsors' HoldCos will enter into the Revolving Credit Facility and material documents related thereto (including the Intercreditor Agreement) on or prior to the Issue Date, they may not satisfy the conditions precedent to utilization of the Revolving Credit Facility made available under the Revolving Credit Facility. If the Issuer and the Sponsors' HoldCos do not meet the conditions precedent to utilization of the Revolving Credit Facility, they may need to seek alternative sources of financing to ensure sufficient cash is available to make cash interest payments on the Notes. The Issuer and the Sponsors' HoldCos may be unable to find such alternative financing, and even if they could obtain alternative financing, it might not be on terms that are favorable or acceptable to them. Any alternative financing could be at higher interest rates and may require the Issuer and the Sponsors' HoldCos to comply with more onerous covenants. The realization of any of these risks could impact the Issuer's ability to make cash interest payments on the Notes.

Risks Related to the Transactions

The Acquisition is subject to significant uncertainties and risks.

On June 19, 2015, BidCo, an entity indirectly owned by the Sponsors, entered into an agreement relating to the sale and purchase of the Target to acquire, directly or indirectly, 85.3% of the Target's share capital from the sellers (disregarding treasury shares). On October 15, 2015, BidCo entered into an agreement to acquire an additional 3.7% of the Target's share capital from other minority shareholders. As a result, BidCo has agreed to acquire an aggregate of 89.0% of the Target's share capital (disregarding treasury shares), with the selling banks under the Acquisition Agreement maintaining an aggregate holding of up to 8.4% of the shares of the Target, while up to 2.1% of the shares in the Target are expected to be held by non-selling minority shareholders (disregarding treasury shares). BidCo expects to purchase additional shares in the Target over the near term. The consummation of the Acquisition is subject to the satisfaction of certain conditions, including regulatory approval by the European Commission, the Bank of Italy, the European Central Bank and De Nederlandsche Bank. The Acquisition Agreement will terminate in accordance with its terms if the conditions precedent to completion have not been fulfilled by December 31, 2015, unless amended by the parties thereto in accordance with its terms. The parties to the Acquisition Agreement will not consummate the Acquisition until the conditions are fulfilled, which may, potentially, take a number of months and, in exceptional circumstances, significantly longer. Accordingly, the parties may not be able to undertake this transaction in a timely fashion or at all. If the Acquisition were not to close, the Notes would be subject to a special mandatory redemption and redeemed at par, plus accrued interest to the date of redemption.

If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.

The gross proceeds from the Offering will be held in the Escrow Account for the benefit of the holders of the Notes pending the satisfaction of certain conditions, some of which are outside of the control of the Issuer and the Sponsors' HoldCos, including regulatory and antitrust approvals. Completion of the Acquisition is one of the conditions to the release of the proceeds from escrow. If the Acquisition is not consummated on or before March 31, 2016 or in the event of certain other events that trigger escrow termination, the Notes will be subject to a special mandatory redemption as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*," and you may not obtain the return you expect to receive on the Notes.

The escrow funds will be initially limited to the gross proceeds of the Offering and will not be sufficient to pay the special mandatory redemption price, which is equal to the aggregate issue price of the respective Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. In the event that the escrow funds are insufficient to pay the special mandatory redemption price, plus any such accrued and unpaid interest and additional amounts, the Sponsors will be required to make an equity contribution to enable the Issuer to pay such accrued and unpaid interest and additional amounts, if any, owing to the holders of the Notes.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial condition of the Target, or the terms of the Acquisition or the financing thereof, between the closing of the Offering and the Completion

Date, may have an impact on the creditworthiness of the Issuer and the Sponsors' HoldCos, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

BidCo does not own the shares of the Target and even after the completion of the Acquisition, the Sponsors will not solely or indirectly control the Target.

BidCo will not own the shares in the Target until completion of the Acquisition. The current owners of the Target may not operate the business of the Target during the interim period from signing of the Acquisition Agreement until completion of the Acquisition in the same way that we would. Furthermore, the Transactions have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, in order to comply with certain Italian regulatory requirements, the Sponsors' HoldCos will not solely or indirectly control the Target, and the articles of association and by-laws of HoldCo and BidCo will expressly declare that neither HoldCo nor BidCo shall exercise any power of "direction and coordination" over the decisions of the Target. Instead, such direction and coordination will be exercised by the board of directors of the Target. The Target will remain as "*capogruppo*" of its regulated banking group for Italian regulatory purposes. As a result of these restrictions, our ability, and that of the Sponsors' HoldCos, to control or influence the Target will be limited. See "*—Risks Related to the Financial Profile of the Issuer and the Sponsors' HoldCos—The Issuer is a finance subsidiary that has no revenue generating operations of its own and will be dependent upon payments by the Sponsors' HoldCos under the Proceeds Loans to meet its obligations on the Notes, and Sponsors' HoldCos are dependent upon dividend payments by HoldCo and its subsidiaries to fund payments on the Proceeds Loans*" and "*—Risks Related to the Notes and the Guarantees—The Issuer will not have control over compliance with the covenants under the Indenture by the Guarantors, HoldCo and HoldCo's subsidiaries (including the Target and its subsidiaries)*."

Due to Italian regulatory restrictions applicable to banks and banking groups, only the Issuer will be a signatory to, and only the Issuer will agree to be bound by, the covenants in the Indenture. The Indenture will, due to such Italian regulatory restrictions, be drafted instead to provide for the occurrence of an event of default of the Issuer upon the occurrence of certain events involving a Sponsors' HoldCo, HoldCo or any of HoldCo's subsidiaries (including the Target and its subsidiaries). However, with respect to the Target and its subsidiaries, these events of default will only relate to actions taken or not taken by the Target and its subsidiaries on and after the Completion Date.

The Acquisition will entitle customers and certain other business partners of the Target to terminate their agreements as a result of change of control provisions.

The Acquisition will constitute a change of control under certain agreements entered into by the Target and its subsidiaries, including agreements with customers (such as the selling shareholder banks), card scheme operations (such as Visa), certain lessors and suppliers (such as Equens). Upon the Completion Date, these counterparties will be entitled to terminate such agreements. Some of these counterparties may exercise their termination rights, which could have an adverse effect on the revenues and business of the Target following the Acquisition.

We are still in the process of assessing in which cases consent from the relevant counterparties should be obtained, and are, where this appears necessary from a commercial perspective, seeking the consents of all relevant counterparties in order to continue the commercial relationship with them. For example, our licenses with each of Visa, MasterCard, CUP and JCB contain change of control clauses which will require the scheme operators' consent to the Transactions. Our outsourcing agreement with Equens, in relation to certain issuing and acquiring services performed for CartaSi, several of our agreements in relation to our HelpLine business and our ATM Bancomat outsourcing agreement all contain change of control clauses. In the event of termination of any material contract as a result of the Transactions, there can be no assurance that the Target or its subsidiaries would be able to successfully replace the products or services that were provided under the relevant contract at attractive prices or at all. Likewise, if the Target or its relevant subsidiaries were required to amend any such contract we can provide no assurance that the terms of such amendment will not be materially adverse to the Target Group or will not otherwise impact the Target Group's business or operations. Accordingly, any termination or amendment of a significant contract as a result of the change of control following the Acquisition could materially or adversely affect our business and the ability to provide services to our customers. It is also possible that material supply contracts could be terminated or amended in other circumstances. If the Target Group fails to become a party to a material contract that historically has formed part of its business or any such arrangement is terminated, this could have a material adverse effect on our business, results of operations and financial condition.

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. See "*The Transactions*." However, the Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Acquisition Agreement may make the Acquisition less attractive. Any amendments made to the Acquisition Agreement may be materially adverse to holders of the Notes.

We may not be able to enforce claims relating to a breach of the representations and warranties that the sellers have provided to BidCo under the Acquisition Agreement.

In connection with the Acquisition, the sellers have given certain customary representations and warranties in the Acquisition Agreement related to their shares, the Target and the Target's business. Nonetheless, third-parties could seek to hold BidCo responsible for any of the liabilities the sellers have agreed to retain, and BidCo may not be able to enforce any claims against the sellers relating to breaches of these representations and warranties. The sellers' liability under the Acquisition Agreement is very limited. Moreover, even if BidCo is able to eventually recover any losses resulting from a breach of these representations and warranties, BidCo may temporarily be required to bear these losses itself.

The Target may have liabilities that are not known to us.

The Target may have liabilities that we failed or were unable to discover in the course of performing due diligence investigations in connection with the Acquisition. We may learn of additional information about the Target that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws and regulations. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the business of the Target, or on the financial condition and results of operations of the Issuer and the Sponsors' HoldCos and our ability to fulfill our obligations under the Notes and the Guarantees. In conducting our due diligence, we have been required to rely on resources available to us, including public information, information provided by the seller and third-party advisers (including in the preparation of the Offering Memorandum). There can be no assurance that the due diligence we have undertaken has revealed or highlighted all relevant facts necessary or helpful in evaluating the Acquisition.

Furthermore, there can be no assurance as to the adequacy or accuracy of information provided during the due diligence exercise or that such information will be accurate or remain accurate in the period from the conclusion of the due diligence exercise until the completion of the Acquisition. The due diligence process is inherently subjective. If the due diligence investigation failed to identify material information regarding the Acquisition, the Target may later be forced to write down or write off certain assets, significantly modify the business plan for the Target or incur impairment or other charges. Similarly, the materialization of certain risks, which may or may not be identified during due diligence, occur, it may lead to a loss of property, loss of value and, potentially, subsequent contractual and statutory liability to various parties.

We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.

We intend to complete the Post-Completion Merger in the medium-term following the Completion Date. The Post-Completion Merger will be undertaken pursuant to the provisions of Article 2501-bis of the Italian Civil Code. In order to complete the Post-Completion Merger, there are various steps that we must take including the preparation of a merger plan, a report by the directors of the companies involved in the Post-Completion Merger (*relazione dell'organo amministrativo*) and a report by an independent expert appointed by the court, assessing the sustainability of debt at the level of the company resulting from the Post-Completion Merger. Our estimation of the time frame required to complete the Post-Completion Merger is based upon market practice for leveraged buyouts in Italy, which typically involve acquisition vehicles in the form of limited liability companies (*società a reponsabilità limitata*) where an independent expert is permitted to be appointed by the company. As the company resulting from the Post-Completion Merger, ICBPI, will be an Italian joint stock company (*società per azioni*), the independent expert is required to be appointed by the court, which creates an inherent uncertainty as to the length of time in which the Post-Completion Merger can be expected to take place. In addition, there can be no assurance that the independent expert will release its report or that the other steps required for the Post-Completion Merger will be taken in a timely manner, or at all.

Subject to certain exceptions, the Post-Completion Merger can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the Post-Completion Merger. Within this 60-day deadline, the creditors of the companies involved in the Post-Completion Merger are entitled to challenge the Post-Completion Merger.

We may not be able to realize the anticipated operational efficiencies and cost savings.

Following the Acquisition, we intend to implement certain operational efficiency and cost saving measures, as further described under footnotes 3(A)-(C) under "*Summary—Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*." We may not be able to realize these measures, either in the amount or within the timeframe that we currently anticipate, and the costs of achieving these measures may be higher than what we expect. Our ability to realize such operational efficiency and cost savings measures may be affected by a number of factors, including increases in expenses related to the Acquisition, which may offset the cost savings from the Acquisition.

The interests of the Sponsors may conflict with your interests as a holder of the Notes.

Advent, Bain Capital and Clessidra indirectly own the majority of the shares of the Issuer. As a result, our shareholders have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholders. Our shareholders' interests in certain circumstances may conflict with your interests as noteholders, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, the shareholders could vote to cause us to incur additional indebtedness. Our shareholders are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our shareholders may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, our shareholders have held, hold or may hold interests in suppliers or customers of the Target. Our shareholders and their affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of our business or sales of our shares which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

Risks Related to the Notes and the Guarantees

The Issuer will not have control over compliance with the covenants under the Indenture by the Guarantors, HoldCo and HoldCo's subsidiaries (including the Target and its subsidiaries).

The Guarantors, HoldCo and HoldCo's subsidiaries (including the Target and its subsidiaries) will not be bound by the covenants under the Indenture, and the Issuer will not be required to procure such entities' compliance with the covenants under the Indenture. Instead, breaches of the terms of the Indenture resulting from actions of the Guarantors, HoldCo or HoldCo's subsidiaries will result in a default under the Indenture applicable to the Issuer. Further, the Indenture will provide that the occurrence of certain events involving HoldCo or any of HoldCo's subsidiaries (including the Target and its subsidiaries) that would otherwise constitute an event of default will not constitute an event of default if and to the extent that doing so would materially and substantially negatively affect the sound and prudent management of the Target and its subsidiaries or the ability of the Target and its subsidiaries to conduct their core businesses in the ordinary course. See "*Description of Notes—Specified Defaults*." In addition, none of the Guarantors, HoldCo or HoldCo's subsidiaries will enter into a covenant agreement with the Issuer. As a result of the foregoing, the Guarantors, HoldCo and HoldCo's subsidiaries will not be contractually restricted from incurring debt, making restricted payments and taking various other actions. To the extent that HoldCo or any of HoldCo's subsidiaries incur debt, such debt will be structurally senior to the Notes and the Guarantees. Because of this, the Issuer, who is the primary obligor under the Notes, may not have any ability to control whether a default occurs under the Indenture and may not be able to mitigate the consequences of any such default.

The Notes and the Guarantees will be structurally subordinated to the claims of creditors, including depositors and trade creditors, and preferred stockholders and minority stockholders of HoldCo and non-guarantor subsidiaries of HoldCo, including BidCo, the Target and the Target's subsidiaries.

The Issuer does not have any subsidiaries and only the Sponsors' HoldCos will guarantee the Notes. None of HoldCo, BidCo or, following the Acquisition, the Target, will have any obligation, contingent or otherwise, to pay amounts due under the Notes or the Proceeds Loans or make funds available to the Issuer or the Sponsors' HoldCos for those payments.

As of and for the twelve months ended June 30, 2015, the Guarantors' only assets were the shares in HoldCo and the Guarantors had no revenues or revenue-generating operations. Generally, claims of creditors, including depositors and trade creditors, and minority stockholders and preferred stockholders of non-guarantor subsidiaries of HoldCo, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to any Guarantor, as a direct or indirect shareholder (as applicable). Claims of creditors and preferred stockholders of HoldCo will also be structurally senior to the Notes and the Guarantees.

Accordingly, in the event that HoldCo or any non-guarantor subsidiary of HoldCo becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of HoldCo or such non-guarantor subsidiary; and

- creditors of HoldCo or such non-guarantor subsidiary, including depositors and trade creditors, and minority stockholders (excluding minority stockholders of HoldCo (if any)) and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Notes, each Guarantee and the Proceeds Loans will be structurally subordinated to the creditors, including depositors and trade creditors, minority stockholders and any preferred stockholders of the non-guarantor subsidiaries of HoldCo and to the creditors and preferred stockholders of HoldCo. In addition, the Indenture will, subject to certain limitations, permit HoldCo and these non-guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default of the Issuer, and such indebtedness may also be secured. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits, trade payables, ordinary course funding and settlement obligations that may be incurred by HoldCo and these subsidiaries.

As of the Completion Date, the Sponsors' HoldCos are expected indirectly to hold via their combined holdings in HoldCo, and HoldCo's holdings in BidCo, at least 89.0% of the share capital of the Target. The effect of the minority interests of the Target (to the extent they continue to be held by third parties) will be that the holders of such minority interests will share in the proceeds from the sale or other disposal of assets of the Target before the Issuer or any Guarantor, to the extent of their holding.

The Guarantees are several, but not joint, obligations of each Guarantor.

Due to regulatory limitations applicable to the Target Group, the Guarantee of each Guarantor is a several, but not joint, obligation of each Guarantor, making each Guarantor liable for an amount due under the Notes upon enforcement of its Guarantee proportionate to such Guarantor's shareholding in HoldCo (which initially will be one-third of the total amount due under the Notes for each Guarantor). This means that each Guarantor is only liable for payment of the amounts due under the Notes that is covered by its Guarantee, but not for all amounts outstanding under the Notes, as may be the case with most other guaranteed notes with which you may be familiar. This limitation on each Guarantee is applicable regardless of whether the other Guarantors make any payment under their respective Guarantees. As a result of each Guarantee being several, but not joint, the failure or ineffectiveness of one or more Guarantees, or the inability of one or more Guarantors to pay the full amount owed under its respective Guarantee, would mean that the full amount owed under the Notes would benefit from a guarantee and therefore may be less likely to be recovered.

The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes, which will exclude all assets of HoldCo, BidCo, the Target and its subsidiaries. In addition, there may not be sufficient Collateral to pay all or any of the Notes and such Collateral may be reduced or diluted under certain circumstances.

As of the Issue Date, the Notes will be secured on a first-priority basis by (i) (until the Completion Date) the Escrow Charge, (ii) pledges of the shares of the Issuer, HoldCo and the Sponsors' HoldCos, (iii) pledges of the bank accounts of the Issuer and the Sponsors' HoldCos and (iv) a pledge over the Proceeds Loans. None of the assets of HoldCo, BidCo, the Target or the Target's subsidiaries will form part of the Collateral, and thus no such assets will secure the Notes. As a result, the value of the Collateral will be significantly limited and the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Notes will be significantly limited.

No appraisal of the fair market value of the Collateral has been made in connection with the Financing and the book value of the Collateral should not be relied on as a measure of realizable value for such assets. The value of the Collateral in the event of an enforcement of the security interests created over the Collateral, or a liquidation of the entities holding the Collateral, is subject to fluctuations and will depend on regulatory approval, market and economic conditions, our ability to successfully implement our business strategy, competition, the availability of buyers and other factors. Such factors include, among others, conditions in our industry, the ability to sell Collateral in an orderly sale, the condition of the economies in which the Collateral is located and in which the operating group owned by the Sponsors' HoldCos is located, the liquidity of the Collateral, whether the business is sold as a going concern and similar factors. Importantly, to the extent enforcement of the Collateral would result in a change of control in the Target, it would require the prior approval of the Bank of Italy, the European Central Bank and other regulatory bodies. See "*—Enforcement of the share pledges and charges that make up the substantial portion of the Collateral will require prior approval by regulatory bodies and may not result in any recovery*."

In addition, the value of the Collateral may decline over time. By its nature, the Collateral may be intangible or illiquid and may have no readily ascertainable market value. For example, the shares and other Collateral that are pledged or assigned or transferred for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of these shares or other assets may not be liquid and their value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, even if saleable, that there will not be substantial delays in the liquidation thereof. Furthermore, any shares pledged to secure the Notes and the Guarantees may have limited value in the event of a bankruptcy, insolvency or other similar proceedings because all of the obligations (subject to the release mechanism in the Intercreditor Agreement) of the entity whose shares have been pledged must first be satisfied, potentially leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. See "*—Enforcement of the share pledges and charges that make up the substantial portion of the Collateral will require prior approval by regulatory bodies and may not result in any recovery*." In addition, the Intercreditor Agreement will provide that, in the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain hedging agreements have been repaid in full.

Moreover, the value of the Collateral may be diluted. The Indenture will permit the granting of certain liens over the Collateral to certain parties in addition to the holders of the Notes. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the security documents, such holders or third parties may have rights and remedies with respect to the Collateral that, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Similarly, if we issue additional Notes under the Indenture (including as PIK Interest), holders of such additional notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

As a result of the foregoing, liquidating the Collateral may not produce proceeds in an amount sufficient to pay any amounts due on the Notes and the Guarantees. We cannot assure you of the value of the Collateral or that the net proceeds received upon a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding would be sufficient to repay any amounts due on the Notes and the Guarantees. If the proceeds of the Collateral were not sufficient to repay amounts outstanding under the Notes and the Guarantees, then holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against the remaining assets of the Issuer and the Guarantors, the assets of which will be limited. The Intercreditor Agreement will provide for detailed enforcement mechanisms with respect to the Collateral. See "*Description of Other Indebtedness—Intercreditor Agreement*."

Enforcement of the share pledges and charges that make up the substantial portion of the Collateral will require prior approval by regulatory bodies and may not result in any recovery.

The Collateral for the benefit of the Notes includes, *inter alia*, pledges and charges of the shares of the Sponsors' HoldCos and HoldCo. To the extent any enforcement of any of these share pledges or charges would result in a change of control in the Target, it would require the prior approval of the Bank of Italy and the European Central Bank, which approval would be subject to the applicable regulatory regime and may not be forthcoming. The Bank of Italy and the European Central Bank must consent to, and be content with, *inter alia*, the fitness and propriety of, any prospective new controller of such shares, including the Security Agent. We cannot assure you that the Security Agent will be able to obtain any such consents or that such consents will be given when required. Accordingly, the Security Agent may not have the ability to enforce its security and the value of the security interests may significantly decrease. See "*Regulation*." Further, each of the Sponsors' HoldCos will be pledging their shares in HoldCo under separate share pledge agreements. There can be no assurances that it will be possible to enforce each share pledge at the same time or in the same proceeding, and it may be costly, time-consuming and complicated to enforce multiple share pledges. In addition, to the extent that the entity whose shares are subject to the relevant share pledge or charge being enforced is insolvent, such entity would be subject to insolvency procedures, and the enforcement of such share pledge or charge may result in a limited or zero recovery.

Holders of the Notes may not control certain decisions regarding the Collateral.

The Notes will be secured by the Collateral which will also secure the obligations under our Revolving Credit Facility and certain hedging liabilities. In addition, under the terms of the Indenture, we will be permitted to incur significant additional *pari passu* indebtedness and other obligations that may be secured by the same Collateral.

The Intercreditor Agreement will provide that a common security agent, who will serve as the Security Agent for the secured parties with respect to the Collateral, will act only as provided for in the Intercreditor Agreement. The Security Agent may refrain from enforcing the Collateral unless otherwise instructed by the Instructing Group for the purpose of enforcement. See "*Description of Other Indebtedness—Intercreditor Agreement*" *and* "*Description of the Notes—Security*."

It may be difficult to realize the value of the Collateral securing the Notes and the Guarantees.

The Collateral will be subject to any and all restrictions under applicable law and exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture and Intercreditor Agreement and accepted by other creditors that have the benefit of security interests in the Collateral from time to time, whether on or after the date the Notes are issued. The existence of any such restrictions, exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among other things, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions. The Initial Purchasers have neither analyzed the effect of, or participated in any negotiations relating to, such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third-party, including that of competent regulatory authorities or courts, to enforce a security interest. See "*—Enforcement of the share pledges and charges that make up the substantial portion of the Collateral will require prior approval by regulatory bodies and may not result in any recovery*." We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Furthermore, the enforcement of a security interest by the Security Agent may require the completion of judicial proceedings in the jurisdiction in which the security interest will be released. There is no assurance that the Security Agent will successfully complete such judicial proceedings in a timely manner or that other practical problems relating to the foreclosure of Collateral will be overcome by the Security Agent at all or without a material delay. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, our business requires a variety of permits and licenses. Our business is subject to regulations and requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. See "*Regulation*." In the event of foreclosure, the grant of permits and licenses may be revoked, and the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of such permits. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Collateral may be significantly decreased.

The Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

The Notes will be guaranteed by the Sponsors' HoldCos, which are incorporated under the laws of Jersey, and secured by security interests over the Collateral, which will be governed by the laws of England and Wales and Jersey. Each Guarantee will provide holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture and Guarantee Agreements will provide that certain Guarantees, and the Indenture and the relevant Security Documents will provide that certain security interests, will be limited to the maximum amount that can be guaranteed or in respect of which security interests may be granted by the relevant Guarantor or security provider, as applicable, without rendering the relevant Guarantee or security interest, as it relates to that Guarantor or security provider, voidable or otherwise ineffective or limited under applicable law, or causing the directors or officers of the Guarantor or security provider to incur personal civil or criminal liability. Each security interest granted under a Security Document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest.

In particular, enforcement of security interests over the share capital of the Sponsors' HoldCos and HoldCo will be subject to regulatory approvals. See "—*Enforcement of the share pledges and charges that make up the substantial portion of the Collateral will require prior approval by regulatory bodies and may not result in any recovery*." In addition, enforcement of any of the Guarantees against any Guarantor or security interests against any security provider will be subject to certain defenses available to Guarantors or security providers in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance, set-off counter-claim and prescription (time bar) or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor or security provider may have no liability or decreased liability under its Guarantee or security interest, as applicable, depending on the amount of its other obligations and applicable law.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) subordinate or void all or part of a Guarantee or any security interest, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee or realized from enforcing a security interest to the relevant Guarantor or security provider, or to a fund for the benefit of the Guarantor's or security provider's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the Guarantee or security interest was granted with actual intent to give preference to one creditor over another or to hinder, delay or defraud creditors or shareholders of the Guarantor or the security provider or, in certain jurisdictions, even when the recipient was merely aware that the Guarantor or the security provider was insolvent when it granted the relevant Guarantee or security interest;

- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value for the granting of the Guarantee or security interest and the Guarantor or security provider: (i) was insolvent or was rendered insolvent as a result of having granted the relevant Guarantee or security interest; (ii) was under-capitalized or became under-capitalized because of the relevant Guarantee or security interest; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee or security interest was not validly established or authorized or otherwise contravenes the relevant Guarantor's or security provider's articles of association or similar organizational documents;

- the granting of the relevant Guarantee or security interest was held not to be in the best interests or not to be for the corporate benefit of the Guarantor or security provider or was held to exceed the corporate objects of the Guarantor or security provider; or

- the aggregate amounts paid or payable under the relevant Guarantee or realized from enforcing the relevant security interest were in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future Guarantee granted by any of our subsidiaries pursuant to the Indenture.

We cannot assure you which standard a court would apply in determining whether a Guarantor or security provider was "insolvent" at the relevant time or that, regardless of the method of valuation, a court would not determine that a Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or security provider was insolvent on the date its Guarantee was issued or security interest was granted, that payments to holders of the Notes constituted preferences, transactions at an undervalue, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair value of all its assets;
- the present fair saleable value of its assets was less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they became due; or
- it could not pay its debts as they became due.

The liability of each Guarantor under its Guarantee, or security provider under the relevant Security Document, will be limited to the amount that will result in such Guarantee or security interest not constituting a fraudulent preference or conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor or security provider. There is a possibility that the entire Guarantee or security interest may be set aside, in which case the entire liability may be extinguished.

If a court were to find that the granting of a Guarantee or the security interest in the Collateral was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under such Guarantee or Security Document are ineffective, could void the security over the Collateral, or could require the holders of the relevant Notes to repay any amounts received with respect to such Guarantee or any enforcement proceeds received from enforcement of the security interest. In the event of a finding that a fraudulent preference or conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor or security provider and would be a creditor solely of the Issuer and, if applicable, any other Guarantor or security provider under any Guarantees or Security Documents that have not been declared void. If any Guarantee or Security Document is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee or Security Document obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor or security provider.

Additionally, any future pledge or charge of Collateral in favor of the Security Agent, including pursuant to Security Documents delivered after the date of the Indenture, might be avoidable by the security provider (as debtor-in-possession) or by its trustee in bankruptcy (or similar officer) if certain events or circumstances exist or occur, including, among others, if the security provider is insolvent at the time of the pledge or charge, the pledge or charge permits the holders of the Notes to receive a greater recovery than if the pledge or charge had not been given and a bankruptcy proceeding in respect of the security provider is commenced within three months following the pledge or charge, or in certain circumstances, a longer period.

There are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees will be released and under various other circumstances, the Issuer and the Guarantors will be entitled to instruct the Security Agent to release the security interests in respect of the Collateral. See "*Description of the Notes—The Notes Guarantees—Notes Guarantees Release*" and "*—Security—Release of Liens*."

In addition, the Guarantees and the security interests in respect of the Collateral will be subject to release as contemplated under the Intercreditor Agreement. Certain key provisions of the Intercreditor Agreement, including order of priority, subordination, enforcement of transaction security and application of proceeds may be amended without the consent of the Noteholders or other relevant creditors provided that such amendment does not materially and adversely affect the rights, ranking, immunities or protections of the relevant creditors. From the date that senior notes or second lien notes are incurred, and the relevant creditors accede to the Intercreditor Agreement, unless consented to, the Intercreditor Agreement provides that the security agent or certain creditors named therein shall not, in an enforcement scenario, exercise their rights to release the relevant Guarantees and security interests unless, with respect to the relevant sale or disposal:

- the proceeds of such sale or disposal are in cash;
- all present and future obligations owed to the parties under the Intercreditor Agreement are released and discharged and all security interests are released and discharged; and
- such sale or disposal is pursuant to a public auction or a financial advisor has confirmed that the sale or disposal price is fair from a financial point of view.

Furthermore, we will be permitted to require the release and/or re-taking of any lien on any Collateral to the extent permitted by the terms of the Indenture, the Security Documents, the Intercreditor Agreement or any additional intercreditor agreement. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Collateral and thus reduce your recovery under the Notes.

See "*Description of Other Indebtedness—Intercreditor Agreement*."

Enforcing your rights as a holder of the Notes may prove difficult, and insolvency laws of England and Wales and Jersey may not be as favorable to you as U.S. and other insolvency laws with which you may be more familiar and may preclude holders of the Notes from recovering payments due on the Notes, the Guarantees or under the Security Documents.

The Issuer and the Guarantors are incorporated under the laws of Jersey. In addition, HoldCo, the shares of which are pledged for the benefit of the holders of the Notes, is incorporated under the laws of England and Wales. The Intercreditor Agreement will be governed by the laws of England and Wales, the Security Documents will be governed by the laws of England and Wales and Jersey, and the Notes, the Guarantees and the Indenture will be governed by the laws of the State of New York.

Accordingly, insolvency proceedings with respect to the Issuer, the Guarantors and HoldCo would be likely to proceed under, and be governed by, English or Jersey insolvency law, as applicable or the laws of other jurisdictions where the relevant company's assets are located in the future. English or Jersey insolvency law may not be as favorable to your interests as the insolvency laws of the United States or other jurisdictions with which you are familiar, particularly with respect to the rights of creditors, priority of governmental and other creditors, the ability to raise post-petition interest and the duration of the insolvency proceedings. In the event that any one or more of the Issuer or any Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

In the event a bankruptcy, insolvency or other similar proceeding is initiated in England and Wales, Jersey or other jurisdictions where the relevant company's assets are located, or any combination thereof, your rights under the Notes, the Guarantees or the Security Documents may be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in such multiple bankruptcy, insolvency or other similar proceedings. In addition, any conflict between them could call into question whether, and to what extent, the laws of any particular jurisdiction should apply and there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another. Further, the multi-jurisdictional nature of enforcement over the Collateral may limit the realizable value of the Collateral. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The security interest over the Collateral will not be granted directly to the holders of the Notes and the holders of the Notes will have limited rights to enforce remedies under the Security Documents.

The security interests over the Collateral that will secure the obligations of the Issuer and the Guarantors will not be granted directly to the holders of the Notes, but will be granted only in favor of the Security Agent. The Trustee will enter into the Intercreditor Agreement with, among others, the Security Agent and representatives of the other indebtedness secured by the Collateral, including our Revolving Credit Facility. Other creditors may become parties to the Intercreditor Agreement in the future. Among other things, the Intercreditor Agreement will govern the enforcement of the Security Documents, the sharing in any recoveries from such enforcement and the release of the Collateral by the Security Agent. The Indenture and the Intercreditor Agreement will provide that only the Security Agent has the right to enforce the Security Documents. As a consequence, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee for the Notes, who will provide instructions to the Security Agent in accordance with the Intercreditor Agreement. Holders of the Notes will also bear risks associated with a possible insolvency or bankruptcy of the Security Agent.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral, and the granting of the security interests in the Collateral may be subject to hardening periods for such security interests in accordance with law.

The Sponsors' NewCos, the Issuer and the Sponsors' HoldCos will be obliged, pursuant to the Security Documents, to take certain perfection steps in respect of the Collateral. In addition, applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party, the grantor thereof or other entities as applicable. The liens on the Collateral may not be perfected with respect to the claims of the Notes if the Issuer is not able to take or does not take the actions necessary to perfect any of these liens. Neither the Trustee nor the Security Agent for the Notes has any obligation to monitor the creation or perfection of any security interest or to take any steps or action to perfect any of the security interests in the Collateral. Such failure may result in such security interest not being created in such property or rights or the priority of such security interest in favor of the Notes against third parties being adversely affected, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. To the extent that the security interests created by the Security Documents with respect to any Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding. In addition, the Indenture and the Security Documents entered into in connection with the Notes will not require us to take actions (unless specified) that might improve the perfection or priority of the liens in the Collateral.

The granting of Guarantees and security interests to secure the Notes and the Guarantees may create hardening or voidance periods for such Guarantees and security interests in certain jurisdictions. The granting of security interests to secure future permitted debt may restart or reopen such hardening or voidance periods in particular, as the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future debt. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. Please see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The Sponsors' NewCos, the Issuer and the other security providers will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents will allow the security providers to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral. So long as no default or event of default under the Indenture would result therefrom, the security interest providers may, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral and make ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral and consequently the amounts payable to you from proceeds of any sale of Collateral in the case of an enforcement of the liens.

Changes in respect of the public ratings of the Issuer or the public debt ratings of the Notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt.

We expect that, on or about the Issue Date, the Issuer and the Notes will be publicly rated by Moody's and Standard & Poor's. In the future, the Issuer and the Notes may be rated by other rating agencies (such as Fitch Ratings Ltd) and some or all of any future debt instruments may also be publicly rated by Moody's, Standard & Poor's, Fitch Ratings Ltd, or other independent credit rating agencies. These public debt ratings affect our ability to raise debt. Any downgrade or adverse advisory by these rating agencies may affect the cost and term and conditions of our financings and could adversely affect the value and trading of the Notes.

The Senior Secured Floating Rate PIK Toggle Notes, drawings under the Revolving Credit Facility Agreement and any future variable interest rate debt we incur will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.

The Senior Secured Floating Rate PIK Toggle Notes and drawings under the Revolving Credit Facility Agreement will bear interest at floating rates of interest per annum equal to EURIBOR (or another benchmark rate), in each case as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow available to repay our obligations under the Notes and the Guarantees. In the case of the Senior Secured Floating Rate PIK Toggle Notes, the interest rate will be calculated based on the EURIBOR in effect 17 days prior to the start of the relevant interest period. There can be no assurance that hedging will be available on commercially reasonable terms or at all, or that we will enter into any interest rate hedging. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements, that hedges might not be available for the full amount or term of the borrowings, that break clauses might be required or that hedges will limit any benefit that we might otherwise receive from favorable movements in interest rates. Neither our Revolving Credit Facility Agreement nor the Indenture will contain a covenant requiring us to hedge all or any portion of our floating rate debt.

The manner of calculating EURIBOR is under review by European regulators and others. There can be no assurance that EURIBOR will continue to be calculated as it has been historically, if at all.

If the Sponsors' HoldCos and their subsidiaries are not able to provide sufficient funds to the Issuer to pay Cash Interest on the Notes, interest on the Notes may be paid in PIK Interest rather than cash.

The Issuer will be required to pay interest on the Notes entirely in cash on the first interest payment date and upon maturity. If the conditions described in this Offering Memorandum are satisfied, in any other period, the Issuer will be entitled to pay, to the extent described herein, interest by increasing the principal amount of the outstanding Notes or issuance of additional Notes. See "*Description of the Notes—Principal and Maturity*." The ability of the Issuer to pay cash interest on the Notes will depend on the ability of the Sponsors' HoldCos and their subsidiaries to provide sufficient funds to the Issuer. See "*—Risks Related to the Financial Profile of the Issuer and the Sponsors' HoldCos—The Issuer is a finance subsidiary that has no revenue generating operations of its own and will be dependent upon payments by the Sponsors' HoldCos under the Proceeds Loans to meet its obligations on the Notes, and Sponsors' HoldCos are dependent upon dividend payments by HoldCo and its subsidiaries to fund payments on the Proceeds Loan*." The Revolving Credit Facility Agreement and the Indenture allow HoldCo and HoldCo's subsidiaries to utilize amounts that would otherwise be available to upstream funds to the Sponsors' HoldCos or the Issuer for other uses, and such uses would reduce the amount of cash available to upstream funds to the Issuer in order to pay Cash Interest on the Notes. The terms of the Notes will not restrict our ability to use the dividend payment capacity of HoldCo for such alternative uses. See "*Description of Other Indebtedness*." As a result, we cannot assure you that we will be required (or able) to make Cash Interest payments on the Notes, and holders of the Notes could potentially receive no Cash Interest on the Notes for interest periods other than the initial period. The payment of interest through an increase in the principal amount of the outstanding Notes or issuance of additional Notes will increase the amount of the Issuer's indebtedness and would increase the risks associated with the Issuer's level of indebtedness. In addition, it would delay your receipt of such interest in cash until the date on which such amount is repaid as principal on the Notes.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors and HoldCo and its subsidiaries are organized or incorporated outside the United States, and our business is conducted entirely outside the United States. The directors and executive officers of the Issuer and the Guarantors are non-residents of, and substantially all of their assets are located outside of, the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the Guarantors. In addition, as substantially all of the assets of the Issuer and the Guarantors and HoldCo and its subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer, the Guarantors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws.

The United States are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters, with Jersey or England and Wales. For further information see "*Service of Process and Enforcement of Civil Liabilities*."

The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a change of control (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. In addition, the Revolving Credit Facility Agreement, Intercreditor Agreement and other then-existing contractual restrictions may prohibit us from purchasing the Notes upon a change of control without first repaying the Revolving Credit Facility in full. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under the Revolving Credit Facility and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility Agreement.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control as defined in the Indenture.

In addition, in connection with certain tender offers for the Senior Secured Fixed Rate PIK Toggle Notes or the Senior Secured Floating Rate PIK Toggle Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of Notes—Optional Redemption—General.*"

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. The definition of "change of control" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Sponsors' HoldCos (taken as a whole), HoldCo or the restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," it has no clearly-established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

There are significant restrictions on your ability to transfer or resell your Notes.

The Notes are being offered and sold pursuant to an exemption from the registration requirements under United States and applicable U.S. state securities laws. The Notes have not been registered under the Securities Act, any U.S. state securities laws or the securities laws of any jurisdiction, and we do not intend to register the Notes under the Securities Act, any U.S. state securities laws or the securities laws of any jurisdiction after the Offering. Because the Issuer is relying on the exemption provided for in Section 3(c)(7) of the U.S. Investment Company Act, Notes may only be sold to and held in the United States (throughout the life of the Notes) by "Qualified Institutional Buyers" that are also "Qualified Purchasers" as defined in Section 2(a)(51) of the U.S. Investment Company Act. Therefore, you may transfer or resell the Notes in the United States only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States and applicable state securities laws, and only to a Qualified Purchaser, and therefore you may be required to bear the risk of your investment for an indefinite period of time. The risk may be exacerbated by the absence of registration rights for the holders of the Notes. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. It is your obligation to ensure that your offers and sales of Notes comply with these transfer restrictions and applicable law. See "*Notice to Investors*" for further information.

In addition, you may only transfer the Notes or any beneficial interest in the Notes to any person or entity that is resident or deemed to be resident, domiciled, located for tax purposes or acting through a lending office or a permanent establishment to which any payment under the Notes is effectively connected in a jurisdiction, country or territory that has implemented or has committed to implement the Organization for Economic Co-operation and Development's Common Reporting Standard.

The Notes may not become or remain listed on the Luxembourg Stock Exchange.

Although the Issuer will agree in the purchase agreement with the Initial Purchasers to use its reasonable efforts to list the Notes on the Official List of the Luxembourg Stock Exchange and have them admitted to trading on the Euro MTF Market thereof after the Issue Date and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become or remain listed. If the Issuer cannot maintain the listing on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Euro MTF Market, or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Luxembourg Stock Exchange, so long as it uses reasonable efforts to obtain and maintain the listing of the Notes on another stock exchange although there can be no assurance that the Issuer will be able to do so. Listing of any of the Notes on the Luxembourg Stock Exchange does not imply that a public offering of any of the Notes in Luxembourg has been authorized. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Luxembourg Stock Exchange or another recognized listing exchange for comparable issuers, failure to be approved for listing or the delisting of the Notes from the Official List of the Luxembourg Stock Exchange or another listing exchange may have an adverse effect on a holder's ability to resell Notes in the secondary market.

Your ability to transfer the Notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Notes.

The Notes are a new issue of securities for which there is currently no market. We do not intend to have the Notes listed on a national securities exchange (as defined in the Exchange Act) or to arrange for quotation on any automated dealer quotation systems. Certain Initial Purchasers have advised us that they intend to make a market in the Notes, as permitted by applicable laws and regulations; however, the Initial Purchasers are not obligated to make a market in the Notes and they may discontinue their market making activities at any time without notice. See "*—The Volcker Rule may negatively affect the ability of certain types of entities to purchase the Notes*." Therefore, we cannot assure you as to the development or liquidity of any trading market for the Notes. The liquidity of any market for the Notes will depend on a number of factors, including, but not limited to:

- the number of holders of Notes;
- our operating performance and financial condition;
- the market for similar securities;
- third-party recommendations;
- the interest of securities dealers in making a market in the Notes; and
- prevailing interest rates.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. We cannot assure you that the market, if any, for the Notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your Notes. Therefore, we cannot assure you that you will be able to sell your Notes at a particular time or price, if at all.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

We expect that one or more independent credit rating agencies will assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The Volcker Rule may negatively affect the ability of certain types of entities to purchase the Notes.

The Volcker Rule generally prohibits certain banking entities (including certain of the Initial Purchasers and their affiliates) from engaging in proprietary trading, or from acquiring or retaining an ownership interest in, sponsoring or having certain relationships with "covered funds," subject to certain exclusions and exemptions. The Volcker Rule defines a "covered fund" as any entity that would be an investment company but for Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, subject to certain exclusions, none of which would apply to the Issuer. The Issuer therefore is considered a covered fund under the Volcker Rule because it would be an investment company under the Investment Company Act but for Section 3(c)(7) thereunder. The following would be considered a "banking entity" subject to the Volcker Rule: (i) any U.S. insured depository institution; (ii) any company that controls an U.S. insured depository institution; (iii) any non-U.S. company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (i.e., a non-U.S. company that maintains a branch, agency or commercial lending office in the U.S.); and (iv) any affiliate or subsidiary of any of the foregoing under the the Bank Holding Company Act of 1956, as amended (and the rules, regulations and published guidance thereunder), other than a covered fund that is not itself a banking entity under clauses (i), (ii) or (iii).

The Volcker Rule also contains a number of limited exemptions and exclusions, including for, among other things, (i) certain underwriting and market making activities, (ii) the activities of qualified non-U.S. banking entities which are conducted solely outside the U.S., (iii) investments by properly organized and offered client vehicles, and (iv) the activities of insurance companies conducted through general or separate accounts. These and other exemptions under the Volcker Rule are subject to specific conditions and requirements. A banking entity subject to the Volcker Rule is responsible for having a compliance program with written policies and procedures, setting forth under what circumstances such banking entity would be permitted to engage in proprietary trading or covered fund-related activities or investments.

To the extent the Notes or any portion thereof were considered "ownership interests", as defined under the Volcker Rule (which is a broad, fact-based definition that potentially encompasses some types of debt instruments), there could be limitations on the ability of banking entities to purchase or retain the Notes in the absence of an applicable Volcker Rule exemption. Further, regardless of whether the Notes or any portion thereof were considered ownership interests, the Volcker Rule would also prohibit a banking entity from engaging in proprietary trading in the Notes unless pursuant to an exclusion or exemption. Consequently, although the Volcker Rule provides limited exclusions and exemptions from both the covered fund-related restrictions and the proprietary trading restrictions, depending on market conditions and the banking entity status of potential purchasers of the Notes from time to time, the Volcker Rule restrictions could negatively affect the liquidity and market value of the Notes.

Each purchaser of the Notes must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain the Notes. Investors in the Notes are responsible for analyzing their own regulatory position and none of the Issuer, the Initial Purchasers, the Security Agent, the Trustee or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the treatment of the Issuer under the Volcker Rule, or to such investor's investment in the Notes on the Issue Date or at any time in the future.

Failure to register under the U.S. Investment Company Act of 1940, as amended may result in a material adverse effect on the Issuer.

The Issuer has not been and will not be registered with the SEC as an investment company pursuant to the U.S. Investment Company Act of 1940, as amended, in reliance on the exemption from registration provided by Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended. No action positions are available for non-U.S. obligors (a) whose outstanding securities owned by U.S. persons are owned exclusively by Qualified Purchasers and (b) which do not make a public offering of their securities in the United States. Accordingly, investors in the Notes will not be afforded the protections of the U.S. Investment Company Act of 1940, as amended. No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but has failed, to register in violation of the U.S. Investment Company Act of 1940, as amended, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors could sue the Issuer and recover any damages caused by the violation of the registration requirement of the U.S. Investment Company Act of 1940, as amended; and (iii) any contract to which the Issuer is party that is made in, or whose performance involves a, violation of the U.S. Investment Company Act of 1940, as amended would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the U.S. Investment Company Act of 1940, as amended. Should the Issuer be subjected to any or all of the foregoing, there would be a material adverse effect on the Issuer.

If the Issuer determines that a purchaser of the Notes that is a U.S. person was not a Qualified Purchaser at the time of its acquisition of the Notes, the Issuer will have the right, at its option, to require such person to dispose of its Notes to a person or entity that is qualified to hold the Notes immediately upon receipt of a notice from the Issuer that the relevant Purchaser was not a Qualified Purchaser.

Certain covenants and events of default will be suspended if we receive investment grade ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive an investment grade rating (BBB− or better by Fitch, Baa3 or better by Moody's and BBB− or better by S&P) and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as the Notes are no longer rated investment grade by either ratings agency, certain covenants and specified events of default will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants Applicable to the Issuer—Suspension of Covenants and Specified Defaults on Achievement of Investment Grade Status*."

At any time when these covenants and specified events of default are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating if achieved will be maintained.

The Notes will be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

The Notes will be issued in registered global form. The Regulation S Global Notes and the Rule 144A Global Notes will be deposited, on the Issue Date, with a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the Global Notes (the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form, except under the limited circumstances described in "*Book-Entry; Delivery and Form—Issuance of Definitive Registered Notes*." So long as the Notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be considered the sole holder of the Global Notes. Accordingly, if you hold a Book-Entry Interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and on the procedures of the participant through which you hold your interest to exercise any rights and obligations of a holder of Notes under the Indenture governing the Notes.

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary (or its nominee) for Euroclear and Clearstream. The common depositary or its nominee will in turn distribute such payments to participants in accordance with its procedures. After payment to the common depositary or its nominee for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests.

Unlike the holders of the Notes themselves, holders of Book-Entry Interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you hold a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the Notes, unless and until definitive registered Notes are issued in respect of all Book-Entry Interests, if you hold a Book-Entry Interest, you will be restricted to acting through Euroclear or Clearstream. The procedures to be implemented through Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

You may face currency exchange risks by investing in the Notes.

The Notes are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, investment in such Notes entails currency exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency you use to measure your investment returns, caused by economic, political and other factors which affect exchange rates and over which we have no control. Depreciation of the euro against the currency by reference to which you measure your investment returns would cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any currency exchange gains or losses resulting from your investment in the Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the Notes.

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely could have adverse consequences for the Issuer and the Sponsors' HoldCos with respect to their outstanding debt obligations, such as the Notes, that are euro-denominated.

As a result of the credit crisis in Europe, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism (the "**ESM**"), to provide external financial assistance to Eurozone countries. However, concerns persist regarding the debt burden of certain Eurozone countries (including Greece), and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States or, possibly, the dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-dominated obligations and for parties subject to other contractual provisions referencing the euro such as supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues could have adverse consequences for the Issuer and the Sponsors' HoldCos with respect to their outstanding debt obligations that are euro-denominated, such as the Notes and the Revolving Credit Facility, and, as the Issuer and the Sponsors' HoldCos have a substantial amount of debt denominated in euro, their financial condition may be materially affected. The realization of any of these risks could have a material adverse effect on the financial position of the Issuer and the Sponsors' HoldCos and their ability to fulfill their respective obligations under the Notes and the Guarantees.

We intend to treat the Senior Secured Floating Rate PIK Toggle Notes as "variable rate debt instruments" bearing original issue discount and to take the position that neither the Senior Secured Floating Rate PIK Toggle Notes nor the Senior Secured Fixed Rate PIK Toggle Notes are contingent payment debt instruments for U.S. federal income tax purposes, but there is no assurance that the IRS will agree with our treatment.

Although the issue is not free from doubt, we intend to take the position that (i) the Senior Secured Floating Rate PIK Toggle Notes will be subject to the Treasury regulations governing variable rate debt instruments, (ii) U.S. Holders (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") are entitled to account for the Senior Secured Floating Rate PIK Toggle Notes as well as the Senior Secured Fixed Rate PIK Toggle Notes for U.S. federal income tax purposes using a payment schedule in which all interests payments on the Notes are initially assumed to be paid in cash in accordance with section 1.1272-1(c) of the Treasury regulations, and (iii) neither the Senior Secured Floating Rate PIK Toggle Notes nor the Senior Secured Fixed Rate PIK Toggle Notes are therefore subject to the Treasury regulations applicable to "contingent payment debt instruments." Our determination that the Notes are not contingent payment debt instruments is not binding on the IRS. If the IRS takes a contrary position, a U.S. Holder may be required to accrue interest income on the relevant Notes based upon a higher yield and any gain on the sale, exchange, redemption or other taxable disposition of such Notes could generally be recharacterized as ordinary income.

You will be required to pay U.S. federal income tax on accrual of OID on the Notes even if we do not pay Cash Interest.

Because the interest on the Notes is not unconditionally payable in cash at least annually over the term of the Notes, the Notes will be considered to be issued with OID for U.S. federal income tax purposes. A U.S. Holder (as defined in "Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations") generally will be required to include stated interest on the Notes in gross income as OID as it accrues on a constant yield basis for U.S. federal income tax purposes, potentially in advance of the receipt of the cash payments to which such OID is attributable and regardless of such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. See "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

THE TRANSACTIONS

The Acquisition

On June 19, 2015, BidCo, an entity indirectly owned by the Sponsors, entered into an agreement relating to the sale and purchase of the Target (the "**Acquisition Agreement**"), to acquire, directly or indirectly, 85.3% of the Target's share capital from the sellers. Subsequently, BidCo entered negotiations both with certain sellers under the Acquisition Agreement and certain of the Target's other minority shareholders in respect of the acquisition of additional shares in the Target. On October 15, 2015, BidCo entered into an agreement to acquire an additional 3.7% of the Target's share capital from other minority shareholders. As a result, BidCo has agreed to acquire an aggregate of 89.0% of the Target's share capital, with the selling banks under the Acquisition Agreement maintaining an aggregate holding of up to 8.4% of the shares of the Target, while up to 2.1% of the shares in the Target are expected to be held by non-selling minority shareholders. 0.5% of the Target's share capital are currently held in treasury. BidCo expects to purchase additional shares in the Target over the near term in order to increase its total shareholding to up to 91.1% of the Target's share capital.

The consummation of the Acquisition is subject to the satisfaction of certain conditions, including regulatory approval of the Acquisition by the European Commission, the Bank of Italy, the European Central Bank and De Nederlandsche Bank. See "*Risk Factors—Risks Related to the Transactions— The Acquisition is subject to significant uncertainties and risks*." The Acquisition Agreement will terminate in accordance with its terms if the conditions precedent to completion have not been fulfilled by December 31, 2015, unless amended by the parties thereto in accordance with its terms.

The purchase price for the Acquisition is expected to be approximately €1,923.0 million, including deferred consideration in the amount of €89.0 million. Pursuant to the Acquisition Agreement, the amount of deferred consideration will become due and payable to the sellers on the earlier of May 31, 2016 and five business days after the date the Target distributes a dividend, if any, in respect of the year ended December 31, 2015 to its shareholders. Additionally, the sellers are entitled to an earnout payment in the event of a future sale, transfer, distribution of dividends or liquidation proceeds, reimbursement of capital and/or similar transactions (subject to certain exceptions) with respect to the Target Group's interest in Visa Europe Limited. On November 2, 2015, Visa Inc. announced that it had entered into a transaction agreement with Visa Europe, of which CartaSi is a shareholder, pursuant to which Visa Inc. agreed to acquire 100% of the share capital of Visa Europe for a total consideration of up to €21.2 billion. Such announcement stated that Visa Inc. expects the acquisition to close by the end of June 2016. We expect that the earnout under the Acquisition Agreement will be triggered by the announced acquisition of Visa Europe by Visa Inc.

The purchasers and the sellers have agreed that, as a condition to closing, the commercial agreements between the selling banks (and their affiliates) and the Target (and its affiliates) will be modified in certain ways. The term of the agreements will be extended until five years after consummation of the Transactions, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years. In addition, the selling banks will continue to purchase from the Target Group an equal or higher value of products and services than that purchased in 2014 during the term of the agreements. The purchasers and the selling banks have also agreed that, within six months after consummation of the Transactions, the relevant commercial agreements between the purchasers and the selling banks will be renegotiated in good faith in accordance with certain guidelines. For a breakdown of our operating revenue by customer group (including the selling banks under the Acquisition Agreement), see "*Our Business—Our Customers*."

The Issuer is indirectly owned by the Sponsors. The Acquisition Vehicles were formed to facilitate the Transactions.

The Financing

We expect to finance the Acquisition as follows upon consummation of the Acquisition:

- the Issuer will on-lend the proceeds from the Offering of the Notes in an aggregate principal amount of €1,100.0 million to the Sponsors' HoldCos via multiple intercompany loans (the "**Proceeds Loans**"); and

- the Sponsors' HoldCos, in turn, will then contribute the proceeds received under the Proceeds Loans (less a certain amount held at the Sponsors' HoldCos for purposes of paying deferred consideration and the first interest payment in respect of the Notes), together with the €933.4 million in proceeds of the equity contributions received from the Sponsors' NewCos, to HoldCo's equity. HoldCo, in turn, will contribute such proceeds to BidCo's equity (the "**Equity Contribution**").

The proceeds from the financing described above (including amounts held at Sponsor HoldCos)

will be used to:

- fund the consideration payable for at least 89.0% of the Target's share capital (disregarding treasury shares) including a certain amount of deferred consideration;
- reserve €49.4 million in respect of the first interest payment on the Notes; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the Offering.

Pending the consummation of the Acquisition, an amount equal to the gross proceeds of the Offering will be deposited into a segregated Escrow Account in the name of the Issuer but controlled by the Escrow Agent, and pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions, including the completion of the Acquisition. Consummation of the Acquisition is subject to certain conditions, including regulatory approvals. If the Acquisition is not consummated on or prior to March 31, 2016, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to the aggregate issue price of the respective Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

We refer to the Acquisition and the Financing together as the "Transactions." See "*Use of Proceeds*," "*Capitalization*," "*Description of the Notes*." Purchases of shares in the Target or CartaSi from minority shareholders, the interest expense for the Notes.

USE OF PROCEEDS

We estimate that the gross proceeds of the offering of the Senior Secured Fixed Rate PIK Toggle Notes will be €900.0 million and that the gross proceeds from the offering of the Senior Secured Floating Rate PIK Toggle Notes will be €200.0 million. Pending the consummation of the Acquisition, an amount equal to the gross proceeds of the Offering will be deposited into a segregated Escrow Account in the name of the Issuer but controlled by the Escrow Agent, and pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions including completion of the Acquisition. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

Upon satisfaction of the conditions to the release of the proceeds of the Offering from escrow, the proceeds will be released and will be used, together with the Equity Contribution, to finance the Acquisition as well as to pay certain fees and expenses. See "*The Transactions—The Financing*."

The expected estimated sources and uses of the funds necessary to consummate the Transactions (including the Acquisition) are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including certain adjustments to the purchase price of the Acquisition, purchases of shares in the Target or CartaSi from minority shareholders, the interest expense for the Notes, differences from our estimates of fees and expenses and the actual Completion Date. Any changes in these amounts may affect the amount of the Equity Contribution, the Proceeds Loans or the Acquisition purchase price.

Sources		**Uses**	
(in € millions)		**(in € millions)**	
Equity Contribution	933.4	Acquisition purchase price (at closing)(2)	1,834.0
Total equity	*933.4*		
Senior Secured Fixed Rate PIK Toggle Notes	900.0	Cash overfund (deferred consideration)(3)	50.0
Senior Secured Floating Rate PIK Toggle Notes	200.0	Initial interest payment overfund(4)	49.4
		Total transaction costs(5)	100.0
Total debt(1)	*1,100*		
Total Sources	**2,033.4**	**Total Uses**	**2,033.4**

(1) The proceeds from the Notes will be on-lent via the Proceeds Loans to the Sponsors' HoldCos.

(2) Represents the consideration for 89.0% of the share capital of the Target to be paid to the sellers excluding €89.0 million of deferred consideration. A portion of the proceeds of the Proceeds Loans received by each Sponsors' HoldCo, together with the Equity Contribution of each Sponsors' HoldCo, will be contributed to HoldCo and by HoldCo to BidCo to fund the consideration payable for the Acquisition.

(3) The Sponsors' HoldCos will retain from the proceeds of the Proceeds Loans an amount of €50.0 million, reserved for partial payment of deferred consideration in an amount of €89.0 million.

(4) The Sponsors' HoldCos will retain from the proceeds of the Proceeds Loans an amount sufficient to enable the Issuer to make the first interest payments on each of the Senior Secured Fixed Rate PIK Toggle Notes and Senior Secured Floating Rate PIK Toggle Notes in cash. The value shown above represents the estimated aggregate amount of such interest.

(5) Represents certain estimated fees and expenses associated with the Transactions, including commitment, placement and other financing fees, financial advisory costs, other transaction costs (including original issue discount) and professional fees.

CAPITALIZATION

The following tables should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Other Indebtedness*" and the Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since June 30, 2015. We have not included tables showing the capitalization of HoldCo and BidCo (prior to the merger between BidCo and the Target). As of June 30, 2015, neither HoldCo nor BidCo had any long-term financial liabilities.

Sponsors' HoldCos

The following table sets forth the cash and cash equivalents and the capitalization as of June 30, 2015, on an actual, combined basis for the Sponsors' HoldCos, and on an as adjusted, combined basis to give effect to the consummation of the Transactions and the application of the proceeds from the Offering as described in "*Use of Proceeds*," as if they had occurred on June 30, 2015. The historical consolidated financial information has been derived from the Sponsors' HoldCos' opening balance sheets prepared on the basis of IFRS.

	As of June 30, 2015	
	Historical	As Adjusted
	(in € millions)	
Cash and cash equivalents[(1)]	**—**	**49.4**
Revolving Credit Facility[(2)]	—	—
Proceeds Loans[(3)]	—	1,100.0
Total senior debt	**—**	**1,100.0**
Shareholders' funding	**—**	**933.4**
Total capitalization[(4)]	**—**	**2,033.4**

(1) As of June 30, 2015, each Sponsors' HoldCo had a nominal share capital which was fully paid up. As adjusted cash and cash equivalents includes the portion of the cash overfund retained to pay the first interest payment on the Notes in cash, but excludes €50.0 million of the cash overfund retained to pay a portion of the deferred consideration in connection with the Acquisition.

(2) Assumes the €55.0 million Revolving Credit Facility will be undrawn after giving effect to the Transactions.

(3) Upon consummation of the Acquisition, the Issuer will on-lend the proceeds from the Offering of the Notes in an aggregate principal amount of €1,100.0 million to the Sponsors' HoldCos via multiple intercompany loans. The Sponsors' HoldCos, in turn, will then contribute the proceeds received under the Proceeds Loans (less a certain amount held at the Sponsors' HoldCos for purposes of paying (i) the deferred consideration in connection with the Acquisition and (ii) the first interest payment in respect of the Notes), together with the €933.4 million proceeds of the equity contributions received from the Sponsors' NewCos, to HoldCo's equity. HoldCo, in turn, will contribute such proceeds to BidCo's equity, and BidCo will use the proceeds to fund the Acquisition purchase price.

(4) Total capitalization is calculated as the sum of total senior debt and shareholder's funding.

Target

The following table sets forth the Target's consolidated capitalization as of June 30, 2015, on (i) an actual basis and (ii) on an as adjusted basis to give effect to the consummation of the Transactions (including the Post-Completion Merger), as if they had occurred on June 30, 2015. The historical consolidated financial information has been derived from the Target's Financial Statements included elsewhere in this Offering Memorandum.

	As of June 30, 2015	
	Historical	**As Adjusted**
	(in € millions)	
Long-term debt	—	—
Shareholders' funding[(1)]	**953.8**	**2,033.4**
Total capitalization[(2)]	**953.8**	**2,033.4**

(1) In the historical column, consists of (i) share capital in an amount of €42.6 million, (ii) share premium in an amount of €148.2 million, (iii) reserves in an amount of €644.5 million, (iv) valuation reserves in an amount of € 71.5 million part of which qualifies as Tier 2 capital pursuant to transitional rules under the CRD IV and (v) profit for the period in an amount of €47.0 million, net of (vi) treasury shares in an amount of €32,000 and (vii) equity attributable to non-controlling interests in an amount of €29.2 million. In the as adjusted column, consists of the equity contribution to BidCo's share capital made by HoldCo using the proceeds from the equity contribution HoldCo received from the Sponsors' HoldCos. To finance this equity contribution the Sponsor's HoldCos, in turn, used the proceeds received from (i) the Sponsors' NewCo's equity contribution in an amount of €933.4 million and (ii) the Proceeds Loans made by the Issuer to the Sponsors' HoldCos in amount of €1,100.0 million.

(2) Total capitalization is calculated as the sum of long-term debt and shareholder's funding.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables present the Target's selected financial information and have been derived from, and should be read in conjunction with, the Audited Financial Statements and the Interim Financial Statements, which are included elsewhere in this Offering Memorandum, and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Summary—Summary Historical Financial and Other Information," "Use of Proceeds" and "Capitalization." See also "Presentation of Financial and Other Information." The Financial Statements are presented in accordance with IFRS. The information below is not necessarily indicative of the results of future operations.

All historical financial information presented in this Offering Memorandum is that of the Target and its subsidiaries; accordingly, all references to "we," "us," "our" or the "Group" in respect of historical financial information in this Offering Memorandum are to the Target and its subsidiaries on a consolidated basis, unless the context indicates otherwise. When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses, market shares or historical financial results, such terms refer to the Target Group, (ii) when referring to the Financing and pro forma indebtedness obligations, such terms refer to one or more of the Issuer and the Sponsors' HoldCos and (iii) when referring to the Transactions, such terms refer to one or more of the Issuer, the Sponsors' HoldCos, HoldCo and BidCo.

Selected Consolidated Income Statement Information

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
			(in € millions)		
Interest and similar income	*121.1*	*102.9*	*93.3*	*49.6*	*39.4*
Interest and similar charges	*(34.1)*	*(25.8)*	*(24.4)*	*(13.0)*	*(10.9)*
Net interest income	87.0	77.1	68.8	36.6	28.5
Fee and commission income	*978.9*	*1,017.7*	*1,033.7*	*496.6*	*507.5*
Fee and commission expense	*(621.8)*	*(678.0)*	*(673.3)*	*(319.3)*	*(328.3)*
Net fee and commission income	357.1	339.7	360.4	177.3	179.2
Dividends and similar income	0.2	1.0	0.3	0.0	0.0
Net trading income	9.6	4.1	5.0	2.1	3.3
Net profit on sale or repurchase	0.1	3.7	3.5	—	—
Total income	**454.0**	**425.7**	**438.1**	**216.0**	**211.0**
Net impairment losses	(6.7)	(7.2)	(6.0)	(1.9)	(1.7)
Net financial income	**447.2**	**418.4**	**432.1**	**214.1**	**209.3**
Administrative expenses:	(513.5)	(503.6)	(524.3)	(258.5)	(255.9)
a) payroll and related costs	*(130.4)*	*(132.5)*	*(140.1)*	*(70.0)*	*(72.7)*
b) other administrative expenses	*(383.1)*	*(371.1)*	*(384.2)*	*(188.5)*	*(183.2)*
Net accruals to provisions for risks and charges	(11.4)	(2.1)	(1.4)	(5.6)	(1.8)
Depreciation and net impairment losses on property	(19.4)	(20.1)	(20.1)	(9.5)	(10.4)
Amortization and net impairment losses on intangible assets	(14.3)	(12.9)	(16.5)	(7.0)	(10.2)
Other net operating expenses/income	272.8	283.1	288.7	131.4	138.4
Operating costs	**(285.8)**	**(255.6)**	**(273.6)**	**(149.1)**	**(139.9)**
Share of losses of investees	**(6.9)**	**(11.4)**	**(1.2)**	**0.4**	**0.5**
Pre-tax profit from current operations	**154.4**	**151.4**	**157.4**	**65.4**	**69.9**
Income taxes	(59.9)	(75.3)	(57.8)	(28.4)	(21.2)
Post-tax profit from continuing operations	94.5	76.1	99.6	37.0	48.7
Profit for the period	94.5	76.1	99.6	37.0	48.7
Profit for the period attributable to non-controlling interests	(4.4)	(2.9)	(3.3)	(0.9)	(1.7)
Profit for the period attributable to the owners of the parent	**90.1**	**73.2**	**96.4**	**36.1**	**47.0**

Summary Statement of Financial Position

	As of December 31,			As of June 30,	
	2012	2013	2014	2014	2015
			(in € millions)		
Assets					
Cash and cash equivalents	181.3	186.5	0.5	0.9	26.5
Financial assets held for trading[(1)]	244.1	10.7	19.6	18.2	13.3
Available-for-sale financial assets[(1)]	1,930.3	2,518.1	2,535.3	2,585.1	2,725.8
Held-to-maturity investments	107.6	91.9	46.0	47.8	36.1
Loans and receivables with banks	1,724.6	1,043.8	610.7	1,475.2	987.7
Loans and receivables with customers	3,152.4	3,533.4	3,855.0	3,793.1	4,725.3
Equity investments	114.1	109.2	106.7	109.4	106.9
Property, equipment and investment property	167.6	171.2	173.1	168.2	168.1
Intangible assets	149.4	143.9	169.9	147.1	163.8
including goodwill	*77.3*	*77.3*	*77.7*	*81.5*	*77.7*
Tax assets	61.3	71.8	54.2	50.7	54.5
Other assets	539.9	495.6	464.9	626.4	544.6
Total assets	**8,372.6**	**8,375.8**	**8,035.9**	**9,022.1**	**9,552.7**
Liabilities					
Due to banks	3,162.3	2,219.9	2,502.5	3,632.4	1,852.3
Due to customers	3,100.6	4,008.6	3,099.5	3,281.4	5,647.9
Securities issued	10.0	10.0	—	—	—
Financial liabilities held for trading	29.1	7.1	6.2	13.0	6.6
Tax liabilities	48.7	48.1	41.1	46.6	38.1
Other liabilities	1,145.6	1,140.6	1,362.7	1,067.3	960.9
Post-employment benefits	21.6	19.5	22.9	20.6	21.6
Provisions for risks and charges	54.3	46.1	43.5	48.2	42.4
Valuation reserves	60.6	77.8	75.5	93.1	71.5
Reserves	432.7	507.8	565.2	565.2	644.5
Share premium	148.2	148.2	148.2	148.2	148.2
Share capital	42.6	42.6	42.6	42.6	42.6
Equity attributable to non-controlling interests	26.3	26.4	29.8	27.4	29.2
Profit/loss for the year	90.1	73.2	96.4	36.0	47.0
Total liabilities and equity	**8,372.6**	**8,375.8**	**8,035.9**	**9,022.1**	**9,552.7**

(1) For each period from 2011 to 2013, the Target reclassified Italian government bonds from its portfolio of financial assets held-for-trading to its available-for-sale financial assets. As a result of such reclassification, which began in 2011 and concluded in 2013, the value of the Target's available-for-sale securities portfolio increased from 2012 to 2013. The reclassification was executed in accordance with IAS 38 and in connection with the international sovereign debt crisis of 2011 and a significant increase of the German bund rate in the beginning of 2011. However, the increase in available-for-sale financial assets for each period between 2012 and 2015 is mainly related to additional purchases of Italian government bonds.

Selected Cash Flow Statement Information

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2012	2013	2014	2014	2015	2015
			(in € millions)			
Operations	201.6	205.2	199.0	89.1	93.5	203.3
Cash flows generated by (used in) financial assets	(1,667.7)	6.3	497.6	(877.5)	(1,512.8)	(137.7)
Cash flows generated by (used in) financial liabilities	1,159.9	(165.2)	(846.9)	591.1	1,463.8	25.8
Net cash flow generated by (used in) operating activities	(306.2)	46.2	(150.3)	(197.3)	44.5	91.5
Net cash flow used in investing activities	(66.1)	(21.1)	(16.4)	31.0	0.8	(46.6)
Net cash flow used in financing activities	(16.8)	(19.8)	(19.3)	(19.3)	(19.4)	(19.4)
Net change in cash and cash equivalents	**(389.1)**	**5.3**	**(186.0)**	**(185.5)**	**25.9**	**25.5**
Cash and cash equivalents at beginning of period	570.3	181.3	186.5	186.5	0.5	0.9
Cash and cash equivalents at end of period	181.3	186.5	0.5	0.9	26.5	26.5

Note: Our net cash flow generated by (or used in) operating activities is equal to the sum of cash flows generated by operations, cash flows generated by (or used in) financial assets and cash flows generated by (or used in) financial liabilities. Cash flows generated by our operations amounted to €203.3 million for the twelve months ended June 30, 2015, and have been relatively stable compared to €199.0 million, €205.2 million and €201.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Cash flows generated by (or used in) financial assets and liabilities are in contrast volatile due to the nature of our activities. Our Payments and Securities Services reporting segments generate significant amounts of liquidity in the ordinary course of their activities, and this liquidity is primarily invested in Italian government bonds. In addition, financial assets and liabilities on our balance sheet are affected by the volume of transactions we execute with customers, banks and other financial institutions as part of our operating activities. These include, for example, changes in our cardholders' balances, changes in the volume of cash deposited by our securities services clients and payment settlement flows. These changes in financial assets and liabilities are therefore not reflective of the cash-generative ability of the business but nonetheless can have a significant impact on our net cash flows from operating activities. The use of our cash to purchase government bonds, for example, would result in a decrease in cash flows generated from operations equivalent to the cash amount used for the purchase. As a result, we believe that a traditional discussion of the Target Group's cash flows would not enhance an investor's understanding of the Target Group's results of operations and therefore we have not included such a discussion in this Offering Memorandum. To inform their understanding of the Target Group's cash flows and assess the Target Group's liquidity, investors should instead refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations are based on the Interim Financial Statements and the Audited Financial Statements which are included elsewhere in this Offering Memorandum, as well as on the accounting records of the Target and on the internal management accounts of the Target. The Financial Statements are presented in accordance with IFRS. The Interim Financial Statements are not necessarily indicative of results to be expected for the full year.

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, we present certain data derived from the Target's consolidated and reporting segment management accounts. These management accounts differ in important ways from the Financial Statements presented in accordance with IFRS. In particular, the Target's management accounts are prepared to supplement the Financial Statements with information on the consolidated operating revenue of the Target Group and our operating performance on a reporting segment basis. The Financial Statements present the revenues and costs of certain activities not core to the operations of a bank under the line item other net operating expenses/income, as part of operating costs. Because many of the Target Group's operations, including its POS Business, ATM management, HelpLine, debit servicing, clearing, digital corporate banking, BPO Services and certain other operations are not considered under IFRS to be financial income core to the operations of a bank, a significant amount of our revenues and costs are classified in the Financial Statements under other net operating expenses/income. In the Target's management accounts, we re-assign the amounts under such line items in the Financial Statements to the line items operating revenue and operating costs to provide a clearer picture of our operating results. Operating profits in the Target's management accounts are the sum of operating revenues and operating costs. Adding the line items depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets, share of gain/losses of investees, non-recurring/extraordinary operating costs/income, income taxes and profit for the period attributable to non-controlling interests reconciles operating profit in the Target's management accounts to profit for the period attributable to the owners of the parent in the Financial Statements. The line items presented in the Target's management accounts are not recognized by IFRS and may not be permitted to appear on the face of the Financial Statements in the manner presented herein. Different companies and analysts may calculate the line items presented in the Target's management accounts differently, so making comparisons among companies on this basis should be done very carefully. The line items presented in the Target's management accounts are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for our results of operations as reported in accordance with IFRS. For a discussion of the differences in classification, and for a reconciliation of the line items presented in the Target's management accounts to the line items reported in our Financial Statements, see "—Explanation of Key Line Items—Management Accounts" and "—Results of Operations—Reconciliation of Management Accounts."

Some of the statements contained below relate to future revenues, costs, capital expenditures, acquisitions and financial condition and include forward-looking statements. Because such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward-looking statements. A discussion of such uncertainties can be found in "Forward-Looking Statements." In addition, investing in the Notes involves risks. Such risks are discussed in "Risk Factors." See also "Presentation of Financial and Other Information."

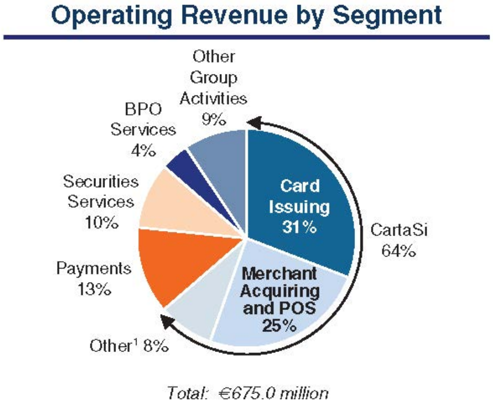
Finally, we have estimated certain information in this Offering Memorandum regarding market share and our position relative to our competitors based on our internal data and certain extrapolations. See "Industry, Ranking and Other Data."

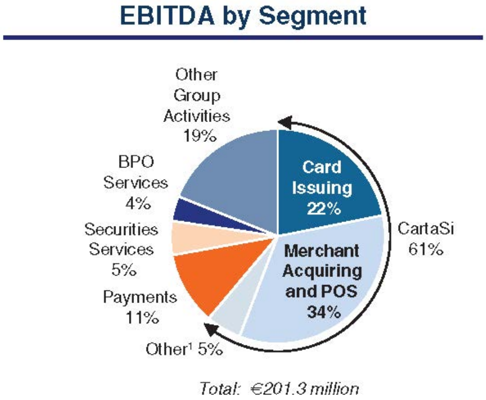
When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses, market shares or historical financial results, such terms refer to the Target and its subsidiaries, (ii) when referring to the Financing and pro forma indebtedness obligations, such terms refer to one or more of the the the Issuer and the Sponsors' HoldCos and (iii) when referring to the Transactions, such terms refer to one or more of the Issuer, the Sponsors' HoldCos, HoldCo and BidCo.

Overview

We are the leading diversified payments banking group in Italy, providing industry-leading services to merchants, consumers and financial institutions. We are a key operator in the Italian financial system. Our customers include virtually all banks in the Italian market, and we estimate that more than 75% of the total consumer card spending in Italy for the year ended December 31, 2014 flowed through our business. For the twelve months ended June 30, 2015, we generated operating revenue of €675.0 million, normalized EBITDA of €233.4 million and normalized profit of €117.9 million.

The following charts show our operating revenue and EBITDA by reporting segment for the twelve months ended June 30, 2015.





Note: Does not include consolidation adjustments.

(1) Includes operating revenue generated by CartaSi S.p.A. from debit servicing and ATM management, operating revenue generated by HelpLine S.p.A. and operating revenue generated by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

The following paragraphs provide an overview of our market-leading card issuing, merchant acquiring, payments, securities and business process outsourcing services in Italy.

CartaSi—Card Issuing, Merchant Acquiring and POS Management

Through our highly-recognizable CartaSi brand, we are the leading card issuer in Italy, with approximately 49% of the Italian card issuing market for the year ended December 31, 2014, and the only card co-issuer of significant scale in Italy, with approximately 64% market share in credit cards and approximately 11% market share in debit and prepaid cards. In addition, we are the leading provider of merchant acquiring and POS services in Italy, with approximately 65% market share of merchant acquiring volumes for the year ended December 31, 2014, and approximately 30% market share by the number of POS terminals as of December 31, 2014. The size of the Italian market, together with our leading market positions, makes us one of the largest card issuing companies in Europe, according to The Nilson Report. For the twelve months ended June 30, 2015, our CartaSi business units accounted for €432.0 million, or 64.0%, of our operating revenue and €123.1 million, or 61.2%, of our EBITDA.

ICBPI—Payments Services

In our payments services business, we leverage our ICBPI brand to provide banking and clearing services and digital corporate banking services to banks and large corporate and public sector clients. For the twelve months ended June 30, 2015, this business accounted for €87.7 million, or 13.0%, of our operating revenue and €22.2 million, or 11.0%, of our EBITDA.

ICBPI—Securities Services

Our securities services business offers fund services, global custody services and investment services under the ICBPI brand to funds and financial institutions. For the twelve months ended June 30, 2015, this business represented €66.5 million, or 9.8%, of our operating revenue and €10.3 million, or 5.1%, of our EBITDA.

Oasi—BPO Services

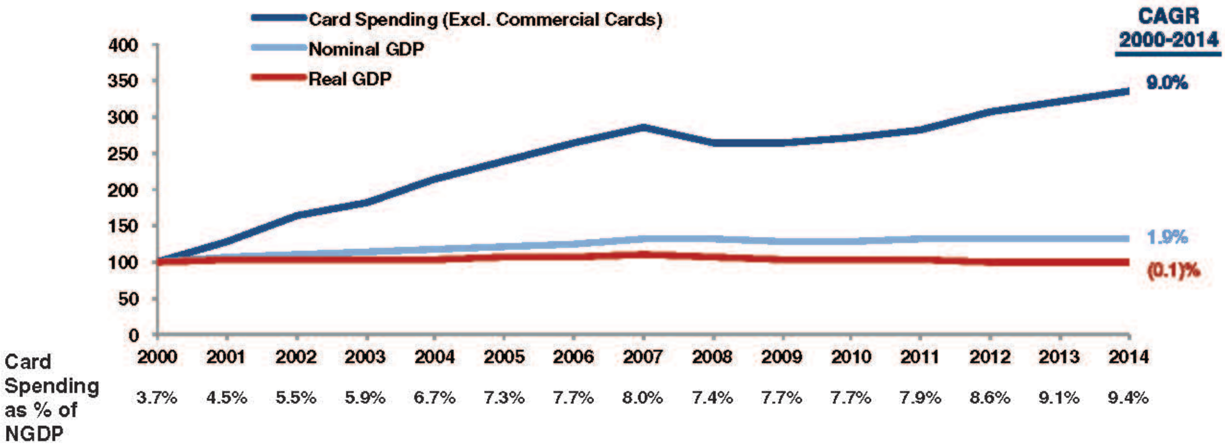
Our business process outsourcing services business provides anti-money laundering, know-your-customer, regulatory reporting, compliance and internal governance and ICT security services. For the twelve months ended June 30, 2015, this business generated €28.7 million, or 4.3%, of our operating revenue and €7.6 million, or 3.8%, of our EBITDA.

ICBPI—Other Group Activities

Our ICBPI treasury function manages our financing needs, resources and settlement activities at the group level.

As further detailed under "*Regulation*," we are subject to Bank of Italy oversight, with parts of our business regulated as payment institutions, and parts requiring us to hold banking licenses.

We believe our leading market positions in the card issuing, merchant acquiring, and payments industries will enable us to continue to benefit from the attractive dynamics of the Italian electronic payments market. In 2014, the Italian electronic payments market was the fourth-largest electronic payments market in Western Europe, but card penetration lagged significantly behind the three largest EU economies and, at 16%, fell short of the EU average of 39%, according to Euromonitor International, leaving significant potential for further growth. We believe favorable government and regulatory policies, beneficial demographic changes (with younger generations more likely to use payment cards than older generations) and an increasing market trend toward the use of mobile, eCommerce and digital payments are key drivers of a trend towards payment cards and electronic payments. According to Euromonitor International, card spending in Italy has grown at a compound annual growth rate of 9.0% since 2000, significantly outpacing the underlying nominal GDP growth rate, which has grown at 1.9% per annum over the period.



Source: IMF, Euromonitor International—Consumer Finance 2015.

Our leading market positions, scale, diversity of services and attractive customer base historically have resulted in stable, diversified revenue streams. Moreover, our business is profitable, having generated € 107.3 million of profit (attributable to the owners of the parent) for the twelve months ended June 30, 2015. This profit generation provides us with the financial strength to grow our business while still maintaining a CET1 capital ratio (15.16% as of June 30, 2015, compared to a regulatory requirement of 7.0% for CET1) ahead of other leading Italian financial institutions. For example, according to public filings, Intesa SanPaolo's CET1 capital ratio was 13.4% and UniCredit's CET1 capital ratio was 10.5%, in each case as of June 30, 2015. Since 2009, we had been subject to an additional discretionary capital requirement imposed by the Bank of Italy (the "**add-on capital requirement**") that reduced our CET1 capital ratio. With effect as of September 30, 2015, however, the Bank of Italy repealed the add-on capital requirement. Had the add-on capital requirement already been removed as of June 30, 2015, our CET1 capital ratio would have been 21.49% instead of 15.16%. See "*Regulation—Regulatory Regimes Applicable to CartaSi and ICBPI—Capital Adequacy Requirements*." This robust profit generation is coupled with strong cash flow generation in our businesses, which benefit from an outsourced ICT processing model with limited capital expenditure requirements. We believe there are significant opportunities to improve our profitability through operating revenue growth by taking advantage of favorable market and regulatory conditions and through improved operational efficiencies.

For the twelve months ended June 30, 2015, we generated operating revenue of €675.0 million, EBITDA of €201.3 million, normalized EBITDA of €233.4 million, profit for the period (attributable to the owners of the parent) of €107.3 million and normalized profit of €117.9 million.

As illustrated in the graphic and further described below, our businesses' operations consist of the following: CartaSi (card issuing, merchant acquiring, POS management, debit card servicing, ATM management and our HelpLine customer care business units); ICBPI (payments services and securities services); and Oasi (business process outsourcing services). We also hold several minority interests in business partners that are of strategic relevance and are key service providers to our core businesses, such as the payments processor Equens SE.

GRUPPO ICBPI

Business	1 CartaSi S.p.A. Card Issuing	Merchant Acquiring & POS	Other	2 Payments Services	3 Securities Services	4 Outsourcing (BPO Services)	5 Other(1)
Brand	CartaSi			ICBPI		Oasi	ICBPI
Product / Services Provided	• Credit, charge and prepaid card issuing • Majority of cards issued in partnership with banks • Direct issuing for large corporates	• Merchant acquiring, POS terminal rental and eCommerce solutions • Direct acquiring for large corporates	• Debit card servicing • ATM set-up and maintenance • Customer care (HelpLine)	• Banking and clearing & settlement services • Digital Corporate Banking	• Fund services • Global custody • Investment services	• Outsourcing services for AML, regulatory reporting, compliance & internal governance and ICT Security	• Group management and treasury functions including returns from AFS Portfolio
Customers(2)	• Wholesale: partner banks and corporates • Retail: 15 million cards	• Wholesale: partner banks and corporates • Retail: 687,000 merchants	• Banks operating in Italy • Retail: 11 million cards	• Customer Banks • Corporate clients • Public sector clients	• Mutual funds • Pension funds • Real estate funds • Private equity funds • Funds of funds	• Customer Banks • Insurance companies • Financial institutions • Banking service bureau	• N/A
Operating Revenue(3): €675 million	€209 million 31%	€167 million 25%	€56 million 8%	€88 million 13%	€67 million 10%	€29 million 4%	€60 million 9%
EBITDA(3): €201 million	€44 million 22%	€68 million 34%	€11 million 5%	€22 million 11%	€10 million 5%	€8 million 4%	€38 million 19%
EBITDA Margin(3): 30%	21%	41%	19%	25%	16%	26%	63%

CartaSi accounts for 64% of operating revenues and 61% of EBITDA

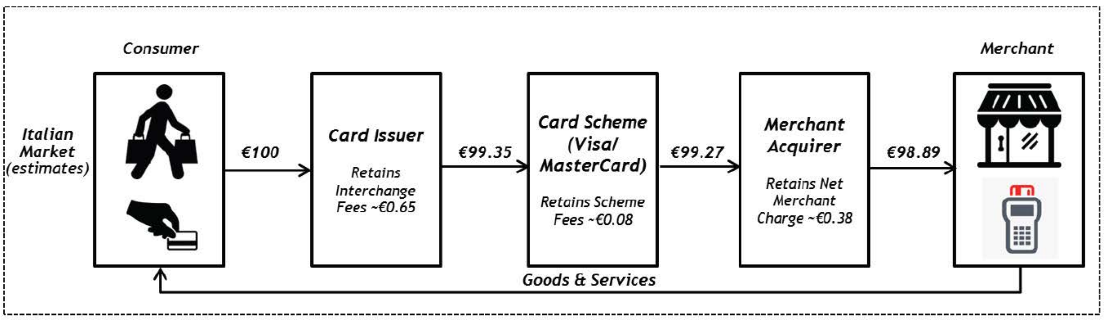
(1) Includes consolidation adjustments accounting for €(3.6) million of operating revenue and €(0.1) million of EBITDA.

(2) Numbers are approximate and represent the values as of June 30, 2015.

(3) Numbers are approximate and represent the values for the twelve months ended June 30, 2015.

CartaSi—Card Issuing, Merchant Acquiring and POS Management

CartaSi mainly includes our card issuing, merchant acquiring and POS businesses and generated €432.0 million, or 64.0%, of our operating revenue and €123.1 million, or 61.2%, of our EBITDA, in each case for the twelve months ended June 30, 2015. CartaSi undertakes card issuing, merchant acquiring and POS functions both directly with merchants and consumers under license agreements with Italian partner banks and as a back-end services provider for other Italian partner banks. CartaSi's services allow Italian partner banks to focus on their core activities and benefit from CartaSi's scale, while at the same time providing CartaSi access to such partner banks' network of merchants and cardholders. CartaSi has key bank relationships with the vast majority of banks operating in Italy, including Monte dei Paschi di Siena, UBI Banca, Banco Popolare, Cariparma, Deutsche Bank, Banca Popolare dell'Emilia Romagna, Banca Carige and Banca Popolare di Milano. The following illustrations show the card issuing and merchant acquiring payment flows for a notional transaction in Italy:



The chart above illustrates a notional payment transaction, using general market estimates. Contract terms vary.

* Illustrative hypothetical financial figures for Visa/MasterCard credit and debit cards in Italy.

Card Issuing

Our CartaSi card issuing business (the "**Card Issuing Business**") is the #1 issuer of credit, charge and prepaid cards in Italy by value of transactions, with approximately 49% market share for the year ended December 31, 2014. Founded in 1985, CartaSi played a key role in the introduction of credit cards to the Italian market. Through CartaSi, we issue credit, charge and prepaid cards to consumers, typically together with our partner banks, who serve as the main distribution channels for our Card Issuing Business. In some cases, we issue credit, charge and prepaid cards to large corporate customers without the involvement of a partner bank. While most of the payment cards issued by CartaSi are credit or charge cards, we believe there are significant opportunities to expand our already strong presence in prepaid cards in Italy.

Approximately 89% of operating revenue and approximately 70% of transaction volumes in our Card Issuing Business is generated under multi-year, automatically renewing licensing agreements in which we partner with banks that rely on us to handle their card issuing functions, benefit from our economies of scale, and use our tie-in with the international payment networks and card schemes of Visa and MasterCard. Most CartaSi payment cards issued with a partner bank under our licensing arrangements are co-branded with both the CartaSi logo and the partner bank's logo, which has resulted in high brand recognition, with 90% prompted and unprompted brand recognition of CartaSi by Italian credit card holders in a recent survey by GfK Eurisko. Under these licensing arrangements, CartaSi undertakes product development and marketing, customer care, fraud management and fee collection, whereas credit risk management, credit scoring, distribution and pricing are handled by the partner bank. When we issue payment cards through these licensing arrangements, the cardholder enters into a contract with CartaSi. Since our partner banks typically assume the ultimate credit risk for purchases by our cardholder customers, we have recourse both to our cardholder customer and our partner bank for more than 99.7% of all credit, charge and prepaid cards we manage.

The remaining approximately 11% of operating revenue and approximately 30% of transaction volumes in our Card Issuing Business that is not generated under licensing agreements is generated under servicing arrangements in which we manage credit, charge and prepaid cards on behalf of partner banks who handle product development, marketing, distribution, pricing and fee collection, but require our services for payment card administration.

For the twelve months ended June 30, 2015, no single partner bank accounted for more than 10% of our operating revenue.

In addition to traditional payment cards (which themselves include recent innovations such as contactless payments), we offer mobile solutions such as our e-wallet MySi. MySi enables customers that download the mobile application to record the details of their payment cards and make purchases using only their smartphone, without entering the authentication data relating to payment card or other personal information.

For the payment cards we manage under a licensing agreement, we generate revenue in our Card Issuing Business by collecting annual management fees, interchange fees and other fees from the cardholder and retaining a portion of these fees paid before passing the remainder on to our partner banks. Our CartaSi business units as a total capture between approximately 40% and 50% of all fees generated (net of card scheme fees) from a typical credit, charge or prepaid card. Our Card Issuing Business generated €209.2 million, or 31.0%, of our operating revenue, and €44.0 million, or 21.9%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Card Issuing*."

Merchant Acquiring and POS Management

Our CartaSi merchant acquiring business (the "**Merchant Acquiring Business**") and POS business (the "**POS Business**") are the market leaders in Italy, with approximately 65% market share of merchant acquiring volumes for the year ended December 31, 2014 and approximately 30% market share by the number of POS terminals as of December 31, 2014.

Our CartaSi Merchant Acquiring Business sets up and manages credit, charge, debit and prepaid card payment acceptance (including account activation, transaction processing, as well as fraud, dispute and HelpLine functions) for merchants. Typically, we partner with a bank in connection with the delivery of our merchant acquiring services. The partner bank introduces us to merchants through its branch networks and handles sales, distribution and retail pricing, and, in some cases, product development. Most of the merchants that utilize our merchant acquiring systems are SMEs, and we have approximately 79% market share in this attractive base of customers that is also characterized by a high degree of customer retention. In selected cases, we also provide merchant acquiring services directly to large merchants.

We also configure, activate, maintain and provide helpdesk services for POS terminals for merchants. CartaSi POS are typically distributed through partner banks and generally bundled with other merchant acquiring services. Our approximately 30% market share in the number of POS terminals makes us the market leader in the segment. We believe that our market share in POS does not match our market share in merchant acquiring primarily due to our partner banks' and merchant customers' legacy relationships with other POS terminal providers.

CartaSi's Merchant Acquiring and POS Businesses have a track record of innovation, leading the market with initiatives such as mobile point of sale, contactless enabled POS terminals and tablet and smartphone rendering. While most of the merchants using our merchant acquiring services are store-based, we also serve eCommerce merchants. As of December 31, 2014, we believe we had a market share of approximately 15% for merchant acquiring and POS services for eCommerce merchants. We believe we are the leading Italian merchant acquirer and POS provider in the rapidly growing domestic eCommerce field and the #2 company in the Italian market, which we believe provides a strong platform to capitalize on potential future growth in this market segment.

When providing our merchant acquiring services under a license agreement, we generate revenue by collecting the merchant service charge ("**MSC**") from merchants, which is typically due at the end of each month and based on the aggregate transaction value. From the gross MSC collected, CartaSi deducts and withholds CartaSi's percentage fee and transaction fee as well as the corresponding interchange fee (which is passed through to the card issuer), and remits the balance to the partner bank. In a situation in which we provide merchant acquiring services under a servicing agreement, we are paid a fee per transaction handled by the partner bank. Our POS services typically involve payment to us of a set-up fee and a monthly rental or maintenance fee, which is shared with the distributing partner bank. Our CartaSi business units as a total capture between approximately 40% and 50% of all fees generated (net of card scheme fees) from a typical credit, charge or prepaid card.

Our CartaSi Merchant Acquiring and POS Businesses together generated € 166.8 million, or 24.7%, of our operating revenue, and €68.3 million, or 34.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Merchant Acquiring and POS*."

Other CartaSi Business Units

In addition to card issuing, merchant acquiring and POS management, CartaSi generates revenue from three smaller business units: debit servicing, which includes administering Italian debit card transactions as a service for banks, ATM management, which sets up and maintains approximately 9,400 ATMs, and our HelpLine business. See "*Our Business—Our Services—Merchant Acquiring and POS—Other CartaSi Business Units*." These business units together contributed €56.1 million, or 8.3%, of our operating revenue, and €10.7 million, or 5.3%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Merchant Acquiring and POS*."

ICBPI—Payments Services

Our ICBPI payments services business (the "**Payments Business**") manages approximately one billion transactions per year. ICBPI is one of the leading providers by number of transactions processed through domestic and SEPA interbank clearing services in Italy, the #1 provider by number of transactions processed through the *Corporate Banking Interbancario* platform (the "**CBI Gateway**") and we believe that ICBPI is also a leader in the Italian e-banking market. Our Payments Business generated €87.7 million, or 13.0%, of our operating revenue, and € 22.2 million, or 11.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. The Payments Business consists of two main business units: banking and clearing services and digital corporate banking. See "*Our Business—Our Services—Payments Business*."

Banking and Clearing Services

Our ICBPI banking and clearing services span the payments value chain, ranging from the supply of payment infrastructure, payments management, clearing and settlement to intermediary services. Our intermediary services include the management of interbank payments and the honoring of bills, checks, pensions and social security vouchers issued by the *Istituto Nazionale Previdenza Sociale* ("**INPS**"), Italy's national pension administrator, and letters of credit, as well as the related back office activities. Leveraging existing capabilities, we also provide customized payments and collection management services to large corporate and public sector clients such as Autostrade-Telepass, American Express and INPS.

Digital Corporate Banking

In our digital corporate banking unit, ICBPI supplies payments services to banks and large corporate clients. Our offering includes white label digital solutions allowing banks to establish their own branded corporate e-banking platform, specialized payment platforms, applications for invoice management and storage and other financial supply chain products, enabling prepaid card recharging, payment of bills, payment of postal orders and other services via the internet, mobile phones or ATMs. This business unit also provides our market leading CBI Gateway services. The CBI Gateway is an Italian payment platform that was initially designed to facilitate interbank payments and communication between corporations. Subsequently it was integrated into a payment hub also connecting public authorities and allowing for direct payment collection and delivery of supporting documentation between banks and public authorities such as the Bank of Italy. ICBPI is the #1 provider by number of transactions in CBI Gateway services.

ICBPI—Securities Services

We have a market-leading securities services business (the "**Securities Services Business**"). With a market share of approximately 33% by value of the market for depositary banks for pension funds as of December 31, 2014, our Securities Services Business is the #1 depositary bank for pension funds serving the Italian market. We are also the #3 service provider to funds incorporated in Italy and the only significant service provider incorporated in Italy in terms of assets in deposit. We have a diversified service offering across the securities services value chain, including investment services, settlement, custody, depositary bank and other fund administration services. We provide both off-the-shelf and highly customized solutions, subject to the needs of our customers, which include pension funds, mutual funds and other Italian banking and financial institutions. Our Securities Services Business generated €66.5 million, or 9.8%, of our operating revenue, and €10.3 million, or 5.1%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Securities Services Business*."

Our activities as a depositary bank for Italian pension funds, mutual funds, funds of funds, private equity and real estate funds are the primary source of our deposits which allow us to provide funding to our CartaSi Card Issuing and Merchant Acquiring Businesses. Additionally, we generate a significant part of revenue in this business unit from acting as transfer agent and performing net asset value calculations for our fund customers.

Our investment services business unit offers our customers independent financial research and consulting, institutional sales trading, brokerage and market making, with coverage of both Italy and key international markets, and equipped with sophisticated trading systems. We believe that reputation is critical in this business and that our experience and expertise have earned us our clients' trust as a valued counterparty for their transactions.

Additionally, through our Securities Services Business we engage in global custody activities, including settlement of transactions, custody and securities lending services.

Oasi—BPO Services

Our Oasi business process outsourcing services business (the "**BPO Services Business**") provides anti-money laundering and regulatory reporting services. In addition, Oasi provides consulting services with respect to compliance and internal governance and ICT security. The customers of our anti-money laundering business unit include approximately 680 financial institutions, and our regulatory reporting business serves approximately 155 financial institutions. We employ the GIANOS software for the identification of suspicious activity, KYC procedures and the assessment of customer risk profiles, and believe that our market share in anti-money laundering services is approximately 90% among banks operating in Italy as of December 31, 2014. Our service offering encompasses both Italian and European anti-money laundering rules and regulations, and our recently-introduced compliance, internal audit and ICT security business units drive growth in our BPO Services Business. Our BPO Services Business generated €28.7 million, or 4.3%, or our operating revenue, and € 7.6 million, or 3.8%, of our EBITDA, in each case, for the twelve months ended June 30, 2015. See "*Our Business—Our Services—BPO Services Business*."

Other Group Activities

Our Other Group Activities reporting segment provides several group management and treasury functions. It receives surplus liquidity generated in our Payments and Securities Services Businesses, which it utilizes to fund CartaSi's customer receivables, to make investments (primarily in Italian government bonds) and to manage the Group's overall liquidity. The Other Group Activities reporting segment generates revenue from the interest charged to CartaSi for funding CartaSi's receivables and the yield received on its investments; to the extent such revenue exceeds the transfer pricing rates payable to the Payments and Securities Services reporting segments, it retains a positive net interest margin. Our Other Group Activities reporting segment generated €63.7 million, or 9.4%, of our operating revenue, and €38.1 million, or 19.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015 and before consolidation adjustments. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*."

Our Reporting Segments

We divide our operations into five reporting segments: CartaSi, Payments, Securities Services, BPO Services and Other Group Activities. Our CartaSi reporting segment consists of the results of CartaSi S.p.A. and HelpLine S.p.A., both of which are subsidiaries of the Target. Activities of our Payments, Securities Services and Other Group Activities reporting segments are undertaken directly by the Target. Our BPO Services reporting segment consists of the results from Oasi Diagram—Outsourcing Applicativo e Servizi Innovativi S.p.A., which is a subsidiary of the Target. We also hold minority interests in business partners that are of strategic relevance to our core businesses. Our minority interests include a 20% equity interest in Equens SE, a 25% equity interest in Hi-Mtf S.I.M. S.p.A. and a 24% equity interest in Unione Fiduciaria S.p.A. We use the equity method to account for ownership of our minority interests. As such, we record the initial investment at cost and adjust the carrying value periodically to reflect the changes in value due to our share in the income or losses generated by our minority interests. Dividends received from our minority interests are allocated to our Other Group Activities reporting segments, but eliminated as consolidation adjustment when computing EBITDA. For a description of the businesses of our minority interests, see "*Our Business—Our Minority Interests*."

CartaSi

Our CartaSi reporting segment comprises CartaSi S.p.A. and HelpLine and their integrated activities, including (i) all financial and operating services relating to the issue and acceptance of payment cards and related management services and (ii) the management of payment card terminals (POS and ATMs).

Payments

Our Payments reporting segment is an operating division of ICBPI which carries out (i) banking payment services and related back-office services for banks, companies and government bodies, (ii) interbank payment systems for companies and government bodies and related management services and digital corporate banking and (iii) ICT and computer-based services relating to payment systems.

Securities Services

Our Securities Services reporting segment is an operating division of ICBPI and includes our (i) securities custody and administration services, (ii) fund services and (iii) investment and investment-related services for qualified parties and professional customers.

BPO Services

Our BPO Services reporting segment comprises all activities performed by our Oasi subsidiary, which include (i) ICT systems for supervisory reporting and management systems, (ii) anti-money laundering, safety and internal control systems and (iii) development and provision of training courses.

Other Group Activities

Our Other Group Activities reporting segment relates to several group management and treasury functions, including (i) credit and financial activities (including intragroup funding) for the other reporting segments, (ii) property management in respect of our own property, (iii) investment management in respect of our own equity investments, (iv) group management and coordination and (v) other activities of our consolidated companies.

Key Factors Affecting Results of Operations and Financial Condition

Our results of operations are affected by several factors, some of which affect all of our reporting segments and others which only affect certain reporting segments. Within our CartaSi reporting segment, both our Card Issuing and Merchant Acquiring Businesses are primarily impacted by the aggregate value of card payments in Italy and the level of transaction-driven fees we can charge. Our Card Issuing Business also depends on the number of payment cards we manage and the amount of fees generated per payment card. Our POS Business, the results of which are reported in our CartaSi reporting segment, mainly depends on the number of physical and virtual POS terminals we manage and the fee income generated per POS. The results in our Payments reporting segment are affected by the number of transactions we process, the mix between clearing and banking settlement services we provide and the average fee or commission we charge per transaction, as well as the internal transfer pricing for surplus liquidity provided by the Payments reporting segment to the Other Group Activities reporting segment. Our Securities Services reporting segment is mainly impacted by the amount of assets in custody, the fees we charge for holding these assets in custody, the mix between custody and settlement, depositary banking and other services we provide to customers and the internal transfer pricing for surplus liquidity provided by the Securities Services reporting segment to the Other Group Activities reporting segment. The primary factors affecting the results of our BPO Services reporting segment include the number of clients and the percentage of each client's business process outsourcing activities we handle. The results in our Other Group Activities reporting segment are primarily affected by such reporting segment's share of the yield on invested liquidity provided by our Payments and Securities Services clients. Set out below is a more detailed overview of these key factors, each of which has historically affected our business and is expected to continue to impact our business in the future, which are driven by demand for our cards and merchant acquiring services, as well as by competition.

Factors Affecting Our CartaSi Reporting Segment

Card Payment Volumes in Italy

CartaSi generates operating revenue from fees. Some of these fees are based on the value and number of the transactions we execute in our capacity as card issuer and merchant acquirer, respectively. These transaction-driven fees include (i) percentage fees that are equal to a fraction of the value of each transaction we execute and (ii) flat fees that are charged per transaction and are independent of the size of the transaction. See "*Our Business—Our Services—Card Issuing*" and "*—Merchant Acquiring and POS*." As a result, operating revenue in these businesses fluctuates in line with the number and size of card payment transactions executed in Italy (card payment volume), the percentage of these transactions that we execute (market share) and the level of our fees.

Italian card payment volume primarily depends on consumer spending and card penetration in the Italian market. Consumer spending is correlated with GDP growth and the level of general economic activity in Italy and, in recent years, has been adversely affected by the challenging economic conditions in Italy. We believe that an increase in GDP growth in Italy would likely lead to increased consumer spending, thereby also positively impacting Italian card payment volumes. Card penetration in Italy has historically been low and, at 16% for the year ended December 31, 2014, was less than half the EU average (excluding Italy) of 39% for the same period, according to Euromonitor International. We believe this under-penetration provides us with a significant opportunity as the market leader in Italy to grow in tandem with any potential increase in penetration of payment card and electronic payments usage to the extent Italy catches up to the EU norm.

Italian card payment volumes are also affected by a number of other factors. These include a government and regulatory emphasis on electronic payments which has the effect of increasing tax receipts and limiting the scope of the shadow economy, since electronic payments are recorded, generate receipts and leave an electronic footprint. In addition, potential future growth in eCommerce and mobile wallets, which typically involve cashless payment, as well as a generational shift in preferred payment type (with younger generations more likely to use payment cards than older generations) are driving increased penetration of payment card use and card payment volumes in Italy. See "*Summary—Our Competitive Strengths—Structurally Attractive Market Benefiting from Strong Long-Term Tailwinds*."

Our revenue is affected by movements in our market share and competition in these industries is intense. We primarily compete on the basis of technology, speed and performance, quality and reliability, brand, reputation and customer service. In addition, we believe that our market share in CartaSi's markets depends on the ability to swiftly respond to changes in technology or consumer payment preferences. Our Card Issuing, Merchant Acquiring and POS Businesses are the market leaders in Italy, with market shares of approximately 49% by card issuances, approximately 65% by merchant acquiring volumes and approximately 30% by the number of POS terminals, in each case as of December 31, 2014. While most of the merchants using our merchant acquiring services are store-based, we also serve eCommerce merchants. As of December 31, 2014, we believe we had a market share of approximately 15% for merchant acquiring and POS services for eCommerce merchants.

Number of Payment Cards, POS and ATMs

CartaSi also generates fees based on the number of payment cards, POS and ATMs managed. We believe we were the #1 card issuer by number of payment cards managed and #1 POS manager by number of POS terminals managed as of December 31, 2014. We managed more than 26 million payment cards and 554,290 POS, in each case as of June 30, 2015. The level of fees we generate for each payment card we manage depends on the tier (classic, gold, platinum, black or commercial) and type (credit, charge, debit, prepaid or store) of the payment card. In the case of prepaid cards, a fee becomes payable upon every recharge of the card, in addition to fees charged upon each transaction as with other payment cards. In the case of POS terminals, we charge our customers a monthly POS management fee. POS management fees also depend on the scale of the merchant customer. We benefit from an attractive customer mix skewed toward SME merchants who we consider high-value customers. We believe we are well-positioned as the key partner of virtually all of Italy's banks (who serve as a key distribution channel for our merchant acquiring and POS services) to access the highly-fragmented SME segment in Italy. We also managed over 9,400 ATMs as of June 30, 2015, and for each of which we typically receive a fixed fee, such that fluctuations in the number of managed ATMs impact our operating revenue.

Additionally, due to different fee levels between payments cards, our fee income from our card issuing and merchant acquiring activities is driven by the mix of payment cards used in the Italian economy. Charge and credit cards are not only used more often than prepaid cards, but also attract higher fee income per card for us than debit and prepaid cards (in part due to the services we typically provide in respect of charge and credit cards). As of December 2015, for example, when the newly introduced cap on interchange fees in Europe will become effective, interchange fees for Visa/MasterCard consumer debit and prepaid cards will be capped at 0.2%, whereas interchange fees for consumer credit cards will benefit from a higher cap at 0.3%. See "*Regulation—Regulatory Regimes Applicable to CartaSi and ICBPI—The Interchange Fees Regulation*." According to Euromonitor International, in 2014, debit card transactions accounted for approximately 52% of total card spending in Italy (including commercial cards), credit and charge card transactions for 35%, prepaid card transactions for 11% and store card transactions for 2%.

Mix of Services Provided for Card Issuing and Merchant Acquiring

Results in the CartaSi reporting segment are affected by the types of services we provide to partner banks. For the Card Issuing and Merchant Acquiring Businesses, we provide services to partner banks under four different service models: traditional licensing, licensing associate, servicing and direct issuing/acquiring. See "*Our Business—Card Issuing*" and "*—Merchant Acquiring*." Because we undertake more of the functions of card issuing and merchant acquiring under the traditional licensing model and the licensing associate model, we are generally able to generate higher margins under these models than we are under the servicing model. For the twelve months ended June 30, 2015, for example, our Card Issuing Business generated €186.4 million, or 27.6%, of our total operating revenue under licensing contracts and €22.8 million, or 3.4%, of our total operating revenue under servicing contracts. For the same period, our Merchant Acquiring Business generated €70.0 million, or 10.4%, of our total operating revenue under licensing contracts and €16.9 million, or 2.5%, of our total operating revenue under servicing contracts. For this reason, the results of our CartaSi reporting segment depend not only on the volumes of cards and transactions, but also on the proportion of our services in Card Issuing and Merchant Acquiring constituting higher margin licensing activities.

Factors Affecting Our Payments Reporting Segment

Results in our Payments reporting segment are affected by a range of factors that depend on the relevant business carried out by the Payments reporting segment (whether banking and clearing services or digital corporate banking), as well as by the number of transactions undertaken by our Payments reporting segment, which is related to the overall level of financial activity in Italy. The results of our banking and clearing services business unit depend on the number of payment, clearing and other transactions we process and the average fee or commission we charge per transaction. For the twelve months ended June 30, 2015, our Payments reporting segment undertook 490.8 million banking payment transactions and 733.0 million clearing transactions. The fees and commissions we charge per transaction are affected by competition and the complexity of services offered. The results of our digital corporate banking business unit are affected by the number of bank and corporate clients we serve, which we measure on the basis of our key performance indicator e-banking workstations. As of June 30, 2015, we managed over 240,000 e-banking workstations in connection with provision of digital corporate banking services. Additionally, the results of this business unit are driven by the average fee or commission we can charge for each workstation.

The banking and clearing services business unit also generates surplus liquidity because, for example, customers authorizing payment and clearing transactions typically have to remit the funds necessary to execute the transaction a certain period before our Payments Business settles the transaction and transmits these funds to the transferees. The banking and clearing services business unit provides such surplus liquidity (for a fee that is shared with its customer) to our Other Group Activities reporting segment and is allocated a fee from the Other Group Activities reporting segment based on our internal transfer pricing policy. The results of our banking and clearing services business unit therefore also depend on the net interest income generated from time to time, which, in turn, depends on the amount of surplus liquidity generated from customers, checks and operational balances, the cost incurred to utilize this liquidity for investment purposes and the internal transfer pricing in place from time to time. For the twelve months ended June 30, 2015, our Payment reporting segment generated a daily average of €769 million in surplus liquidity.

Factors Affecting Our Securities Services Reporting Segment

Results in our Securities Services reporting segment are primarily impacted by the amount of assets we hold in custody, the types of assets in custody, the fees we charge for holding these assets in custody, fees for other services we provide, the mix between custody and settlement, depository bank, transfer agent and NAV calculation services we provide as well as by the internal transfer pricing for surplus liquidity provided by the Securities Services reporting segment to the Other Group Activities reporting segment. Results in this reporting segment are also impacted by fees generated by the investment services function of our Securities Services reporting segment, primarily based on the number of securities trades negotiated, which were €45.8 billion of trades for the year ended December 31, 2014. The amount of assets in custody depends on our ability to maintain existing customers, generate new customers and to generate additional business with existing customers. As of June 30, 2015, we held total assets in custody of €57.3 billion in our depositary bank business for Italian pension funds, mutual funds, funds of funds, private equity and closed real estate funds and €130.6 billion in our global custody activities in which we provide banks and other financial institutions and funds with depository bank services. We charge fees and commissions to customers on the basis of market rates based on the type of assets held and services and transactions undertaken by our Securities Services reporting segment. The net interest income generated from surplus liquidity in the Securities Services reporting segment is affected by the amount of surplus liquidity generated from customer deposits and operational balances, which mainly relates to the volume of assets under custody, the cost of such liquidity and the internal transfer price assigned to these sources of liquidity. For the twelve months ended June 30, 2015, our Securities Services reporting segment generated a daily average surplus liquidity of €2,541 million.

Factors Affecting Our BPO Services Reporting Segment

Results in our BPO Services reporting segment are driven by increasing regulation and regulatory complexity, as well as the attractiveness of our service offering to customers and the competitiveness of our pricing.

Factors Affecting Our Other Group Activities Reporting Segment

Our Other Group Activities reporting segment provides several group management and treasury functions. Most importantly, it provides credit and financial activities (including intragroup funding) for the other reporting segments. It receives surplus liquidity generated in our Payments and Securities Services Businesses, which it utilizes to fund CartaSi's customer receivables, to make investments (primarily in Italian government bonds) and to manage the Group's overall liquidity. CartaSi's customer receivables arise from mismatches between the time a cardholder makes a purchase using its payment card and the time the outstanding balance on its account statement is settled, which usually occurs on a monthly basis. The Other Group Activities reporting segment generates revenue from the interest charged to CartaSi for funding CartaSi's receivables and the yield received on its investments; to the extent such revenue exceeds the transfer pricing rates payable to the Payments and Securities Services reporting segments, it retains a positive net interest margin. The net interest income from its funding and investment activities accounts for substantially all of our Other Group Activities reporting segment's operating revenue.

When providing surplus liquidity to CartaSi, the Other Group Activities reporting segment charges CartaSi an interest rate determined on the basis of market rates and CartaSi's credit quality. CartaSi, in turn, uses the liquidity provided to fund its customers' receivables. The CartaSi reporting segment passes through to its customers and partner banks the funding costs it is charged by our Other Group Activities reporting segment. See "*Our Business—Funding, Settlement and Credit Risk"* and "*Our Business—Our Services—Card Issuing—Licensing (Card Issuing)*."

The remaining surplus liquidity is used for the general liquidity management of the Target Group and for investment purposes. The investments of our Other Group Activities reporting segment are recognized as available-for-sale financial assets. The vast majority of such investments are made in Italian government bonds, which have no impact on Risk Weighted Assets and thus do not impact the Target Group's banking capital adequacy requirements. As of June 30, 2015, Italian government bonds accounted for 98.5% of our AFS Portfolio. We believe investing in Italian government bonds is also attractive from a liquidity perspective, since these bonds can typically be posted as collateral for borrowings in the interbank market (for instance, as credit enhancement when entering into repurchase agreements) and from the ECB and enjoy substantially the same valuation that is given to cash collateral. As of June 30, the fair value portfolio of available-for-sale financial assets consisted of € 2,725.8 million of investments, €2,686.8 million or 98.5% of which constituted investments in Italian government bonds.

The results in our Other Group Activities reporting segment are therefore primarily affected by the amount, nature and internal transfer price for surplus liquidity provided by the Payments and Securities Services reporting segments, as well as the amount of funding and the interest rates charged for that funding, provided to CartaSi and the size and average yield of our investment portfolio of Italian government bonds. For the twelve months ended June 30, 2015, CartaSi's average daily funding requirements consisted of €1,598 million for the Card Issuing Business, €162 million for the Merchant Acquiring Business and an additional €217 million for revolving funding for credit cards. The average daily funding provided to CartaSi by ICBPI through the Other Group Activities reporting segment for the twelve months ended June 30, 2015, was €1,252 million (with the remainder provided by interbank funding), while the average daily surplus liquidity from the Payments and Securities Services reporting segments for such period was €769 million and €2,541 million, respectively. The average yield on the Italian government bonds held in our portfolio depends on macroeconomic factors and the supply of, and demand for, Italian sovereign debt at the time we purchase such government bonds, as well as the yields on the government bonds already held in our portfolio. We primarily purchase Italian government bonds with maturities of three to four years. To illustrate these effects on average yield, bonds purchased in 2012, when yields on Italian government bonds were high compared to yields in the twelve months ended June 30, 2015, have matured and will continue to mature throughout 2015. To the extent we reinvest in newly issued Italian government bonds with lower yields than the bonds purchased in 2012 which they are replacing, the results of our Other Group Activities reporting segment would (assuming the size of the portfolio and profile of our other investments remains the same) reflect a reduction in net interest income compared to the preceding period in connection with the decrease in average yield on the portfolio. See *"Risk Factors—Risks Related to Our Business—We are exposed to market and interest rate risk, as well as sovereign risk primarily due to our holding of Italian government bonds in our banking book*" and "*—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding.*"

The table below shows the sensitivity of the contribution to EBITDA of our AFS Portfolio for the twelve months ended June 30, 2015, as a function of (i) the average yield accruing on our AFS Portfolio (98.5% of which consisted of Italian government bonds as of June 30, 2015) and (ii) the internal transfer rate applied for the financing of these kinds of assets. The actual contribution to EBITDA by our AFS Portfolio for the twelve months ended June 30, 2015 was €46.4 million, based on an average yield of 1.97%, an average internal transfer rate of 0.17% and an average volume of our portfolio of AFS financial assets of €2,546.7 million.

EBITDA contribution (AFS Portfolio) Sensitivity analysis		Twelve months ended June 30, 2015 (in € millions, except for percentages) Internal transfer rate					
		(0.10)%	(0.20)%	(0.30)%	(0.40)%	(0.50)%	(0.60)%
Average Yield	1.25%	29.7	27.1	24.5	21.9	19.4	16.8
	1.75%	42.6	40.0	37.4	34.9	32.3	29.7
	2.00%	49.1	46.5	43.9	41.3	38.7	36.1
	2.25%	55.5	52.9	50.3	47.8	45.2	42.6
	2.75%	68.4	65.8	63.3	60.7	58.1	55.5
	3.25%	81.3	78.8	76.2	73.6	71.0	68.4
	3.50%	87.8	85.2	82.6	80.0	77.5	74.9

The table below shows what the contribution to interest income, interest expense and EBITDA of our Other Group Activities reporting segment would have been, had the average volume of our portfolio of AFS financial assets been the same for all periods presented as the actual volume for the twelve months ended June 30, 2015:

	Year ended December 31,			Twelve months ended June 30,
	2012	2013	2014	2015
	(in € millions, except for percentages)			
Average volume (AFS Portfolio)	1,875.4	2,344.4	2,515.9	2,546.7
Average yield (AFS Portfolio)	3.34%	2.57%	2.28%	1.97%
Interest income(1)	**63.5**	**61.0**	**58.1**	**50.8**
Equalization(*)	22.7	5.3	0.7	—
Equalized interest income(2)(*)	**86.2**	**66.3**	**58.9**	**50.8**
Average volume (AFS Portfolio)	1,875.4	2,344.4	2,515.9	2,546.7
Average internal transfer rate	(0.99)%	(0.49)%	(0.32)%	(0.17)%
Interest expense(3)	**(18.8)**	**(11.6)**	**(8.2)**	**(4.4)**
Equalization(*)	(6.7)	(1.0)	(0.1)	—
Equalized interest expense(4)(*)	**(25.5)**	**(12.6)**	**(8.3)**	**(4.4)**
EBITDA contribution(5)	44.7	49.4	49.9	46.4
Equalization(*)	16.0	4.3	0.6	—
Equalized EBITDA contribution(6)(*)	**60.7**	**53.7**	**50.6**	**46.4**

(*) Equalized measures are adjusted, assuming an average volume of the AFS Portfolio equal to the average volume (AFS Portfolio) for the twelve months ended June 30, 2015. See "*Presentation of Financial Information—Non-IFRS Financial Information.*"

(1) Computed, for each period, as actual average volume (AFS Portfolio) × actual average yield (AFS Portfolio) × 365 / 360.

(2) Computed, for each period, as average volume (AFS Portfolio) for the twelve months ended June 30, 2015 × actual average yield (AFS Portfolio) × 365 / 360.

(3) Computed, for each period, as actual average volume (AFS Portfolio) × actual average internal transfer rate × 365 / 360.

(4) Computed, for each period, as average volume (AFS Portfolio) for the twelve months ended June 30, 2015 × actual average internal transfer rate × 365 / 360.

(5) Computed, for each period, as the sum of interest income and interest expense.

(6) Computed, for each period, as the sum of equalized interest income and equalized interest expense.

The table below shows what the contribution to interest income, interest expense and EBITDA of our Other Group Activities reporting segment would have been, had the average yield on our portfolio of AFS financial assets been the same for all periods presented as the actual yield for the twelve months ended June 30, 2015:

	Year ended December 31,			Twelve months ended June 30,
	2012	**2013**	**2014**	**2015**
	(in € millions, except for percentages)			
Average volume (AFS Portfolio)	1,875.4	2,344.4	2,515.9	2,546.7
Average yield (AFS Portfolio)	3.34%	2.57%	2.28%	1.97%
Interest income(1)	**63.5**	**61.0**	**58.1**	**50.8**
Equalization(*)	(26.1)	(14.2)	(7.9)	—
Equalized interest income(2)(*)	**37.4**	**46.8**	**50.2**	**50.8**
Average volume (AFS Portfolio)	1,875.4	2,344.4	2,515.9	2,546.7
Average internal transfer rate	(0.99)%	(0.49)%	(0.32)%	(0.17)%
Interest expense(3)	**(18.8)**	**(11.6)**	**(8.2)**	**(4.4)**
Equalization(*)	15.6	7.6	3.9	—
Equalized interest expense(4)(*)	**(3.2)**	**(4.0)**	**(4.3)**	**(4.4)**
EBITDA contribution(5)	44.7	49.4	49.9	46.4
Equalization(*)	(10.5)	(6.7)	(4.1)	—
Equalized EBITDA contribution(6)(*)	**34.2**	**42.8**	**45.9**	**46.4**

(*) Equalized measures are adjusted, assuming an average yield (AFS Portfolio) equal to the average yield (AFS Portfolio) for the twelve months ended June 30, 2015. See "*Presentation of Financial Information—Non-IFRS Financial Information.*"

(1) Computed, for each period, as actual average volume (AFS Portfolio) × actual average yield (AFS Portfolio) × 365 / 360.

(2) Computed, for each period, as the actual average volume (AFS Portfolio) × average yield (AFS Portfolio) for the twelve months ended June 30, 2015 × 365 / 360.

(3) Computed, for each period, as actual average volume (AFS Portfolio) × actual average internal transfer rate × 365 / 360.

(4) Computed, for each period, as actual average volume (AFS Portfolio) × average internal transfer rate for the twelve months ended June 30, 2015 × 365 / 360.

(5) Computed, for each period, as the sum of interest income and interest expense.

(6) Computed, for each period, as the sum of equalized interest income and equalized interest expense.

In addition to treasury services, our Other Group Activities reporting segment carries out (i) property management in respect of our own property, (ii) investment management in respect of ICBPI's equity investments (including Cartasi, HelpLine, Oasi and minority investments) (iii) group management and coordination and (iv) other activities of our consolidated companies. Expenses relating to centralized services (including ICT, audit, marketing, human resources, legal and similar services) are invoiced to the relevant reporting segments, while expenses relating to group management and treasury activities (mainly including personnel expenses) are allocated to the Other Group Activities reporting segment.

Factors Affecting All of Our Reporting Segments

Intragroup Funding

Our Payments and Securities Services reporting segments generate a significant amount of surplus liquidity. Our Other Group Activities reporting segment draws on that surplus liquidity in part to pass it on to CartaSi to fund its customer receivables and in part to manage our overall liquidity and for investment purposes. Our funding requirements vary as a function of our business mix, with the licensing agreements of our CartaSi Card Issuing and Merchant Acquiring Businesses generating higher funding requirements than our servicing agreements do. This is due to the fact that in the servicing model, the banks that have entered into servicing agreements with us fund their customers' receivables themselves. Since we typically receive payment from our cardholder customers on the 15th day of each month, CartaSi's funding requirements typically peak on the 15th of each month and reach their lowest monthly level on the subsequent day after payment is received. On an annual basis, funding requirements typically peak during December and January of each year, as a result of purchases during the holiday season. See "*Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding.*"

Key Balance Sheet Items Impacted By Our Liquidity Management

The Target Group uses surplus liquidity generated by our Securities Services and Payments reporting segments to fund CartaSi's cardholder receivables and to invest in available-for-sale financial assets (primarily Italian government bonds). The amount available to be used in these funding and long-term investing activities depends on the average surplus liquidity that is forecast to be available during a period. Because the amount available to be used is based on forecast surplus liquidity, rather than current surplus liquidity, short-term liquidity imbalances arise. The Target Group manages these short-term liquidity imbalances through various instruments such as repurchase agreements, interbank deposits and current accounts with partner banks. The Target Group's short-term liquidity requirements change on a daily basis and these changes may be substantial. As a result, the balance sheet line items in which the various sources and uses of liquidity are recognized fluctuate substantially between the period-ends shown in our Financial Statements. These fluctuations are partly driven by short-term effects and partly driven by longer-term trends. In order to mitigate the distorting impact of short-term effects, we provide an overview of the sources and uses of funding in ICBPI and CartaSi using the daily average values of certain of these balance sheet items—see "*Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding.*" Below, we illustrate the main drivers of fluctuations in the key balance sheet items that are linked to the Target Group's liquidity management.

The large majority of the surplus liquidity that is not invested in funding CartaSi customer receivables is invested in our AFS portfolio. As of June 30, 2015, our AFS portfolio was €2,725.8 million, with Italian government bonds accounting for 98.5% of the total portfolio value. Increases in the size of our AFS Portfolio mostly occur as a result of additional surplus liquidity and, assuming a constant average yield accruing on such portfolio, result in higher interest income from our AFS Portfolio. For instance, our available-for-sale financial assets increased by €190.5 million, or 7.5%, to €2,725.8 million as of June 30, 2015 from €2,535.3 million as of December 31, 2014, which was mainly due to additional purchases of Italian government bonds. We made these additional purchases to compensate for the anticipated reduction of our portfolio of Italian government bonds due to the approaching maturity of part of our portfolio.

Short-term liquidity imbalances are partly managed through repurchase agreements, interbank deposits and central bank deposits. Assets resulting from short-term liquidity management are primarily recognized under the line items loans and receivables with banks or loans and receivables with customers; liabilities resulting from short-term liquidity management are primarily recognized under the line items liabilities due to banks or liabilities due to customers. As a result, our short-term liquidity management results in fluctuations in these line items.

For example, loans and receivables with banks increased by €377.0 million, or 61.7%, to €987.7 million as of June 30, 2015 from €610.7 million as of December 31, 2014. The increase was due to higher investments in the interbank market (mostly in term deposits and repurchase agreements) to manage our short-term liquidity, which was a result of the redeployment of higher surplus liquidity as of June 30, 2015. Conversely, liabilities due to banks decreased by €650.2 million, or 26.0%, to €1,852.3 million as of June 30, 2015 from €2,502.5 million as of December 31, 2014. The decrease was due to lower interbank liabilities, mostly on account of lower liabilities under repurchase agreements, current accounts and demand deposits.

In our intragroup funding activities, we source surplus liquidity from our Securities Services and Payments reporting segments, whereas we use part of our surplus liquidity to fund cardholder receivables in our CartaSi reporting segment. The deposits in our Securities Services and Payments reporting segments are recognized under the line item liabilities due to customers. Liabilities due to customers increased by €1,548.4 million, or 82.2%, to €5,647.9 million as of June 30, 2015 from €3,099.5 million as of December 31, 2014. This increase was primarily driven by a substantial increase in our current accounts and demand deposits due to a higher share of cash holdings in the amount of assets in custody of our depositary bank activities. The higher share of cash holdings reflected portfolio allocation choices of our customers in the relatively volatile market conditions during the period. In addition, the increase was driven by higher liabilities under repurchase agreements with customers, which was due to short-term liquidity management.

Receivables due from cardholders are recognized under loans and receivables with customers and accounted for €2,004.9 million, or 42.4%, of this line item as of June 30, 2015. This line item increased by €870.3 million, or 22.6%, to €4,725.3 million as of June 30, 2015 from €3,855.0 million as of December 31, 2014. The increase is mainly due to higher receivables under repurchase agreements as a result of our short-term liquidity management, as well as an increase in other financing mainly consisting of guarantee deposits for operations. The increase was partly offset by a decrease in receivables from cardholders.

Regulation

We are a regulated Italian payments banking group that is subject to oversight by the Bank of Italy and the European Central Bank. As a result, we are required to comply with an extensive set of laws, rules and regulations. See "*Regulation*" and "*Risk Factors—Risks Related to Our Business—Regulation in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business* *opportunities*" and "*Risk Factors—Risks Related to Our Business—Changes in regulation may lead to a requirement that the Issuer be consolidated with the Regulated Group*." Changes in laws and regulations, or the manner in which they are interpreted or applied, impact our results of operations and prospects.

We hold banking licenses for our businesses in the Payments, Securities Services and Other Group Activities reporting segments, which creates additional barriers to entry, as these licenses are costly and require adherence to certain ongoing requirements. Failure to comply with regulatory and licensing requirements may result in monetary fines and other adverse consequences.

We believe growth in our CartaSi reporting segment has been driven by a changing regulatory environment that emphasizes non-cash-based payments. For example, Italian Prime Minister Matteo Renzi's government made the option of card payment mandatory for all purchases greater than €30 and has introduced legislation which, if implemented, will provide tax breaks for consumers on payment card purchases and for merchants on payment systems upgrades (such as buying or upgrading POS terminals), taxing cash deposits greater than € 200 per day and mandate the use of e-invoicing for certain sectors such as retailers, grocery stores, vending machines and the self-employed. In 2012, the Italian government also placed a cap of €999.99 on cash transactions, although Prime Minister Renzi has recently announced that he will propose to raise this cap to €3,000.

Regulatory activity also impacts our businesses in other ways. For example, issuers of payment cards will generally be impacted by forthcoming interchange regulation which will impose a cap on the interchange fees which card issuers and card scheme operators charge merchants in payment card transactions. By contrast, we believe that the new regulation may have a positive effect for merchants, as their interchange fees will decrease. See "*Industry—Card Issuing—The New Interchange Fees Regulation in Europe*" and "*Regulation—Regulatory Regimes Applicabe to CartaSi and ICBPI—The Interchange Fees Regulation.*"

Capital Requirements

The Target Group is subject to regulatory capital requirements, which are designed to protect the Target Group against credit risk, operational risk, market risk, systemic risk, pension risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk. These regulatory capital requirements require the Target Group to maintain certain minimum amounts of CET1 capital, Tier 1 Capital and Tier 2 Capital. Capital requirements limit our financial leverage and thus affect our profitability, but they also create barriers to the entrance of new competitors and limit the amount of leverage we use in our businesses. See "*—Financial Condition*" below.

Compliance with these capital requirements is monitored on the basis of capital ratios (including the CET1 capital ratio, Tier 1 capital ratio and Total capital ratio) that track the amounts of the aforementioned capital components as a percentage of our weighted exposure to each of the risks identified above. As of June 30, 2015, our CET1 capital ratio was 15.16% and our Pro Forma CET1 Capital Ratio was 21.49%, well above the regulatory requirement. Pro Forma CET1 Capital Ratio reflects an adjustment for the removal of an additional discretionary capital requirement which the Bank of Italy imposed on the Target Group in 2009, but which was removed with effect as of September 30, 2015. See "*Presentation of Financial Information—Non-IFRS Financial Information."* The Bank of Italy recently undertook a standard review of our capital ratio requirements which is referred to as a supervisory review and evaluation process ("**SREP**"). Following that review, our CET1 capital ratio and Tier 1 capital ratio requirements remain unchanged, at 7% and 8.5% respectively. Our total capital ratio requirement has increased by 1% to 11.5%. These requirements are expected to come into force by the end of 2015. They are less onerous than the requirements imposed on other major Italian banks. For example, according to releases issued by these banks in February 2015, Intesa Sanpaolo's post-SREP CET1 capital ratio requirement is 9% and its total capital ratio requirement is 11.5%, while UniCredit's post-SREP CET1 capital ratio requirement is 9.5% and its total capital ratio requirement is 13%.

Additional capital requirements may be imposed by the Bank of Italy from time to time by virtue of its supervisory power. In addition, in the business plan discussed with the Bank of Italy in connection with the Acquisition, we presented guidance targeting a minimum consolidated CET1 capital ratio of 14% for distribution of dividends by ICBPI. See "*Regulation—Capital Adequacy Requirements,"* "*Risk Factors—Risks Related to Our Business—Our business is subject to a variety of complex regulatory regimes, and changes in law and regulation impose or could impose operational restrictions on us, increase our expenses and/or otherwise have a material adverse effect on our business"* and our Financial Statements, in particular Section 2.2 of Part F of the notes to the Audited Financial Statements, included elsewhere herein.

Liquidity Requirements

The Target Group is also subject to regulatory liquidity requirements which require it to maintain a minimum liquidity coverage ratio (the "**LCR**") of 60%, which will increase gradually to 100% by January 1, 2018, and a net stable funding ratio ("**NSFR**") of 100%, starting from January 1, 2018. As of June 30, 2015, our LCR was approximately 245% and we estimate that our NSFR is approximately 115%. Calculation of these ratios is based on regulatory requirements with limited discretion or judgment involved in the calculation of such ratios. The LCR requires banks to hold an amount of unencumbered, high-quality, liquid assets that can be used to offset the net cash outflows the bank might encounter under an acute short-term stress scenario. The NSFR measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on liquidity arising from off-balance sheet commitments and obligations. The Liquidity Coverage Ratio applies from October 1, 2015, and will be gradually phased in, and the European Commission intends to develop the NSFR with the aim of introducing it from January 1, 2018. The constraints imposed by these liquidity requirements affect our liquidity management and investment strategy. See "*Regulation—Regulatory Regimes Applicable to CartaSi and ICBPI—Capital Adequacy Requirements.*"

Seasonality

The results of our businesses, and in particular our CartaSi reporting segment, are impacted by seasonality, with CartaSi's revenues typically greater in the second half of the year. The CartaSi reporting segment experiences increased numbers of card transactions and increased transaction volumes during the summer months, as a result of spending on tourism, and during December, as a result of holiday shopping. These trends also impact our funding requirements, as CartaSi's requirements to fund payables typically peak during the summer and the winter holiday periods.

Partner Banks

We have key relationships with the vast majority of banks operating in Italy, including Monte dei Paschi di Siena, UBI Banca, Banco Popolare, Cariparma, Deutsche Bank, Banca Popolare dell'Emilia Romagna, Banca Carige and Banca Popolare di Milano. Our partner banks act as distributors and referral partners for a significant number of our services, including the offerings in our CartaSi and Payments reporting segments. We believe the relationships with our partner banks are mutually beneficial because they allow our partner banks to provide a comprehensive range of services to their customers, while outsourcing certain activities to us and thereby benefitting from our economies of scale. In turn, we benefit from the typically extensive branch networks and customer relationships of our partner banks without incurring the associated infrastructure cost. As a result, our business depends to a significant degree on the market share and marketing efforts of our partner banks. To the extent that we gain or lose business with a partner bank, whether due to competition, insourcing or outsourcing or consolidation among our partner banks, the number of transactions we undertake, and therefore our operating revenue, can be impacted. For example, when the Target acquired CartaSi in 2009, Intesa SanPaolo and UniCredit, it was aware that the two largest banks in Italy and former shareholders and partner banks of CartaSi, had decided to gradually insource their card issuing and merchant acquiring requirements, which resulted in lost business for CartaSi. See "*Risk Factors—Risks Related to Our Business—We face the risk of our bank customers insourcing our Card Issuing, Merchant Acquiring, POS and other businesses*," "*—Competition for each of our businesses is intense*" and "*—Consolidation in the Italian banking market could adversely affect our business and results of operations by reducing the number of our customers and increasing the risk of insourcing or the impact of our customers switching to a different service provider.*"

Information and Communications Technology

A significant part of our business depends on information technology. For instance, we rely on information and communications technology ("**ICT**") platforms for the authorization of payment transactions, as well as for securities services, ATM management, POS management, clearing and settlement (ACH), web portals, mobile apps, customer relationship management (CRM) tools and fraud management. Expenditures for and investments in ICT are critical in our industry and ICT costs accounted for €177.0 million, or 26.2%, of our operating revenue in the twelve months ended June 30, 2015. In the future, we intend to gradually increase the extent to which we capitalize ICT expenditures. See "*Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*." In addition, the decision to insource or outsource the development, provision and maintenance of these systems affects our results of operation. Technological changes in our industry could also require significant additional investment, which would affect our results of operations. See "*Our Business—Information and Communications Technology*" and "*Risk Factors—Risks Related to Our Business—Our operations are dependent on ICT and information systems, and any disruption of information systems, whether widespread or localized, could adversely impact our operations*."

Acquisitions

In the past, we have made a number of strategic acquisitions to complement our organic growth. Since 2002, we have acquired a substantial number of businesses. These acquisitions include card issuing and merchant acquiring businesses from KeyClient, C-Card and Unicard, and the expansion of our POS management business through the acquisition of Cim Italia. The growth of our Payments Business and debit servicing business unit was accelerated by the acquisition of banking and clearing services businesses from Banca Popolare di Lodi. Our Securities Services Business was formed through the acquisition of Centrosim, which engaged in investment services, and a portfolio of other depositary bank activities. These acquisitions have affected our results of operations in several ways and thus have affected the comparability of our results across different periods of time. First, our financial results and key performance indicators for the period during which an acquisition takes place are affected by the inclusion of the results of the acquired business in our consolidated results. For example, the acquisitions of Arca's depositary bank activities in 2012 and ICCREA's depositary bank activities, C-Card and Unicard in 2014 contributed 0.8% and 3.0% to our operating revenue for the years ended December 31, 2012 and 2014, respectively. Second, our results for subsequent periods have been impacted negatively by integration costs and positively by commercial (such as market positioning and relationships), operating (such as economies of scale, skill and know-how transfer and improved operating processes) and procurement synergies (mainly relating to ICT and other operating costs) in addition to the immediate impact of including the acquired business in our consolidated results. See "*Risk Factors—Risks Related to Our Business—Our selective acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses.*" However, because companies are only consolidated in our accounts from the date of their acquisition, the full impact of the acquired companies' results is only reflected in the subsequent financial year. Third, the nature of the businesses we acquire is such that we carry a significant amount of goodwill (€77.7 million as of June 30, 2015) and of finite life intangible assets (€67.4 million of customer contracts as of June 30, 2015) on our balance sheet. Under IFRS, we evaluate the recoverability and measure the potential impairment of goodwill annually or at interim closing dates if an impairment indicator, whether internal or external, is identified and may record charges in case of impairment. As of June 30, 2015, no impairment was recorded and no impairment indicator has been identified.

Explanation of Key Line Items

Financial Statements

The following section provides a description of the Target Group's key IFRS financial statement line items. For a summary of critical accounting policies affecting our key line items, see "*—Critical Accounting Policies.*"

Net Interest Income

Net interest income is the sum of interest income and similar income and interest expense and similar charges. This line item includes interest income and interest expense, similar income and similar charges relating to cash and cash equivalents, financial assets held for trading, financial assets available-for-sale, financial assets held to maturity, loans, and debts, debt securities issued, financial liabilities held for trading and any other interest accrued during the year (such as interest accrued on our holdings of Italian government bonds in our Other Group Activities reporting segment). Additionally, this line item includes interest income and interest expense valued at amortized cost.

Net Fee and Commission Income

Net fee and commission income is the sum of commission income and commission expense. This line item includes the income and expenses relating to services performed and received on the basis of specific contractual agreements such as guarantees, collections and payments, management, brokerage and others. Commissions are recognized in profit or loss and ratably allocated to the periods during which such commissions were earned. This line item only reflects fees and commissions paid in connection with our activities that are core activities for a bank, while the remainder of fees and commissions we receive are classified under other net operating expenses/income.

Administrative Expenses

Administrative expenses consists of the sum of payroll and related costs and other administrative expenses.

Other Net Operating Expenses/Income

Other net operating expenses/income primarily includes income and expenses not related to other income statement line items that are ratably allocated to the periods during which such expenses or income were incurred. The revenues and costs of certain activities not core to the operations of a bank (as specified under IFRS) are presented under this line item in the Financial Statements. Because many of our operations, including our POS Business, ATM management, HelpLine, debit servicing, clearing, digital corporate banking, BPO Services and certain other operations are not considered under IFRS to be financial income core to the operations of a bank, a significant amount of our revenues and costs are classified in the Financial Statements under this line item.

Income Taxes from Current Operations

Income taxes from current operations consists of the sum of current and deferred taxes on the profit for the year.

Profit / (Loss) for the Year

Profit (loss) for the year consists of the sum of income and expenses.

Management Accounts

The following section provides a description of the key line items in our management accounts. For a reconciliation of these line items to our IFRS financial statement line items and an explanation of how we use these line items and why we think they are useful measures, see "*—Results of Operations—Reconciliation of Management Accounts*."

Operating Revenue

Operating revenue is the sum of net fee, commission and other business income, net interest income, Net trading/hedging income and dividends from equity investments and AFS.

Net Fee, Commission and Other Business Income

Operating revenue contributed by our CartaSi, Payments and Securities Services reporting segments is primarily shown under net fee, commission and other business income.

Net fee, commission and other business income primarily includes the IFRS line item net fee and commission income presented in our Financial Statements, except that the revenues and costs generated by activities not core to a bank (as specified under IFRS) and included under the line item other net operating expenses/income in our Financial Statements are reassigned to this line item in our management accounts. Specifically, net fee and commission income presented in our Financial Statements is subject to the following adjustments: (i) income classified as other net operating (expenses)/income in our Financial Statements which relates to the provision of services that are not banking or financial services but part of the relevant reporting segment's core business (see caption 220 of our Financial Statements) is included under net fee, commission and other business income in the management accounts; (ii) expenses classified as other net operating (expenses)/income in our Financial Statements which relate to royalties and/or selling costs (see caption 220 of our Financial Statements) are included under net fee, commission and other business income in the management accounts; and (iii) income classified as fee and commission income in our Financial Statements which relates to items subject to IFRIC 13 (see caption 40 of our Financial Statements and as described below) is excluded from net fee, commission and other business income and instead presented under production costs. In our management accounts, production costs are part of other administrative expenses and consist of costs related to the production of physical payment cards, PINs, marketing activities, POS maintenance, ATMs, service of checks and expedited postage costs. IFRIC 13 is an IFRS interpretation approved by the International Accounting Standards Board (IASB) and issued by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, IFRIC). IFRIC 13 establishes the accounting treatment to be applied by entities that grant awards under customer loyalty programs relating to the purchase of goods or services and requires that the consideration for the obligation arising from granting the award be separated from sales revenue and deferred up to when the obligation with the customers is settled.

Net Interest Income

Net interest income primarily includes the IFRS line item net interest income presented in our Financial Statements, adjusted for gains and losses relating to interest rate hedging derivatives which are included under net interest income in the management accounts even if they do not meet the IFRS requirements and must therefore be included under net trading income (expense) in our Financial Statements (see caption 80 of our Financial Statements). Net interest income primarily includes the IFRS line item net interest income presented in our Financial Statements, adjusted for gains and losses relating to interest rate hedging derivatives which are included under net interest income in the management accounts even if they do not meet the IFRS requirements and must therefore be included under net trading income (expense) in our Financial Statements (see caption 80 of our Financial Statements). Net interest income of the Target is allocated to the relevant reporting segment (Payments, Securities Services and Other Group Activities) pursuant to the following framework: To the source of the liquidity we allocate net interest income in an amount equal to the difference between (i) the accounting cost incurred by it for providing the liquidity and (ii) the accounting income attributed to this liquidity based on our internal transfer pricing policy. To the use of the liquidity we allocate net interest income in an amount equal to the difference between (i) the accounting income generated through investing such liquidity and (ii) the accounting cost incurred for receiving such liquidity based on our internal transfer pricing policy.

Net Trading/Hedging Income

Net trading/hedging income primarily includes the IFRS line item net trading income presented in our Financial Statements, adjusted for dividends collected on equity instruments included in our trading portfolio. In our management accounts such dividends are included under net trading/hedging income, even if they are shown under dividends and similar income in our Financial Statements (see caption 70 of our Financial Statements). This line item includes gains and losses from the sale and purchase of equity instruments or derivatives by the market making activities within our Securities Services reporting segment and does not include income or expenses from our portfolio of Italian government bonds.

Dividends from Equity Investments and AFS

Dividends from equity investments and AFS primarily includes the IFRS line item dividend and similar income presented in our Financial Statements, without consolidation adjustments relating to dividends distributed by minority interests that are accounted for using the equity method, which are excluded from the line item dividend and similar income in our Financial Statements (see caption 70 of our Financial Statements), and are reversed under non-recurring/extraordinary operating costs/income in our management accounts.

Operating Costs

Operating costs represents the sum of administrative expenses, depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit), other net operating expenses/income and net accruals to provision for risk and charge.

Operating Costs (Net of Depreciation and Amortization)

Operating costs (net of depreciation and amortization) represents operating costs net of depreciation and amortization charges included in the line item depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit).

Administrative Expenses

Administrative expenses consists of the sum of payroll and related costs and other administrative expenses.

Administrative Expenses: Payroll and Related Costs

Payroll and related costs primarily includes the IFRS line item payroll and related costs presented in our Financial Statements, subject to the following adjustments: (i) fees paid to directors and statutory auditors which are classified as personnel expense in our Financial Statements (see caption 180a of our Financial Statements) are presented under administrative expenses: other administrative expenses in the management accounts; and (ii) accruals relating to the remuneration of employees which are classified as net accruals to provisions for risks and charges in our Financial Statements (see caption 190 of our Financial Statements) are presented under payroll and related costs in the management accounts.

Administrative Expenses: Other Administrative Expenses

Other administrative expenses primarily includes the IFRS line item other administrative expenses presented in our Financial Statements, adjusted to include income related to the recovery of expenses, which is classified as other net operating (expense)/income in our Financial Statements (see caption 220 of our Financial Statements). In the management accounts, this income is allocated directly to the expense it relates to, which is included in the same line item and therefore set off directly against the expense that was recovered. In our management accounts other administrative expenses are then broken down into the line items production of offered services, ICT service costs and general expenses.

Depreciation, Amortization and Net Impairment Losses on Property, Equipment, Investment Property and Intangible Assets (Included in Operating Profit)

Depreciation, amortization and net impairment losses on property, equipment, investment property and intangible assets (included in operating profit) includes the IFRS line items (i) depreciation and net impairment losses on property, equipment, investment property and (ii) amortization and net impairment losses on intangible assets net of amortization and net impairment losses on customer contracts (including intangible assets with finite life related to the acquisition of, for example, companies, branches and contracts) that are accounted for, in our management account, as depreciation, amortization and net impairment losses on property, equipment, investment property and intangible assets (excluded from operating profit).

Other Net Operating (Expenses)/Income

Other net operating expenses/income primarily includes the IFRS line item other net operating expenses/income presented in our Financial Statements, subject to the following two types of adjustments. The first adjustment reverses the adjustments to administrative expenses: other administrative expenses in relation to the inclusion of income related to the recovery of expenses, which is classified as other net operating (expense)/income in our Financial Statements (see caption 220 of our Financial Statements). Second, income and expenses relating to items that occurred in prior periods are aggregated and presented under other net operating expenses/income in our management accounts, whereas in our Financial Statements such income and expenses are allocated to the line item that generated them.

Depreciation, amortization and net impairment losses on property, equipment, investment property and intangible assets (included in operating profit) comprise the IFRS line items (i) Depreciation and net impairment losses on property, equipment, investment property and (ii) Amortization and net impairment losses on intangible assets, adjusted for amortization and net impairment losses on customer contracts (which are intangible assets with finite life related to, for example, company acquisitions). In our management accounts, depreciation, amortization and net impairment losses on property, equipment, investment property and intangible assets are accounted for as one line item, and are excluded from operating profit.

Net Accruals to Provision for Risk and Charge

Net accruals to provision for risk and charge primarily includes the IFRS line items net accruals to provision for risk and charge and gain and losses relating to impairment losses/reversals of impairment losses on loans and receivables (see caption 130a of our Financial Statements) presented in our Financial Statements.

Operating Profit

Operating profit is the sum of operating revenue and operating costs.

EBITDA

EBITDA is equal to operating profit, adding back depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit).

Depreciation, Amortization and Net Impairment Losses on Property, Equipment, Investment Property and Intangible Assets

Depreciation, Amortization and Net Impairment Losses on Property, Equipment, Investment Property and Intangible Assets includes the IFRS line items (i) Depreciation and net impairment losses on property, equipment, investment property and (ii) Amortization and net impairment losses on intangible assets.

Non-recurring/extraordinary operating income and costs

Operating income and costs in our management accounts includes income and expenses that are related to extraordinary and/or non-recurring events, even if they are included under a different line item in our Financial Statements. These items include (i) gains and losses relating to impairment losses/reversals of impairment losses on the equity portion of our available-for-sale and held-to-maturity financial assets, which are recognized as net impairment losses in our Financial Statements (see captions 130b and 130c of our Financial Statements) and (ii) net profit on sale or repurchase of the equity portion of our available-for-sale and held-to-maturity financial assets (see Caption 100 of our Financial Statements).

Other Line Items

The other key line items in our management accounts, including share of losses of investees, income taxes, profit for the period attributable to non-controlling interests and profit for the period attributable to the owners of the parent, are identical to the like-titled line items in our Financial Statements.

Results of Operations

Financial Statements

The following table provides an overview of our results of operations for the years ended December 31, 2012, 2013 and 2014, as well as for the six months ended June 30, 2014 and 2015 as reported pursuant to IFRS.

	Year ended December 31,			**Six months ended June 30,**	
	2012	**2013**	**2014**	**2014**	**2015**
	(in € millions)				
Interest and similar income	*121.1*	*102.9*	*93.3*	*49.6*	*39.4*
Interest and similar charges	*(34.1)*	*(25.8)*	*(24.4)*	*(13.0)*	*(10.9)*

Net interest income	87.0	77.1	68.8	36.6	28.5
Fee and commission income	*978.9*	*1,017.7*	*1,033.7*	*496.6*	*507.5*
Fee and commission expense	*(621.8)*	*(678.0)*	*(673.3)*	*(319.3)*	*(328.3)*
Net fee and commission income	357.1	339.7	360.4	177.3	179.2
Dividends and similar income	0.2	1.0	0.3	0.0	0.0
Net trading income	9.6	4.1	5.0	2.1	3.3
Net profit on sale or repurchase	0.1	3.7	3.5	—	—
Total income	**454.0**	**425.7**	**438.1**	**216.0**	**211.0**
Net impairment losses	(6.7)	(7.2)	(6.0)	(1.9)	(1.7)
Net financial income	**447.2**	**418.4**	**432.1**	**214.1**	**209.3**
Administrative expenses:	(513.5)	(503.6)	(524.3)	(258.5)	(255.9)
a) payroll and related costs	*(130.4)*	*(132.5)*	*(140.1)*	*(70.0)*	*(72.7)*
b) other administrative expenses	*(383.1)*	*(371.1)*	*(384.2)*	*(188.5)*	*(183.2)*
Net accruals to provisions for risks and charges	(11.4)	(2.1)	(1.4)	(5.6)	(1.8)
Depreciation and net impairment losses on property	(19.4)	(20.1)	(20.1)	(9.5)	(10.4)
Amortization and net impairment losses on intangible assets	(14.3)	(12.9)	(16.5)	(7.0)	(10.2)
Other net operating expenses/income	272.8	283.1	288.7	131.4	138.4
Operating costs	**(285.8)**	**(255.6)**	**(273.6)**	**(149.1)**	**(139.9)**
Share of losses of investees	**(6.9)**	**(11.4)**	**(1.2)**	**0.4**	**0.5**
Pre-tax profit from current operations	**154.4**	**151.4**	**157.4**	**65.4**	**69.9**
Income taxes	(59.9)	(75.3)	(57.8)	(28.4)	(21.2)
Post-tax profit from continuing operations	94.5	76.1	99.6	37.0	48.7
Profit for the period	94.5	76.1	99.6	37.0	48.7
Profit for the period attributable to non-controlling interests	(4.4)	(2.9)	(3.3)	(0.9)	(1.7)
Profit for the period attributable to the owners of the parent	**90.1**	**73.2**	**96.4**	**36.1**	**47.0**

See "—*Management Accounts*" below for a detailed analysis of our operating results by period.

Reconciliation of Management Accounts

We present in this Offering Memorandum certain data derived from the Target's consolidated and reporting segment management accounts. These management accounts differ in important ways from the Financial Statements presented in accordance with IFRS. In particular, the Target's management accounts are prepared to supplement the Financial Statements with information on the consolidated operating revenue of the Target Group and our operating performance on a reporting segment basis. The Financial Statements present the revenues and costs of certain activities not core to the operations of a bank under the line items other net operating expenses/income, as part of operating costs. Because income related to many of the Target Group's operations, including its POS Business, ATM management, HelpLine, debit servicing, clearing, digital corporate banking, BPO Services and certain other operations are not considered under IFRS to be financial income core to the operations of a bank, a significant amount of our revenues and costs are classified in the Financial Statements under other net operating expenses/income. In the Target's management accounts, we reassign the amounts under such line items in the Financial Statements to the line items operating revenue and operating costs to provide a clearer picture of our operating results. Operating profits in the Target's management accounts are the sum of operating revenues and operating costs. Adding the line items depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (excluded from operating profit), share of gain/losses of investees, non-recurring/extraordinary operating costs/income, income taxes and profit for the period attributable to non-controlling interests reconciles operating profit in the Target's management accounts to profit for the period attributable to the owners of the parent in the Financial Statements. The line items presented in the Target's management accounts are not recognized by IFRS and may not be permitted to appear on the face of the Financial Statements in the manner presented herein. Different companies and analysts may calculate the line items presented in the Target's management accounts differently, so making comparisons among companies on this basis should be done very carefully. The line items presented in the Target's management accounts are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for our results of operations as reported in accordance with IFRS. For a discussion of the differences in classification, see "*Explanation of Key Line Items—Management Accounts.*"

(in € millions)	Year ended December 31, 2012 Financial Statements	2012 Reclassified Line Items	2012 Excluded Line Items	2012 Management Accounts	2013 Financial Statements	2013 Reclassified Line Items	2013 Excluded Line Items	2013 Management Accounts	2014 Financial Statements	2014 Reclassified Line Items	2014 Excluded Line Items	2014 Management Accounts
Net fee, commission and other business income(*)	357.1	212.3	—	569.4	339.7	235.3	—	575.0	360.5	229.4	5.1	595.0
Net interest income	87.0	0.0	—	87.0	77.1	0.4	—	77.6	68.8	1.1	—	69.9
Dividends from equity investments and AFS	0.2	(0.0)	1.9	2.1	1.0	(0.0)	1.2	2.1	0.3	(0.0)	0.2	0.4
Net trading/hedging income	9.6	(0.2)	0.0	9.4	4.1	0.0	—	4.2	5.0	0.0	—	5.0
Net profit on sale or repurchase	0.1	(0.1)	(0.0)	—	3.7	—	(3.7)	—	3.5	—	(3.5)	—
Net impairment losses	(6.7)	2.8	4.0	—	(7.2)	4.3	2.9	—	(6.0)	4.0	2.0	—
Net financial income	**447.2**	**214.7**	**5.9**	**667.9**	**418.4**	**240.0**	**0.3**	**658.8**	**432.1**	**234.5**	**3.8**	**670.4**
Operating revenue	—	—	—	**667.9**	—	—	—	**658.8**	—	—	—	**670.4**
CartaSi	—	—	—	430.5	—	—	—	419.8	—	—	—	429.5
Issuing	—	—	—	205.5	—	—	—	204.0	—	—	—	207.3
Merchant Acquiring, POS	—	—	—	173.3	—	—	—	164.3	—	—	—	166.0
Other	—	—	—	51.7	—	—	—	51.5	—	—	—	56.3
Payments	—	—	—	91.4	—	—	—	89.4	—	—	—	87.0
Securities Services	—	—	—	38.9	—	—	—	53.8	—	—	—	62.4
BPO Services	—	—	—	24.3	—	—	—	22.6	—	—	—	26.7
Other Group Activities	—	—	—	88.6	—	—	—	76.2	—	—	—	68.2
Consolidation adjustments	(5.8)	—	—	(5.8)	(3.0)	—	—	(3.0)	(3.5)	—	—	(3.5)
Administrative expenses:												
a) payroll and related costs	(130.4)	2.0	0.6	(127.8)	(132.5)	1.5	(0.0)	(131.1)	(140.1)	2.3	3.5	(134.3)
b) other administrative expenses	(383.1)	51.9	—	(331.2)	(371.1)	39.8	0.3	(331.0)	(384.2)	49.6	3.9	(330.6)
Production costs	—	—	—	(102.2)	—	—	—	(98.9)	—	—	—	(100.2)
ICT costs	—	—	—	(145.6)	—	—	—	(170.2)	—	—	—	(170.5)
General expenses	—	—	—	(83.3)	—	—	—	(61.9)	—	—	—	(59.9)
Depreciation and impairment losses on property	(19.4)	—	—	(19.4)	(20.1)	—	—	(20.1)	(20.1)	—	—	(20.1)
Amortization and net impairment losses on intangible assets	(14.3)	(0.1)	9.5	(4.9)	(12.9)	—	7.5	(5.4)	(16.5)	—	8.6	(7.8)
Other net operating expenses/income	272.8	(261.1)	(5.9)	5.9	283.1	(270.3)	(0.1)	12.6	288.6	(272.7)	(10.7)	5.3
Net accruals to provisions for risk and charge	(11.4)	(7.6)	0.1	(18.8)	(2.1)	(10.9)	(2.5)	(15.5)	(1.4)	(13.7)	(0.2)	(15.3)
Operating costs	**(285.8)**	**(214.7)**	**4.4**	**(496.2)**	**(255.6)**	**(240.0)**	**5.2**	**(490.4)**	**(273.6)**	**(234.5)**	**5.2**	**(502.8)**
Operating profit	—	—	—	**171.7**	—	—	—	**168.4**	—	—	—	**167.6**

(*) Represents the line items captioned Net fee and commission income in our Financial Statements and, respectively, Net fee, commission and other business income in the Target's management accounts.

(in € millions)	2014 Financial Statements	2014 Reclassified Line Items	2014 Excluded Line Items	2014 Managemen t Accounts	2015 Financial Statements	2015 Reclassified Line Items	2015 Excluded Line Items	2015 Managemen t Accounts	Financial Statements
	Six months ended June 30,								
Net fee, commission and other business income[*]	177.3	106.0	—	283.3	179.2	114.8	—	294.0	362.4
Net interest income	36.6	—	—	36.6	28.5	1.5	—	30.0	60.8
Dividends from equity investments and AFS	0.1	(0.0)	0.2	0.2	0.0	(0.0)	0.3	0.3	0.2
Net trading/hedging income	2.1	0.6	—	2.7	3.3	(0.2)	—	3.1	6.2
Net profit on sale or repurchase	—	—	—	—	—	—	—	—	3.5
Net impairment losses	(1.9)	1.9	—	—	(1.8)	1.8	—	—	(5.8)
Net financial income	**214.1**	**108.5**	**0.2**	**322.8**	**209.3**	**117.8**	**0.3**	**327.4**	**427.4**
Operating revenue	**—**	**—**	**—**	**322.8**	**—**	**—**	**—**	**327.4**	**—**
CartaSi	—	—	—	204.9	—	—	—	207.4	—
Issuing	—	—	—	96.8	—	—	—	98.7	—
Merchant Acquiring	—	—	—	81.2	—	—	—	82.0	—
Other	—	—	—	26.9	—	—	—	26.7	—
Payments	—	—	—	41.4	—	—	—	42.1	—
Securities Services	—	—	—	31.1	—	—	—	35.1	—
BPO Services	—	—	—	11.7	—	—	—	13.8	—
Other Group Activities	—	—	—	34.8	—	—	—	30.3	—
Consolidation adjustments	(1.1)	—	—	(1.1)	(1.2)	—	—	(1.2)	(3.6)
Administrative expenses:									
a) payroll and related costs	(70.0)	0.8	(0.0)	(69.2)	(72.7)	1.4	0.2	(71.0)	(142.9)
b) other administrative expenses	(188.5)	26.7	—	(161.8)	(183.2)	23.2	—	(160.0)	(378.9)
Production costs	—	—	—	(49.0)	—	—	—	(47.5)	—
ICT Costs	—	—	—	(83.2)	—	—	—	(89.8)	—
General expenses	—	—	—	(29.5)	—	—	—	(22.8)	—
Depreciation and net impairment losses on property	(9.5)	—	—	(9.5)	(10.4)	—	—	(10.4)	(20.9)
Amortization and net impairment losses on intangible assets	(7.0)	—	3.8	(3.3)	(10.2)	—	5.3	(4.9)	(19.6)
Other net operating expenses/income	131.4	(132.2)	3.4	2.7	138.4	(136.4)	(0.2)	1.7	295.6
Net accruals to provision for risk and charge	(5.6)	(3.8)	(0.1)	(9.5)	(1.8)	(6.0)	0.5	(7.3)	2.4
Operating costs	**(149.1)**	**(108.5)**	**7.1**	**(250.5)**	**(139.9)**	**(117.8)**	**5.8**	**(251.9)**	**(264.3)**
Operating profit	**—**	**—**	**—**	**72.2**	**—**	**—**	**—**	**75.5**	**—**

(*) Represents the line items captioned Net fee and commission income in our Financial Statements and, respectively, Net fee, commission and other business inc

Management Accounts

The following table provides an overview of the Target Group's results of operations for the years ended December 31, 2012, 2013 and 2014, as well as for the six months ended June 30, 2014 and 2015, in each case, as reported in the Target Group's management accounts. These management accounts differ in important ways from the Target Group's Financial Statements presented in accordance with IFRS. See "*—Explanation of Key Line Items—Management Accounts*" and "*—Reconciliation of Management Accounts.*"

We analyze our operating results below by discussing operating revenue, operating costs and EBITDA during the periods presented, on both a consolidated and reporting segment basis.

	Year ended December 31,			Six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
			(in € millions)		
Net fee, commission and other business income	569.4	575.0	595.0	283.3	294.0
Net interest income	87.0	77.6	69.9	36.6	30.0
Net trading/hedging income	9.4	4.2	5.0	2.7	3.1
Dividends from equity investments and AFS	2.1	2.1	0.4	0.2	0.3
Operating revenue	**667.9**	**658.8**	**670.4**	**322.8**	**327.4**
Administrative expenses	(458.9)	(462.1)	(464.9)	(231.0)	(231.1)
thereof: Payroll and related costs	(127.8)	(131.1)	(134.3)	(69.2)	(71.0)
thereof: Other administrative expenses	(331.2)	(331.0)	(330.6)	(161.8)	(160.0)
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	(24.3)	(25.4)	(27.9)	(12.8)	(15.3)
Other net operating expenses/income	5.9	12.6	5.3	2.7	1.7
Net accruals to provision for risk and charge	(18.8)	(15.5)	(15.3)	(9.5)	(7.3)
Operating costs	**(496.2)**	**(490.4)**	**(502.8)**	**(250.5)**	**(251.9)**
Operating revenue	667.9	658.8	670.4	322.8	327.4
Operating costs	(496.2)	(490.4)	(502.8)	(250.5)	(251.9)
Operating profit	**171.7**	**168.4**	**167.6**	**72.2**	**75.5**
Operating revenue	667.9	658.8	670.4	322.8	327.4
Operating costs (net of depreciation and amortization)(1)	(471.9)	(465.0)	(474.9)	(237.8)	(236.6)
EBITDA	**196.0**	**193.8**	**195.5**	**85.0**	**90.8**
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets	(33.8)	(33.0)	(36.5)	(16.5)	(20.5)
Non-recurring / extraordinary items	(0.8)	2.0	(0.3)	(3.5)	(0.8)
Share of losses of investees	(6.9)	(11.4)	(1.2)	0.4	0.5
Income taxes	(59.9)	(75.3)	(57.8)	(28.4)	(21.2)
Profit for the period	**94.5**	**76.1**	**99.6**	**37.0**	**48.7**
Profit for the period attributable to minority interests	(4.4)	(2.9)	(3.3)	(0.9)	(1.7)
Profit for the period attributable to the owners of the parent	**90.1**	**73.2**	**96.4**	**36.1**	**47.0**

(1) Represents operating costs net of depreciation and amortization charges included in the line item depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit).

Discussion of Group Results of Operations

Comparison of the Six Months Ended June 30, 2015 to the Six Months Ended June 30, 2014

Group Operating Revenue

The following table provides a breakdown of our Group operating revenue by line item for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Net fee, commission and other business income	283.3	294.0
Net interest income	36.6	30.0
Net trading/hedging income	2.7	3.1
Dividends from equity investments and AFS	0.2	0.3
Operating revenue	**322.8**	**327.4**

Operating revenue increased by €4.7 million, or 1.4%, from €322.8 million in the six months ended June 30, 2014, to €327.4 million in the six months ended June 30, 2015. This increase was mainly driven by an increase in net fee, commission and other business income, partly offset by lower net interest income. The increase in net fee, commission and other business income resulted from improved performance across our CartaSi, Payments and Securities Services reporting segments as a result of increases in managed cards, value of card transactions and managed transactions, as well as the value of assets under custody, banking payment transactions and digital corporate banking services provided. The decrease in net interest income related to a decrease in interbank and Italian government bond interest rates. The average interbank interest rates for one-month deposits decreased from 23 basis points in the six months ended June 30, 2014 to negative 2 basis points in the six months ended June 30, 2015, and the average yield on Italian government bonds with a maturity of three years decreased from 119 basis points in the six months ended June 30, 2014, to 40 basis points in the six months ended June 30, 2015.

Group Operating Costs (Net of Depreciation and Amortization Included in Operating Profit)

The following table provides a breakdown of our Group operating costs by line item for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Administrative expenses:	(231.0)	(231.1)
a) payroll and related costs	(69.2)	(71.0)
b) other administrative expenses	(161.8)	(160.0)
Other net operating expenses/income	2.7	1.7
Net accruals to provision for risk and charge	(9.5)	(7.3)
Operating costs (net of depreciation and amortization included in operating profit)	**(237.8)**	**(236.6)**

Administrative expenses increased by €0.1 million from €231.0 million in the six months ended June 30, 2014, to €231.1 million in the six months ended June 30, 2015. Payroll and related costs increased by €1.9 million, or 2.7%, from €69.2 million in the six months ended June 30, 2014, to €71.0 million in the six months ended June 30, 2015. Other administrative expenses decreased by €1.8 million, or 1.1%, from €161.8 million in the six months ended June 30, 2014 to €160.0 million in the six months ended June 30, 2015. Other net operating income decreased by €0.9 million, or 35.0%, from €2.7 million in the six months ended June 30, 2014, to €1.7 million in the six months ended June 30, 2015. Net accruals to provision for risk and charge decreased by €2.2 million, or 23.0%, from €9.5 million in the six months ended June 30, 2014, to €7.3 million in the six months ended June 30, 2015.

Group EBITDA

The following table provides a breakdown of our EBITDA for the six months ended June 30, 2014 and 2015, as reported in our management accounts. We calculate EBITDA as operating revenue, less operating costs excluding depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating revenue).

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Operating revenue	322.8	327.4
Operating costs	(250.5)	(251.9)
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	12.8	15.3
EBITDA	**85.0**	**90.8**

EBITDA increased by €5.8 million, or 6.8%, from €85.0 million in the six months ended June 30, 2014, to €90.8 million in the six months ended June 30, 2015. This increase was primarily the result of increased EBITDA contribution by our CartaSi, Payments, Securities Services and BPO Services reporting segments, partly offset by lower EBITDA generated from our Other Group Activities reporting segment.

Depreciation, Amortization and Net Impairment Losses on Property, Equipment, Investment Property and Intangible Assets

The following table provides an overview of our depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets for the six months ended June 30, 2014 and 2015, as reported pursuant to IFRS.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets	(16.5)	(20.5)

Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets increased by €4.0 million, or 24.4%, from €16.5 million in the six months ended June 30, 2014, to €20.5 million in the six months ended June 30, 2015. This increase was primarily due to an increase of €3.1 million in the amortization of intangible assets (from €7.1 million in the six months ended June 30, 2014 to €10.2 million in the six months ended June 30, 2015) consisting of (i) an expense of €1.5 million relating to the amortization of customer contracts acquired in connection with our acquisitions of ICCREA Depositary Bank, C-Card S.p.A. and Unicard S.p.A. during 2014 and (ii) an expense of €1.6 million relating to other intangible assets, consisting primarily of software investments. Depreciation of property, equipment and investment property increased by €0.9 million, from €9.5 million in the six months ended June 30, 2014, to €10.4 million in the six months ended June 30, 2015, and consisted of (i) depreciation on real estate property of €2.1 million, (ii) depreciation of POS and ATM equipment of €7.8 million and (iii) depreciation of other equipment of €0.6 million.

Income Taxes

The following table provides an overview of our income taxes for the six months ended June 30, 2014 and 2015, as reported pursuant to IFRS.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Income taxes	(28.4)	(21.2)

Income taxes decreased by €7.2 million, or 25.4%, from €28.4 million in the six months ended June 30, 2014, to €21.2 million in the six months ended June 30, 2015. This decrease is primarily due to: (i) the impact of a new tax law (Legge 23/12/2014, n.190) that became effective as of the fiscal year 2015 and allows for the tax deductibility of personnel expenses for purposes of a regional tax on productive activities (*IRAP*), accounting for a decrease in income taxes of €3.5 million; (ii) higher deductions on account of undistributed profits, resulting in a decrease in income taxes of

€1.0 million; and (iii) the impact of the change in treatment of deferred tax assets on other expenses, accounting for a reduction in income taxes of €2.3 million. For the six months ended June 30, 2015, our effective tax rate was 30.3%, compared to 43.5% for the six months ended June 30, 2014.

Non-Recurring / Extraordinary Items

The following table provides an overview of our non-recurring / extraordinary items for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Non-recurring/extraordinary items	(3.5)	(0.8)

Non-recurring/extraordinary items increased by €2.7 million, from a net expense of €3.5 million in the six months ended June 30, 2014, to a net expense of €0.8 million in the six months ended June 30, 2015. Non-recurring expenses and extraordinary items in the six months ended June 30, 2014 primarily included a charge of €4.0 million relating to the resolution of a dispute about legacy tax obligations of CartaSi relating to a gain in CartaSi's shares in Visa Europe Limited, net of income received when a contractual indemnification provided to the Target by CartaSi's previous shareholders was invoked. Non-recurring expenses and extraordinary items in the six months ended June 30, 2015 mainly related to (i) a charge of €0.6 million related to the consensual termination of staff and (ii) a charge of €0.3 million related to the elimination in our accounts of dividends received from associated companies.

Profit for the Period Attributable to the Owners of the Parent

The following table provides an overview of our profit for the period attributable to the owners of the parent for the six months ended June 30, 2014 and 2015, and for the years ended December 31, 2012, 2013 and 2014, in each case, as reported pursuant to IFRS.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Profit for the period attributable to the owners of the parent	36.1	47.0

Profit for the period attributable to the owners of the parent increased by €10.9 million, or 30.4%, from €36.1 million in the six months ended June 30, 2014, to €47.0 million in the six months ended June 30, 2015. This increase was primarily due to an increase in net fee and commission income and a decrease in other administrative expenses, operating costs and income taxes (described above under "*—Income Taxes*"), partly offset by a decrease in net financial income and increases in depreciation, amortization and net impairment losses on intangible assets (described above under "*—Depreciation, Amortization and Net Impairment Losses on Property Equipment Investment Property Intangible Assets*") and an increase in profit attributable to non-controlling interests. On an operating basis, these results reflected improved trading and acquisitions in all of our reporting segments, except for our Other Group Activities reporting segment, the results for which reflected a reduction of average yields in our securities portfolio.

Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013

Group Operating Revenue

The following table provides a breakdown of our Group operating revenue for the year ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Net fee, commission and other business income	575.0	595.0
Net interest income	77.6	69.9
Net trading/hedging income	4.2	5.0
Dividends from equity investments and AFS	2.1	0.4
Operating revenue	**658.8**	**670.4**

Operating revenue increased by €11.6 million, or 1.8%, from €658.8 million in the year ended December 31, 2013, to € 670.4 million in the year ended December 31, 2014. This increase was mainly due to an increase in net fee, commission and other business income, partly offset by decreased net interest income. The increase in net fee, commission and other business income was primarily the result of improved performance across our CartaSi, Securities Services and BPO Services reporting segments, partly offset by lower operating revenue from Payments due to the decrease in Single Euro Payments Area ("**SEPA**") unit prices. The decrease in net interest income was related to a decrease in Italian government bond interest rates. The average interbank interest rates for one-month deposits remained constant at 13 basis and the average yield on Italian government bonds with a maturity of three years decreased from 214 basis points in the year ended December 31, 2013, to 95 basis points in the year ended December 31, 2014.

Group Operating Costs (Net of Depreciation and Amortization Included in Operating Profit)

The following table provides a breakdown of our Group operating costs by line item for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Administrative expenses:	(462.1)	(464.9)
a) payroll and related costs	(131.1)	(134.3)
b) other administrative expenses	(331.0)	(330.6)
Other net operating expenses/income	12.6	5.3
Net accruals to provision for risk and charge	(15.5)	(15.3)
Operating costs (net of depreciation and amortization included in operating profit)	**(465.0)**	**(474.9)**

Administrative expenses increased by €2.8 million, or 0.6%, from €462.1 million in the year ended December 31, 2013, to €464.9 million in the year ended December 31, 2014. Payroll and related costs increased by €3.2 million, or 2.4%, from €131.1 million in the year ended December 31, 2013, to €134.3 million in the year ended December 31, 2014. Other administrative expenses decreased by €0.4 million, or 0.1%, from €331.0 million in the year ended December 31, 2013, to €330.6 million in the year ended December 31, 2014. Other net operating income decreased by €7.3 million, or 58%, from €12.6 million in the year ended December 31, 2013, to €5.3 million in the year ended December 31, 2014. Net accruals to provision for risk and charge decreased by €0.2 million, or 1.3%, from €15.5 million in the year ended December 31, 2013, to €15.3 million in the year ended December 31, 2014.

Group EBITDA

The following table provides a breakdown of our EBITDA for the years ended December 31, 2013 and 2014, as reported in our management accounts. We calculate EBITDA as operating revenue, less operating costs excluding depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating revenue).

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Operating revenue	658.8	670.4
Operating costs	(490.4)	(502.8)
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	25.4	27.9
EBITDA	**193.8**	**195.5**

EBITDA increased by €1.7 million, or 0.9%, from €193.8 million in the year ended December 31, 2013, to €195.5 million in the year ended December 31, 2014. This increase was primarily the result of increased EBITDA contribution by our CartaSi, Securities Services and BPO Services reporting segments, partly offset by lower EBITDA contribution from our Payments and Other Group Activities reporting segments.

Depreciation, Amortization and Net Impairment Losses on Property, Equipment, Investment Property and Intangible Assets

The following table provides an overview of our depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets for the years ended December 31, 2013 and 2014, as reported pursuant to IFRS.

	Year ended December 31,

	2013	2014
	(in € millions)	
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets	(33.0)	(36.5)

Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets increased by €3.6 million, or 10.8%, from €33.0 million in the year ended December 31, 2013, to €36.5 million in the year ended December 31, 2014. This increase was due to an increase of €3.6 million in amortization of intangible assets (from €12.9 million in the year ended December 31, 2013 to €16.5 million in the year ended December 31, 2014) consisting of (i) an expense of €1.1 million relating to the amortization of customer contracts acquired in connection with our acquisitions of ICCREA Depositary Bank, C-Card S.p.A. and Unicard S.p.A. during 2014 and (ii) an expense of €2.5 million relating to other intangible assets, consisting primarily of software investments. Depreciation of property, equipment and investment property remained constant at €20.1 million and consisted of (i) depreciation of real estate property of €4.1 million, (ii) depreciation of POS and ATM equipment of €13.4 million and (iii) depreciation of other equipment of €2.6 million.

Income Taxes

The following table provides an overview of our income taxes for the years ended December 31, 2013 and 2014, as reported pursuant to IFRS.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Income taxes	(75.3)	(57.8)

Income taxes decreased by €17.5 million, or 23.2%, from € 75.3 million in the year ended December 31, 2013, to €57.8 million in the year ended December 31, 2014. This decrease was primarily due to a one-time payment of a surcharge applicable to financial institutions in 2013, which accounted for additional income tax of €12.7 million in 2013. For the year ended December 31, 2014, our effective tax rate was 36.7%, compared to 49.8% for the year ended December 31, 2013.

Non-Recurring / Extraordinary Items

The following table provides an overview of our non-recurring / extraordinary items for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Non-recurring/extraordinary items	2.0	(0.3)

Non-recurring/extraordinary items decreased by €2.3 million, from a net income of €2.0 million in the year ended December 31, 2013, to a net expense of €0.3 million in the year ended December 31, 2014. Non-recurring expenses and extraordinary items in 2013 primarily included (i) €3.7 million of net profit on the sale of available-for-sale financial assets and held-to-maturity investments; (ii) €2.9 million of net impairment losses on available-for-sale financial assets; (iii) € 2.9 million income from the release of provisions for litigation risks with insurance; (iv) €0.5 million of charges for provisions for tax audits; (vi) €1.2 million related to the elimination in our accounts of dividends received from associated companies; and (vii) a net expense of €0.1 million relating to other items. Non-recurring and extraordinary items in 2014 primarily included: (i) €4.0 million of above-mentioned net charges for CartaSi admission to 2004 tax notice of assessment related to a gain in CartaSi's shares in Visa Europe Limited; (ii) €3.5 million of charges for consensual staff terminations; (iii) €3.5 million of net profit on the sale of available-for-sale financial assets; (iv) €2.0 million of net impairment losses on the sale of available-for-sale financial assets and held-to-maturity investments; (v) €4.1 million of income from recoveries of tax; and (vi) €1.5 million income of other net revenue/costs.

Profit for the Period Attributable to the Owners of the Parent

The following table provides an overview of our profit for the period attributable to the owners of the parent for the years ended December 31, 2013 and 2014, in each case, as reported pursuant to IFRS.

	Year ended December 31,	
	2013	2014

	(in € millions)	
Profit for the period attributable to the owners of the parent	73.2	96.4

Profit for the period attributable to the owners of the parent increased by €23.1 million, or 31.6%, from €73.2 million in the year ended December 31, 2013, to €96.4 million in the year ended December 31, 2014. This increase was primarily due to an increase in net fee and commission income and net financial income and a decrease in income taxes (described above under "—*Income Taxes*"), partly offset by a decrease in net interest income and increases in administrative expenses, operating costs and profit for the period attributable to non-controlling interests. On an operating basis, these results reflected improved trading and acquisitions in our CartaSi, Securities Services and BPO Services reporting segments, partly offset by decreased performance in our Payments reporting segment (due to a decrease in SEPA unit prices) and Other Group Activities reporting segment, the results for which reflected a reduction of average yields in our securities portfolio.

Comparison of the Year Ended December 31, 2013 to the Year Ended December 31, 2012

Group Operating Revenue

The following table provides a breakdown of our Group operating revenue for the year ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Net fee, commission and other business income	569.4	575.0
Net interest income	87.0	77.6
Net trading/hedging income	9.4	4.2
Dividends from equity investments and AFS	2.1	2.1
Operating revenue	**667.9**	**658.8**

Operating revenue decreased by €9.1 million, or 1.4%, from € 667.9 million in the year ended December 31, 2012, to € 658.8 million in the year ended December 31, 2013. This decrease was mainly due to decreases in net interest income and net trading/hedging income. Net fee, commission and other business income increased despite the insourcing by Intesa SanPaolo and UniCredit of their card issuing and merchant acquiring business due to revenue generated by the Securities Services reporting segment. In particular, our operating revenue decreased due to the replacement of higher-margin licensing-model card issuing and merchant acquiring services provided to Intesa SanPaolo and UniCredit with lower-margin licensing associate and servicing model services. The decrease in net interest income was related to a decrease in interbank and Italian government bond interest rates. The average interbank interest rates for one-month deposits decreased from 32 basis points in the year ended December 31, 2012, to 13 basis points in the year ended December 31, 2013 and the average yield on Italian government bonds with a maturity of three years decreased from 356 basis points in the year ended December 31, 2012, to 214 basis points in the year ended December 31, 2013. The decrease in net trading/hedging income was primarily the result of a different management strategy and different allocation of the securities portfolio managed by our treasury function that involved the reclassification of financial assets from "financial assets held for trading" to "available-for-sale."

Group Operating Costs (Net of Depreciation and Amortization Included in Operating Profit)

The following table provides an overview of our Group operating costs by line item for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Administrative expenses:	(458.9)	(462.1)
a) payroll and related costs	(127.8)	(131.1)
b) other administrative expenses	(331.2)	(331.0)
Other net operating expenses/income	5.9	12.6
Net accruals to provision for risk and charge	(18.8)	(15.5)
Operating costs (net of depreciation and amortization included in operating profit)	**(471.9)**	**(465.0)**

Administrative expenses increased by €3.2 million, or 0.7%, from €458.9 million in the year ended December 31, 2012, to €462.1 million in the year ended December 31, 2013. Payroll and related costs increased by €3.3 million, or 2.6%, from €127.8 million in the year ended December 31, 2012, to €131.1 million in the year ended December 31, 2013. Other administrative expenses decreased by €0.2 million, or 0.1%, from €331.2 million in the year ended December 31, 2012, to €331.0 million in the year ended December 31, 2013. Other net operating income increased by €6.7 million, or 113.6%, from €5.9 million in the year ended December 31, 2012, to €12.6 million in the year ended December 31, 2013. Net accruals to provision for risk and charge decreased by €3.3 million, or 17.6%, from €18.8 million in the year ended December 31, 2012, to €15.5 million in the year ended December 31, 2013.

Group EBITDA

The following table provides a breakdown of our EBITDA for the years ended December 31, 2012 and 2013, as reported in our management accounts. We calculate EBITDA as operating revenue, less operating costs excluding depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating revenue).

	Year ended December 31,	
	2012	2013
	(in € millions)	
Operating revenue	667.9	658.8
Operating costs	(496.2)	(490.4)
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	24.3	25.4
EBITDA	**196.0**	**193.8**

EBITDA decreased by €2.2 million, or 1.1%, from €196.0 million in the year ended December 31, 2012, to €193.8 million in the year ended December 31, 2013. This decrease was primarily the result of decreased EBITDA contribution by our CartaSi operating segment as a result of a decrease in EBITDA caused by insourcing at Intesa SanPaolo and UniCredit of their card issuing and merchant acquiring businesses, as well as from our BPO Services and our Other Group Activities reporting segment as a result of a decrease in EBITDA caused by lower yield on our portfolio of Italian government bonds, partly offset by higher EBITDA contribution from our Payments and Securities Services reporting segments.

Depreciation, Amortization and Net Impairment Losses on Property, Equipment, Investment Property and Intangible Assets

The following table provides an overview of our depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets for the years ended December 31, 2012 and 2013, as reported pursuant to IFRS.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets	(33.8)	(33.0)

Depreciation, amortization and impairment losses on property, equipment, investment property and intangible assets decreased by €0.8 million, or 2.3%, from €33.8 million in the year ended December 31, 2012, to €33.0 million in the year ended December 31, 2013. This decrease was primarily due to impairment losses of €4.5 million in the year ended December 31, 2012, related to depositary bank customer contracts we acquired from Banca Carige. Net of this non-recurring effect, amortization of intangible assets increased by €3.0 million, from €9.9 million in the year ended December 31, 2012, to €12.9 million in the year ended December 31, 2013. The increase resulted from (i) increased amortization of customer contracts by €2.4 million, mainly related to the customer contracts acquired in connection with our acquisition of Arca Depositary Bank, and (ii) increased amortization of other intangible assets by €0.6 million. Depreciation of property, equipment and investment property increased by €0.6 million from €19.4 million in the year ended December 31, 2012, to €20.1 million in the year ended December 31, 2013.

Income Taxes

The following table provides an overview of our income taxes for the year ended December 31, 2012 and 2013, in each case, as reported pursuant to IFRS.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Income taxes	(59.9)	(75.3)

Income taxes increased by €15.4 million, or 25.7%, from €59.9 million in the year ended December 31, 2012, to €75.3 million in the year ended December 31, 2013. This increase was primarily due to a one-time payment of a surcharge applicable to financial institutions in 2013. The increase was partly offset by a reduction in income taxes due to the enactment of a new Italian law (*Decreto Salva Italia*) that allowed for the deduction of production taxes (*IRAP*) paid on the value of net production activities in Italy from corporate income tax (*IRES*) liability, which accounted for lower corporate income tax by €5.8 million. For the year ended December 31, 2012, our effective tax rate was 38.9%.

Non-Recurring / Extraordinary Items

The following table provides an overview of our non-recurring / extraordinary items for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	**2013**
	(in € millions)	
Non-recurring/extraordinary items	(0.8)	2.0

Non-recurring/extraordinary items increased by €2.8 million, from a net expense of €0.8 million in the year ended December 31, 2012, to a net income of €2.0 million in the year ended December 31, 2013. Non-recurring and extraordinary items in 2012 mainly included (i) €4.0 million of Net impairment losses on available-for-sale financial assets; (ii) €6.2 million resulting from the consolidation of the acquired company Siteba S.p.A.; (vi) €2.2 million related to the elimination in our accounts of dividends received from associated companies; (iv) €0.9 million of charges relating to our management incentive program for the years 2010-2012; and (vii) €0.1 million of other items.

Profit for the Period Attributable to the Owners of the Parent

The following table provides an overview of our profit for the period attributable to the owners of the parent for the years ended December 31, 2012 and 2013, in each case, as reported pursuant to IFRS.

	Year ended December 31,	
	2012	**2013**
	(in € millions)	
Profit for the period attributable to the owners of the parent	90.1	73.2

Profit for the period attributable to the owners of the parent decreased by €16.9 million, or 18.8%, from €90.1 million in the year ended December 31, 2012, to €73.2 million in the year ended December 31, 2013. This decrease was primarily due to decreases in net interest income, net fee and commission income and net financial income and an increase in income taxes (described above under "—*Income Taxes*"), partly offset by decreases in administrative expenses, operating costs and profit for the period attributable to non-controlling interests. On an operating basis, these results reflected decreased performance on a margin basis in our CartaSi reporting segment, as a result of the insourcing by Intesa SanPaolo and UniCredit of their card issuing and merchant acquiring businesses, decreased performance in our BPO Services reporting segment (due to the transfer by Oasi of its pension funds business to the Target to concentrate all pension fund services in the Securities Services reporting segment) and decreased performance in our Other Group Activities reporting segment, which was the result of a reduction of average yields in our securities portfolio, partly offset by improvements in our Payments and Securities Services reporting segments.

Discussion of Results of Operations by Reporting Segment

Comparison of the Six Months Ended June 30, 2015 to the Six Months Ended June 30, 2014

Operating Revenue by Reporting Segment

The following table provides a breakdown of our Group operating revenue by line item for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Operating Revenue	**322.8**	**327.4**
CartaSi	204.9	207.4
Payments	41.4	42.1
Securities Services	31.1	35.1
BPO Services	11.7	13.8
Other Group Activities	34.8	30.3
Consolidation adjustments(1)	(1.1)	(1.2)

(1) Eliminates the effect of intragroup activities on operating revenue.

CartaSi

The following table provides an overview of the operating revenue generated by our CartaSi reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Net fee, commission and other business income	209.4	210.3
Net interest income	(4.4)	(2.8)
Net trading/hedging income	(0.1)	(0.1)
Dividends from equity investments and AFS	0.0	0.0
Operating revenue	**204.9**	**207.4**
thereof: Card Issuing	96.8	98.7
thereof: Merchant Acquiring and POS	81.2	82.0
thereof: Others(1)	26.9	26.7

(1) Includes operating revenue generated by CartaSi S.p.A. from debit servicing and ATM management, operating revenue generated by HelpLine S.p.A. and operating revenue generated by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

Operating revenue generated by the CartaSi reporting segment increased by €2.5 million, or 1.2%, from €204.9 million in the six months ended June 30, 2014, to €207.4 million in the six months ended June 30, 2015. This increase primarily resulted from increased operating revenue in our Card Issuing and Merchant Acquiring and POS Businesses, partly offset by a decrease in operating revenue from our other CartaSi business units. Operating revenue generated by our Card Issuing Business increased by €1.9 million, or 2.0%, from €96.8 million in the six months ended June 30, 2014, to €98.7 million in the six months ended June 30, 2015, primarily due to increases in the number of managed cards, the value of card transactions and the number of managed transactions. Operating revenue generated by our Merchant Acquiring and POS business increased by €0.8 million, or 1.0%, from €81.2 million in the six months ended June 30, 2014, to €82.0 million in the six months ended June 30, 2015, primarily due to increases in the value of card transactions, the number of managed transactions and the number of managed POS, which resulted in increased net fee, commission and other business income as a result of improved trading performance. Operating revenue generated by our other CartaSi Business units (debit services, ATM management, HelpLine and C-Card/Unicard) decreased by €0.2 million, or 0.8%, from €26.9 million in the six months ended June 30, 2014, to €26.7 million in the six months ended June 30, 2015, due to the reallocation of operating revenue generated by C-Card following its merger with and into CartaSi at the end of 2014, with the majority of C-Card's revenue allocated to CartaSi's Card Issuing Business.

Payments

The following table provides an overview of our Payments operating revenue generated by our Payments reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Net fee, commission and other business income	39.5	41.3
Net interest income	1.8	0.8
Net trading/hedging income	—	—
Dividends from equity investments and AFS	—	—
Operating revenue	**41.4**	**42.1**

Operating revenue generated by the Payments reporting segment increased by €0.7 million, or 1.7%, from €41.4 million in the six months ended June 30, 2014, to €42.1 million in the six months ended June 30, 2015. This increase was primarily due to an increase in net fees, commission and other business income, partly offset by lower net interest income. Net fee, commission and other business income increased by €1.8 million, or 4.5%, from €39.5 million in the six months ended June 30, 2014, to €41.3 million in the six months ended June 30, 2015, primarily as a result of improved performance in our banking and clearing services business and revenue growth in our digital corporate banking services business. Net interest income decreased by €1.1 million, or 58.5%, from €1.8 million in the six months ended June 30, 2014, to €0.8 million in the six months ended June 30, 2015. The reduction in net interest income primarily resulted from a decrease in the spread on our deposits by 23 basis points, in line with market interest rates. Additionally, our average gross deposit volume decreased by €8.9 million, or 1.1%, from €819.4 million in the six months ended June 30, 2014, to €810.5 million in the six months ended June 30, 2015.

Securities Services

The following table provides an overview of our operating revenue generated by our Securities Services reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management account.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Net fee, commission and other business income	23.8	29.9
Net interest income	4.6	2.4
Net trading/hedging income	2.7	2.7
Dividends from equity investments and AFS	—	—
Operating revenue	**31.1**	**35.1**

Operating revenue generated by the Securities Services reporting segment increased by €4.0 million, or 13.0%, from €31.1 million in the six months ended June 30, 2014, to €35.1 million in the six months ended June 30, 2015. This increase was primarily due to (i) an increase in net fee, commission and other business income by €6.2 million, or 26.0%, from €23.8 million in the six months ended June 30, 2014, to €29.9 million in the six months ended June 30, 2015, partly offset by (ii) a decrease in net interest income of €2.2 million, or 47.2%, from €4.6 million in the six months ended June 30, 2014, to €2.4 million in the six months ended June 30, 2015, due to a decrease in the spread paid on our customer deposits by 23 basis points. The increase in net fee, commission and other business income was primarily due to an increase in operating revenue generated by fund services of €5.6 million, or 36.4%, from €15.3 million in the six months ended June 30, 2014, to €20.9 million in the six months ended June 30, 2015, mostly due to our acquisition of the ICCREA depositary bank and controls business in the second half of 2014, which increased our assets in custody. The reduction in net interest income was due to a decrease in the spread on our deposits by 13 basis points, in line with market interest rates, partially offset by growth of our average gross deposit volume which increased by €1,055.2 million, or 42.8%, from €2,462.8 million in the six months ended June 30, 2014, to €3,518.0 million in the six months ended June 30, 2014.

BPO Services

The following table provides an overview of our operating revenue generated by our BPO Services reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Net fee, commission and other business income	11.7	13.8
Net interest income	(0.0)	(0.0)
Net trading/hedging income	—	—
Dividends from equity investments and AFS	—	—
Operating revenue	**11.7**	**13.8**

Absent any funding activity, operating revenue contributed by the BPO Services reporting segment is almost entirely composed of net fee, commission and other business income.

Net fee, commission and other business income generated by our BPO Services reporting segment increased by €2.0 million, or 17.3%, from €11.7 million in the six months ended June 30, 2014, to €13.8 million in the six months ended June 30, 2015. This increase was primarily due to the improved performance of our anti-money laundering services, with operating revenue from this business increasing by €0.9 million, or 19.8%, from €4.5 million in the six months ended June 30, 2014, to €5.4 million in the six months ended June 30, 2015, as a result of the acquisition of new customers and increased provision of services. Operating revenue generated by our regulatory reporting services increased by €0.7 million, or 13.4%, from €5.3 million in the six months ended June 30, 2014, to €6.0 million in the six months ended June 30, 2015. Operating revenue from the security services component of our BPO Services reporting segment increased by €0.4 million, or 21.8%, from €2.0 million in the six months ended June 30, 2014, to €2.4 million in the six months ended June 30, 2015.

Other Group Activities

The following table provides an overview of our operating revenue generated by our Other Group Activities reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Net fee, commission and other business income	(0.0)	(0.0)
Net interest income	34.4	29.5
Net trading/hedging income	0.1	0.5
Dividends from equity investments and AFS	0.2	0.3
Operating revenue	**34.8**	**30.3**

Operating revenue contributed by our Other Group Activities reporting segment is primarily related to net interest income generated by our treasury function in connection with its investment portfolio consisting primarily of investments in Italian government bonds.

Operating revenue contributed by our Other Group Activities reporting segment decreased by €4.5 million, or 12.9%, from €34.8 million in the six months ended June 30, 2014, to €29.5 million in the six months ended June 30, 2015. This decrease was primarily due to a reduction in the average yield of our securities portfolio, as new securities that were added to our portfolio carried a lower yield than the maturing securities they replaced. The average yield on our securities portfolio decreased from 243 basis points in the six months ended June 30, 2014, to 186 basis points in the six months ended June 30, 2015. The average value of our securities portfolio remained constant at €2.6 billion.

Operating Costs by Reporting Segment

The following table provides an overview of our operating costs by reporting segments for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Operating costs (net of depreciation and amortization included in operating profit)	**(237.8)**	**(236.6)**
CartaSi	(155.6)	(154.7)
Payments	(36.8)	(32.5)
Securities Services	(25.7)	(27.7)
BPO Services	(8.6)	(10.3)
Other Group Activities	(12.1)	(12.8)
Consolidation adjustments[(1)]	1.1	1.2

(1) Eliminates the effect of intragroup activities on operating costs.

CartaSi

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our CartaSi reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
Administrative expenses:	(149.7)	(148.3)
a) payroll and related costs	(28.9)	(29.5)
b) other administrative expenses	(120.8)	(118.8)
Other net operating expenses/income	0.7	0.7
Net accruals to provision for risk and charge	(6.5)	(7.1)
thereof: Fraud	4.4	4.9
thereof: Credit losses	2.1	2.2
thereof: Others	—	—
Operating costs (net of depreciation and amortization included in operating profit)	**(155.6)**	**(154.7)**
thereof: Card Issuing	82.2	83.8
thereof: Merchant Acquiring and POS	52.5	50.2
thereof: Others[(1)]	20.9	20.6

(1) Includes operating costs incurred by CartaSi S.p.A. from debit servicing and ATM management, operating costs incurred by HelpLine S.p.A. and operating costs incurred by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

Operating costs (net of depreciation and amortization included in operating profit) in the CartaSi reporting segment decreased by €0.9 million, or 0.6%, from €155.6 million in the six months ended June 30, 2014, to €154.7 million in the six months ended June 30, 2015. This decrease was primarily due to a decrease in administrative expenses, which was partly offset by an increase in net accruals to provision for risk and charge. Administrative expenses decreased by €1.4 million, or 0.9%, from €149.7 million in the six months ended June 30, 2014, to €148.3 million in the six months ended June 30, 2015. Specifically, payroll and related costs increased by €0.6 million, or 2.1%, from €28.9 million in the six months ended June 30, 2014, to €29.5 million in the six months ended June 30, 2015 as a result of an increase in the average number of staff. Other administrative expenses decreased by €2.0 million, or 1.7%, from €120.8 million in the six months ended June 30, 2014, to €118.8 million in the six months ended June 30, 2015 due to a decrease of production costs and general expenses, partially offset by an increase of ICT costs. Other net operating income remained stable at €0.7 million in the six months ended June 30, 2014 and in the six months ended June 30, 2015. Net accruals to provision for risk and charge increased by €0.6 million, or 9.2%, from €6.5 million in the six months ended June 30, 2014, to €7.1 million in the six months ended June 30, 2015, due to an increase in CartaSi's provision in respect of fraud.

Payments

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Payments reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Administrative expenses:	(28.8)	(29.5)
a) payroll and related costs	(6.7)	(8.7)
b) other administrative expenses	(22.1)	(20.8)
Other net operating expenses/income	(5.0)	(2.7)
Net accruals to provision for risk and charge	(3.0)	(0.3)
Operating costs (net of depreciation and amortization included in operating profit)	**(36.8)**	**(32.5)**

Operating costs (net of depreciation and amortization included in operating profit) in the Payments reporting segment decreased by €4.3 million, or 11.7%, from €36.8 million in the six months ended June 30, 2014, to €32.5 million in the six months ended June 30, 2015. This decrease was primarily due to a decrease in other administrative expenses, other net operating expenses and net accruals to provision for risk and charge. Administrative expenses increased by €0.7 million, or 2.4%, from €28.8 million in the six months ended June 30, 2014, to €29.5 million in the six months ended June 30, 2015. Payroll and related costs increased by €2.0 million, or 29.9%, from €6.7 million in the six months ended June 30, 2014, to €8.7 million in the six months ended June 30, 2015, due to a reallocation of employees from our Other Group Activities reporting segment to our Payments reporting segment, which resulted from an internal reorganization of our commercial and marketing departments and which increased the average number of staff in the Payments reporting segment. Other administrative expenses decreased by €1.3 million, or 5.9%, from €22.1 million in the six months ended June 30, 2014, to €20.8 million in the six months ended June 30, 2015, due to a decrease in SEPA unit costs. Other net operating expenses decreased by €2.3 million, or 46.0%, from €5.0 million in the six months ended June 30, 2014, to €2.7 million in the six months ended June 30, 2015, due to a reduction in internal invoicing for centralized services (such as ICT, audit, marketing, human resources, legal and similar services) provided by other reporting segments. Net accruals to provision for risk and charge decreased by €2.7 million, or 90.0%, from €3.0 million in the six months ended June 30, 2014, to €0.3 million in the six months ended June 30, 2015, due to a provision in respect of SEPA in the year ended June 30, 2014.

Securities Services

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Securities Services reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Administrative expenses:	(21.1)	(22.7)
a) payroll and related costs	(8.8)	(9.7)
b) other administrative expenses	(12.3)	(13.0)
Other net operating expenses/income	(4.6)	(5.0)
Net accruals to provision for risk and charge	—	—
Operating costs (net of depreciation and amortization included in operating profit)	**(25.7)**	**(27.7)**

Operating costs (net of depreciation and amortization included in operating profit) in the Securities Services reporting segment increased by €2.0 million, or 7.8%, from €25.7 million in the six months ended June 30, 2014, to €27.7 million in the six months ended June 30, 2015. This increase was due to increases in all operating cost line items. Administrative expenses increased by €1.6 million, or 7.6%, from €21.1 million in the six months ended June 30, 2014, to €22.7 million in the six months ended June 30, 2015. Payroll and related costs increased by €0.9 million, or 10.2%, from €8.8 million in the six months ended June 30, 2014, to €9.7 million in the six months ended June 30, 2015, due to (i) a reallocation of employees from our Other Group Activities reporting segment to our Securities Services reporting segment, which resulted from an internal reorganization of our commercial and marketing departments and which increased the average number of staff of the Securities Services reporting segment by 5.5% and (ii) the acquisition of depositary bank activities from ICRREA. Other administrative expenses increased by €0.7 million, or 5.7%, from €12.3 million in the six months ended June 30, 2014, to €13.0 million in the six months ended June 30, 2015, due to higher production costs and ICT costs in line with the general growth of our business activities. Other net operating expenses increased by €0.4 million, or 8.7%, from €4.6 million in the six months ended June 30, 2014, to €5.0 million in the six months ended June 30, 2015, due to a reduction in internal invoicing for centralized services (such as ICT, audit, marketing, human resources, legal and similar services) provided by other reporting segments. There were no net accruals to provision for risk and charge in the six months ended June 30, 2014 or in the six months ended June 30, 2015.

BPO Services

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our BPO Services reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Administrative expenses:	(8.7)	(10.4)
a) payroll and related costs	(4.1)	(4.3)
b) other administrative expenses	(4.6)	(6.1)
Other net operating expenses/income	0.0	0.1
Net accruals to provision for risk and charge	0.0	0.0
Operating costs (net of depreciation and amortization included in operating profit)	**(8.6)**	**(10.3)**

Operating costs (net of depreciation and amortization included in operating profit) in the BPO Services reporting segment increased by €1.7 million, or 19.8%, from €8.6 million in the six months ended June 30, 2014, to €10.3 million in the six months ended June 30, 2015. This was primarily due to an increase in administrative expenses. Administrative expenses increased by €1.7 million, or 20.2%, from €8.7 million in the six months ended June 30, 2014, to €10.4 million in the six months ended June 30, 2015. Payroll and related costs increased by €0.2 million, or 5.1%, from €4.1 million in the six months ended June 30, 2014, to €4.3 million in the six months ended June 30, 2015, due to a higher average number of staff. Other administrative expenses increased by €1.5 million, or 33.1%, from €4.6 million in the six months ended June 30, 2014, to €6.1 million in the six months ended June 30, 2015, due to higher production costs and ICT costs in line with the general growth of our business activities. Other net operating income increased from €0.0 million in the six months ended June 30, 2014, to €0.1 million in the six months ended June 30, 2015. Net accruals to provision for risk and charge remained at €0.0 million for both periods.

Other Group Activities

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Other Group Activities reporting segment for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	2015
	(in € millions)	
Administrative expenses:	(34.9)	(32.4)
a) payroll and related costs	(20.8)	(18.9)
b) other administrative expenses	(14.2)	(13.5)
Other net operating expenses/income	22.8	19.6
Net accruals to provision for risk and charge	—	—
Operating costs (net of depreciation and amortization included in operating profit)	**(12.1)**	**(12.8)**

Operating costs (net of depreciation and amortization included in operating profit) in the Other Group Activities reporting segment increased by €0.7 million, or 5.8%, from €12.1 million in the six months ended June 30, 2014, to €12.8 million in the six months ended June 30, 2015. This increase was primarily due to a decrease in other net operating income. Administrative expenses decreased by €2.5 million, or 7.2%, from €34.9 million in the six months ended June 30, 2014, to €32.4 million in the six months ended June 30, 2015. Payroll and related costs decreased by €1.9 million, or 9.1%, from €20.8 million in the six months ended June 30, 2014, to €18.9 million in the six months ended June 30, 2015, due to a decrease in the average number of staff, mainly related to a reallocation of employees resulting from an internal reorganization of our commercial and marketing departments. Other administrative expenses decreased by €0.7 million, or 4.8%, from €14.2 million in the six months ended June 30, 2014, to €13.5 million in the six months ended June 30, 2015, due to the aforementioned reorganization of our commercial and marketing departments. Other net operating income decreased by €3.2 million, or 14.0%, from €22.8 million in the six months ended June 30, 2014, to €19.6 million in the six months ended June 30, 2015, due to a reduction in internal invoicing for centralized services (such as ICT, audit, marketing, human resources, legal and similar services) provided to other reporting segments. There were no net accruals to provision for risk and charge in the six months ended June 30, 2014 or in the six months ended June 30, 2015.

EBITDA by Reporting Segment

The following table provides an overview of our EBITDA by reporting segments for the six months ended June 30, 2014 and 2015, as reported in our management accounts.

	Six months ended June 30,	
	2014	**2015**
	(in € millions)	
EBITDA	**85.0**	**90.8**
CartaSi	49.3	52.7
thereof: Card Issuing	14.6	14.9
thereof: Merchant Acquiring and POS	28.4	31.8
thereof: Other(1)	6.3	6.1
Payments	4.5	9.6
Securities Services	5.4	7.4
BPO Services	3.1	3.5
Other Group Activities	22.7	17.5
Consolidation adjustments(2)	(0.0)	(0.0)

(1) Includes EBITDA generated by CartaSi S.p.A. from debit servicing and ATM management, EBITDA generated by HelpLine S.p.A. and EBITDA from acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

(2) Eliminates the effect of intragroup activities on EBITDA.

Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013

Operating Revenue by Reporting Segment

The following table provides an overview of the operating revenue by reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Operating Revenue	**658.8**	**670.4**
CartaSi	419.8	429.5
Payments	89.4	87.0
Securities Services	53.8	62.4
BPO Services	22.6	26.7
Other Group Activities	76.2	68.2
Consolidation adjustments(1)	(3.0)	(3.5)

(1) Eliminates the effect of intragroup activities on operating revenue.

CartaSi

The following table provides an overview of the operating revenue generated by our CartaSi reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Net fee, commission and other business income	428.5	438.2
Net interest income	(9.0)	(8.3)
Net trading/hedging income	0.3	(0.4)
Dividends from equity investments and AFS	0.0	0.0
Operating revenue	**419.8**	**429.5**
thereof: Card Issuing	204.0	207.3
thereof: Merchant Acquiring and POS	164.3	166.0
thereof: Others(1)	51.5	56.3

(1) Includes operating revenue generated by CartaSi S.p.A. from debit servicing and ATM management, operating revenue generated by HelpLine S.p.A. and operating revenue generated by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

Operating revenue generated by the CartaSi reporting segment increased by €9.7 million, or 2.3%, from €419.8 million in the year ended December 31, 2013, to €429.5 million in the year ended December 31, 2014. This increase was the result of increased operating revenue across all three businesses. Operating revenue generated by our Card Issuing Business increased by €3.3 million, or 1.6%, from €204.0 million in the year ended December 31, 2013, to €207.3 million in the year ended December 31, 2014 due to increases in the number of managed cards, the value of card transactions and the number of managed transactions. Operating revenue generated by our Merchant Acquiring and POS Business increased by €1.7 million, or 1.0%, from €164.3 million in the year ended December 31, 2013, to €166.0 million in the year ended December 31, 2014, due to increases in the value of card transactions, the number of managed transactions and the number of managed POS. Operating revenue generated by our other CartaSi Business units increased by €4.7 million, or 9.2%, from €51.5 million in the year ended December 31, 2013, to €56.3 million in the year ended December 31, 2014, due to the acquisitions of C-Card and Unicard in 2014 as well as an increase in revenues generated from debit card payments.

Payments

The following table provides an overview of our Payments operating revenue generated by our Payments reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Net fee, commission and other business income	84.8	83.7
Net interest income	4.6	3.3
Net trading/hedging income	—	—
Dividends from equity investments and AFS	—	—
Operating revenue	**89.4**	**87.0**

Operating revenue generated by the Payments reporting segment decreased by €2.4 million, or 2.7%, from €89.4 million in the year ended December 31, 2013, to €87.0 million in the year ended December 31, 2014. This decrease was primarily due to a decrease in net fee, commission and other business income and lower net interest income. Net fees, commission and other business income decreased by €1.1 million, or 1.3%, from €84.8 million in the year ended December 31, 2013, to €83.7 million in the year ended December 31, 2014, mainly due to lower revenue from our banking and clearing services due to a decrease in SEPA unit prices, which was partly offset by increased operating revenue from the collection of checks and receivables and our digital corporate banking business. The reduction in net interest income was primarily due to a decrease in the spread on our deposits by 24 basis points, in line with market interest rates. Furthermore, our average gross deposit volume decreased by €0.8 million, or 0.1%, from €798.9 million in the year ended December 31, 2013, to €798.1 million in the year ended December 31, 2014.

Securities Services

The following table provides an overview of our operating revenue generated by our Securities Services reporting segment for the years ended December 31, 2013 and 2014, as reported in our management account.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Net fee, commission and other business income	42.2	49.8
Net interest income	7.7	7.4
Net trading/hedging income	3.8	5.2
Dividends from equity investments and AFS	—	—
Operating revenue	**53.8**	**62.4**

Operating revenue generated by the Securities Services reporting segment increased by €8.7 million, or 16.1%, from €53.8 million in the year ended December 31, 2013, to €62.4 million in the year ended December 31, 2014. This increase was primarily due to: (i) an increase in net fee, commission and other business income by €7.6 million, or 18.0%, from €42.2 million in the year ended December 31, 2013, to €49.8 million in the year ended December 31, 2014, (ii) an increase in net trading/hedging income by €1.4 million, or 37.2%, from €3.8 million in the year ended December 31, 2013, to €5.2 million in the year ended December 31, 2014, partly offset by (iii) a decrease in net interest income of €0.3 million, or 4.3%, from €7.7 million in the year ended December 31, 2013, to €7.4 million in the year ended December 31, 2014. The increase in net fee, commission and other business income was primarily due to an increase in operating revenue generated by fund services by €4.8 million, or 16.5%, from €29.0 million in the year ended December 31, 2013, to €33.8 million in the year ended December 31, 2014, mostly due to our acquisition of the ICCREA depositary bank and controls business in the second half of 2014, which increased our assets in custody. The increase in net trading/hedging income was due to improved trading results and the introduction of institutional trading as a new service offering. The reduction in net interest income was due to a decrease in the spread on our deposits by 21 basis points, in line with market interest rates, partially offset by growth of our average gross deposit volume which increased by €674.5 million, or 39.6%, from €1,703.9 million in the in the year ended December 31, 2013, to €2,378.4 million in the in the year ended December 31, 2014.

BPO Services

The following table provides an overview of our operating revenue generated by our BPO Services reporting segment for the the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Net fee, commission and other business income	22.6	26.7
Net interest income	(0.0)	(0.0)
Net trading/hedging income	—	—
Dividends from equity investments and AFS	—	—
Operating revenue	**22.6**	**26.7**

Absent any funding activity, operating revenue contributed by the BPO Services reporting segment is almost entirely composed of net fee, commission and other business income.

Net fee, commission and other business income generated by our BPO Services reporting segment increased by €4.1 million, or 18.0%, from €22.6 million in the year ended December 31, 2013, to €26.7 million in the year ended December 31, 2014. This increase was primarily due to improved performance of our regulatory reporting services, with operating revenue from this business increasing by €1.8 million, or 19.0%, from €9.5 million in the year ended December 31, 2013, to €11.3 million in the year ended December 31, 2014. Operating revenue from security services increased by €2.7 million, or 149.8%, from €2.0 million in year ended December 31, 2013, to €4.7 million in the year ended December 31, 2014. Operating revenue from our anti-money laundering services decreased by €0.5 million, or 4.2%, from €11.2 million in the year ended December 31, 2013, to €10.7 million in the year ended December 31, 2014.

Other Group Activities

The following table provides an overview of our operating revenue generated by our Other Group Activities reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Net fee, commission and other business income	(0.0)	(0.0)
Net interest income	74.0	67.5
Net trading/hedging income	(0.0)	0.2
Dividends from equity investments and AFS	2.1	0.4
Operating revenue	**76.2**	**68.2**

Operating revenue contributed by our Other Group Activities reporting segment is primarily related to net interest income generated by our treasury function in connection with its investment portfolio consisting primarily of investments in Italian government bonds.

Operating revenue contributed by our Other Group Activities reporting segment decreased by €8.0 million, or 10.5%, from €76.2 million in the year ended December 31, 2013, to €68.2 million in the year ended December 31, 2014. This decrease was primarily due to a reduction in the average yield of our securities portfolio, as new securities that were added to our portfolio carried a lower yield than the maturing securities they replaced, and lower dividends from our minority interests in Equens SE and SIA S.p.A. The average yield on our securities portfolio decreased from 255 basis points in the year ended December 31, 2013, to 227 basis points in the year ended December 31, 2014. The average value of our securities portfolio increased from €2.5 billion in the year ended December 31, 2013 to €2.6 billion in the year ended December 31, 2014, due to management's decision to increase the size of the Target's portfolio to add to its liquidity position.

Operating Costs by Reporting Segment

The following table provides an overview of our operating costs (net of depreciation and amortization included in operating profit) by reporting segments for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Operating costs (net of depreciation and amortization included in operating profit)	**(465.0)**	**(474.9)**
CartaSi	(306.2)	(309.8)
Payments	(66.4)	(69.9)
Securities Services	(50.4)	(54.1)
BPO Services	(16.2)	(19.5)
Other Group Activities	(29.3)	(24.9)
Consolidation adjustments[1]	3.5	3.4

(1) Eliminates the effect of intragroup activities on operating costs.

CartaSi

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our CartaSi reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Administrative expenses:	(301.2)	(297.5)
a) payroll and related costs	(56.2)	(56.0)
b) other administrative expenses	(245.0)	(241.5)
Other net operating expenses/income	9.1	0.6
Net accruals to provision for risk and charge	(14.1)	(12.9)
thereof: Fraud	7.1	8.7
thereof: Credit losses	4.5	4.3
thereof: Others	2.5	(0.1)
Operating costs (net of depreciation and amortization included in operating profit)	**(306.2)**	**(309.8)**
thereof: Card Issuing	165.6	163.5
thereof: Merchant Acquiring and POS	100.0	101.0
thereof: Others(1)	40.5	45.3

(1) Includes operating costs incurred by CartaSi S.p.A. from debit servicing and ATM management, operating costs incurred by HelpLine S.p.A. and operating costs incurred by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

Operating costs (net of depreciation and amortization included in operating profit) in the CartaSi reporting segment increased by €3.6 million, or 1.2%, from €306.2 million in the year ended December 31, 2013, to €309.8 million in the year ended December 31, 2014. This was primarily due to a decrease in other net operating income as a result of a different allocation of contingent assets in our management accounts, partly offset by a decrease in other administrative expenses. Administrative expenses decreased by €3.7 million, or 1.2%, from €301.2 million in the year ended December 31, 2013, to €297.5 million in the year ended December 31, 2014. Specifically, payroll and related costs decreased by €0.2 million, or 0.4%, from €56.2 million in the year ended December 31, 2013, to €56.0 million in the year ended December 31, 2014, even as the average number of staff remained constant. Other administrative expenses decreased by €3.5 million, or 1.4%, from €245.0 million in the year ended December 31, 2013, to €241.5 million in the year ended December 31, 2014, due to lower production costs. Other net operating income decreased by €8.5 million, or 93.4%, from €9.1 million in the year ended December 31, 2013, to €0.6 million in the year ended December 31, 2014. Net accruals to provision for risk and charge decreased by €1.2 million, from €14.1 million in the year ended December 31, 2013, to €12.9 million in the year ended December 31, 2014, driven by lower accruals for fraud risk and charge.

Payments

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Payments reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	2014
	(in € millions)	
Administrative expenses:	(56.5)	(57.4)
a) payroll and related costs	(12.6)	(13.0)
b) other administrative expenses	(43.9)	(44.4)
Other net operating expenses/income	(9.8)	(10.2)
Net accruals to provision for risk and charge	(0.1)	(2.3)
Operating costs	**(66.4)**	**(69.9)**

Operating costs (net of depreciation and amortization included in operating profit) in the Payments reporting segment increased by € 3.5 million, or 5.0%, from €66.4 million in the year ended December 31, 2013, to €69.9 million in the year ended December 31, 2014. This increase was due to an increase in all operating cost line items. Administrative expenses increased by €0.9 million, or 1.6%, from €56.5 million in the year ended December 31, 2013, to €57.4 million in the year ended December 31, 2014. Payroll and related costs increased by €0.4 million, or 3.2%, from €12.6 million in the year ended December 31, 2013, to € 13.0 million in the year ended December 31, 2014, due to a higher average number of staff of the Payments reporting segment by 3.4%. Other administrative expenses increased by €0.5 million, or 1.1%, from €43.9 million in the year ended December 31, 2013, to € 44.4 million in the year ended December 31, 2014, due to higher production costs for checks and receivables and digital corporate banking activities. Other net operating expenses increased by €0.4 million, or 4.1%, from €9.8 million in the year ended December 31, 2013, to €10.2 million in the year ended December 31, 2014, due to an increase in net liabilities of €0.8 million and to a reduction of €1.2 million in internal invoicing for centralized services (such as ICT, audit, marketing, human resources, legal and similar services) provided by the Other Group Activities reporting segment in the year ended December 31, 2014. Net accruals to provision for risk and charge increased by €2.2 million, from €0.1 million in the year ended December 31, 2013, to €2.3 million in the year ended December 31, 2014, due to a provision in respect of SEPA for € 6.1 million and related reimbursements of €3.8 million in the year ended December 31, 2014.

Securities Services

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Securities Services reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Administrative expenses:	(40.6)	(44.3)
a) payroll and related costs	(16.1)	(17.2)
b) other administrative expenses	(24.5)	(27.1)
Other net operating expenses/income	(9.8)	(9.6)
Net accruals to provision for risk and charge	0.0	(0.2)
Operating costs	**(50.4)**	**(54.1)**

Operating costs (net of depreciation and amortization included in operating profit) in the Securities Services reporting segment increased by €3.7 million, or 7.3%, from €50.4 million in the year ended December 31, 2013, to €54.1 million in the year ended December 31, 2014. This increase was primarily due to an increase in administrative expenses. Administrative expenses increased by €3.7 million, or 9.1%, from €40.6 million in the year ended December 31, 2013, to €44.3 million in the year ended December 31, 2014. Payroll and related costs increased by €1.1 million, or 6.8%, from €16.1 million in the year ended December 31, 2013, to €17.2 million in the year ended December 31, 2014, due to a higher average number of staff. Other administrative expenses increased by €2.6 million, or 10.6%, from €24.5 million in the year ended December 31, 2013, to € 27.1 million in the year ended December 31, 2014, due to higher production costs and ICT costs in line with the general growth of our business activities. Other net operating expenses decreased by €0.2 million, or 2.0%, from €9.8 million in the year ended December 31, 2013, to €9.6 million in the year ended December 31, 2014. Net accruals to provision for risk and charge increased by €0.2 million, from €0.0 million in the year ended December 31, 2013, to €0.2 million in the year ended December 31, 2014, due to increased provisions for charges.

BPO Services

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our BPO Services reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Administrative expenses:	(16.0)	(19.7)
a) payroll and related costs	(7.1)	(7.9)
b) other administrative expenses	(8.9)	(11.8)
Other net operating expenses/income	(0.2)	0.2
Net accruals to provision for risk and charge	0.0	0.0
Operating costs (net of depreciation and amortization included in operating profit)	**(16.2)**	**(19.5)**

Operating costs (net of depreciation and amortization included in operating profit) in the BPO Services reporting segment increased by € 3.3 million, or 20.4%, from €16.2 million in the year ended December 31, 2013, to €19.5 million in the year ended December 31, 2014. This was due to an increase in administrative expenses. Administrative expenses increased by €3.7 million, or 22.8%, from €16.0 million in the year ended December 31, 2013, to €19.7 million in the year ended December 31, 2014. Payroll and related costs increased by €0.8 million, or 11.4%, from € 7.1 million in the year ended

December 31, 2013, to €7.9 million in the year ended December 31, 2014, due to a higher average number of staff mainly related to the growth of our ICT security business unit. Other administrative expenses increased by €2.8 million, or 31.9%, from €8.9 million in the year ended December 31, 2013, to €11.8 million in the year ended December 31, 2014, due to higher production costs and ICT costs in line with the general growth of our business activities. Other net operating expenses/income increased from an expense of €0.2 million to an income of €0.2 million. Net accruals to provision for risk and charge remained at €0.0 million for both periods.

Other Group Activities

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Other Group Activities reporting segment for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
Administrative expenses:	(72.1)	(71.8)
a) payroll and related costs	(39.0)	(40.2)
b) other administrative expenses	(33.1)	(31.6)
Other net operating expenses/income	44.1	46.8
Net accruals to provision for risk and charge	(1.3)	0.2
Operating costs (net of depreciation and amortization included in operating profit)	**(29.3)**	**(24.9)**

Operating costs (net of depreciation and amortization included in operating profit) in the Other Group Activities reporting segment decreased by €4.4 million, or 15.0%, from €29.3 million in the year ended December 31, 2013, to €24.9 million in the year ended December 31, 2014. This was primarily due to an increase in other net operating income and net accruals to provision for risk and charge. Administrative expenses decreased by €0.3 million, or 0.4%, from €72.1 million in the year ended December 31, 2013, to € 71.8 million in the year ended December 31, 2014. Payroll and related costs increased by €1.2 million, or 3.1%, from € 39.0 million in the year ended December 31, 2013, to € 40.2 million in the year ended December 31, 2014, due to an increase in the average number of staff. Other administrative expenses decreased by €1.5 million, or 4.5%, from €33.1 million in the year ended December 31, 2013, to €31.6 million in the year ended December 31, 2014, due to a reduction in general expenses. Other net operating income increased by €2.7 million, or 6.1%, from € 44.1 million in the year ended December 31, 2013, to € 46.8 million in the year ended December 31, 2014, due to increased income from the provision of centralized services by our Other Group Activities reporting segment to other reporting segments and an increase in contingent assets. Net accruals to provision for risk and charge decreased by €1.5 million, or 115.4%, from an expense of €1.3 million in the year ended December 31, 2013, to an income of €0.2 million in the year ended December 31, 2014.

EBITDA by Reporting Segment

The following table provides an overview of our EBITDA by reporting segments for the years ended December 31, 2013 and 2014, as reported in our management accounts.

	Year ended December 31,	
	2013	**2014**
	(in € millions)	
EBITDA	**193.8**	**195.5**
CartaSi	113.7	119.7
thereof: Card Issuing	38.3	43.7
thereof: Merchant Acquiring and POS	64.3	64.9
thereof: Other(1)	11.0	11.0
Payments	23.0	17.1
Securities Services	3.3	8.3
BPO Services	6.4	7.2
Other Group Activities	46.9	43.3
Consolidation adjustments(2)	0.5	(0.1)

(1) Includes EBITDA generated by CartaSi S.p.A. from debit servicing and ATM management, EBITDA generated by HelpLine S.p.A. and EBITDA from acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

(2) Eliminates the effect of intragroup activities on EBITDA

Comparison of the Year Ended December 31, 2013 to the Year Ended December 31, 2012

Operating Revenue by Reporting Segment

The following table provides an overview of our operating revenue by reporting segments for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31, 2012	Year ended December 31, 2013
	(in € millions)	
Operating Revenue	**667.9**	**658.8**
CartaSi	430.5	419.8
Payments	91.4	89.4
Securities Services	38.9	53.8
BPO Services	24.3	22.6
Other Group Activities	88.6	76.2
Consolidation adjustments(1)	(5.8)	(3.0)

(1) Eliminates the effect of intragroup activities on operating revenue.

CartaSi

The following table provides an overview of the operating revenue generated by our CartaSi reporting segment for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31, 2012	Year ended December 31, 2013
	(in € millions)	
Net fee, commission and other business income	442.1	428.5
Net interest income	(11.9)	(9.0)
Net trading/hedging income	0.3	0.3
Dividends from equity investments and AFS	0.0	0.0
Operating revenue	**430.5**	**419.8**
thereof: Card Issuing	205.5	204.0
thereof: Merchant Acquiring and POS	173.3	164.3
thereof: Others(1)	51.7	51.5

(1) Includes operating revenue generated by CartaSi S.p.A. from debit servicing and ATM management, operating revenue generated by HelpLine S.p.A. and operating revenue generated by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

Operating revenue generated by the CartaSi reporting segment decreased by €10.7 million, or 2.5%, from €430.5 million in the year ended December 31, 2012, to €419.8 million in the year ended December 31, 2013. This decrease was primarily due to the insourcing by Intesa SanPaolo and UniCredit of their card issuing and merchant acquiring businesses, which resulted in decreases in the value of card transactions for our Card Issuing Business and lower net fee, commission and other business income. Operating revenue generated by our Card Issuing Business decreased by €1.6 million, or 0.8%, from €205.5 million in the year ended December 31, 2012, to €204.0 million in the year ended December 31, 2013. Operating revenue generated by our merchant acquiring and POS Business decreased by €8.9 million, or 5.2%, from €173.3 million in the year ended December 31, 2012, to €164.3 million in the year ended December 31, 2013. These decreases were primarily the result of the higher-margin licensing-model card issuing and merchant acquiring services provided to Intesa SanPaolo and UniCredit being replaced with lower-margin licensing associate and servicing model services. Operating revenue generated by our other CartaSi Business units decreased slightly by €0.2 million, or 0.3%, from €51.7 million in the year ended December 31, 2012, to €51.5 million in the year ended December 31, 2013.

Payments

The following table provides an overview of our Payments operating revenue generated by our Payments reporting segment for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31, 2012	Year ended December 31, 2013

	(in € millions)	
Net fee, commission and other business income	81.5	84.8
Net interest income	9.8	4.6
Net trading/hedging income	—	—
Dividends from equity investments and AFS	—	—
Operating revenue	**91.4**	**89.4**

Operating revenue generated by the Payments reporting segment decreased by €2.0 million, or 2.2%, from €91.4 million in the year ended December 31, 2012, to €89.4 million in the year ended December 31, 2013. This decrease was primarily due to a decrease in net interest income, which was partly offset by an increase in net fees, commission and other business income. Net fee, commission and other business income increased by €3.3 million, or 4.0%, from €81.5 million in the year ended December 31, 2012, to €84.8 million in the year ended December 31, 2013, primarily due to better performance of our banking and clearing services and digital corporate banking services. The reduction in net interest income was due to a decrease in the spread on our deposits by 68 basis points, in line with market interest rates. Additionally, our average gross deposit volume decreased by €29.7 million, or 3.6%, from € 828.6 million in the year ended December 31, 2012, to €798.9 million in the year ended December 31, 2013.

Securities Services

The following table provides an overview of our operating revenue generated by our Securities Services reporting segment for the years ended December 31, 2012 and 2013, as reported in our management account.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Net fee, commission and other business income	27.3	42.2
Net interest income	8.6	7.7
Net trading/hedging income	3.0	3.8
Dividends from equity investments and AFS	—	—
Operating revenue	**38.9**	**53.8**

Operating revenue generated by the Securities Services reporting segment increased by €14.9 million, or 38.2%, from €38.9 million in the year ended December 31, 2012, to €53.8 million in the year ended December 31, 2013. This increase was primarily due to (i) an increase in net fee, commission and other business income by €14.9 million, or 54.8%, from €27.3 million in the year ended December 31, 2012, to €42.2 million in the year ended December 31, 2013 and (ii) an increase in net trading/hedging income by €0.8 million, or 26.1%, from €3.0 million in the year ended December 31, 2012, to €3.8 million in the year ended December 31, 2013, partly offset by (iii) a decrease in net interest income by €0.9 million, or 10.1%, from €8.6 million in the year ended December 31, 2012, to € 7.7 million in the year ended December 31, 2013. The increase in net fee, commission and other business income was primarily due to an increase in operating revenue generated by fund services by €14.8 million, or 104.4%, from €14.2 million in the year ended December 31, 2012, to €29.0 million in the year ended December 31, 2013, as a consequence of new customers, the acquisition of depositary bank and control activities from Arca SGR in the second half of 2012 and the acquisition of the transfer agent pension funds business from Oasi at the beginning of 2013 to consolidate pension services in the Securities Services reporting segment. The reduction in net interest income was due to a decrease in the spread on our deposits by 32 basis points, in line with market interest rates, partially offset by growth of our average gross deposit volume which increased by €534.7 million, or 45.7%, from €1,169.2 million in the year ended December 31, 2012, to €1,703.9 million in the year ended December 31, 2013.

BPO Services

The following table provides an overview of our operating revenue generated by our BPO Services reporting segment for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Net fee, commission and other business income	24.4	22.6
Net interest income	(0.0)	(0.0)
Net trading/hedging income	—	—
Dividends from equity investments and AFS	—	—
Operating revenue	**24.3**	**22.6**

Absent any funding activity, operating revenue contributed by the BPO Services reporting segment is almost entirely composed of net fee, commission and other business income.

Net fee, commission and other business income generated by our BPO Services reporting segment decreased by €1.7 million, or 7.2%, from €24.4 million in the year ended December 31, 2012, to € 22.6 million in the year ended December 31, 2013. This decrease was primarily due to the transfer by Oasi of its pension fund business to the Target to concentrate all pension services in the Securities Services reporting segment. Operating revenue from our anti-money laundering services increased by €1.6 million, or 16.7%, from €9.6 million in the the year ended December 31, 2012, to €11.2 million in the year ended December 31, 2013. Operating revenue from regulatory reporting services increased by €0.1 million, or 0.8%, from € 9.4 million in the the year ended December 31, 2012, to €9.5 million in the year ended December 31, 2013. Operating revenue from security services generated €2.0 million in the first year of operation of this business division.

Other Group Activities

The following table provides an overview of our operating revenue generated by our Other Group Activities reporting segment for the years ended December 31, 2012 and 2013, in each case, as reported in our management accounts.

	Year ended December 31,	
	2012	**2013**
	(in € millions)	
Net fee, commission and other business income	(0.0)	(0.0)
Net interest income	80.5	74.0
Net trading/hedging income	6.0	(0.0)
Dividends from equity investments and AFS	2.1	2.1
Operating revenue	**88.6**	**76.2**

Operating revenue contributed by our Other Group Activities reporting segment is primarily related to net interest income generated by our treasury function in connection with its investment portfolio consisting primarily of investments in Italian government bonds.

Operating revenue contributed by our Other Group Activities reporting segment decreased by €12.4 million, or 14.0%, from €88.6 million in the year ended December 31, 2012, to €76.2 million in the year ended December 31, 2013. This decrease was primarily due to a reduction in the average yield of our securities portfolio, as new securities that were added to our portfolio carried a lower yield than the maturing securities they replaced, as well as due to a different management strategy and the accounting treatment of our securities portfolio. The average yield on our securities portfolio decreased from 327 basis points in the year ended December 31, 2012, to 255 basis points in the year ended December 31, 2013. The average value of our securities portfolio increased from € 2.2 billion in the year ended December 31, 2012, to €2.5 billion in the year ended December 31, 2013. We no longer managed and accounted for our securities portfolio as “held for trading,” which impacted our net trading/hedging income. As a result of such reclassification, which began in 2011 and concluded in 2013, the value of our available-for-sale securities portfolio increased from €1.9 billion as of December 31, 2012 to €2.3 billion as of December 31, 2013.

Operating Costs by Reporting Segment

The following table provides an overview of our operating costs (net of depreciation and amortization included in operating profit) by reporting segments for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Operating costs (net of depreciation and amortization included in operating profit)	**(471.9)**	**(465.0)**
CartaSi	(313.2)	(306.2)
Payments	(70.1)	(66.4)
Securities Services	(38.1)	(50.4)
BPO Services	(17.2)	(16.2)
Other Group Activities	(39.2)	(29.3)
Consolidation adjustments(1)	5.8	3.5

(1) Eliminates the effect of intragroup activities on operating costs.

CartaSi

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our CartaSi reporting segment for the years ended December 31, 2012 and 2013, in each case, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Administrative expenses:	(306.2)	(301.2)
a) payroll and related costs	(57.0)	(56.2)
b) other administrative expenses	(249.2)	(245.0)
Other net operating expenses/income	3.7	9.1
Net accruals to provision for risk and charge	(10.6)	(14.1)
thereof: Fraud	6.2	7.1
thereof: Credit losses	3.2	4.5
thereof: Others	1.2	2.5
Operating costs (net of depreciation and amortization included in operating profit)	**(313.1)**	**(306.2)**
thereof: Card Issuing	169.3	165.6
thereof: Merchant Acquiring and POS	102.0	100.0
thereof: Others(1)	41.9	40.5

(1) Includes operating costs incurred by CartaSi S.p.A. from debit servicing and ATM management, operating costs incurred by HelpLine S.p.A. and operating costs incurred by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

Operating costs (net of depreciation and amortization included in operating profit) in the CartaSi reporting segment decreased by € 6.9 million, or 2.2%, from €313.1 million in the year ended December 31, 2012, to €306.2 million in the year ended December 31, 2013. This decrease was primarily due to a decrease in administrative expenses and an increase in other net operating expenses. Administrative expenses decreased by €5.0 million, or 1.6%, from €306.2 million in the year ended December 31, 2012, to € 301.2 million in the year ended December 31, 2013. Specifically, payroll and related costs decreased by €0.8 million, or 1.4%, from €57.0 million in the year ended December 31, 2012, to € 56.2 million in the year ended December 31, 2013, as a result of a decrease in the average number of staff. Other administrative expenses decreased by €4.2 million, or 1.7%, from €249.2 million in the year ended December 31, 2012, to €245.0 million in the year ended December 31, 2013, due to a decrease in production costs and general expenses, partially offset by higher ICT costs. Other net operating income increased by €5.4 million, or 145.9%, from €3.7 million in the year ended December 31, 2012, to €9.1 million in the year ended December 31, 2013, due to higher contingent assets in our management accounts. Net accruals to provision for risk and charge increased by €3.5 million, or 33.0%, from €10.6 million in the year ended December 31, 2012, to €14.1 million in the year ended December 31, 2013, driven by lower accounts for fraud risk and charge.

Payments

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Payments reporting segment for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	**2013**
	(in € millions)	
Administrative expenses:	(54.8)	(56.5)
a) payroll and related costs	(12.9)	(12.6)
b) other administrative expenses	(41.9)	(43.9)
Other net operating expenses/income	(8.3)	(9.8)
Net accruals to provision for risk and charge	(7.0)	(0.1)
Operating costs (net of depreciation and amortization included in operating profit)	**(70.1)**	**(66.4)**

Operating costs (net of depreciation and amortization included in operating profit) in the Payments reporting segment decreased by € 3.7 million, or 5.3%, from €70.1 million in the year ended December 31, 2012, to €66.4 million in the year ended December 31, 2013. This increase was primarily due to a decrease in other net operating expenses and net accruals to provision for risk and charge. Administrative expenses increased by €1.7 million, or 3.1%, from €54.8 million in the year ended December 31, 2012, to € 56.5 million in the year ended December 31, 2013. Payroll and related costs decreased by €0.3 million, or 2.3%, from €12.9 million in the year ended December 31, 2012, to €12.6 million in the year ended December 31, 2013, due to a higher average number of staff of the Payments reporting segment by 6.7%. Other administrative expenses increased by €2.0 million, or 4.8%, from €41.9 million in the year ended December 31, 2012, to €43.9 million in the year ended December 31, 2013, due to higher ICT costs for our digital corporate banking activities. Other net operating expenses increased by €1.5 million, or 18.1%, from €8.3 million in the year ended December 31, 2012, to €9.8 million in the year ended December 31, 2013, due to a reduction in net liabilities of €0.5 million in the year ended December 31, 2013. Net accruals to provision for risk and charge decreased by €6.9 million, or 98.6%, from €7.0 million in the year ended December 31, 2012, to €0.1 million in the year ended December 31, 2013, primarily due to a provision in respect of INPS foreign pension services for €6.5 million in the year ended December 31, 2012, which had ceased trading in 2011.

Securities Services

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Securities Services reporting segment for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	**2013**
	(in € millions)	
Administrative expenses:	(31.1)	(40.6)
a) payroll and related costs	(12.3)	(16.1)
b) other administrative expenses	(18.8)	(24.5)
Other net operating expenses/income	(6.9)	(9.8)
Net accruals to provision for risk and charge	(0.1)	0.0
Operating costs (net of depreciation and amortization included in operating profit)	**(38.1)**	**(50.4)**

Operating costs (net of depreciation and amortization included in operating profit) in the Securities Services reporting segment increased by €12.3 million, or 32.3%, from €38.1 million in the year ended December 31, 2012, to €50.4 million in the year ended December 31, 2013. This increase was primarily due to an increase in administrative expenses and other net operating expenses. Administrative expenses increased by €9.5 million, or 30.5%, from €31.1 million in the year ended December 31, 2012, to €40.6 million in the year ended December 31, 2013. Payroll and related costs decreased by €3.8 million, or 30.9%, from €12.3 million in the year ended December 31, 2012, to €16.1 million in the year ended December 31, 2013, due to an increase in the average number of staff by 34.4% as a consequence of new customers, our acquisition of depositary bank and control activities from Arca SGR in the second half of 2012 and the acquisition of the transfer agent pension funds division from Oasi at the beginning of 2013. Other administrative expenses increased by €5.7 million, or 30.3%, from €18.8 million in the year ended December 31, 2012, to €24.5 million in the year ended December 31, 2013, due to higher ICT costs in line with the general growth of our business activities. Other net operating expenses increased by €2.9 million, or 42.0%, from €6.9 million in the year ended December 31, 2012, to €9.8 million in the year ended December 31, 2013, due to a reduction in internal invoicing for centralized services (such as ICT, audit, marketing, human resources, legal and similar services) provided by the Other Group Activities reporting segment. Net accruals to provision for risk and charge decreased by € 0.1 million, from €0.1 million in the year ended December 31, 2012, to €0.0 million in the year ended December 31, 2013.

BPO Services

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our BPO Services reporting segment for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Administrative expenses:	(16.9)	(16.0)
a) payroll and related costs	(8.4)	(7.1)
b) other administrative expenses	(8.5)	(8.9)
Other net operating expenses/income	(0.1)	(0.2)
Net accruals to provision for risk and charge	(0.1)	0.0
Operating costs (net of depreciation and amortization included in operating profit)	**(17.2)**	**(16.2)**

Operating costs (net of depreciation and amortization included in operating profit) in the BPO Services reporting segment decreased by €1.0 million, or 5.8%, from €17.2 million in the year ended December 31, 2012, to €16.2 million in the year ended December 31, 2013. This decrease was primarily due to a decrease in administrative expenses. Administrative expenses decreased by €0.9 million, or 5.2%, from €16.9 million in the year ended December 31, 2012, to €16.0 million in the year ended December 31, 2013. Payroll and related costs decreased by €1.3 million, or 15.1%, from €8.4 million in the year ended December 31, 2012, to €7.1 million in the year ended December 31, 2013, due to a lower average number of staff, mainly related to the transfer and reallocation of our transfer agent (for pension funds) business unit from the BPO Services reporting segment to the Securities Services reporting segment at the beginning of 2013. Other administrative expenses increased by €0.4 million, or 4.3%, from €8.5 million in the year ended December 31, 2012, to €8.9 million in the year ended December 31, 2013, primarily due to the costs contributed by our newly opened ICT security business unit which we formed in 2013, which were partly offset by lower costs resulting from the aforementioned transfer and reallocation of our transfer agent (for pension funds) business unit. Other net operating expenses increased by €0.1 million, or 100%, from €0.1 million to €0.2 million. Net accruals to provision for risk and charge decreased by €0.1 million, or 100%, from €0.1 million to €0.0 million.

Other Group Activities

The following table provides an overview of operating costs (net of depreciation and amortization included in operating profit) for our Other Group Activities reporting segment for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
Administrative expenses:	(79.1)	(72.1)
a) payroll and related costs	(37.2)	(39.0)
b) other administrative expenses	(41.9)	(33.1)
Other net operating expenses/income	40.9	44.1
Net accruals to provision for risk and charge	(1.0)	(1.3)
Operating costs (net of depreciation and amortization included in operating profit)	**(39.2)**	**(29.3)**

Operating costs (net of depreciation and amortization included in operating profit) in the Other Group Activities reporting segment decreased by €9.9 million, or 25.3%, from €39.2 million in the ended December 31, 2012, to €29.3 million in the year ended December 31, 2013. This decrease was primarily due to a decrease in other administrative expenses and an increase in other net operating income. Administrative expenses decreased by €7.0 million, or 8.8%, from €79.1 million in the year ended December 31, 2012, to €72.1 million in the year ended December 31, 2013. Payroll and related costs increased by €1.8 million, or 4.8%, from €37.2 million in the year ended December 31, 2012, to €39.0 million in the year ended December 31, 2013, due to a lower average number of staff. Other administrative expenses decreased by €8.8 million, or 21.0%, from €41.9 million in the year ended December 31, 2012, to €33.1 million in the year ended December 31, 2013, due to non-recurring expenses incurred in 2012 in connection with the acquisition of depositary bank activities from Arca SGR. Operating income increased by €3.2 million, or 7.8%, from €40.9 million in the year ended December 31, 2012, to €44.1 million in the year ended December 31, 2013. Net accruals to provision for risk and charge increased by €0.3 million, or 30.0%, from €1.0 million in the year ended December 31, 2012, to €1.3 million in the year ended December 31, 2013, primarily due to a provision in respect of lost data.

EBITDA by Reporting Segment

The following table provides an overview of our EBITDA by reporting segments for the years ended December 31, 2012 and 2013, as reported in our management accounts.

	Year ended December 31,	
	2012	2013
	(in € millions)	
EBITDA	**196.0**	**193.8**
CartaSi	117.3	113.7
thereof: Card Issuing	36.3	38.3
thereof: Merchant Acquiring and POS	71.2	64.3
thereof: Other[(1)]	9.8	11.0
Payments	21.3	23.0
Securities Services	0.8	3.3
BPO Services	7.2	6.4
Other Group Activities	49.4	46.9
Consolidation adjustments[(2)]	0.0	0.5

(1) Includes EBITDA generated by CartaSi S.p.A. from debit servicing and ATM management, EBITDA generated by HelpLine S.p.A. and EBITDA from acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

(2) Eliminates the effect of intragroup activities on EBITDA.

Key Performance Indicators

In assessing the performance of our business, we consider a variety of performance and financial measures. The following table provides an overview of the key measures we use to monitor the performance of our business. Such indicators are not recognized measurements of financial performance under IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Financial Information*."

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2012	2013	2014	2014	2015
CartaSi reporting segment(1)					
Number of Managed cards(A)	21,368	24,152	25,623	24,466	26,415
Debit cards	*10,279*	*11,204*	*11,069*	*10,927*	*11,385*
Charge cards	*8,162*	*8,447*	*9,092*	*8,519*	*9,222*
Prepaid cards	*2,440*	*4,035*	*5,023*	*4,570*	*5,380*
Credit cards	*487*	*465*	*439*	*451*	*427*
Value of card transactions(B)	65,207	70,459	74,538	34,915	37,156
Issuing(2)	*22,721*	*22,493*	*25,988*	*12,175*	*13,287*
Acquiring(2)	*42,486*	*47,965*	*48,550*	*22,740*	*23,869*
Number of managed transactions(C)	1,886.5	2,075.9	2,233.5	1,072.0	1,172.9
Issuing(3)	*832.7*	*893.5*	*969.3*	*475.2*	*523.0*
Acquiring(3)	*1,053.8*	*1,182.4*	*1,264.2*	*596.8*	*649.9*
Number of Managed POS(D)	481,421	502,966	541,219	517,443	554,290
Number of Managed ATMs(D)	9,929	9,806	9,628	9,661	9,414
Payments reporting segment(1)					
Number of banking payment transactions(C)(4)	318.8	345.7	466.0	219.4	244.2
Number of clearing transactions(C)(4)	1,480.4	1,492.4	810.9	458.2	321.4
Number of E-Banking workstations(D)	180,535	186,742	203,001	194,298	240,363
Securities Services reporting segment(1)					
Depositary Bank—Amount of Assets in custody(B)(5)	35,049	41,289	54,111	44,993	57,326
Global Custody—Amount of Assets in custody(B)(5)	58,596	82,625	125,452	119,454	130,599
Value of brokerage negotiation(B)	45,433	39,995	45,841	25,207	27,801

(1) The figures presented above are subject to variation from period to period, including due to seasonality and acquisitions. See "*—Key Factors Affecting Results of Operations and Financial Condition*" and "*Risk Factors—Risks Related to Our Business.*"

(2) Aggregates credit, charge and prepaid cards managed under the licensing model. See "*Our Business—Our Services—Card Issuing—Licensing (Card Issuing).*"

(3) Aggregates debit, credit, charge and prepaid cards managed under the licensing or servicing model. See "*Our Business—Our Services—Card Issuing*" and "*Our Business—Our Services—Merchant Acquiring and POS.*"

(4) Clearing transactions includes certain banking payment transaction

(5) Global custody—Amount of Assets in custody includes most of the assets comprised in Depositary Bank—Amount of Assets in custody.

(A) Represents the number at period-end expressed in thousands.

(B) Represents the value for the period expressed in euro millions.

(C) Represents the number for the period expressed in millions.

(D) Represents the number at period-end.

CartaSi

Number of Managed Cards

Number of managed cards measures the stock of payment cards (including debit, charge, prepaid and credit cards) that we manage at the end of a particular period. We monitor this performance measure because part of the operating revenue we generate in our Card Issuing Business is driven by fixed annual fees per payment card, such that the stock of managed cards impacts our operating revenue. In addition, fluctuations in the number of our managed cards drives part of our operating costs which relate to production costs, delivery costs and IT processing.

Value of Card Transactions

Value of card transactions measures the aggregate value of payment card transactions that we execute in our Card Issuing and Merchant Acquiring and POS Businesses, respectively, during a particular period. We track this performance indicator because we charge percentage fees in these businesses that are based on the value of each transaction. Fluctuations in the aggregate value of card transactions therefore impact our operating revenue. Furthermore, the magnitude of our credit losses and cases of fraud typically correlates with the aggregate value of card transactions we manage.

Number of Managed Transactions

This performance indicator measures the aggregate number of payment card transactions that we execute in our Card Issuing and Merchant Acquiring and POS Businesses, respectively, during a particular period. We review this performance indicator because part of the operating revenue generated in these businesses is driven by flat fees for each transaction we manage. Variation in the number of managed transactions therefore affects our operating revenue. Additionally, we track this performance indicator because the number of managed transactions drives certain operating costs including costs related to IT processing and account statement production.

Number of Managed POS

Managed POS tracks the aggregate number of POS that we manage in our Merchant Acquiring and POS Business at the end of a particular period. We monitor this performance indicator because we typically receive a fixed, monthly management fee for each POS that we manage. As a result, fluctuations in the number of managed POS influence our operating revenue. In addition, the number of managed POS drives certain operating costs such as costs related to maintenance and technical customer care.

Number of Managed ATMs

This performance indicator measures the aggregate number of ATMs that we manage in our ATM Management business unit, which forms part of our CartaSi reporting segment, at the end of a particular period. We monitor this performance indicator because we typically receive a fixed fee for each ATM that we manage, such that fluctuations in the number of managed ATMs impact our operating revenue. In addition, the number of managed ATMs drives certain operating costs such as costs related to maintenance and technical customer care.

Payments

Number of Banking Payment Transactions

This performance indicator measures the aggregate value of banking payment transactions we execute in our banking and clearing services business unit, which is part of our Payments reporting segment, during a particular period. We monitor this performance indicator because we typically charge a fixed fee for each banking payment transaction we execute and thus the total number of transactions drives the operating revenue generated by this business unit. We also track the number of banking payment transactions because part of our operating costs (such as costs related to IT processing and check processing) correlate with the number of these transactions.

Number of Clearing Transactions

This performance indicator measures the aggregate value of clearing transactions we execute in our banking and clearing services business unit, which forms part of our Payments reporting segment, during a particular period. We track this performance indicator because we typically charge a fixed fee for each clearing transaction we execute and thus the total number of transactions drives the operating revenue generated by this business unit. In addition, the number of transactions drives certain operating costs such as IT processing costs.

Number of E-Banking Workstations

This performance indicator measures the number of clients in the digital corporate banking business unit within our Payments reporting segment. Monitoring the number of e-banking workstations helps us to track the number of our customers which impacts the operating revenue generated by this business unit. We also monitor this performance measure because part of our operating costs (such as facility management and maintenance) are impacted by the number of workstations.

Securities Services

Depositary Bank—Amount of Assets in Custody

This performance indicator measures the total assets in custody held by our depositary bank services business unit, which forms part of our Securities Services reporting segment, at the end of a particular period. Since we charge fees partly based on the assets we hold in deposit for a customer, fluctuations in our assets in custody impact the operating revenue generated in this business unit. This performance measure is also relevant because part of our operating costs (such as costs related to IT processing) correlate with the amount of assets in custody.

Global Custody—Assets in Custody

This performance indicator measures the total assets in custody held by our global custody business unit, which forms part of our Securities Services reporting segment, at the end of a particular period. Since we charge fees partly based on the size of the assets we hold in custody for a customer, fluctuations in our assets in custody affect the operating revenue generated in this business unit. Additionally, part of our operating costs (such as costs related to IT processing, newswires and other professional news services) are directly related to the amount of assets in custody.

Value of Brokerage Negotiation

This performance indicator measures the aggregate value of the transactions that we negotiate as brokers for our customers in the investment services business unit within our Securities Services reporting segment. Since our brokerage fees are mainly based on the value of the transaction we negotiate, this measure provides insight into drivers of the operating revenue generated in this business unit. The aggregate value of brokerage negotiations also drives certain operating including costs related to market access, commercial agents, brokers and IT processing.

Financial Condition

Capital Ratios

The Target is regulated as a bank by the Bank of Italy and the ECB, while CartaSi is regulated as a payment institution by the Bank of Italy. Due to the regulatory regimes applicable to our businesses, we are required to comply with certain liquidity standards and capital adequacy requirements (including those set forth in (i) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013, setting out prudential requirements for credit institutions and investment firms ("**CRR**") and (ii) Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**" and, together with the CRR, the "**CRD IV Package**")). See "*Regulation*."

To protect against credit risk, operational risk, market risk, systemic risk, pension risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk the CRD IV Package requires us to maintain certain minimum amounts of CET1 capital, Tier 1 Capital and Tier 2 Capital. Compliance with these capital requirements is monitored on the basis of capital ratios (including the CET1 capital ratio, Tier 1 capital ratio and Total capital ratio) that track the amounts of these capital components as a percentage of our weighted exposure to each of these risks.

In the business plan discussed with the Bank of Italy in connection with the Acquisition, we presented guidance targeting a minimum consolidated CET1 capital ratio of 14% for distribution of dividends by ICBPI. The Bank of Italy recently undertook a standard review of our capital ratio requirements which is referred to as a supervisory review and evaluation process ("**SREP**"). Following that review, our CET1 capital ratio and Tier 1 capital ratio requirements remain unchanged, at 7% and 8.5% respectively. Our total capital ratio requirement has increased by 1% to 11.5%. These requirements are expected to come into force by the end of the year 2015. They are less onerous than the requirements imposed on other major Italian banks. For example, according to releases issued by these banks in February 2015, Intesa Sanpaolo's post-SREP CET1 capital ratio requirement is 9% and its total capital ratio requirement is 11.5%, while UniCredit's post-SREP CET1 capital ratio requirement is 9.5% and its total capital ratio requirement is 13%.

The Target and CartaSi are also required to comply with liquidity standards and capital adequacy requirements on an unconsolidated basis. The Target's Group-level capital ratios are typically more constraining than the Target's and CartaSi's unconsolidated capital ratios. For example, as of December 31, 2014, the Target on an unconsolidated basis had a CET1 capital ratio of 25.1%, while CartaSi on an unconsolidated basis had a Tier 1 capital ratio of 57.9%.

Calculation of Capital Requirements and Risk Weighted Assets

In accordance with the CRD IV Package and applicable banking regulations, our Risk Weighted Assets are computed as the sum of our capital requirements divided by 8%. Our capital requirements include:

Credit and Counterparty Risk

Our credit and counterparty risk requirement was €155 million as of June 30, 2015. We compute credit and counterparty risk according to CRD IV, using the standardized method. According to this method, on- and off-balance sheet assets carrying credit and counterparty risk are weighted using percentage weights which depend on different factors such as the type of asset and its rating. The capital requirement is then computed by multiplying credit and counterparty weighted assets by 8%.

	As of June 30, 2015		
	Book Value	Average Weight	RWAs
	(in € millions, except for percentages)		
Available-for-sale financial assets	2,726	1%	40
Loans and receivables with banks	988	18%	173
Loans and receivables with customers	4,725	18%	849
—o/w: Credit cards receivables (guaranteed by bank)	2,003	21%	414
—o/w: Current accounts	340	92%	313
—o/w: Other (mainly guarantee deposits and reverse repos)	2,382	5%	122
Equity investments	107	140%	150
Property, equipment and investment property	168	100%	168
Other assets	839	65%	544
Total Excluding Off-Balance Sheet	**9,553**	**20%**	**1,924**
Off-Balance Sheet Assets	1,436	1%	14
Total Including Off-Balance Sheet	**10,988**	**18%**	**1,938**
Capital Requirement (RWAs × 8%) **155**			

Our credit and counterparty risk depends on the size and riskiness of our on- and off-balance sheet assets and tends to grow in line with the growth of their notional amounts. As an illustrative example, if the total of our on- and off-balance sheet assets increased by 5% to €11,538 million, and the average risk weight stayed constant at 18%, our RWAs would increase to €11,538 million × 18% = €2,035 million, and our capital requirement would increase to €2,035 million × 8% = €163 million.

Market Risk

Our market risk requirement was €2 million as of June 30, 2015. We compute market risk according to CRD IV, using internal models which rely on the computation of the value at risk ("**VaR**") of our trading positions, as well as back-testing and stress-testing. Our market risk depends primarily on the size and volatility of our held-for-trading portfolio.

Operational Risk

Our operational risk requirement was €113 million as of June 30, 2015. We compute operational risk according to CRD IV, using the basic method. According to this method, the capital requirement is equal to 15% of the average for the past three accounting years of the "relevant indicator," an income statement aggregate which is computed as indicated in EU Regulation No 575/2013, Article 316. The relevant indicator for ICBPI is equal to the sum of total income and other operating income in our IFRS financial statements.

	Year ended December 31,		
	2012	2013	2014
	(in € millions)		
Total income	454	426	438
Other operating income	299	309	332
Relevant indicator[(1)]	**753**	**735**	**770**
Average of the last three years	**N/A**	**N/A**	**753**
Capital Requirement (average × 15%)	**N/A**	**N/A**	**113**

(1) Since the capital requirement for operational risk is calculated as the average of the preceding three fiscal years from time to time, even for interim period-ends, the capital requirement as of June 30, 2015 was equal to the requirement as of December 31, 2014.

Our operational risk depends on the size of our revenues and tends to grow in line with their growth. As an illustrative example, if the sum of our total income and other operating income increased by 5% to €809 million for the year ended December 31, 2015, the average of the last three years would increase to €771 million, and our approximation of the capital requirement would increase to €771 million × 15% = €116 million both for the year ended December 31, 2015 and for the six months ended June 30, 2016.

Additional Discretionary Capital Requirements

In addition, during the regulatory reporting period ended June 30, 2015, we were subject to an operational risk add-on imposed by the Bank of Italy. This represented a discretionary regulatory capital requirement mandated by the Bank of Italy pursuant to communication no. 206782, dated February 25, 2009, following the Bank of Italy's audit of the Target Group between October 20, 2008 and December 19, 2008. The additional requirement was imposed in consideration of the Target Group's exposure to operational risk, reputational risk and deficiencies in related controls and was equal to 100% of the capital requirement for operational risk from time to time. Pursuant to communication no. 0950748 of September 11, 2015, the Bank of Italy acknowledged the initiatives put in place by the Target Group to remove the aforementioned deficiencies, and removed the operational risk add-on starting from the regulatory reporting period ending on September 30, 2015.

Discussion of Tier 1 Capital Ratio

The following table provides an overview of our own funds, exposures, capital requirements and capital ratios as of June 30, 2014 and 2015, and as of December 31, 2012, 2013 and 2014, in each case, as reported pursuant to IFRS.

	As of December 31,			As of June 30,	
	2012[(11)]	2013[(11)]	2014	2014	2015
	(in € millions, except where stated otherwise)				
Own funds[(1)]					
Common Equity Tier 1 (CET1)[(2)]	—	—	667.1	638.7	725.7
Tier 1 capital[(3)]	485.4	555.7	667.1	638.7	725.7
Tier 2 capital[(4)]	26.1	31.2	16.0	22.6	8.3
Total own funds	**511.5**	**586.9**	**683.1**	**661.3**	**733.9**
Capital Requirements					
Credit and counterparty risk	126.0	110.7	145.4	185.9	155.2
Market risk	6.3	0.9	1.2	2.9	2.0
Operational risk	65.8	66.2	112.9	66.2	112.9
Other calculation elements[(5)]	65.8	66.2	112.9	66.2	112.9
Total prudential requirements	**263.8**	**244.0**	**372.5**	**321.1**	**383.0**
Risk-Weighted Assets and capital ratios					
Risk-weighted assets	3,298.1	3,049.5	4,655.6	4,013.3	4,787.4
CET1 capital ratio[(6)]	—	—	14.33%	15.91%	15.16%
Tier 1 capital ratio[(7)]	14.72%	18.22%	14.33%	15.91%	15.16%
Total capital ratio[(8)]	15.51%	19.25%	14.67%	16.48%	15.33%
Pro forma CET1 Capital Ratio[(9)]					21.49%
Capital buffer above 14% CET1 capital ratio[(10)]					249.3

(1) CET1 Capital, Tier 1 Capital and Tier 2 Capital were all calculated in accordance with then-applicable regulations. These regulations have changed between the periods presented and, as a result, the values presented are not directly comparable.

(2) Common Equity Tier 1 Capital is the primary measure of a bank's financial strength from a regulatory perspective. It is composed mainly of equity capital, net of regulatory deductions.

(3) Tier 1 capital is a measure of a bank's financial strength from a regulatory perspective. It consists of CET1 capital and Additional Tier 1 Capital.

(4) Tier 2 Capital is a measure of a bank's financial strength from a regulatory perspective. The Target's Tier 2 Capital consists entirely of unrealized gains from our AFS Portfolio, which are partially excluded from CET1 Capital and added back to Tier 2 Capital pursuant to transitional rules under CRD IV.

(5) Represents a discretionary regulatory capital requirement mandated by the Bank of Italy pursuant to communication no. 206782, dated February 25, 2009, following the Bank of Italy's audit of the Target Group between October 20, 2008 and December 19, 2008. The additional requirement was imposed in consideration of the Target Group's exposure to operational risk, reputational risk and deficiencies in related controls and is equal to 100% of the capital requirement for operational risk from time to time. The Bank of Italy repealed this discretionary regulatory capital requirement with effect as of September 30, 2015, pursuant to communication no. 0950748, dated September 11, 2015.

(6) Calculated as CET1 capital / risk-weighted assets. On a fully-loaded basis, our CET1 capital ratio as of June 30, 2015 would have been 15.47%.

(7) Calculated as Tier 1 capital / risk-weighted assets. On a fully-loaded basis, our Tier 1 capital ratio as of June 30, 2015 would have been 15.47%.

(8) Calculated as Total own funds / risk weighted assets. On a fully-loaded basis, our Total capital ratio as of June 30, 2015 would have been 15.47%.

(9) "Pro Forma CET1 Capital Ratio" is defined as our CET1 capital ratio, adjusted for the removal of an additional discretionary capital requirement. Following the Bank of Italy's audit of the Target Group between October 20, 2008 and December 19, 2008, the Bank of Italy imposed an additional discretionary capital requirement on the Target Group, which reduced its CET1 capital ratio. The additional requirement reflected the Target Group's exposure to operational risk, reputational risk and deficiencies in related controls and was equal to 100% of the capital requirement for operational risk from time to time. With effect as of September 30, 2015, however, the Bank of Italy repealed this discretionary regulatory capital requirement. Pro Forma CET1 Capital Ratio represents our CET1 capital ratio as of a certain historical date, assuming the add-on capital requirement had already been removed at such date.

(10) On the basis of the Target's Pro Forma CET1 Capital Ratio, the Target's excess capital above a 14% CET1 capital ratio would have been €249.3 million as of June 30, 2015.

(11) Calculated on the basis of Basel II.

The Bank of Italy recently undertook a standard review of our capital ratio requirements which is referred to as a supervisory review and evaluation process ("**SREP**"). Following that review, our CET1 capital ratio and Tier 1 capital ratio requirements remain unchanged, at 7% and 8.5% respectively. Our total capital ratio requirement has increased by 1% to 11.5%. These requirements are expected to come into force by the end of 2015. They are less onerous than the requirements imposed on other major Italian banks. For example, according to releases issued by these banks in February 2015, Intesa Sanpaolo's post-SREP CET1 capital ratio requirement is 9% and its total capital ratio requirement is 11.5%, while UniCredit's post-SREP CET1 capital ratio requirement is 9.5% and its total capital ratio requirement is 13%. Set forth below is a discussion of our Tier 1 capital ratio for each of the periods presented:

Our Tier 1 capital ratio increased by 83 basis points, from 14.33% as of December 31, 2014, to 15.16% as of June 30, 2015. Our Pro Forma CET1 Capital Ratio as of June 30, 2015 would have been 21.49%

Our Tier 1 capital ratio decreased by 389 basis points from 18.22% as of December 31, 2013, to 14.33% as of December 31, 2014. This decrease was primarily due to changes introduced by the Basel III Framework. Based on internal valuations, the new regulations decreased the Target Group's Tier 1 capital ratio as of December 31, 2013 by 540 basis points. Three main drivers accounted for this decrease. First, our Tier 1 capital ratio increased by 70 basis points due to different treatment of capital reserves and of the minority interest held in Equens SE under the Basel III Framework. Under the previous framework, 50% of our investment in Equens SE was deducted from our Tier 1 capital and 100% of our investment in Equens SE was deducted from our total own funds. Under the Basel III Framework, by contrast, these deductions no longer apply to the full value of the investment but only to the value of any goodwill recorded in connection with the acquisition of the minority interest. The balance of our investment in Equens SE is considered in our credit risk. Second, our Tier 1 capital ratio decreased by 220 basis points following an increase in our capital requirements for credit and counterparty risk due to a different treatment of the exposure CartaSi incurs to partner banks when funding payables of customers using CartaSi's charge cards. Under the previous framework, these receivables assets were considered to be part of a payments institution and thus risk-weighted at 0%. Under the Basel III Framework, however, the credit and counterparty risk is now allocated to the banking group in whole and thus risk-weighted at 20%. Third, our Tier 1 capital ratio decreased by 195 basis points following an increase in our capital requirements for operational risk, due to the consideration of the line item "other net operating (expenses)/income" for purposes of the calculation of operating risk under the basic method. In addition, this resulted in an equivalent decrease of 195 basis points for our Tier 1 capital ratio following the increase in capital requirements pursuant to the discretionary requirement accounted for under other calculation elements. We estimate that our Tier 1 capital ratio, net of the adjustments pursuant to the Basel III Framework, increased by 150 basis points primarily due to higher Tier 1 capital resulting from retained earnings in 2014.

Our Tier 1 capital ratio increased by 350 basis points from 14.72% as of December 31, 2012, to 18.22% as of December 31, 2013. This increase was primarily due to (i) an increase of €70.3 million in Tier 1 capital which mainly related to retained earnings in 2013 and accounted for an increase of 213 basis points and (ii) a decrease of risk-weighted assets, mainly related to lower credit and counterparty risk (weighted) exposure at December 31, 2013.

Liquidity and Capital Resources

Overview

The principal source of liquidity for the Sponsors' HoldCos is expected to be distributions made by HoldCo, as supplemented by drawings under our Revolving Credit Facility. The ability of HoldCo to make distributions to the Sponsors' HoldCos will depend on its receipt of dividends from BidCo, which ultimately will rely on distributions made by the Target. The Target's ability to make these distributions will be based, among other things, on annual profits or distributable reserves as disclosed in the Target's Audited Financial Statements and the Target's compliance with certain capital adequacy measures. See "*Risk Factors—Risks Related to the Financial Profile of the Issuer and the Sponsors' HoldCos—The Issuer is a finance subsidiary that has no revenue generating operations of its own and will be dependent upon payments by the Sponsors' HoldCos under the Proceeds Loans to meet its obligations on the Notes, and Sponsors' HoldCos are dependent upon dividend payments by HoldCo and its subsidiaries to fund payments on the Proceeds Loans.*" For an analysis of the Sponsor's HoldCo's notional liquidity as of the Completion Date, see "*Summary Historical Financial and Other Information—Other Financial and Operating Information—Normalized Profit of Target Available to HoldCo and HoldCo Liquidity*." We will use the proceeds from the Offering of the Notes and the Equity Contribution to fund the consideration payable for the shares of the Target (including deferred consideration), to retain an amount of cash sufficient to make the first interest payment on the Notes in cash and to pay fees and expenses incurred in connection with the Transactions. See "*Use of Proceeds*."

Our ability to generate sufficient cash for our debt service and ongoing operations depends on our operating performance and liquidity, which in turn depends to some extent on general economic, financial, industry, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in "*Risk Factors*." We believe that, based on our current level of operations as reflected in our results of operations for the six months ended June 30, 2015, our cash flows from operating activities, cash on hand and the availability of borrowings under our Revolving Credit Facility will be sufficient to fund our operations, capital expenditures and debt service for at least the next twelve months.

Following the Completion Date, we will have access to funds under our Revolving Credit Facility. The availability of the Revolving Credit Facility will be subject to certain conditions. We anticipate that we will be highly leveraged for the foreseeable future, and under certain circumstances, limited from making drawings under our Revolving Credit Facility if we are not meeting a financial maintenance covenant. Our high level of debt may have important negative consequences for you. See "*Risk Factors*." There are also limitations on our ability to obtain additional debt or equity financing. See "*Description of the Notes—Certain Covenants Applicable to the Issuer,*" "*Description of the Notes—Specified Defaults—Indebtedness*" and "*Description of Other Indebtedness—Revolving Credit Facility*." In addition, any additional indebtedness that we do incur could reduce the amount of our cash flow available to make payments on our then existing indebtedness, including under the Notes offered hereby, and increase our leverage.

Cash Flows

The table below shows selected cash flow statement information for the six months ended June 30, 2014 and 2015, the twelve months ended June 30, 2015 and the years ended December 31, 2012, 2013 and 2014.

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
	(in € millions)					
Operations	201.6	205.2	199.0	89.1	93.5	203.3
Cash flows generated by (used in) financial assets	(1,667.7)	6.3	497.6	(877.5)	(1,512.8)	(137.7)
Cash flows generated by (used in) financial liabilities	1,159.9	(165.2)	(846.9)	591.1	1,463.8	25.8
Net cash flow generated by (used in) operating activities	(306.2)	46.2	(150.3)	(197.3)	44.5	91.5
Net cash flow used in investing activities	(66.1)	(21.1)	(16.4)	31.0	0.8	(46.6)
Net cash flow used in financing activities	(16.8)	(19.8)	(19.3)	(19.3)	(19.4)	(19.4)
Net change in cash and cash equivalents	**(389.1)**	**5.3**	**(186.0)**	**(185.5)**	**25.9**	**25.5**
Cash and cash equivalents at beginning of period	570.3	181.3	186.5	186.5	0.5	0.9
Cash and cash equivalents at end of period	181.3	186.5	0.5	0.9	26.5	26.5

Note: Our net cash flow generated by (or used in) operating activities is equal to the sum of cash flows generated by operations, cash flows generated by (or used in) financial assets and cash flows generated by (or used in) financial liabilities. Cash flows generated by our operations amounted to €203.3 million for the twelve months ended June 30, 2015, and have been relatively stable compared to €199.0 million, €205.2 million and €201.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Cash flows generated by (or used in) financial assets and liabilities are in contrast volatile due to the nature of our activities. Our Payments and Securities Services reporting segments generate significant amounts of liquidity in the ordinary course of their activities, and this liquidity is primarily invested in Italian government bonds. In addition, financial assets and liabilities on our balance sheet are affected by the volume of transactions we execute with customers, banks and other financial institutions as part of our operating activities. These include, for example, changes in our cardholders' balances, changes in the volume of cash deposited by our securities services clients and payment settlement flows. These changes in financial assets and liabilities are therefore not reflective of the cash-generative ability of the business but nonetheless can have a significant impact on our net cash flows from operating activities. The use of our cash to purchase government bonds, for example, would result in a decrease in cash flows generated from operations equivalent to the cash amount used for the purchase. As a result, we believe that a traditional discussion of the Target Group's cash flows would not enhance an investor's understanding of the Target Group's results of operations and therefore we have not included such a discussion. To inform their understanding of the Target Group's cash flows and assess the Target Group's liquidity, investors should instead refer to "*—Liquidity, Funding and Intragroup Funding*" below.

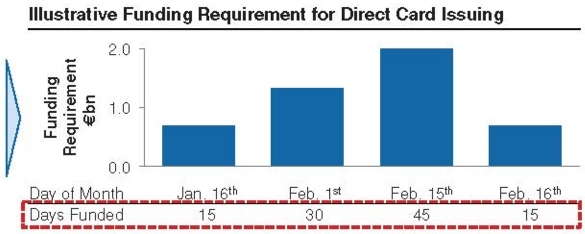
Liquidity, Funding and Intragroup Funding

ICBPI uses funding from surplus liquidity generated by its Securities Services reporting segment and Payments reporting segment partly to fund CartaSi's receivables from cardholders in its Card Issuing Business and merchants in its Merchant Acquiring Business. Remaining liquidity is then invested mainly in government bonds or in the interbank market. Due to the volatility of some balance sheet items, which are linked to the volume of transactions executed by ICBPI with its customers across the company's operations, daily average volumes provide a better illustration of ICBPI's liquidity, funding and intragroup funding than year-end figures.

The following charts provide an overview of CartaSi's funding requirements and group interfunding.

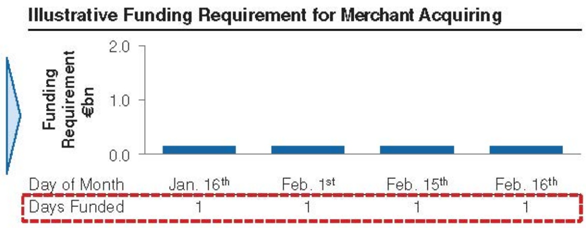
Funding Requirements—Card Issuing Business

- In its issuing business, CartaSi typically settles with card schemes daily and debits the customer's bank account for the full value of transactions made during for the previous calendar month on the 15th of each current month. Funding for customer purchases is therefore provided for between 15 and 45 days (on average 29 days of funding)



Funding Requirements—Acquiring Business

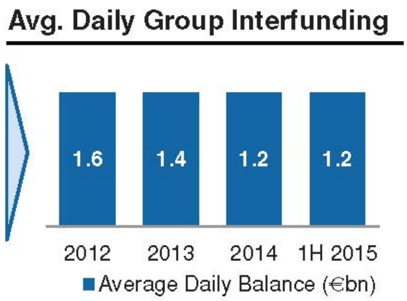
- In its merchant acquiring business, CartaSi settles with merchants on day 1 and receives cash from the card scheme on day 2, resulting in a one day funding requirement.



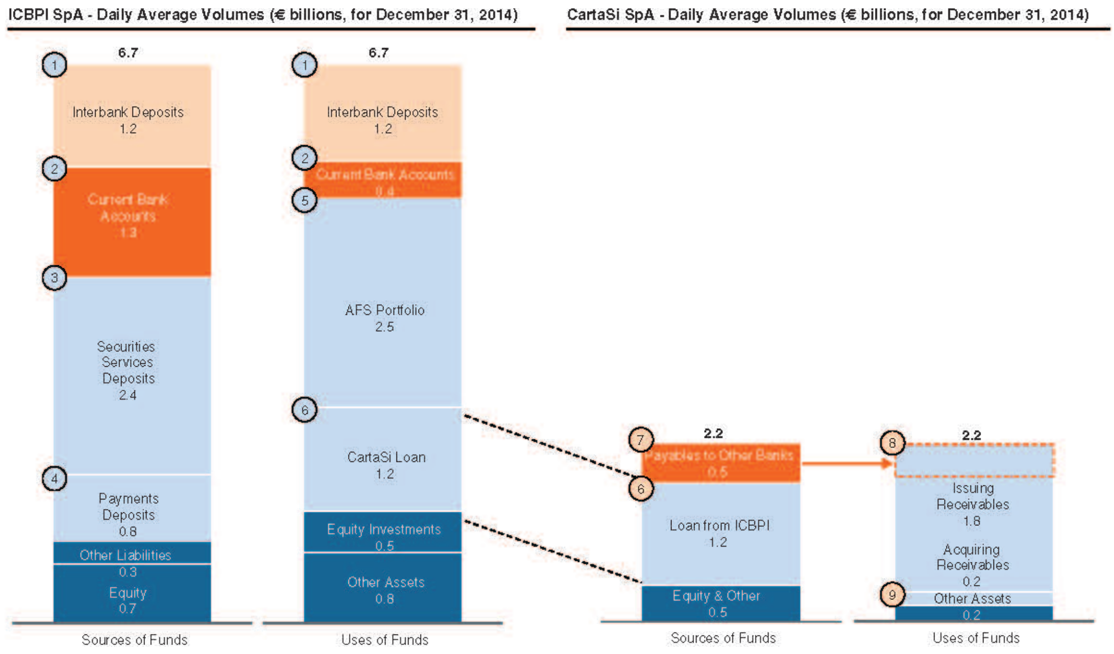
Group Interfunding

- While part of these customer receivables are funded by partner banks, depending on each partner bank's funding agreement, there is a balance which is funded by an intercompany loan from ICBPI, the proceeds of which are generated by the Securities Services and Payments Businesses, which, due to the nature of their business, generate surplus liquidity

- Together, the Securities Services and Payments Businesses generated approximately €3.2 billion of deposits in 2014, with approximately €1.2 billion used to fund CartaSi via an intergroup loan (with interest rates at market levels, which are then passed on to partner banks)



The following chart provides an overview of our sources and uses of funding using daily average volumes as of December 31, 2014, as presented in our management accounts.



(1) Interbank deposits and repurchase agreements are used to manage short-term liquidity imbalances. These short-term liquidity imbalances can be substantial, when compared between period-ends, although they tend to offset on average during each fiscal year.

(2) ICBPI maintains current accounts with partner banks for transactions across its business units. There is a structurally positive imbalance as ICBPI tends to withdraw surplus liquidity in current accounts more than partner banks.

(3) Securities Services deposits represent the part of portfolios under custody which is held in cash by clients in the depositary bank within the Securities Services reporting segment. The amount of Securities Services deposits depends on clients' portfolio allocation choices.

(4) Payments deposits mainly arise from payment services provided to large corporate clients and ICBPI's bank checks issued through partner banks.

(5) ICBPI's AFS Portfolio is financed with surplus liquidity arising from Securities Services and Payments deposits. Our investment decisions are based on our investment management policy and subject to the approval of our board of directors; see "*Management—Corporate Governance—Investment Management Policy*." Our current AFS Portfolio is mainly composed of short-term, highly liquid Italian government bonds. These government bonds are eligible to be provided as collateral in repurchase agreement transactions with the ECB and are widely accepted collateral for repurchase agreement transactions with other counterparties. The monthly average notional balance of encumbered assets for ICBPI during the twelve months ended June 30, 2015 was approximately €390 million. This amount excludes assets which are held as collateral in intraday transactions, mainly for liquidity purposes, as such assets would still be available as collateral for overnight operations. The monthly average balance of assets held as collateral in intraday transactions during the period ending June 30, 2015 was approximately €492 million.

(6) The CartaSi loan is a revolving credit facility made available by the Target and is used to manage CartaSi's funding needs.

(7) Payables to other banks by CartaSi represent the part of issuing activity funded by partner banks, depending on each partner bank's funding agreements, and corresponding receivables. They also include fees due to partner banks.

(8) Receivables from customers in CartaSi's Card Issuing Business arise mainly due to the fact that CartaSi settles transactions with card schemes after one day but receives corresponding funds from the cardholders' banks on the 15th of each month.

(9) Receivables from customers in CartaSi's Merchant Acquiring Business arise due to the fact that CartaSi settles transactions with merchants after one day but receives funds from card schemes after two days.

The following table provides an overview of average daily balances in the sources and uses of our funding for ICBPI S.p.A. for the years ended December 31, 2012, 2013 and 2014, and for the six months ended June 30, 2014 and 2015, according to our management accounts.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
			(in € millions)		
ICBPI S.p.A.					
Sources					

Interbank Deposits	1,377.1	1,343.0	1,235.1	1,116.3	494.5
Current Bank Accounts	1,976.9	1,595.6	1,327.0	1,405.7	1,215.3
Securities Services Deposits	1,169.2	1,703.9	2,378.4	2,462.8	3,518.0
Payments Deposits	828.6	798.9	798.1	819.4	810.5
Other Liabilities	186.2	262.8	271.3	284.5	238.0
Equity	566.9	640.8	715.4	723.4	768.3
Total Sources	**6,104.9**	**6,345.0**	**6,725.4**	**6,812.1**	**7,044.6**
Uses					
Interbank Deposits	464.4	801.4	1,175.8	1,212.7	1,464.6
Current Bank Accounts	402.5	365.9	438.8	441.7	492.2
AFS Portfolio	1,875.4	2,344.4	2,515.9	2,516.9	2,536.4
CartaSi Loan	1,596.0	1,361.0	1,248.0	1,293.7	1,235.9
Equity Investments	528.3	522.0	498.8	504.6	493.0
Other Assets	1,238.4	950.2	848.0	842.4	822.5
Total Uses	**6,104.9**	**6,345.0**	**6,725.4**	**6,812.1**	**7,044.6**

The following table provides an overview of average daily balances in the sources and uses of our funding for CartaSi S.p.A. for the years ended December 31, 2012, 2013 and 2014, and for the six months ended June 30, 2014 and 2015, according to our management accounts.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2012	**2013**	**2014**	**2014**	**2015**
	(in € millions)				
CartaSi S.p.A.					
Sources					
Loan from ICBPI	1,596.0	1,361.0	1,248.0	1,293.7	1,235.9
Payables to other banks	573.0	547.0	496.0	435.4	409.4
Equity and other liabilities	429.0	441.0	450.0	454.6	465.4
Total Sources	**2,598.0**	**2,349.0**	**2,194.0**	**2,183.7**	**2,110.8**
Uses					
Issuing receivables	2,091.0	1,989.0	1,835.0	1,830.3	1,788.3
Acquiring receivables	211.0	178.0	161.0	153.0	155.0
Fixed and other assets	296.0	182.0	198.0	200.4	167.5
Total Uses	**2,598.0**	**2,349.0**	**2,194.0**	**2,183.7**	**2,110.8**

Capital Expenditures

To support our business strategy and development plans, we regularly incur capital expenditures. The following table presents our capital expenditures by period. Expansion capital expenditures mainly relate to the purchase of assets, joint ventures and acquisitions of other businesses. Maintenance capital expenditures mainly relate to purchases and upgrades of our ICT infrastructure, software, POS terminals and ATMs. We expect maintenance capital expenditures in the year ending December 31, 2015 and in future periods to increase due to the gradual implementation of a revised policy on the capitalization of ICT expenditures, as described "*Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*".

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
	(in € millions)					
Expansion capital expenditures	54.5	5.6	27.6	5.1	—	22.5
Maintenance capital expenditures	26.3	26.3	37.2	11.5	11.1	36.8
Capital expenditures	**80.8**	**31.9**	**64.8**	16.6	11.1	59.3

For the twelve months ended June 30, 2015, our expansion capital expenditures primarily related to the acquisitions of ICCREA's depositary bank activities for €21.6 million. Our maintenance capital expenditures primarily related to purchases and maintenance of POS and ATM property for €21.0 million, other equipment for €1.9 million and intangible assets for €13.9 million.

For the six months ended June 30, 2015, we did not incur any expansion capital expenditures. Our maintenance capital expenditures of €11.1 million primarily related to purchases and maintenance of POS and ATM property for €7.0 million and intangible assets for €4.1 million.

For the six months ended June 30, 2014, our expansion capital expenditures of €5.1 million related to the acquisition of C-Card S.p.A. Our maintenance capital expenditures of €11.5 million primarily related to purchases and maintenance of POS and ATM property for €5.9 million, other equipment for €0.5 million and intangible assets for €5.1 million.

For the year ended December 31, 2014, our expansion capital expenditures primarily related to the acquisitions of ICCREA's depositary bank activities for €21.6 million and of C-Card S.p.A. and Unicard S.p.A. for €5.9 million. Our maintenance capital expenditures primarily related to purchases and maintenance of POS and ATM property for €19.9 million, other equipment for €2.3 million and intangible assets for €14.9 million.

For the year ended December 31, 2013, our expansion capital expenditures primarily related to the acquisition of real estate property in Cividale del Friuli, Italy by HelpLine for €5.6 million. Our maintenance capital expenditures primarily related to purchases and maintenance of POS and ATM property for €15.8 million, other equipment for €3.1 million and intangible assets for €7.4 million.

For the year ended December 31, 2012, our expansion capital expenditures primarily related to the acquisitions of Arca's depositary bank activities for €48.0 million and Siteba S.p.A., which operates in the Italian POS industry, for €6.3 million. Our maintenance capital expenditures primarily related to the purchase and maintenance of POS and ATM equipment for €14.2 million, other equipment for €4.2 million and intangible assets for €7.8 million.

Contractual Obligations of the Sponsors' HoldCos and Residual Maturity of Banking Book Liabilities of the Target

The following contractual obligations and principal payments identify what payments the Sponsors' HoldCos would have been obligated to make as of June 30, 2015, after giving effect to the Transactions.

	Payments due by period			
	Total	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
		(in € millions)		
Revolving Credit Facility[(1)]	—	—	—	—
Notes offered hereby[(2)]	1,100.0	—	—	1,100.0
Deferred consideration[(3)]	89.0	89.0	—	—
Total	**1,189.0**	**89.0**	**—**	**1,100.0**

(1) Assumes that the €55.0 million Revolving Credit Facility remains undrawn after giving effect to the Transactions.

(2) The principal amount of the Notes offered hereby represents the aggregate principal amount on the Issue Date, assuming that no PIK Interest is paid during the life of the Notes.

(3) Represents deferred consideration owed to the sellers under the Acquisition Agreement and other shareholders of the Target from which BidCo has agreed to purchase shares. See "*The Transactions*."

The information presented in the table above reflects our estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

The following table identifies the residual maturity (by repricing date) of the liabilities of the Target on its banking book as of December 31, 2014. As of June 30, 2015, and after giving effect to the Transactions, the Target would not have had any long-term debt obligations or obligations under finance leases.

	Payments due by period			
	Total	**On demand**	**Up to 3 Months**	**More than 3 Months**
	(in € millions)			
Current accounts due to customers	2,643.6	2,643.6	—	—
Other liabilities due to customers	63.9	45.1	18.8	—
Current accounts due to banks	1,914.7	1,633.4	281.3	—
Other payables due to banks	753.1	587.1	166.0	0.0
Total	**5,375.3**	**4,909.2**	**466.1**	**0.0**

Post-Employment and Pension Obligations

Italian law provides that, upon termination of employment, Italian employees are entitled to severance pay (*trattamento fine rapporto*) based on their annual salary, length of employment and the rate of inflation. As of June 30, 2015, our post-employment benefit obligations totaled €21.6 million. These post-employment benefits accrue over the employment term and are recognized under personnel expense. Additionally, we offer internal pension plans that are considered defined benefit plans for accounting purposes. As of June 30, 2015, our provisions for pension and similar obligations totaled €0.9 million.

We have historically funded payments required to be made under these post-employment and pension plans with cash flow from operating activities, and we anticipate continuing to do so.

Qualitative Disclosure on Credit and Market Risk

Credit risk

We believe that our credit risk is generally limited because our partner banks assume the ultimate credit risk for our payment cards under their contracts with us. With respect to CartaSi's Card Issuing Business, our main credit risk relates to payment defaults by cardholders to whom we have directly issued cards without the use of an intermediary partner bank. With respect to our Merchant Acquiring Business, our main credit risk arises out of the two to three business day delay between the time when we credit a merchant's account with funds and the time when we receive the funds from the card schemes, such as Visa and MasterCard. See "*Our Business—Funding, Settlement and Credit Risk*."

We are also subject to credit risk arising as a result of operating irregularities (for example, charge-backs to merchants after complaints from cardholders or banks, or non-payment of commission by merchants). In particular, with respect to licensing agreements and the associate model, in our Merchant Acquiring Business, we are subject to credit risk from our merchant customers for the amount we pay for transactions where goods or services have not yet been provided by the merchant to the consumer, or which are disputed by the cardholder. In such an instance, the transaction amount is normally "charged back" to the merchant and the purchase price is refunded by us to the cardholder. Even if we are unable to collect the chargeback amount from our merchant customer, the card scheme rules require us to return the full payment amount, including the issuer fee and scheme interchange fees, to the card issuing bank (paying via the card schemes). See "*Risk Factors—Risks Related to Our Business—We are subject to potential credit risk from our customers, as well as short term credit risk from our partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, we could experience material losses*."

We monitor all our lending transactions to ensure that they comply within our maximum operating limits and/or caps. However, there can be no assurance that our monitoring procedures are effective at all times and operating limits have historically been exceeded. We also assess the lending process to ensure that our credit risk is appropriately managed, and we monitor compliance with risk concentration restrictions on a daily basis. However, there can be no assurance that the procedures designed to limit our risk concentration are always effective and we have historically identified overruns of our large exposure limits. In March 2014, for instance, we identified two such overruns, with one resulting from technical issues and the other from the delayed recording of forward hedges of large amounts. We issue credit cards only pursuant to what we believe to be a suitable investigation of the potential cardholder, and we continuously monitor credit risk over the period of the credit card's validity.

For a more detailed description of the credit risk inherent in our business, see section 1.1 of Part E of each of our Audited Financial Statements included elsewhere herein.

Market Risk

Market risk is the risk of incurring losses generated by operating on the market for financial instruments, currencies and commodities. We are subject to market risk through our investment and treasury transactions on EU and non-EU markets and the management of our banking book and day-to-day liquidity.

We have a dual-level market risk monitoring model in place. We monitor market risk on a daily basis using the value at risk ("**VaR**") of our positions in securities and foreign currency. Our VaR testing is designed to generate a reasonable estimate of potential losses in normal market conditions. It is not designed to include an analysis of extreme events, so we also carry out back testing and stress testing to check the level of existing risk scenarios or future scenarios for the current portfolio.

Stress tests are used to test the impact of extreme conditions on our portfolio in circumstances where the assumptions underlying the prevailing model have been interrupted. Back testing is performed to retrospectively test the accuracy of the VaR by checking the consistency between the number of days on which *ex post* losses exceed the VaR and the expected probability that these events would occur. As VaR is generally calculated over a time horizon of 10 days with a confidence level of 99%, the expected probability that a loss is greater or the same as VaR in a 10 day interval is 1%.

For a more detailed description of the market risk inherent in our business, see section 1.2 of Part E of each of our Audited Financial Statements included elsewhere herein.

Interest Rate and Price Risk

Trading Book

Interest rate risk and price risk are inherent in our core banking business. The objectives and strategies underlying our trading activities with respect to our securities portfolio are designed to maximize profitability and exploit investment opportunities as part of an overall strategy to minimize interest rate risk. Our interest rate risk is modest given the natural matching of assets and liabilities arising from our operations. We perform stress tests on our exposure to interest rate risk.

Price risk is the risk of fluctuation in the price of financial instruments due to variations in market variables or due to specific factors relating to the issuers or counterparties. It can be a general risk, caused by a change in the price of an equity instrument due to fluctuations in the reference market, or a specific risk, caused by a change in the price of a specific equity instrument compared to its reference market following changes in expectations about the financial soundness or future profitability of the issuer. We believe our strategy for managing price risk is prudent. We monitor price risk by producing specific reports and by calculating the VaR of our positions on a daily basis.

For a more detailed description of the interest rate and price risk inherent in our trading book, see section 1.2.1 of Part E of each of our Audited Financial Statements included elsewhere herein.

Banking Book

We face interest rate risk with respect to our banking book due to the risk of loss in value of our holdings in the banking book due to potential changes in interest rates. The main source of this type of risk is repricing risk, which is the risk arising from the mismatch of maturity dates with the repricing of assets and liabilities. In particular, we face yield curve risk arising from our exposure to changes in the slope and shape of the return curve and basis risk arising from a mismatch in changes in interest rates paid and received on different instruments that may have similar repricing characteristics.

We face price risk with respect to our banking book due to the equity investments we hold for the long term and due to financial instruments, mostly Italian government bonds, which are not included in the trading book, as they are also held for investment purposes. The board of directors is the sole body responsible for the related internal controls for these financial instruments.

For a more detailed description of the interest rate and price risk inherent in our banking book, see section 1.2.2 of Part E of each of our Audited Financial Statements included elsewhere herein.

Liquidity Risk

Liquidity risk describes the risk that we will be unable to raise funds on the market and/or to divest our assets, and includes the risk of being required to meet our commitments at non-market costs. We believe we are not significantly exposed to liquidity risk, as our liabilities mainly consist of current accounts with banks or customers which are set up to be used for business operations rather than funding purposes.

Our liquidity policy sets out certain actions to be performed on a daily basis to ensure a balance between cash inflows and outflows by monitoring existing and future financial positions. It also includes a wide range of indicators to facilitate the monitoring of our liquidity profile and to promptly identify any deterioration caused by internal or systemic factors. We also have a contingency funding plan in place which sets out the actions to be taken if there is a drastic reduction in liquidity caused by either sector-wide or specific liquidity crises. Our monitoring of liquidity is consistent with the requirements of the Basel Committee as specified in the International Framework for Liquidity Risk Measurement, Standards and Monitoring, as well as the additional guidance and regulations issued by various control bodies and authorities.

For a more detailed description of the liquidity risk inherent in our business, see section 1.3 of Part E of each of our Audited Financial Statements included elsewhere herein.

Operational Risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources and systems and external factors. It includes losses caused by fraud, human error, business discontinuity, system breakdowns, contractual defaults and natural disasters. It also comprises legal risk, including money laundering risk.

We manage our operational risk through specific insurance policies and through the adoption of appropriate internal systems and controls to identify and prevent operational defects. We have adopted an operational risk framework which includes an operational risk policy and data collection methods as required by the Bank of Italy. Our operational risk policy sets out our general risk governance principles, aims, methods and tools.

A fundamental operational risk mitigation tool is our business continuity and disaster recovery plan, which is revised annually. Business continuity includes all those measures designed to reduce to an acceptable level the damage caused by accidents or catastrophes that could directly or indirectly affect us, while our disaster recovery plan sets out the technical and organizational methods we would use to resolve events that cause the unavailability of data processing centers.

For a more detailed description of the operational risk inherent in our business, see section 1.4 of Part E of each of our Audited Financial Statements included elsewhere herein.

Critical Accounting Policies

Basis of Consolidation

The Target Group determines the scope of its consolidated entities in accordance with IFRS 10 (*Consolidated financial statements*). Accordingly, the concept of control is fundamental to consolidation of all types of entities. It is the Target Group's policy to include an entity in its consolidated financial statements, if it exercises voting or de facto control over such entity. As of June 30, 2015, all of the entities consolidated in the Target Group are controlled mainly through voting rights and the Target Group holds more than half of the voting rights in each of its consolidated entities. As a result, the Target Group did not have to perform special judgments or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

Investments in subsidiaries are consolidated by combining the captions of the statement of financial position and income statement on a line-by-line basis. The Target Group eliminates the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary and the equity and profit or loss attributable to non-controlling interests are recognized separately. Any positive differences arising from these adjustments are recognized as goodwill. Any negative differences are recognized in profit or loss.

Intragroup assets and liabilities, off-statement of financial position transactions, income and expense and profits and losses among the consolidated companies are eliminated. The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the date of sale, when the parent ceases to control the subsidiary.

Pursuant to IAS 28, the consolidated financial statements also include the results of investees, which are entities over which the group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement using the equity method. The group's share of the associate's profit or loss is recognized separately in the income statement. The difference between the investment's carrying amount and the group's share of its equity is included in the investment's carrying amount. If there is indication of impairment, the group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognized in profit or loss.

The consolidated Target Group includes Oasi Diagram—Outsourcing Applicativo e Servizi Innovativi S.p.A., HelpLine S.p.A. and CartaSi S.p.A.. Additionally, the Target Group includes three equity-accounted associates, namely HI-mtf S.p.A., in which the parent has a 25% interest, Equens SE, in which the parent has a 20% interest and Unione Fiduciaria S.p.A., in which the parent has a 24% interest.

Financial Assets Held for Trading

A financial asset is classified as held for trading if it is (i) acquired principally for the purpose of selling it in the near term, (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or (iii) a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognized under assets when they have a positive fair value and under liabilities when they have a negative fair value. Debt and equity instruments are recognized at their settlement date while derivatives are recognized at their trading date. Financial assets held for trading are initially recognized at fair value, which is usually the transaction price, net of any directly attributable transaction costs. Financial assets or parts of financial assets are derecognized when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

Available-for-Sale Financial Assets

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.

Available-for-sale financial assets are initially recognized at the settlement date and measured at fair value, which includes the directly related transaction costs. Financial assets or parts of financial assets are recognized when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

Held-to-Maturity Investments

This category includes debt instruments with fixed or determinable payments and fixed maturities that the Target Group has the ability and intention to hold to maturity. If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the group's intentions or ability, it is reclassified to "available-for-sale financial assets." Held-to-maturity investments are initially recognized at cost, being the fair value of the amount traded, including any directly related costs and income. Financial assets or parts of financial assets are derecognized when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

Loans and receivables

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

Loans and receivables are initially recognized 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 recognized amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs. Financial assets or parts of financial assets are derecognized when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

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 recognized 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 recognized separately. If the difference is negative, it is recognized directly in profit or loss (excess cost).

Goodwill is recognized at cost, net of accumulated impairment losses. It is not amortized. It is tested annually for impairment even if there are no indicators of impairment. Impairment losses on goodwill are recognized in caption 260 "Impairment losses on goodwill" of the Target Group's income statement. They are not reversed in subsequent periods.

Current and Deferred Taxes

The Target Group calculates current and deferred taxes.

Current taxes not yet paid in whole or in part at the reporting date are recognized as tax liabilities in the statement of financial position. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognized as a tax asset. Current and deferred taxes are recognized in caption 290 "Income taxes" of the income statement unless they relate to gains or losses on AFS financial assets and actuarial gains and losses, which are recognized directly in the valuation reserves, net of tax.

Deferred tax assets and liabilities are recognized 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 recognizes deferred tax assets (in caption 140.b) for deductible temporary differences and carryforward 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 group may find itself.

Provisions for Risks and Charges

Pension and Similar Provisions

Internal pension plans are considered to be defined benefit plans. The group calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate. The discount rate is the average market rate at the measurement date. The present value of the group's liability at the reporting date is also adjusted by the fair value of any plan assets.

Other Provisions

The group recognizes provisions for risks and charges when (i) it has a present legal or constructive obligation as a result of a past event, (ii) it is probable that an outflow of resources will be necessary to settle the obligation and (iii) the liability can be reliably estimated.

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 and increases due to the time factor are recognized in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions and contingent liabilities are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Liabilities and Securities Issued

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the group has a contractual obligation to deliver cash or another financial asset to another party. Amounts due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit. They also include finance lease liabilities.

Amounts due to banks are recognized at the contract agreement date, which is usually when the group receives the funds and issues the debt instruments. Financial liabilities are initially recognized 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 amortized cost using the effective interest method. Interest is recognized in caption 20 "Interest and similar expense" of the income statement.

Financial liabilities, or parts thereof, are derecognized when they are extinguished, i.e., when the obligation is complied with, cancelled or has expired. They are also derecognized when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognized in profit or loss. If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognized at the new placement price.

Financial Liabilities Held for Trading

This caption includes derivatives held for trading with negative fair values. All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognized in profit or loss. The measurement and recognition criteria are identical to those used for financial assets held for trading.

Business Combinations

Assets and liabilities deriving from business combinations are recognized at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognized as goodwill. After initial recognition, goodwill is tested for impairment. If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

Estimates and Assumptions

The consolidated financial statements captions are measured using the policies set out in our Financial Statements included elsewhere herein. 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 include the following:

- measurement of financial assets not listed on active markets;
- measurement of intangible assets and equity investments;
- quantification of accruals to provisions for risks and charges; and
- quantification of deferred liabilities.

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 recognized 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.

Fair Value Disclosure

The IFRS require that financial products classified in the held-for-trading or available-for-sale portfolios be measured at fair value. 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 on the principal market at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

The IFRS establish a hierarchy for measuring fair value of financial instruments depending on the entity's use of discretion, prioritizing 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); and
- *Level 3.* Unobservable inputs for the asset or liability.

The decision about which level to use is not optional as they are to be applied in hierarchical order.

Highest priority is given to official prices available on active markets for the assets or liabilities to be measured (level 1) or assets and liabilities measured using techniques based on parameters observable on the market other than prices (level 2) and the lowest priority is given to assets and liabilities whose fair value is calculated using techniques that are based on unobservable inputs and which are, therefore, more discretional (level 3). The Target Group uses the reporting date market price for instruments listed on active markets (level 1).

The fair value of financial instruments not listed on active markets is measured using techniques mainly based on discounting cash flows. These techniques consider all the factors that the market uses to set the price which are mainly inputs observable on the market (level 2).

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.

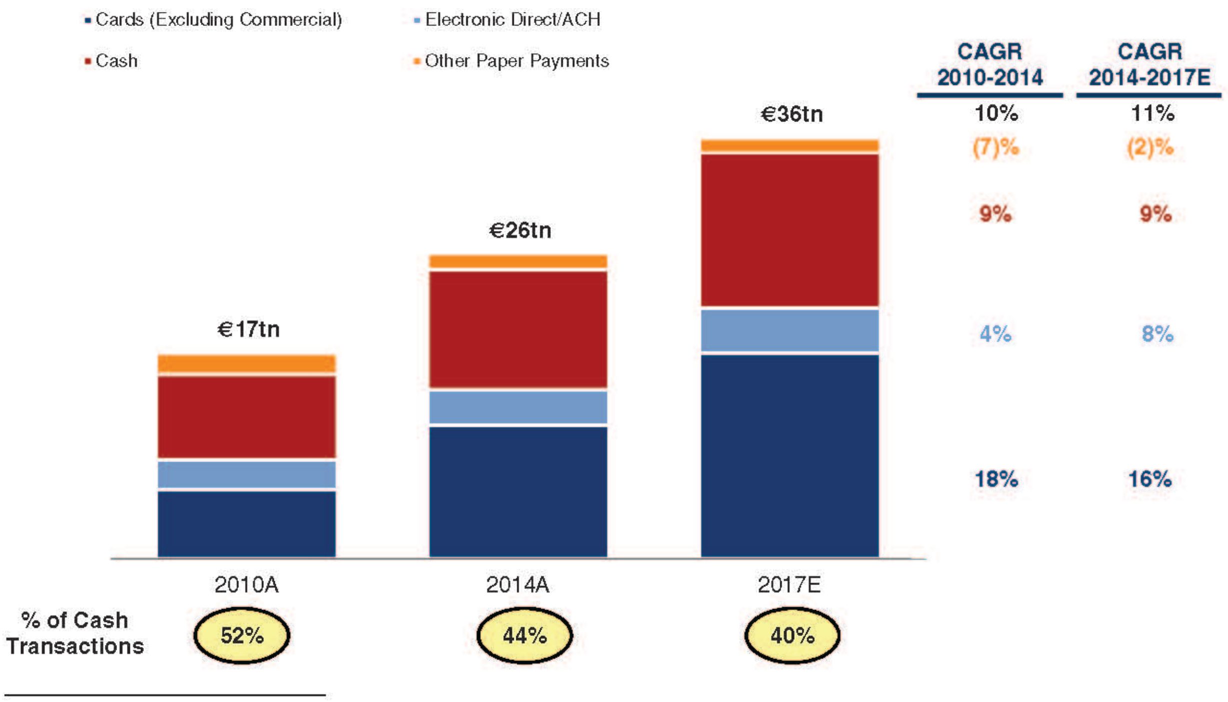
INDUSTRY

Certain of the projections and information set forth in this section have been derived from external sources, including industry publications and surveys, industry reports prepared by consultants, internal surveys and third-party reports commissioned by us, as well as from customer feedback. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information or the assumptions on which it is based cannot be guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Certain information in this section has also been based on our own experience, internal studies, estimates and investigations of market conditions, in some cases combined with the aforementioned external sources. We cannot assure you that any of the assumptions we have made are accurate or correctly reflect our position in the market. The information and estimates in this section involve risks and uncertainty and are subject to change based on various factors. See "Risk Factors" and "Forward-Looking Statements." This industry section includes certain technical terms that are commonly used in our industry. See "Glossary of Payment and Banking Terms" for a detailed explanation of these terms.

Introduction

ICBPI is the leading diversified payments company in Italy. As a result of the global mass shift from cash to non-cash payments, and in particular the rapid growth of electronic cards and alternative payment methods in the last five years, the global payment solutions industry has evolved into an increasingly complex environment in which market players are required to become highly specialized technological firms, with product offerings spanning across multiple payment-related services.

EVOLUTION OF SPENDING VOLUMES IN THE GLOBAL CONSUMER PAYMENTS ENVIRONMENT



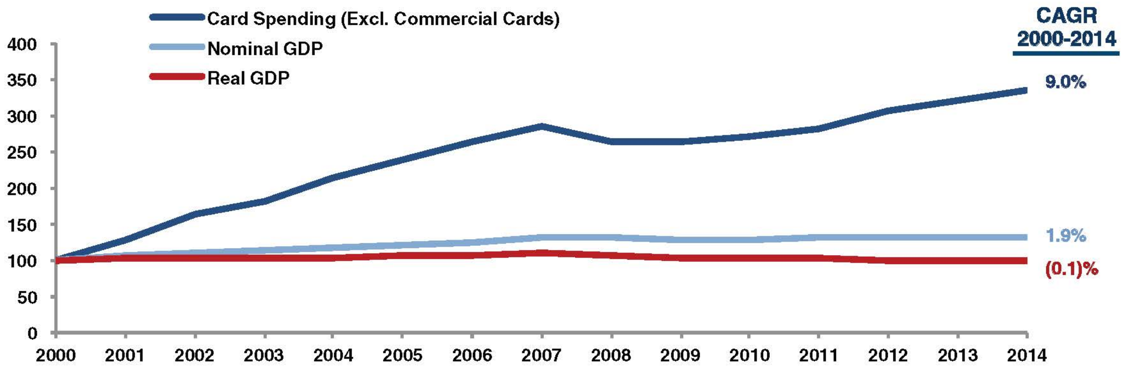
Source: Euromonitor International—Consumer Finance 2015.

Note: Data for the United Kingdom, United States, Canada, China, Japan, Brazil, France, Germany, the Netherlands, Italy and Spain.

The shift from cash to non-cash payments can be connected to a series of themes that are shaping the payment solutions industry and are contributing to making it a global, fast-growing and profitable market. These include technological developments, the increase in available payment channels and changes in interactions with consumers, who are demanding an easier and safer payment experience. As a result, Euromonitor International estimates that the aggregate card spending in the main developed markets (which include the United Kingdom, United States, Canada, China, Japan, Brazil, France, Germany, the Netherlands, Italy and Spain) will grow from €11 trillion in 2014 to €17 trillion in 2017, implying a compound annual growth rate of 16%.

Italy has also benefited from this highly attractive global secular trend and in fact, given the country is at an earlier stage in the payments revolution when compared to other more developed markets, the recent transition to non-cash payments has been strong. In addition, the underlying secular trend has more than offset the flat-to-low Italian economic growth, with card spending in the country growing at a significantly higher rate than GDP.

ITALIAN REAL/NOMINAL GDP AND CARD SPENDING 2000-2014 (INDEXED TO 100 IN 2000)



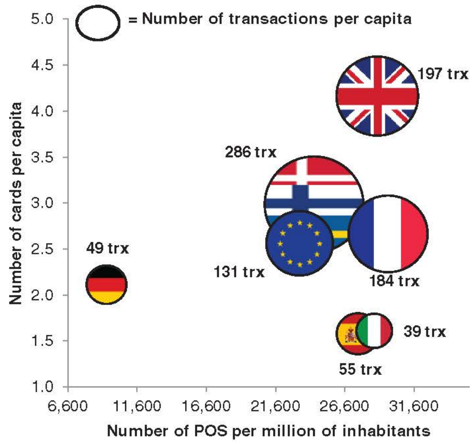
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Card Spending as % of NGDP	3.7%	4.5%	5.5%	5.9%	6.7%	7.3%	7.7%	8.0%	7.4%	7.7%	7.7%	7.9%	8.6%	9.1%	9.4%

Source: IMF, Euromonitor International—Consumer Finance 2015.

Despite this rapid recent growth in card spending in Italy, card penetration in Italy remains relatively low when compared to other European countries, as seen in the chart on the left below. This implies that there is still significant opportunity for further penetration of card payments in Italy to increase toward the levels of penetration in comparable economies. In addition, even though card penetration is relatively low in Italy, the Italian payments infrastructure is well-developed. For example, using the number of installed POS terminals as a proxy, Italy has a similar number of terminals per person as more advanced and mature markets such as the United Kingdom. This combination underpins a very attractive growth outlook for the Italian payments solutions market.

CARD AND POS PENETRATION IN EUROPE

2014	Value of Transactions (€bn)	Value of Transactions / Private Consumption (%)
UK	706	52
France	443	39
Germany	240	16
Italy	163	16
Spain	116	18
Netherlands	108	37
Sweden	106	54
Norway	74	53
Belgium	61	31
Denmark	59	49
Finland	50	47
Portugal	44	37
Ireland	38	50
Austria	36	20



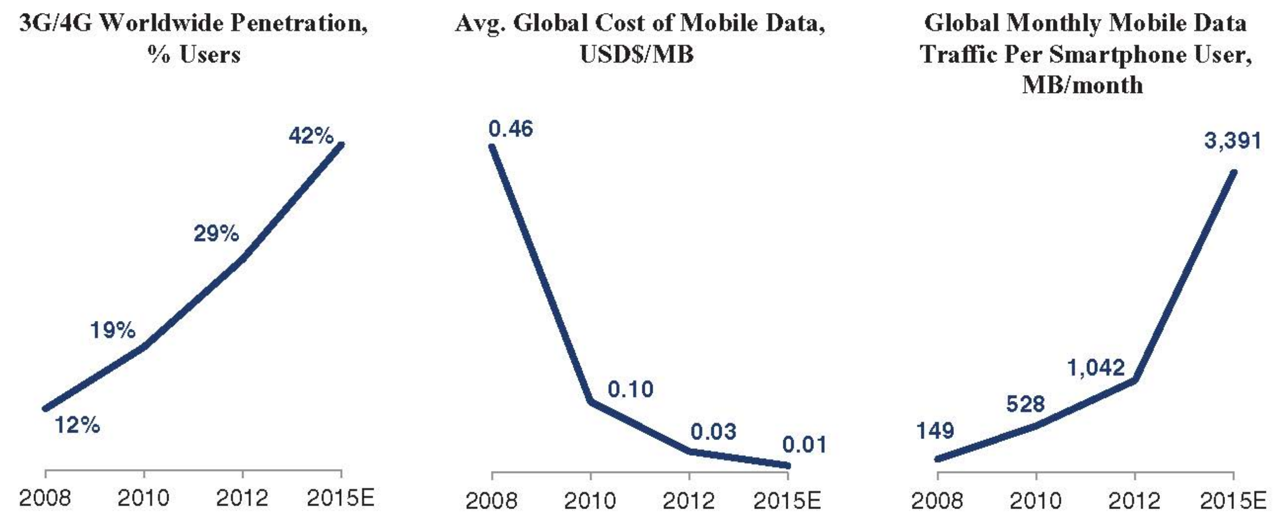
Source: IMF, Euromonitor International—Consumer Finance 2015.

Note: (i) Value of transactions includes value of payments through debit cards, prepaid cards, charge card, commercials and credit cards. ATM withdrawals not included. (ii) Number of transactions per capita for selected countries. (iii) EU flag used illustratively to denote the aggregate of the United Kingdom, France, Germany, Italy, Spain, the Netherlands, Belgium, Norway, Sweden, Denmark, Finland, Austria, Portugal and Ireland.

Technology and Other Key Drivers of Rapid Recent Industry Development

One of the key drivers of change in the increasingly global payment solutions industry is technology. In recent years, there has been a technological revolution, which has significantly affected the behaviors of consumers, merchants, banks and other players in the industry. Consumers are now able to choose among a number of different non-cash payment devices, including electronic cards, smartphones (such as Apple Pay, Samsung Pay and Android Pay), watches, key fobs and bands, with electronic payments solutions favored by ever-increasing global internet and mobile connectivity, as the cost of data usage and storage is rapidly decreasing. These innovations have resulted in a corresponding higher threat to consumer identity and security, requiring in turn development of specific responses to cybercrime, such as fraud detection software and biometrics, and therefore adding another layer of complexity for merchants.

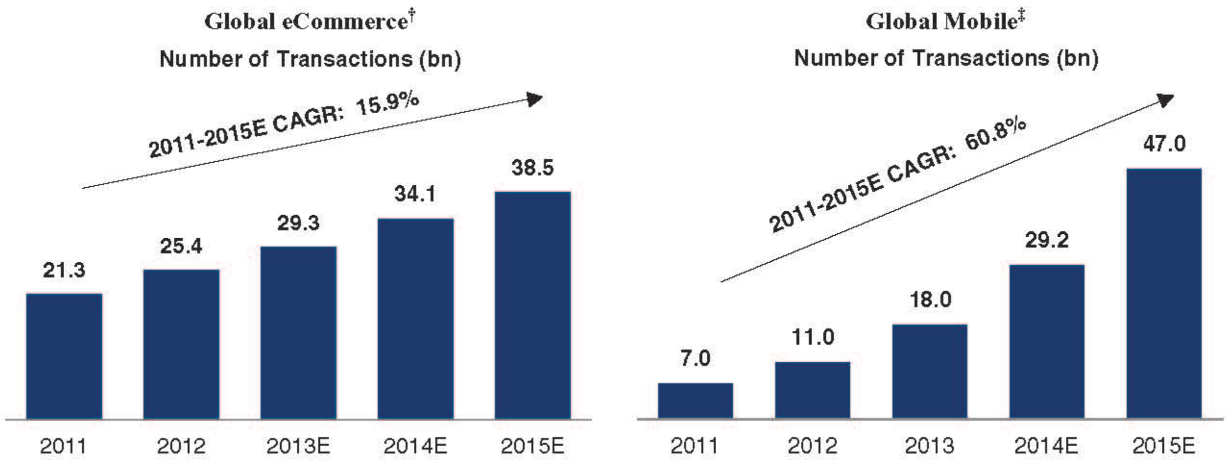
INCREASE IN CONNECTIVITY AND REDUCTION IN COST OF DATA



Source: Statista, 3G Mobile Wireless Penetration Worldwide 2015, Portio Research published in mobiForge.

Technological changes have triggered a shift in the preferences of consumers, who have now become more demanding in the way they perceive and interact with commerce. Consumers are now requiring simpler, safer and quicker payment solutions as they can choose among a wide range of transaction channels (in-store, mobile or online), payment types and devices, and have the possibility to make cross-border purchases in a global marketplace. Changes in consumer preferences are further accelerated by demographic shifts, as younger generations tend to be more comfortable with new technologies and non-cash payment solutions. This behavioral shift in consumer preferences favors those merchants who are able to tailor their product and payment offers to the specific, evolving needs of consumers, while also offering the possibility of leveraging data collected in electronic transactions to create loyalty schemes and increase customer retention.

GROWTH OF ONLINE AND MOBILE PAYMENTS



Source: Capgemini and RBS—World Payments Report 2014.

† Includes retail sales, travel sales, digital downloads purchased via any digital channel and sales from businesses that occur over primarily customer-to-customer platforms.

‡ Reflects transactions where mobile phones are used for payment—not just as a channel to send payment instruction—and the payment data flow occurs real-time.

These changes in consumer behavior have created significant opportunities for merchants to extend their business beyond traditional distribution channels, allowing them to access and retain new customers. On the other hand, the new commerce paradigm has created challenges for merchants, who now have to be able to connect to their customers and satisfy their customers' ever changing payment needs in order to maximize acceptance. In addition, merchants are now required to collect, organize and leverage an increasingly large amount of customer data, a key instrument to develop loyalty programs, tailor product offers and ultimately boost sales.

In this context, payment solutions have evolved from a commoditized product that merchants have to accommodate to allow customers to pay with their cards, to a fundamental enabler of commerce, often at the center of business models and strategic decisions. As such, merchants now need high value-added partners who can cater to their payment solutions needs and help them capitalize on market opportunities to avoid being left behind as a result of increasing complexity. Scale payment partners are likely to be better positioned to offer coverage across the payments value chain, to invest in technology, to capture a higher volume of transactions and to provide services in an integrated, omni-channel way, which are all critical requirements in a market where there has been a proliferation of smaller niche players.

The landscape is not only changing for merchants, but also for banks who issue cards in the payments environment. Commercial banks are fundamentally re-assessing their card issuing businesses and increasingly looking to outsource to specialized players who can benefit from economies of scale, in order to reduce revenue pressure and improve efficiency. This is also a consequence of the Interchange Fees Regulation, which caps the interchange fees that card issuers can charge for card transactions and which has reduced the revenue pools of those card issuers who have not been able to compensate with increases in cardholder fees and/or interest rates charged on revolving credit amounts.

In addition to these global trends impacting the Italian payments solutions market, there are also some country-specific trends enhancing the growth potential of the payments environment. For example, the Italian government is increasing its focus on preventing tax avoidance, money laundering and corruption in an effort to boost tax receipts and limit the scope of the shadow economy, which is believed to be a significant fixture in some parts of Italy. Because all electronic payments are recorded, generate receipts and leave an electronic footprint, the Italian government has implemented policies which promote card payments and other account-based electronic payments in lieu of cash payments. For example, Italian Prime Minister Matteo Renzi's government made the option of card payment mandatory for all purchases greater than €30 and has introduced legislation which, if implemented, will provide tax breaks for consumers on payment card purchases and for merchants on payment systems upgrades (such as buying or upgrading POS terminals), tax cash deposits greater than €200 per day and mandate the use of e-invoicing for certain sectors such as retailers, grocery stores, vending machines and the self-employed. In 2012, the Italian government also placed a cap of €999.99 on cash transactions, although Prime Minister Renzi has recently announced that he will propose to raise this cap to €3,000. These legislative changes may also contribute to the continued growth of card payment volumes in Italy.

The evolution of the payments landscape into a fully-integrated, global industry has only just begun, and successful market players will have to increasingly focus on payments in the future. Growth in non-cash payments is expected to accelerate with most of the growth expected to come from alternative payment solutions, including online and mobile solutions, and therefore payment systems providers will become essential to merchants and banks as a means to connect with their customers and offer compelling innovative products.

The Payment Solutions Economic Model

The payment solutions industry is becoming an increasingly complex and global industry, involving various parties and encompassing multiple core and extended services. For illustrative purposes, and given the characteristics of the Italian market, which is still evolving towards a more complex environment, the Italian payment solutions fee cycle can be exemplified as below:

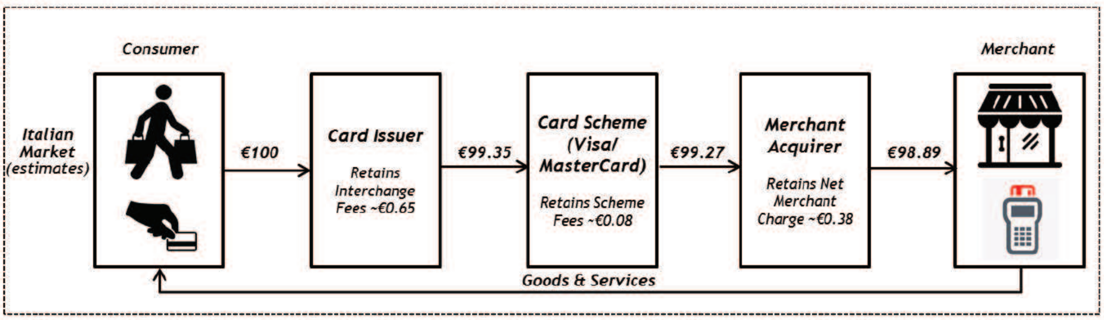
1. The cycle starts when a consumer enters into a transaction with a merchant and presents a payment card as payment. The merchant acquirer typically settles the transaction value (€100 in the example below) with the merchant the following day.

2. The card issuer pays the transaction value (€100) to the card scheme and usually receives the interchange fee (€0.65), with cash settlement the following day.

3. The card scheme pays the merchant acquirer for the transaction value (€100) less a scheme fee (€0.08) and an interchange fee (€0.65) payable to the card issuer, with cash settlement generally on the following day.

4. At the end of each month, the merchant acquirer charges the merchant a gross merchant service charge, based on a percentage of the transaction value (€1.11). After paying interchange and card scheme fees, the acquirer ultimately retains a net MSC (€0.38).

SIMPLIFIED PAYMENT SOLUTIONS VALUE CHAIN AND ECONOMIC MODEL



Note: Illustrative hypothetical financial figures for Visa/MasterCard credit and debit cards in Italy.

For a detailed overview of ICBPI's economic model within this environment, see *"Our Business."*

In the context of increasing penetration of non-cash payment instruments and increased complexity, scale players offering end-to-end coverage across the payment solutions value chain, such as ICBPI, are strongly positioned to respond to evolving market trends and meet the needs of their customers (e.g., merchants and financial institutions).

The sub-segments of the payments environment that are most relevant to ICBPI include payment solutions for merchants, payment solutions for banks and clearing and settlement of interbank payments. Separate but adjacent to payment solutions, ICBPI also provides custody and administration services and Business Process Outsourcing services for financial institutions.

Merchant Acquiring and POS

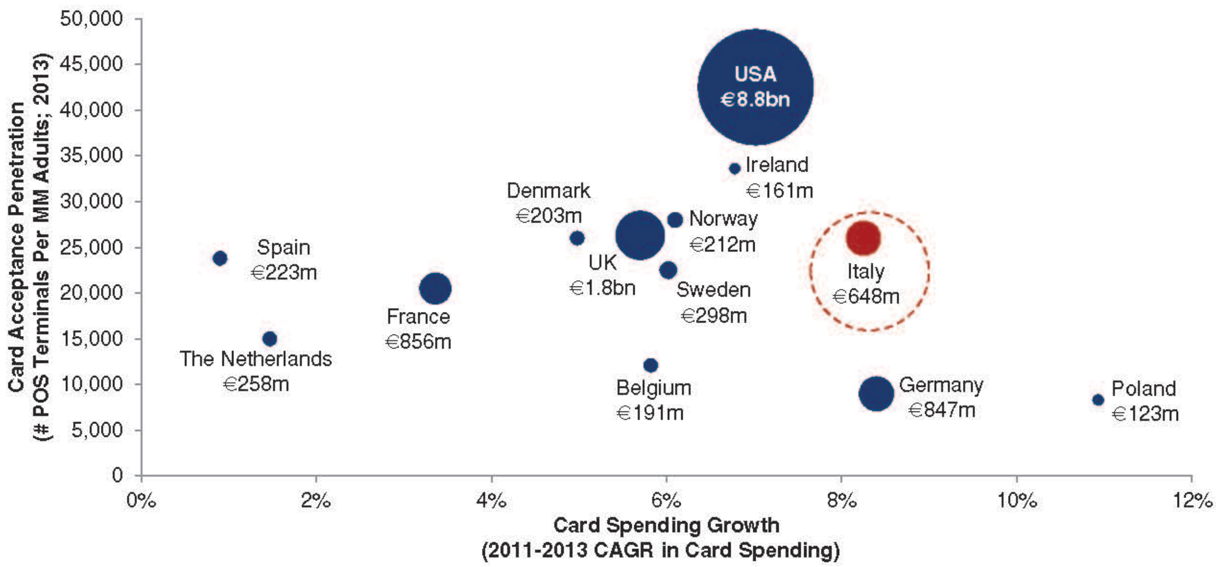
Since the emergence of new technologies, and as payment solutions become increasingly globalized and sophisticated, merchant acquiring and POS specialists have gone from being a cost center to becoming a valuable partner for merchants and financial institutions. The key catalyst that is making the payments landscape more complex is the appearance of new technologies, including the increase in the number of payments types offered as a result of consumers demanding more flexible and global access to non-cash payments. This also creates opportunities for merchants to increase revenues and improve the quality of their services to customers. For merchant acquirers, this translates into the provision of a range of value-added, extended services, including loyalty program services, data analytics services and fraud detection and prevention services.

According to estimates by First Annapolis, the Italian merchant acquiring and POS market (including POS terminal sales/rental, POS/e-Commerce gateway, POS/e-Commerce, acquiring, value-adding services, foreign exchange, alternative payments and fraud management revenues) represented a revenue pool of approximately €650 million in 2013, the fourth largest in Europe after the United Kingdom, France and Germany. The average net MSC (gross MSC net of interchange and scheme fees) in 2013 was 36 basis points, in line with margins observed in other developed markets. Margins in Italy are, however, mainly driven by traditional card acquiring revenues, while other markets such as the United Kingdom and Germany have a more diverse revenue pool, which includes a higher contribution from eCommerce fees and value-added services. The prevalence of the traditional card acquiring revenue stream in Italy may suggest that the revenue pool could grow further as the country moves towards a more diverse revenue mix.

Merchant acquiring and POS revenues in Italy are skewed towards SMEs, which account for more than two-thirds of the revenue pool, despite contributing approximately only one-third of total transaction volumes. This is due to the higher fragmentation of this customer base and the fact that SMEs significantly benefit from the scale that a merchant acquiring services provider brings them. In addition, SME merchants are typically easier to retain as opposed to large corporations. In this context, the Italian retail market has an attractive structure because SMEs constitute the large majority of merchants, as compared to other markets such as the United Kingdom and Germany.

ESTIMATED MERCHANT ACQUIRING REVENUE POOLS IN EUROPE

Selected markets; bubble size corresponds to the 2013 total estimated payments acceptance revenue

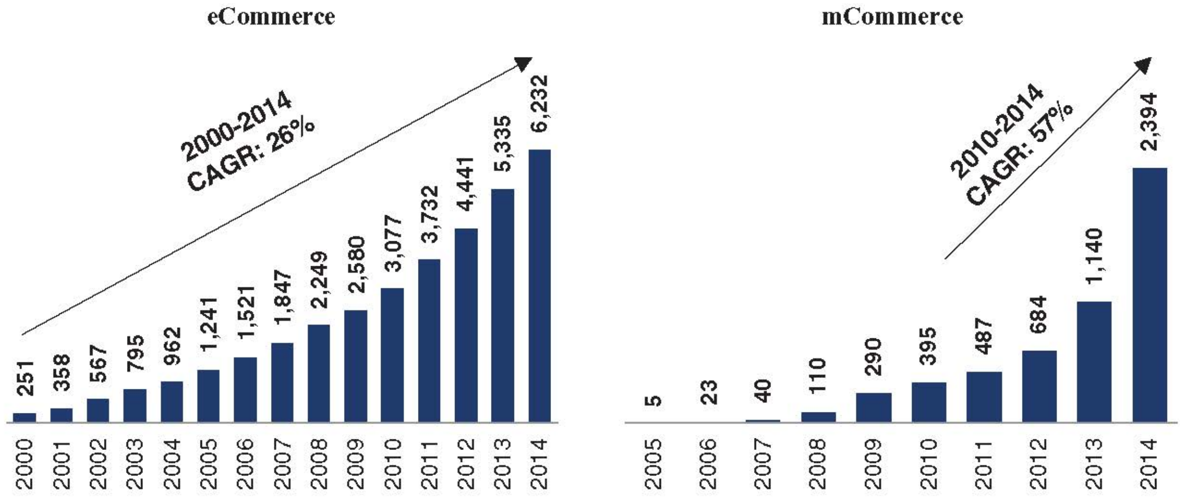


Source: First Annapolis estimates.

Growth in eCommerce and mCommerce in the Italian Merchant Acquiring and POS Market

eCommerce and mobile commerce ("**mCommerce**," and together with eCommerce, "**Online Commerce**") involve trading in products or services using computers and wireless devices, such as smartphones, tablets and other mobile phones connected to the internet. According to Euromonitor International data, eCommerce and mCommerce have shown significant development in Italy over the past few years, with compound annual growth rates of consumer spending volumes above 25% from 2000 to 2014 for eCommerce and above 55% from 2010 to 2014 for mCommerce. This is driven by rising internet and smartphone penetration in Italy, and by the general consumer appeal for online shopping which allows consumers to choose among a wide range of alternatives, with the possibility of comparing prices, opportunities for discounts and features of different products. Essentially, all Online Commerce transactions are executed with the support of payment cards which are necessary to pay for goods and services purchased online by consumers.

CONSUMER SPENDING VOLUMES IN ECOMMERCE AND MCOMMERCE IN ITALY (€ MILLION)



Source: Euromonitor International—Consumer Finance 2015.

Online Commerce is further facilitated by instruments such as online wallets, which are programs or web services that allow users to store and control their online shopping information, such as log-ins, passwords, shipping addresses and credit card details, in one central place. Online wallets provide a convenient and technologically quick method for consumers to purchase products from any person or store across the globe. Continued internet penetration and subsequent growth in eCommerce tends to be supportive of card usage, as the majority of online transactions requires the use of an electronic card.

An additional potential growth driver in the merchant acquiring and POS industry arises from mobile payments. Mobile payments are electronic payments executed through a mobile device. The use of mobile payments has been increasingly facilitated by the development of new technologies such as Near Field Communication ("**NFC**"), a set of protocols which enables smartphones and other devices to establish radio communication with each other by touching the devices together or bringing them into proximity. NFC-enabled smartphones can be used in order to complete contactless transactions with compatible POS terminals. Many international companies have been developing innovative mobile payments services that feature NFC technologies and do not disrupt the existing payment system and instead work with payment and technology incumbents (including card schemes, card issuers and merchant acquirers) to bring ease-of-use and increased security features to consumers, issuers and merchants. These include:

- *Apple Pay.* In September 2014, Apple introduced Apple Pay, its mobile payments service. Apple Pay allows iPhone 6 and iPhone 6 Plus users (and Apple Watch users) to make one-touch payments for goods and services with their Apple devices at retail locations with NFC-enabled terminals. In Europe, Apple Pay is only available in the United Kingdom (since June 2015). Its implementation date in Italy has not yet been confirmed.

- *Samsung Pay.* In March 2015, Samsung launched Samsung Pay, a mobile payment system running on top of Google's Android OS, along with the introduction of its flagship Samsung Galaxy S6 smartphone. Samsung Pay is different from Apple Pay in that it relies on two alternate hardware methods to transmit payment information. In addition to incorporating NFC wireless functionality (similar to Apple Pay), Samsung Pay also uses another wireless magnetic technology that allows the phone to transmit the user's credit card information via magnetic field to most standard magnetic stripe POS terminals. Samsung Pay is expected to be introduced in Europe before the end of 2015.

- *Google Wallet.* Launched in September 2011, Google Wallet is a free digital wallet app provided by Google. Google Wallet is available for Android phones and iPhones, and it allows consumers to make in-store payments via a linked credit or debit card or by using their Google Wallet balances. Google Wallet users can also store loyalty programs in their phones, use a Google Wallet card to pay at MasterCard locations, send money to each other via the app or a Gmail account and pay online with Google Wallet balances. Google Wallet uses NFC technology to enable consumers to "tap and pay" at the point of sale.

While these solutions are transforming the experience of customers and merchants, they all rely on existing card-based systems. They are therefore unlikely to create any material change to the payments business model. For example, Apple Pay users have to connect their payment card to the Apple Pay system, so that each transaction still requires a merchant acquirer and a card issuer to undertake the same functions as they would for a traditional card purchase. Other than a small fee due from the card issuer to Apple, there is no significant change in the profit pools of merchant acquirers and card issuers. In fact, these new payment channels may accelerate even further the shift from cash to card payments, particularly for smaller value transactions.

In addition to the above, a new area of development in the payment solutions industry involves direct settlement payment solutions, which are based on person-to-person ("**P2P**") systems and in some cases do not require the use of a payment card. P2P solutions use an online technology that allows customers to transfer funds from their bank account or credit card to another individual's account via the internet or a mobile phone. P2P payments use an online interface, mainly through mobile applications, such that the recipient of the payment is designated by his or her email address or phone number that is linked directly to his or her bank account. P2P payments are currently mainly used for money transfers between friends and family and international transfers between individuals. Although P2P systems are not common for payments between merchants and consumers, it is possible that their acceptance will increase in the future, resulting in direct settlement transactions in retail stores. In Italy, P2P payment solutions have emerged only recently and are still at a very early stage of development. P2P solutions in Italy include ZAC (implemented by ICBPI together with Cedacri), Jiffy (implemented by SIA), Satispay (a start-up) and 2Pay (a start-up).

According to Google's "Our Mobile Planet" data, smartphone penetration (smartphone users as a percentage of the total population) in Italy has nearly doubled in recent years, increasing from 24% in 2011 to 41% in 2013, but smartphone penetration still lags behind that in countries such as the United Kingdom, which had a penetration rate of 62% in 2013. It is expected that the convenience of mCommerce and mobile payments and the new technologies and products available will lead to an increasing population of smartphone users making greater use of electronic transactions.

Competitive Landscape of the Merchant Acquiring and POS Market in Italy

The merchant acquiring and POS market in Italy is highly concentrated, with the top two companies accounting for more than 80% of market share, according to company estimates. This is due to the competitive dynamics of the market, which benefit incumbent and scale players who control distribution channels and are able to invest in best-in-class technology and offer more competitive prices and products. Similar to issuing services, acquiring and POS services in Italy are primarily sourced by merchants through their banking services provider. Therefore, merchant acquirers require either a bank branch network or strong relationships with partner banks.

Set forth below is a description of the key players in the merchant acquiring and POS market in Italy:

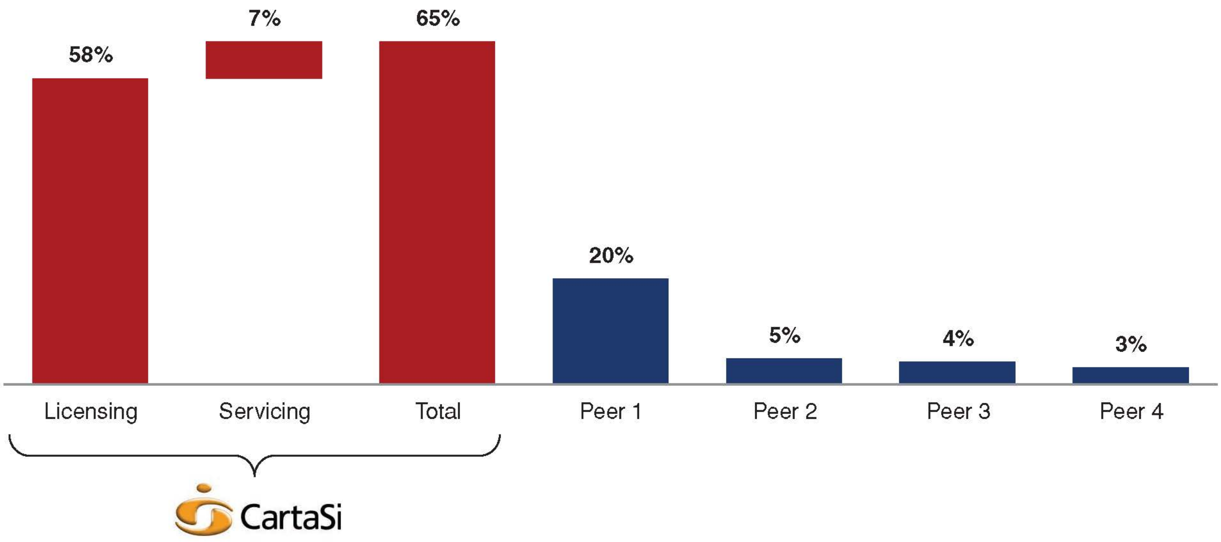
CartaSi. CartaSi's Merchant Acquiring and POS Business is the market leader in Italy, with approximately 65% market share of acquiring transaction volumes for the year ended December 31, 2014 and approximately 30% market share by the number of POS terminals, according to company data. CartaSi is the number one merchant acquirer for SMEs with a market share of approximately 79%, and it has a market share of approximately 46% among large merchants. CartaSi has been gaining market share in recent years, driven by several acquisitions, including the acquisition of Unicard in 2014 (which merged with CartaSi in August 2015), and agreements to provide services under the associate model, for instance with UBI Banca and Banca Monte dei Paschi di Siena.

Setefi. Setefi is owned by Intesa SanPaolo, an Italian banking and financial services group and former shareholder of CartaSi. According to company data, Setefi has been gaining market share recently, especially due to growth in the large corporate segment.

UniCredit. UniCredit is an Italian banking and financial services group. UniCredit is a former shareholder of CartaSi which, along with another former shareholder of CartaSi, Intesa SanPaolo, progressively internalized merchant acquiring capabilities after the sale of its stake in CartaSi.

Other Players. Other competitors include Banca Sella, BNL Positivity (a joint venture between Banca Nazionale del Lavoro and First Data), Banca Monte dei Paschi di Siena, certain other small Italian companies, which have been losing market share or have been acquired by main providers, and certain cross-border foreign acquirers.

APPROXIMATE ACQUIRING MARKET SHARES ON TRANSACTION VOLUMES IN ITALY (DEC-2014)



Source: Company data.

Note: Licensing includes associate model contracts. See "*Our Business—Our Services—Merchant Acquiring and POS—Licensing (Merchant Acquiring)—Licensing associate model*." Servicing includes 1% market share of Unicard, a company we acquired in 2014.

Card Issuing

Similar to merchant acquiring and POS, the landscape of the card issuing industry is becoming increasingly complex as a consequence of technological advances, often resulting in the appearance of new players. In addition, regulatory changes limiting interchange fees have reduced the gross profit pool available to card issuers, although their impact on revenues may be partly offset by an increase in transaction volumes, as card usage becomes cheaper, and by increases by card issuers of cardholder fees and/or credit card interest rates. The regulatory change has acted as a catalyst for card issuers to review their card issuing cost base to ensure continued, attractive profitability. As a result of these factors, and given the costs involved in keeping up with this fast-growing market, many banks are choosing to outsource issuing services and to focus instead on core businesses. In this context, there has been an emergence of increasingly specialized players who can take advantage of scale benefits and integrated systems. These benefits include the flexibility to invest significantly in technology, the ability to develop sector-specific expertise and the ability to operate across the card issuing value chain to meet clients' needs.

According to estimates by First Annapolis, the card issuing market in Italy (including revenues arising from interchange fees for all card types and cardholder fees for "active" credit cards, but not including commercial cards, interest income from credit cards and other ancillary revenues) represented an overall revenue pool of around €1.3 billion in 2014. A key driver affecting the card issuing revenue pool is the mix of payment cards used in the marketplace, with credit cards typically contributing to higher revenues than debit and prepaid cards due to their higher fee levels. According to Euromonitor International, in 2014, debit card transactions accounted for approximately 52% of total card spending in Italy (including commercial cards), of which transactions made using PagoBancomat accounted for approximately 41%, credit and charge card transactions for approximately 35%, prepaid card transactions for approximately 11% and store card transactions for approximately 2%. All payment card types are expected to grow in terms of spending volumes, driven by increases in overall card spending, with particularly strong growth expected for international debit cards

(Visa/MasterCard), which are less established in Italy than in most other European markets and tend to offer a wider range of functions (such as eCommerce) than PagoBancomat. Growth in prepaid cards is also expected to be strong due to their perceived safety for online purchases and accessibility to consumers without a bank account. Finally, growth in credit cards will potentially be supported by their attractive economics, making the product a greater area of focus for issuing banks, and by their relative stickiness, due to the opportunity they offer to consumers to take on leverage, as well as by the use of loyalty programs. In addition, credit card growth may be supported by the development of commercial credit cards, which currently have low levels of penetration in the Italian market.

The New Interchange Fees Regulation in Europe

A significant factor that will impact the card issuing market in Italy and in Europe is the Interchange Fees Regulation, aimed at promoting payment card usage. The Interchange Fees Regulation is being implemented in stages over the next five years, and from December 2015 it will implement a cap on the interchange fees that card scheme networks may impose on Italian and European Economic Area cross-border transactions. Interchange fees will be capped at 0.2% for Visa/MasterCard consumer debit and prepaid cards and at 0.3% for consumer credit cards. The new fees compare with previous rates in a range of 0.3% - 0.5% for consumer debit and prepaid cards and 0.7% - 0.8% for consumer credit cards in Italy as of January 1, 2014, according to estimates by First Annapolis.

The reduction in interchange fees is not expected to affect card issuers that operate as co-issuers in partnership with banks, such as CartaSi, as interchange fees are typically returned to the partner banks and not shared with the co-issuer. The reduction in interchange fees is likely to have a direct, negative impact on card issuing revenues for providers that do not operate under a co-issuing framework, although margin pressures may be partially offset by an increase in card volumes, as card usage becomes cheaper. Card issuers may also be able to mitigate lower interchange fees by increasing cardholder fees and/or interest rates on revolving credit amounts. Furthermore, the new regulation affects only payment cards issued to consumers and not payment cards issued to corporations, such as commercial cards. Commercial cards may therefore offer a significant opportunity for diversification, given their current low levels of penetration in Italy.

The new Interchange Fees Regulation is expected to benefit merchants. Based on observations from other markets that have undergone similar regulatory changes, such as the United States and Australia, such benefits tend to quickly flow through for large merchants, whereas for smaller merchants a period of readjustment would be expected, as re-pricing discussions are phased.

Competitive Landscape of the Card Issuing Market in Italy

Companies operating in the Italian card issuing market tend either to be large commercial banks, serving their own client bases, or card issuers with strong partnerships with commercial banks. This is because in Italy card issuing services are primarily distributed through the branch networks of commercial banks. Card issuers that are not commercial banks typically operate in a co-issuing partnership with those banks that do not have the scale or the strategic rationale to handle issuing functions in-house. CartaSi is the only non-commercial bank with a significant market share in both credit and prepaid cards and the only significant co-issuer. Other non-commercial banks include American Express, which has a meaningful presence in credit cards, and Poste Italiane, which is the main provider of prepaid cards.

Set forth below is a description of the key players in card issuing in Italy:

CartaSi. CartaSi's Card Issuing Business is the largest issuer of credit cards in Italy, with approximately 49% market share in the issuing of cards. In recent years, CartaSi has been gaining market share in credit cards, pro forma for the migration of its previous shareholders Intesa SanPaolo and UniCredit. The gradual migration of these previous shareholders' card issuing businesses in-house was expected after the sale of their stakes in CartaSi to the Target in 2009. Even so, the migration happened slower than anticipated due to the stickiness of the underlying cardholder base, further supporting CartaSi's position in the market.

Poste Italiane. Poste Italiane is a postal and financial services company in Italy that is owned by the Italian government. It is the main provider of prepaid cards as a result of its Postepay prepaid card, which was launched in 2003 and was among the first prepaid cards in Italy.

UniCredit. UniCredit is an Italian banking and financial services group. It was a previous CartaSi shareholder and gradually has been migrating its card issuing business in-house after the sale of its stake in CartaSi to the Target in 2009.

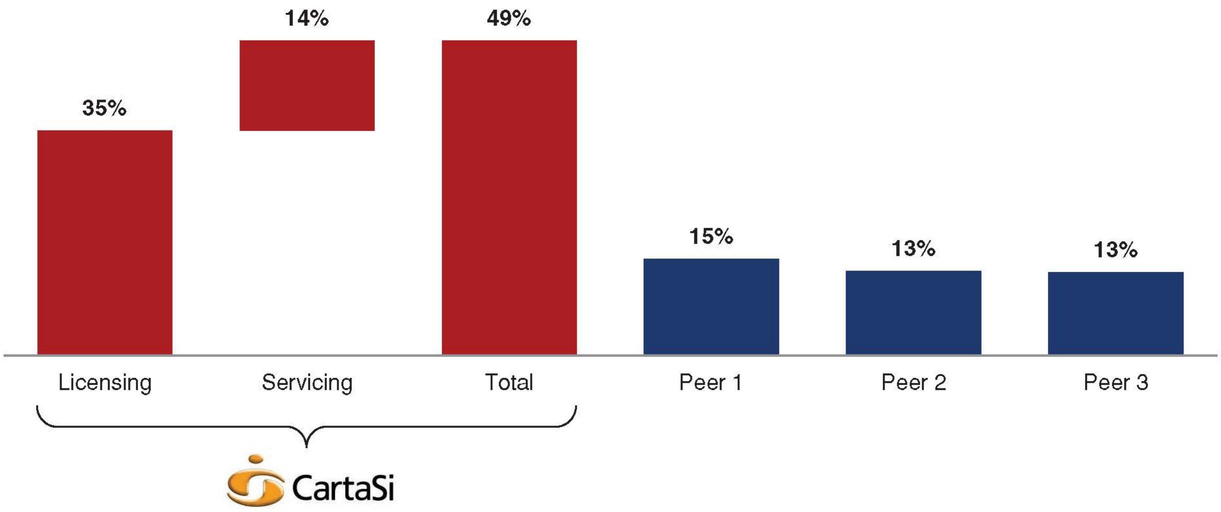
Intesa SanPaolo. Intesa SanPaolo is an Italian banking and financial services group. It was a previous CartaSi shareholder and has been gradually migrating its card issuing business in-house after the sale of its stake in CartaSi to the Target in 2009.

Deutsche Bank. Deutsche Bank is a German banking and financial services group. Deutsche Bank uses CartaSi in a co-issuing partnership under the servicing model in order to outsource the administrative functions of its cards, while retaining in-house customer and card schemes relationships.

American Express. American Express is an American financial services group. American Express uses CartaSi in a co-issuing partnership under the servicing model in order to outsource the administrative functions of its cards, while retaining in-house customer and card schemes relationships.

Other Players. Other companies mainly include commercial banks, such as Banca Monte dei Paschi di Siena and Banca Nazionale del Lavoro.

APPROXIMATE ISSUING MARKET SHARES ON TRANSACTION VOLUMES IN ITALY (DEC-2014)



Source: Company data.

Note: Licensing includes "Associate" contracts. See "*Our Business—Our Services—Card Issuing—Licensing (Card Issuing)—Licensing associate model*." Servicing includes 2% market share of C-Card, bought in 2014.

Clearing and Settlement

The clearing and settlement industry includes both electronic and paper transactions. Electronic transactions include national and Single Euro Payments Area ("**SEPA**") credit transfers, national and SEPA direct debits, debit card operations (including ATM and POS operations) and check truncations. Paper-based transactions include bills of exchange, money orders, cashier's checks, bank checks, postal checks, invoices, receipts and market paper.

A significant factor affecting the clearing and settlement industry in Europe is the implementation of the regulation of SEPA. The objective of SEPA is to extend European integration to non-cash euro retail payments and foster efficiency and competition within the Eurozone. SEPA introduces uniform payment instruments across Europe, including SEPA credit transfers and SEPA direct debits, and it eliminates interbank fees for payment transactions within the Eurozone. As a consequence of the introduction of SEPA and of increased competition, clearing and settlement margins are expected to decrease and prices are expected to stabilize at a discount compared to pre-SEPA standards.

Regulation implementing SEPA was adopted in 2012 and was amended by further regulation in 2014, in recognition that full migration to financial integration would not be reached by the original deadline of February 2014. Implementation of SEPA is monitored by the European Commission and the European Central Bank. While some aspects of SEPA, including credit transfers and direct debits, have already been successfully implemented, some remaining aspects related to payment services have a migration deadline of 2016. The European Payments Council has also published a SEPA Cards Framework that outlines high level principles and rules that set out conditions to offer European cardholders general purpose cards to make euro payments and withdraw euro cash throughout the SEPA.

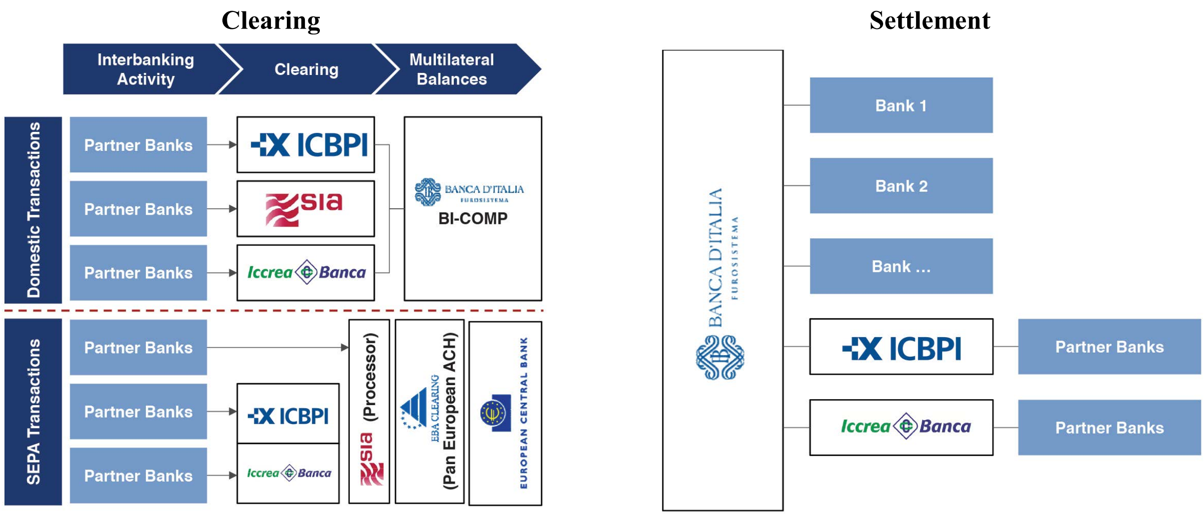
Overview and Competitive Landscape of the Clearing and Settlement Industry in Italy

Wholesale, large-value payments in Italy are processed through TARGET2, the interbank payment system for real-time gross settlement of transfers throughout the Eurosystem, operated by the European Central Bank. In contrast, retail, low-value payments are characterized by the presence of local clearing sub-systems, which handle low-value electronic and paper-based transactions between participants on a net settlement basis.

Clearing and settlement of Italian domestic transactions between local clearing subsystems is operated through "**BI-COMP**," the national multilateral clearing and settlement platform managed by the Bank of Italy. Local clearing subsystems act as "assigned operators" and are in charge of the multilateral clearing phase, while the Bank of Italy, through BI-COMP, is responsible for the calculation of clearing balances and transmission for settlement in TARGET2. At present, there are three assigned operators in Italy: ICBPI, SIA and ICCREA. Smaller banks without access to the BI-COMP platform settle their transactions through local platforms, such as ICBPI or ICCREA. Settlement activities require a banking license.

SEPA transactions are cleared according to two alternative clearing models: a pan-European Automated Clearing House ("**ACH**") model, which is managed by EBA Clearing, and the European Automated Clearing House Association ("**EACHA**") model, which is based on the interconnection of local clearing subsystems. The settlement phase for SEPA transactions is then executed by national European central banks, or by the European Central Bank. In Italy, ICBPI and ICCREA operate a joint SEPA-compliant ACH, which, according to the EACHA model, is interconnected to other local clearing subsystems, to EBA Clearing and to central banks. SIA provides processing services to EBA Clearing but does not act as an ACH.

OVERVIEW OF CLEARING AND SETTLEMENT IN ITALY

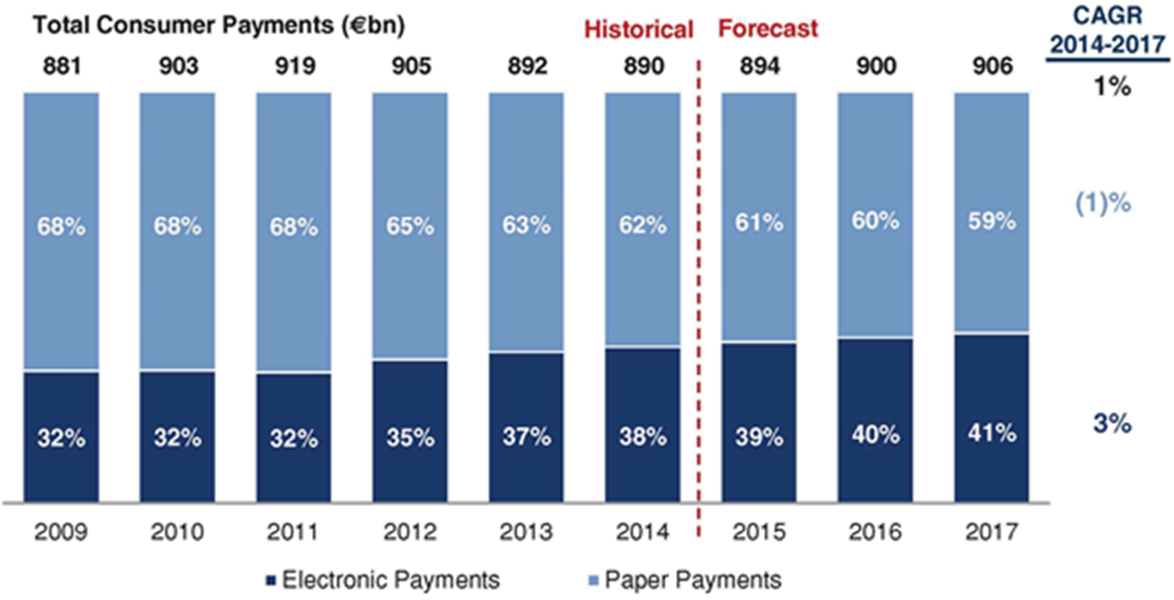


In addition to the traditional clearing and settlement of interbank transactions, Italian industry players tend to also be present in adjacent payment areas. These include the provision of payment management services to large corporations and government agencies and activity in the CBI Gateway, an interbank network that connects Italian banks and allows their corporate customers to execute integrated banking transactions across multiple accounts at multiple banks.

Key Growth Drivers in the Clearing and Settlement Industry in Italy

Drivers in the clearing and settlement market in Italy are comparable to the drivers affecting the payment solutions industry. In particular, the evolution of payments transactions towards non-cash solutions will likely positively affect the volume of clearing and settlement transactions in Italy, thereby increasing the industry's revenue pool. Key trends driving this evolution include: (i) check replacement, in line with the historical trend already observed of the decrease in number of checks per capita in favor of bank transfers, (ii) government action against the shadow economy and (iii) growth in eCommerce and mCommerce.

EVOLUTION OF CONSUMER PAYMENTS IN ITALY



Source: Euromonitor International—Consumer Finance 2015.

Custody and Administration

Custody and administration involves the provision of specialized services to financial investors such as banks, investment funds, pension funds, corporations and individuals. The services provided are varied and may include, among others, safekeeping of assets, including cash and financial securities; clearing and settlement of financial transactions; administration of corporate actions, reporting, compliance and control functions related to the securities held in custody; tax services; computation of NAV; performance analysis and transfer agent services. Services related to settlement, clearing and safekeeping are provided electronically and require a connection to centralized settlement and clearing platforms, which are typically managed by governmental market authorities or global corporations. Other services, even where they are based on software and automated processes, still require the intervention of skilled human resources. Compliance and control activities require a significantly higher degree of human interaction.

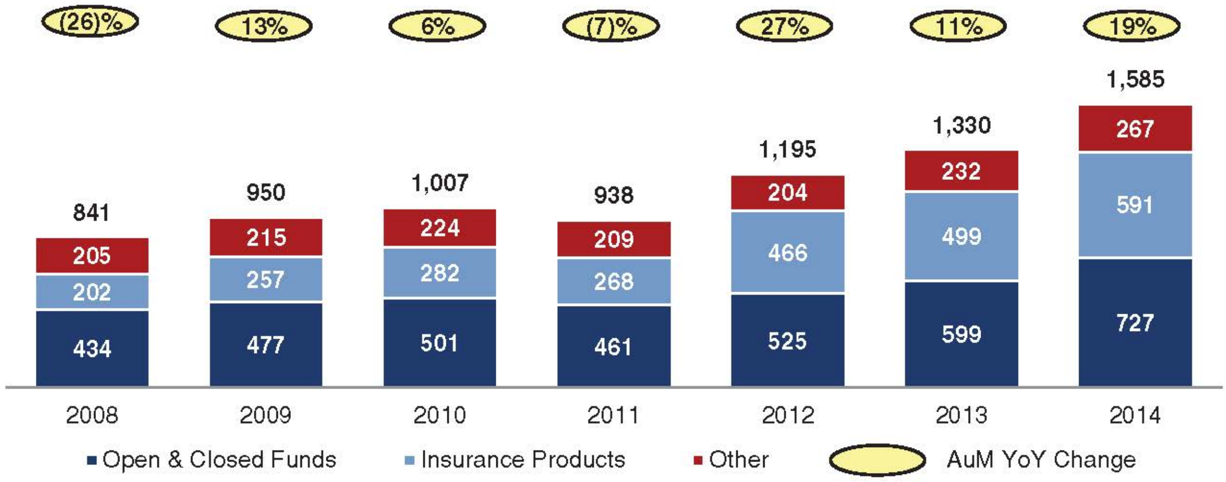
According to EU regulations such as the UCITS Directive (2009/65/EC) and the AIFMD Directive (2011/61/EU), authorized investment funds must appoint an investment firm in order to perform custody services and ensure that the fund complies with regulatory obligations. Investment firms performing such functions are denoted as depositary banks.

In addition to the provision of custody and administration services, Italian industry players tend also to be present in adjacent investment services areas. These include securities brokerage, financial research and consulting, market making and sales and trading activities.

Key Trends of the Custody and Administration Industry in Italy

Custody and administration services are provided to investment firms in relation to their assets under management. Revenue in the industry is therefore dependent on the volume of assets managed by customers. Based on data from Assogestioni, the Italian association of asset managers, the Italian asset management industry has seen strong growth in recent years. Assets under management in Italy have increased by a compound annual growth rate of 12% from 2010 to 2014, based on Assogestioni data, favored by growing excess liquidity in the financial system coupled with investors' increased appetite for risk, driven by the low yield environment.

EVOLUTION OF ASSETS UNDER MANAGEMENT IN ITALY



Source: Assogestioni.

We believe growth in the Italian pension funds market will be driven in part by recent regulatory changes in the pension system, which set higher incentives for supplementary pension plans. Additionally, the relative size of the Italian pension funds market lags behind other Western European countries, and we expect Italy to converge with more mature markets in the coming years, which will further accelerate growth in the pension funds market. We also expect further growth in the depositary bank market from the provision of administrative services (such as NAV calculations and transfer agent services) in relation to pension funds. Pension funds currently outsource these services mainly to non-financial providers. Since depositary banks can typically leverage their economies of scale when providing these services, we expect market share in administrative services to shift from non-financial providers to depositary banks over the medium term. Another driver is expected to be the continuing regulatory pressure on banks and Italian investment management companies to outsource their non-core activities such as custodial services. The recent introduction of the TARGET2-Securities platform, a European securities settlement engine that aims to offer centralized delivery-versus-payment (DvP) settlement in central bank funds across all European securities markets, is expected to result in a gradual consolidation in the Italian settlement and safekeeping markets because only a small number of competitors are directly connected to the platform. Since ICBPI is one of these competitors, we expect to benefit from this trend.

Competitive Landscape of the Custody and Administration Market in Italy

The Italian Custody and Administration industry is predominantly controlled by foreign entities, with ICBPI being the only Italian company with significant market share offering the full range of services in terms of assets in deposit.

Set forth below is a description of the key players in custody and administration in Italy:

ICBPI. With a market share of approximately 33% by value of the market for depositary banks for pension funds as of December 31, 2014, ICBPI is the #1 depositary bank for pension funds serving the Italian market. ICBPI is also the #3 service provider to funds incorporated in Italy and the only significant service provider incorporated in Italy in terms of assets in deposit. ICBPI has been gaining market share in recent years as a result of the acquisitions of Arca's depositary bank activities in 2012 and ICCREA's depositary bank activities in 2014.

Société Générale Securities Services. Société Generale Securities Services is the custody and administration business division of Société Générale, a French multinational banking and financial services company.

BNP Paribas Securities Services. BNP Paribas Securities Services is the custody and administration business division of BNP Paribas, a French multinational banking and financial services company.

State Street. State Street is an American global financial services company specializing in custody and administration services. The company has a relevant presence in Italy following the acquisition of Intesa SanPaolo's securities services business in 2010.

Business Process Outsourcing Services

Business process outsourcing is the contracting of a specific business task to a third-party service provider. In the financial services industry, institutions tend to outsource some back-office processes, such as anti-money laundering, regulatory reporting, compliance and internal governance and ICT security. This allows the flexibility to focus on core activities and provides potential efficiency savings arising from the use of a specialized third-party provider.

In Italy, outsourcing of back-office activities by banks and financial institutions has been driven by the increasing regulatory and legal complexity of certain processes, which often require very specialized competencies and software solutions. An example of this is anti-money laundering services, in which Oasi holds a market share of approximately 90% among bank customers and approximately 45% among life insurance customers in Italy as of December 31, 2014.

The Italian Market is characterized by rapid change in the regulatory environment, particularly as a result of the following drivers:

- intense regulatory activity in the banking sector, in order to boost protection in the areas of weakness highlighted by the financial crisis, with new requirements regarding capital, liquidity and risk management. This regulatory activity has been generated through Basel III, risk data aggregation reporting requirements and European Banking Authority reporting requirements;

- the new European-level Single Supervisory Mechanism, which requires banks under its supervision to be able to produce quality data quickly;

- new anti-money laundering obligations, stemming from the publication of CRD IV; and

- the availability of new technologies that allow for the processing of increasing quantities of data at a lower cost than was previously the case.

As a result of these developments, financial institutions have become required to implement the following measures:

- adapt models and operational processes which implement and comply with the new regulatory requirements and to the stress-tests imposed by the Financial Regulator; and

- evolve their ICT platforms in order to put in place solutions that enable better integration of data management (i.e., centralized solutions that serve the different requirements, such as accounting, management and risk requirements).

In this context, the BPO Services Business provided by Oasi serves as a primary reference point for clients to manage and ensure the adequacy of their ICT and compliance platforms in order to satisfy regulatory developments and demands.

Oasi's BPO Services Business has been the consolidated leader in the market since 1993. Oasi uses the GIANOS system in its anti-money laundering services. The scope of Oasi's services has expanded through the acquisition of primary clients for our anti-money laundering outsourcing services. Oasi also provides regulatory reporting services to its primary clients. Oasi has recently increased its range of products, and Oasi now offers new services lines (such as compliance, internal audit and ICT security services, introduced in 2013) which it believes has high growth prospects.

OUR BUSINESS

This business section includes certain technical terms that are commonly used in our industry. See "Glossary of Payment and Banking Terms" for a detailed explanation of these terms.

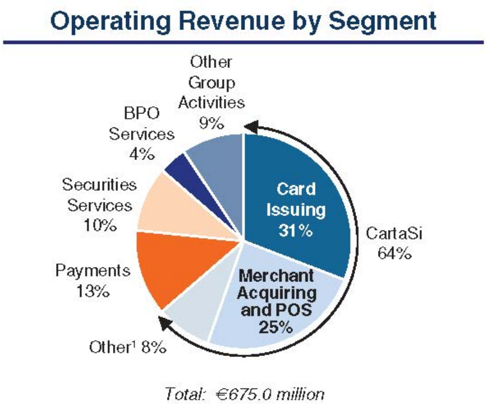
We have estimated certain information in this Offering Memorandum regarding market share and our position relative to our competitors based on our internal data and certain extrapolations. See "Industry, Ranking and Other Data."

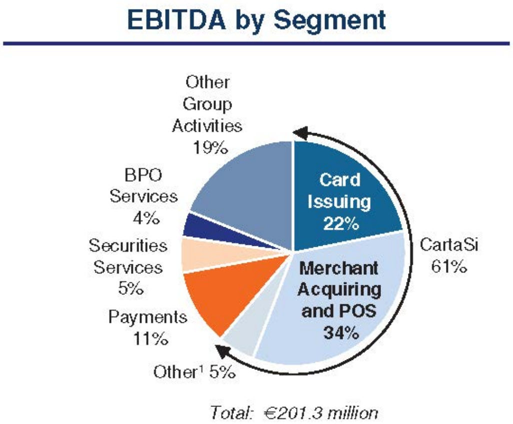
When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses, market shares or historical financial results, such terms refer to the Target and its subsidiaries, (ii) when referring to the Financing and pro forma indebtedness obligations, such terms refer to one or more of the the the Issuer and the Sponsors' HoldCos and (iii) when referring to the Transactions, such terms refer to one or more of the Issuer, the Sponsors' HoldCos, HoldCo and BidCo.

Overview

We are the leading diversified payments banking group in Italy, providing industry-leading services to merchants, consumers and financial institutions. We are a key operator in the Italian financial system. Our customers include virtually all banks in the Italian market, and we estimate that more than 75% of the total consumer card spending in Italy for the year ended December 31, 2014 flowed through our business. For the twelve months ended June 30, 2015, we generated operating revenue of €675.0 million, normalized EBITDA of €233.4 million and normalized profit of €117.9 million.

The following charts show our operating revenue and EBITDA by reporting segment for the twelve months ended June 30, 2015.





Note: Does not include consolidation adjustments.

(1) Includes operating revenue generated by CartaSi S.p.A. from debit servicing and ATM management, operating revenue generated by HelpLine S.p.A. and operating revenue generated by acquired companies within the CartaSi reporting segment (such as C-Card and Unicard) prior to their merger with and into CartaSi S.p.A.

The following paragraphs provide an overview of our market-leading card issuing, merchant acquiring, payments, securities and business process outsourcing services in Italy.

CartaSi—Card Issuing, Merchant Acquiring and POS Management

Through our highly-recognizable CartaSi brand, we are the leading card issuer in Italy, with approximately 49% of the Italian card issuing market for the year ended December 31, 2014, and the only card co-issuer of significant scale in Italy, with approximately 64% market share in credit cards and approximately 11% market share in debit and prepaid cards. In addition, we are the leading provider of merchant acquiring and POS services in Italy, with approximately 65% market share of merchant acquiring volumes for the year ended December 31, 2014, and approximately 30% market share by the number of POS terminals as of December 31, 2014. The size of the Italian market, together with our leading market positions, makes us one of the largest card issuing companies in Europe, according to The Nilson Report. For the twelve months ended June 30, 2015, our CartaSi business units accounted for €432.0 million, or 64.0%, of our operating revenue and €123.1 million, or 61.2%, of our EBITDA.

ICBPI—Payments Services

In our payments services business, we leverage our ICBPI brand to provide banking and clearing services and digital corporate banking services to banks and large corporate and public sector clients. For the twelve months ended June 30, 2015, this business accounted for €87.7 million, or 13.0%, of our operating revenue and €22.2 million, or 11.0%, of our EBITDA.

ICBPI—Securities Services

Our securities services business offers fund services, global custody services and investment services under the ICBPI brand to funds and financial institutions. For the twelve months ended June 30, 2015, this business represented €66.5 million, or 9.8%, of our operating revenue and €10.3 million, or 5.1%, of our EBITDA.

Oasi—BPO Services

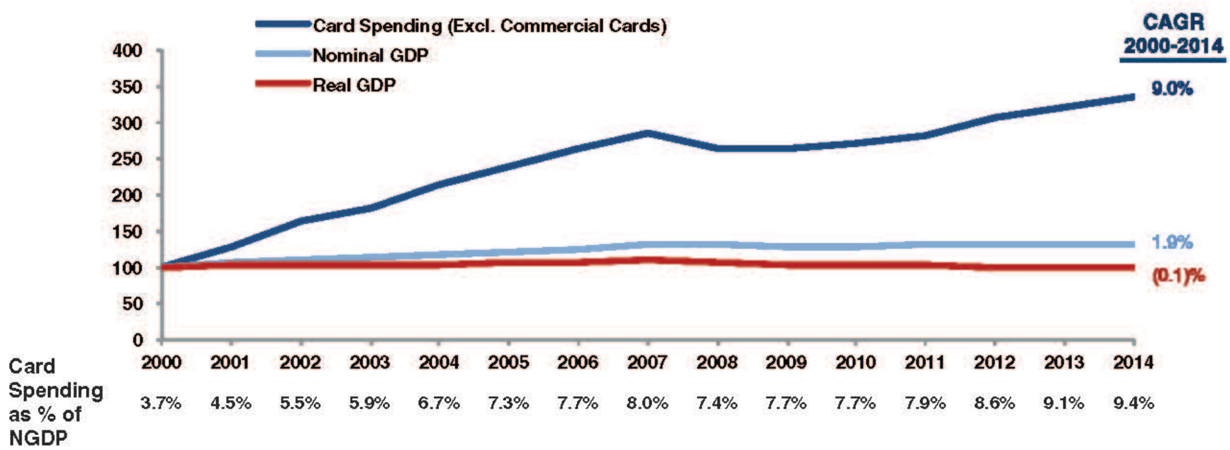
Our business process outsourcing services business provides anti-money laundering, know-your-customer, regulatory reporting, compliance and internal governance and ICT security services. For the twelve months ended June 30, 2015, this business generated €28.7 million, or 4.3%, of our operating revenue and €7.6 million, or 3.8%, of our EBITDA.

ICBPI—Other Group Activities

Our ICBPI treasury function manages our financing needs, resources and settlement activities at the group level.

As further detailed under "*Regulation*," we are subject to Bank of Italy oversight, with parts of our business regulated as payment institutions, and parts requiring us to hold banking licenses.

We believe our leading market positions in the card issuing, merchant acquiring, and payments industries will enable us to continue to benefit from the attractive dynamics of the Italian electronic payments market. In 2014, the Italian electronic payments market was the fourth-largest electronic payments market in Western Europe, but card penetration lagged significantly behind the three largest EU economies and, at 16%, fell short of the EU average of 39%, according to Euromonitor International, leaving significant potential for further growth. We believe favorable government and regulatory policies, beneficial demographic changes (with younger generations more likely to use payment cards than older generations) and an increasing market trend toward the use of mobile, eCommerce and digital payments are key drivers of a trend towards payment cards and electronic payments. According to Euromonitor International, card spending in Italy has grown at a compound annual growth rate of 9.0% since 2000, significantly outpacing the underlying nominal GDP growth rate, which has grown at 1.9% per annum over the period.



Source: IMF, Euromonitor International—Consumer Finance 2015.

Our leading market positions, scale, diversity of services and attractive customer base historically have resulted in stable, diversified revenue streams. Moreover, our business is profitable, having generated € 107.3 million of profit (attributable to the owners of the parent) for the twelve months ended June 30, 2015. This profit generation provides us with the financial strength to grow our business while still maintaining a CET1 capital ratio (15.16% as of June 30, 2015, compared to a regulatory requirement of 7.0% for CET1) ahead of other leading Italian financial institutions. For example, according to public filings, Intesa SanPaolo's CET1 capital ratio was 13.4% and UniCredit's CET1 capital ratio was 10.5%, in each case as of June 30, 2015. Since 2009, we had been subject to an additional discretionary capital requirement imposed by the

Bank of Italy (the "**add-on capital requirement**") that reduced our CET1 capital ratio. With effect as of September 30, 2015, however, the Bank of Italy repealed the add-on capital requirement. Had the add-on capital requirement already been removed as of June 30, 2015, our CET1 capital ratio would have been 21.49% instead of 15.16%. See "*Regulation—Regulatory Regimes Applicable to CartaSi and ICBPI—Capital Adequacy Requirements*." This robust profit generation is coupled with strong cash flow generation in our businesses, which benefit from an outsourced ICT processing model with limited capital expenditure requirements. We believe there are significant opportunities to improve our profitability through operating revenue growth by taking advantage of favorable market and regulatory conditions and through improved operational efficiencies.

For the twelve months ended June 30, 2015, we generated operating revenue of €675.0 million, EBITDA of €201.3 million, normalized EBITDA of €233.4 million, profit for the period (attributable to the owners of the parent) of €107.3 million and normalized profit of €117.9 million.

As illustrated in the graphic and further described below, our businesses' operations consist of the following: CartaSi (card issuing, merchant acquiring, POS management, debit card servicing, ATM management and our HelpLine customer care business units); ICBPI (payments services and securities services); and Oasi (business process outsourcing services). We also hold several minority interests in business partners that are of strategic relevance and are key service providers to our core businesses, such as the payments processor Equens SE.

GRUPPO ICBPI

Business	1 CartaSi S.p.A. Card Issuing	Merchant Acquiring & POS	Other	2 Payments Services	3 Securities Services	4 Outsourcing (BPO Services)	5 Other[1]
Brand	CartaSi			ICBPI		Oasi	ICBPI
Product / Services Provided	• Credit, charge and prepaid card issuing • Majority of cards issued in partnership with banks • Direct issuing for large corporates	• Merchant acquiring, POS terminal rental and eCommerce solutions • Direct acquiring for large corporates	• Debit card servicing • ATM set-up and maintenance • Customer care (HelpLine)	• Banking and clearing & settlement services • Digital Corporate Banking	• Fund services • Global custody • Investment services	• Outsourcing services for AML, regulatory reporting, compliance & internal governance and ICT Security	• Group management and treasury functions including returns from AFS Portfolio
Customers[2]	• Wholesale: partner banks and corporates • Retail: 15 million cards	• Wholesale: partner banks and corporates • Retail: 687,000 merchants	• Banks operating in Italy • Retail: 11 million cards	• Customer Banks • Corporate clients • Public sector clients	• Mutual funds • Pension funds • Real estate funds • Private equity funds • Funds of funds	• Customer Banks • Insurance companies • Financial institutions • Banking service bureau	• N/A
Operating Revenue[3]: €675 million	€209 million 31%	€167 million 25%	€56 million 8%	€88 million 13%	€67 million 10%	€29 million 4%	€60 million 9%
EBITDA[3]: €201 million	€44 million 22%	€68 million 34%	€11 million 5%	€22 million 11%	€10 million 5%	€8 million 4%	€38 million 19%
EBITDA Margin[3]: 30%	21%	41%	19%	25%	16%	26%	63%

CartaSi accounts for 64% of operating revenues and 61% of EBITDA

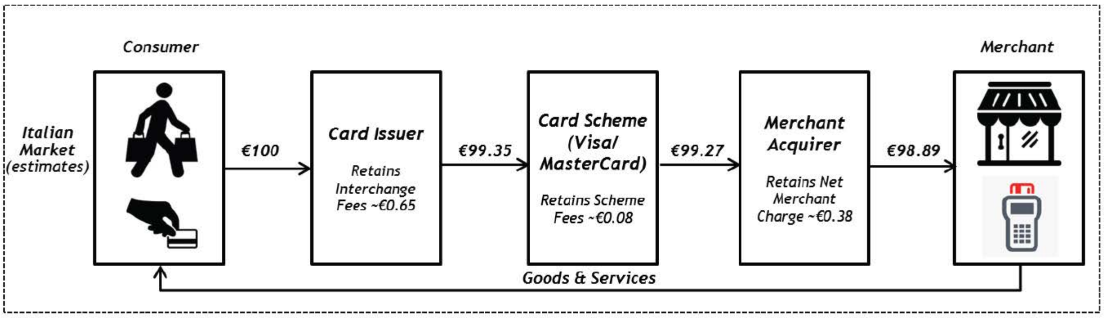
(1) Includes consolidation adjustments accounting for €(3.6) million of operating revenue and €(0.1) million of EBITDA.

(2) Numbers are approximate and represent the values as of June 30, 2015.

(3) Numbers are approximate and represent the values for the twelve months ended June 30, 2015.

CartaSi—Card Issuing, Merchant Acquiring and POS Management

CartaSi mainly includes our card issuing, merchant acquiring and POS businesses and generated €432.0 million, or 64.0%, of our operating revenue and €123.1 million, or 61.2%, of our EBITDA, in each case for the twelve months ended June 30, 2015. CartaSi undertakes card issuing, merchant acquiring and POS functions both directly with merchants and consumers under license agreements with Italian partner banks and as a back-end services provider for other Italian partner banks. CartaSi's services allow Italian partner banks to focus on their core activities and benefit from CartaSi's scale, while at the same time providing CartaSi access to such partner banks' network of merchants and cardholders. CartaSi has key bank relationships with the vast majority of banks operating in Italy, including Monte dei Paschi di Siena, UBI Banca, Banco Popolare, Cariparma, Deutsche Bank, Banca Popolare dell'Emilia Romagna, Banca Carige and Banca Popolare di Milano. The following illustrations show the card issuing and merchant acquiring payment flows for a notional transaction in Italy:



The chart above illustrates a notional payment transaction, using general market estimates. Contract terms vary.

* Illustrative hypothetical financial figures for Visa/MasterCard credit and debit cards in Italy.

Card Issuing

Our CartaSi card issuing business (the "**Card Issuing Business**") is the #1 issuer of credit, charge and prepaid cards in Italy by value of transactions, with approximately 49% market share for the year ended December 31, 2014. Founded in 1985, CartaSi played a key role in the introduction of credit cards to the Italian market. Through CartaSi, we issue credit, charge and prepaid cards to consumers, typically together with our partner banks, who serve as the main distribution channels for our Card Issuing Business. In some cases, we issue credit, charge and prepaid cards to large corporate customers without the involvement of a partner bank. While most of the payment cards issued by CartaSi are credit or charge cards, we believe there are significant opportunities to expand our already strong presence in prepaid cards in Italy.

Approximately 89% of operating revenue and approximately 70% of transaction volumes in our Card Issuing Business is generated under multi-year, automatically renewing licensing agreements in which we partner with banks that rely on us to handle their card issuing functions, benefit from our economies of scale, and use our tie-in with the international payment networks and card schemes of Visa and MasterCard. Most CartaSi payment cards issued with a partner bank under our licensing arrangements are co-branded with both the CartaSi logo and the partner bank's logo, which has resulted in high brand recognition, with 90% prompted and unprompted brand recognition of CartaSi by Italian credit card holders in a recent survey by GfK Eurisko. Under these licensing arrangements, CartaSi undertakes product development and marketing, customer care, fraud management and fee collection, whereas credit risk management, credit scoring, distribution and pricing are handled by the partner bank. When we issue payment cards through these licensing arrangements, the cardholder enters into a contract with CartaSi. Since our partner banks typically assume the ultimate credit risk for purchases by our cardholder customers, we have recourse both to our cardholder customer and our partner bank for more than 99.7% of all credit, charge and prepaid cards we manage.

The remaining approximately 11% of operating revenue and approximately 30% of transaction volumes in our Card Issuing Business that is not generated under licensing agreements is generated under servicing arrangements in which we manage credit, charge and prepaid cards on behalf of partner banks who handle product development, marketing, distribution, pricing and fee collection, but require our services for payment card administration.

For the twelve months ended June 30, 2015, no single partner bank accounted for more than 10% of our operating revenue.

In addition to traditional payment cards (which themselves include recent innovations such as contactless payments), we offer mobile solutions such as our e-wallet MySi. MySi enables customers that download the mobile application to record the details of their payment cards and make purchases using only their smartphone, without entering the authentication data relating to payment card or other personal information.

For the payment cards we manage under a licensing agreement, we generate revenue in our Card Issuing Business by collecting annual management fees, interchange fees and other fees from the cardholder and retaining a portion of these fees paid before passing the remainder on to our partner banks. Our CartaSi business units as a total capture between approximately 40% and 50% of all fees generated (net of card scheme fees) from a typical credit, charge or prepaid card. Our Card Issuing Business generated €209.2 million, or 31.0%, of our operating revenue, and €44.0 million, or 21.9%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Card Issuing*."

Merchant Acquiring and POS Management

Our CartaSi merchant acquiring business (the "**Merchant Acquiring Business**") and POS business (the "**POS Business**") are the market leaders in Italy, with approximately 65% market share of merchant acquiring volumes for the year ended December 31, 2014 and approximately 30% market share by the number of POS terminals as of December 31, 2014.

Our CartaSi Merchant Acquiring Business sets up and manages credit, charge, debit and prepaid card payment acceptance (including account activation, transaction processing, as well as fraud, dispute and HelpLine functions) for merchants. Typically, we partner with a bank in connection with the delivery of our merchant acquiring services. The partner bank introduces us to merchants through its branch networks and handles sales, distribution and retail pricing, and, in some cases, product development. Most of the merchants that utilize our merchant acquiring systems are SMEs, and we have approximately 79% market share in this attractive base of customers that is also characterized by a high degree of customer retention. In selected cases, we also provide merchant acquiring services directly to large merchants.

We also configure, activate, maintain and provide helpdesk services for POS terminals for merchants. CartaSi POS are typically distributed through partner banks and generally bundled with other merchant acquiring services. Our approximately 30% market share in the number of POS terminals makes us the market leader in the segment. We believe that our market share in POS does not match our market share in merchant acquiring primarily due to our partner banks' and merchant customers' legacy relationships with other POS terminal providers.

CartaSi's Merchant Acquiring and POS Businesses have a track record of innovation, leading the market with initiatives such as mobile point of sale, contactless enabled POS terminals and tablet and smartphone rendering. While most of the merchants using our merchant acquiring services are store-based, we also serve eCommerce merchants. As of December 31, 2014, we believe we had a market share of approximately 15% for merchant acquiring and POS services for eCommerce merchants. We believe we are the leading Italian merchant acquirer and POS provider in the rapidly growing domestic eCommerce field and the #2 company in the Italian market, which we believe provides a strong platform to capitalize on potential future growth in this market segment.

When providing our merchant acquiring services under a license agreement, we generate revenue by collecting the merchant service charge ("**MSC**") from merchants, which is typically due at the end of each month and based on the aggregate transaction value. From the gross MSC collected, CartaSi deducts and withholds CartaSi's percentage fee and transaction fee as well as the corresponding interchange fee (which is passed through to the card issuer), and remits the balance to the partner bank. In a situation in which we provide merchant acquiring services under a servicing agreement, we are paid a fee per transaction handled by the partner bank. Our POS services typically involve payment to us of a set-up fee and a monthly rental or maintenance fee, which is shared with the distributing partner bank. Our CartaSi business units as a total capture between approximately 40% and 50% of all fees generated (net of card scheme fees) from a typical credit, charge or prepaid card.

Our CartaSi Merchant Acquiring and POS Businesses together generated € 166.8 million, or 24.7%, of our operating revenue, and €68.3 million, or 34.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Merchant Acquiring and POS*."

Other CartaSi Business Units

In addition to card issuing, merchant acquiring and POS management, CartaSi generates revenue from three smaller business units: debit servicing, which includes administering Italian debit card transactions as a service for banks, ATM management, which sets up and maintains approximately 9,400 ATMs, and our HelpLine business. See "*Our Business—Our Services—Merchant Acquiring and POS—Other CartaSi Business Units*." These business units together contributed €56.1 million, or 8.3%, of our operating revenue, and €10.7 million, or 5.3%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Merchant Acquiring and POS*."

ICBPI—Payments Services

Our ICBPI payments services business (the "**Payments Business**") manages approximately one billion transactions per year. ICBPI is one of the leading providers by number of transactions processed through domestic and SEPA interbank clearing services in Italy, the #1 provider by number of transactions processed through the *Corporate Banking Interbancario* platform (the "**CBI Gateway**") and we believe that ICBPI is also a leader in the Italian e-banking market. Our Payments Business generated €87.7 million, or 13.0%, of our operating revenue, and €22.2 million, or 11.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. The Payments Business consists of two main business units: banking and clearing services and digital corporate banking. See "*Our Business—Our Services—Payments Business*."

Banking and Clearing Services

Our ICBPI banking and clearing services span the payments value chain, ranging from the supply of payment infrastructure, payments management, clearing and settlement to intermediary services. Our intermediary services include the management of interbank payments and the honoring of bills, checks, pensions and social security vouchers issued by the *Istituto Nazionale Previdenza Sociale* ("**INPS**"), Italy's national pension administrator, and letters of credit, as well as the related back office activities. Leveraging existing capabilities, we also provide customized payments and collection management services to large corporate and public sector clients such as Autostrade-Telepass, American Express and INPS.

Digital Corporate Banking

In our digital corporate banking unit, ICBPI supplies payments services to banks and large corporate clients. Our offering includes white label digital solutions allowing banks to establish their own branded corporate e-banking platform, specialized payment platforms, applications for invoice management and storage and other financial supply chain products, enabling prepaid card recharging, payment of bills, payment of postal orders and other services via the internet, mobile phones or ATMs. This business unit also provides our market leading CBI Gateway services. The CBI Gateway is an Italian payment platform that was initially designed to facilitate interbank payments and communication between corporations. Subsequently it was integrated into a payment hub also connecting public authorities and allowing for direct payment collection and delivery of supporting documentation between banks and public authorities such as the Bank of Italy. ICBPI is the #1 provider by number of transactions in CBI Gateway services.

ICBPI—Securities Services

We have a market-leading securities services business (the "**Securities Services Business**"). With a market share of approximately 33% by value of the market for depositary banks for pension funds as of December 31, 2014, our Securities Services Business is the #1 depositary bank for pension funds serving the Italian market. We are also the #3 service provider to funds incorporated in Italy and the only significant service provider incorporated in Italy in terms of assets in deposit. We have a diversified service offering across the securities services value chain, including investment services, settlement, custody, depositary bank and other fund administration services. We provide both off-the-shelf and highly customized solutions, subject to the needs of our customers, which include pension funds, mutual funds and other Italian banking and financial institutions. Our Securities Services Business generated €66.5 million, or 9.8%, of our operating revenue, and €10.3 million, or 5.1%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Our Business—Our Services—Securities Services Business*."

Our activities as a depositary bank for Italian pension funds, mutual funds, funds of funds, private equity and real estate funds are the primary source of our deposits which allow us to provide funding to our CartaSi Card Issuing and Merchant Acquiring Businesses. Additionally, we generate a significant part of revenue in this business unit from acting as transfer agent and performing net asset value calculations for our fund customers.

Our investment services business unit offers our customers independent financial research and consulting, institutional sales trading, brokerage and market making, with coverage of both Italy and key international markets, and equipped with sophisticated trading systems. We believe that reputation is critical in this business and that our experience and expertise have earned us our clients' trust as a valued counterparty for their transactions.

Additionally, through our Securities Services Business we engage in global custody activities, including settlement of transactions, custody and securities lending services.

Oasi—BPO Services

Our Oasi business process outsourcing services business (the "**BPO Services Business**") provides anti-money laundering and regulatory reporting services. In addition, Oasi provides consulting services with respect to compliance and internal governance and ICT security. The customers of our anti-money laundering business unit include approximately 680 financial institutions, and our regulatory reporting business serves approximately 155 financial institutions. We employ the GIANOS software for the identification of suspicious activity, KYC procedures and the assessment of customer risk profiles, and believe that our market share in anti-money laundering services is approximately 90% among banks operating in Italy as of December 31, 2014. Our service offering encompasses both Italian and European anti-money laundering rules and regulations, and our recently-introduced compliance, internal audit and ICT security business units drive growth in our BPO Services Business. Our BPO Services Business generated €28.7 million, or 4.3%, or our operating revenue, and € 7.6 million, or 3.8%, of our EBITDA, in each case, for the twelve months ended June 30, 2015. See "*Our Business—Our Services—BPO Services Business*."

Other Group Activities

Our Other Group Activities reporting segment provides several group management and treasury functions. It receives surplus liquidity generated in our Payments and Securities Services Businesses, which it utilizes to fund CartaSi's customer receivables, to make investments (primarily in Italian government bonds) and to manage the Group's overall liquidity. The Other Group Activities reporting segment generates revenue from the interest charged to CartaSi for funding CartaSi's receivables and the yield received on its investments; to the extent such revenue exceeds the transfer pricing rates payable to the Payments and Securities Services reporting segments, it retains a positive net interest margin. Our Other Group Activities reporting segment generated €63.7 million, or 9.4%, of our operating revenue, and €38.1 million, or 19.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015 and before consolidation adjustments. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*."

Our Strengths

Leading Market Positions Across the Italian Payments Value Chain

We have market-leading positions across the payments value chain, including:

CartaSi—Card Issuing, Merchant Acquiring and POS Management

- CartaSi's Card Issuing Business is the:
    - #1 card issuer in Italy, with approximately 49% market share, and the only card co-issuer of significant scale in Italy, with approximately 64% market share in credit cards and approximately 11% market share in debit and prepaid cards; and
    - beneficiary of 90% brand recognition and close relationships with key bank customers, with most payment cards being co-branded with the CartaSi and co-issuer bank logo.
- CartaSi's Merchant Acquiring and POS Businesses are the:
    - #1 merchant acquirer by card spending in Italy, with approximately 65% market share of merchant acquiring volume for the year ended December 31, 2014;
    - #1 in POS management, with approximately 30% market share in terms of the number of POS terminals managed as of December 31, 2014; and
    - #1 in SMEs customers, with approximately 79% market share of Visa/MasterCard transactions for the year ended December 31, 2014.

ICBPI—Payments Services

- Our ICBPI Payments Business is one of the leading providers by number of transactions of domestic and SEPA interbank clearing services in Italy and the #1 provider by number of transactions processed through the CBI Gateway.

ICBPI—Securities Services

- Market-leading securities services, including the #1 depositary bank for Italian pension funds, with approximately 33% market share by value of the market for depositary banks for pension funds as of December 31, 2014.

Oasi—BPO Services

- Our Oasi BPO Services Business (including compliance and data management) served approximately 680 financial institutions with anti-money laundering training and approximately 155 financial institutions with regulatory reporting services as of December 31, 2014. The business retained a market share in anti-money laundering services of approximately 90% among banks operating in Italy as of December 31, 2014.

Our operations in Italy make us one of the largest card issuing companies in Europe, according to The Nilson Report. Despite our market-leading positions and scale, we believe we still have significant scope to grow along with the attractive, and growing, Italian payments market in which we operate.

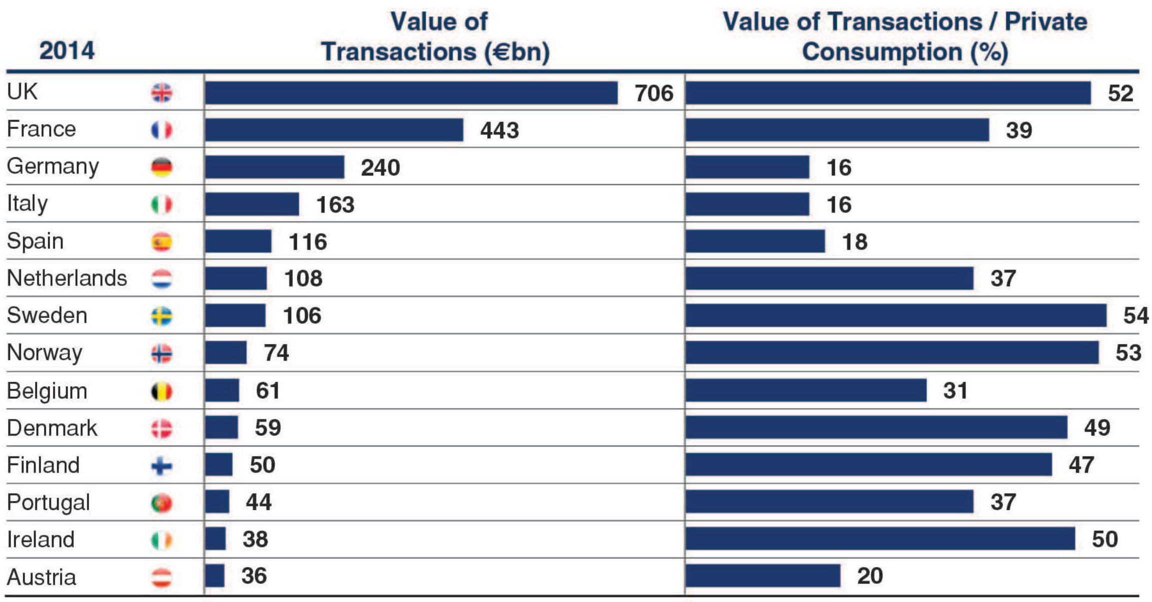
Structurally Attractive Market Benefiting from Strong Long-Term Tailwinds

We believe that we are well-placed as the leading Italian credit, charge and prepaid card issuer, merchant acquirer and POS manager to capitalize on favorable trends in our market, including (i) under-penetration of payment card use in the Italian market, (ii) government and regulatory emphasis on electronic payments instead of cash payments, (iii) growth opportunities in eCommerce and mobile payments and (iv) our attractive customer base.

Under-Penetration of Payment Card Use in the Italian Market

Although Italy benefits from a well-connected electronic payments infrastructure, the Italian payment card market is under-penetrated, with the rate of use of card payments in Italy less than half that of the EU average (excluding Italy) of 39% as of December 31, 2014, according to Euromonitor International. As shown in the chart below, at 16% card penetration, Italy is significantly behind the three largest EU economies in terms of payment card use.

We believe this under-penetration provides us with a significant opportunity as the market leader in Italy to grow in tandem with any potential increase in penetration of payment card and electronic payments usage to the extent Italy catches up to the EU norm. We also believe that factors such as government and regulatory policy, growth in eCommerce and mobile wallets, as well as generational shifts in preferred payment types (with younger generations more likely to use payment cards than older generations) will further support increased penetration of payment card use and electronic payments in Italy.



Source: IMF, Euromonitor International—Consumer Finance 2015.

Value of transactions includes value of payments through debit cards, prepaid cards, charge card, commercials and credit cards. ATM withdrawals not included.

Government and Regulatory Emphasis on Electronic Payments Instead of Cash Payments

Governments and regulators are increasing their focus on preventing tax avoidance, money laundering and corruption in an effort to boost tax receipts and limit the scope of the shadow economy, which is believed to be a significant feature in some parts of Italy. Because all electronic payments are recorded, generate receipts and leave an electronic footprint, governments and regulators have implemented policies which promote card payments and other account-based electronic payments in lieu of cash payments. For example, Italian Prime Minister Matteo Renzi's government made the option of card payment mandatory for all purchases greater than €30 and has introduced legislation which, if implemented, will provide tax breaks for consumers on payment card purchases and for merchants on payment systems upgrades (such as buying or upgrading POS terminals), tax cash deposits greater than €200 per day and mandate the use of e-invoicing for certain sectors such as retailers, grocery stores, vending machines and the self-employed. In 2012, the Italian government also placed a cap of € 999.99 on cash transactions, although Prime Minister Renzi has recently announced that he will propose to raise this cap to €3,000. We have also benefited from banking regulatory policies, which we believe incentivize banks to outsource non-core businesses, such as merchant acquiring, POS and card issuing, to companies such as us, which benefit from greater economies of scale.

Growth Opportunities in eCommerce and Mobile Payments

We believe we are the leading Italian merchant acquirer and POS provider in the rapidly growing domestic eCommerce field which we believe provides a strong platform to capitalize on potential future growth in this market segment. We believe that penetration of payment card and electronic payment use in Italy will come not only through traditional payment cards, but also through eCommerce and mobile payment solutions. We believe we are known as an innovation leader in Italy, having introduced contactless payments, our e-wallet MySi, cloud-based electronic payments (i.e., host card emulation), integrated POS solutions and omni-channel payment solutions (that is, payment by mobile phone or tablet, online or in a store) in recent years and having positioned ourselves to continue to grow as these trends develop.

In part due to the factors of growth in card penetration, generational shifts, government regulation and increased mobile and eCommerce spend, payment card transaction value in Italy has grown significantly, and is expected to continue to grow, driving value in our Merchant Acquiring, POS and Card Issuing Businesses. Payment card transaction value has grown at a compound annual growth rate in card spending (excluding commercial cards) of 9.0% since 2000, significantly outpacing the underlying nominal GDP growth rate, which has grown at a compound annual growth rate of 1.9% over the period, according to Euromonitor International.

Our Attractive Customer Base

We also benefit from an attractive customer base skewed toward SME merchants in our Merchant Acquiring and POS Businesses. We believe SME merchants are high-value customers and are attractive due their high rate of retention. Smaller merchants are also more likely to require additional services, which we are able to offer on a cost-effective basis given our scale. We are well-positioned as the key partner of virtually all of Italy's local community banks (who serve as a key distribution channel for our Merchant Acquiring and POS Businesses) to access the highly fragmented SME segment in Italy.

Long-Term Contracts and Strong Customer Relationships

Our leading market positions, scale, diversity of services and attractive customer base historically have resulted in stable, diversified revenue streams. The following graphic illustrates the stability and diversity of our revenues through our long-term contractual relationships and high rate of customer retention:

Ranking(1)	Relationship in years	Managed cards for customer	
		Total	as % of all managed cards
Customer # 1	> 15 years	1,370,837	5.4%
Customer # 2	> 15 years	1,102,596	4.3%
Customer # 3	> 15 years	998,223	3.9%
Customer # 4	> 15 years	918,141	3.6%
Customer # 5	> 15 years	836,116	3.3%
Customer # 6	> 15 years	778,394	3.0%
Customer # 7	> 15 years	720,916	2.8%
Customer # 8	> 15 years	460,007	1.8%
Customer # 9	> 15 years	405,866	1.6%
Customer # 10	> 15 years	347,470	1.4%

(1) The table above shows our top ten customers by contribution to operating revenue, ordered by the number of cards managed for each of these customers. Includes credit, charge and prepaid cards.

The majority of the revenues generated by CartaSi are generated through our long-term relationships with partner banks, some of which date back to the formation of ICBPI in 1939. The licensing arrangements we have with partner banks in our Card Issuing and Merchant Acquiring Businesses renew automatically, and we believe that partner banks may prefer to maintain their relationships with us so as to avoid inconvenience and service interruption for their and our cardholder and merchant customers that would result from a switch of suppliers. Our long-term relationships with these partner banks allow us to use their branch networks and customer relationships as our distribution network, in order to attract cardholder customers for our Card Issuing Business and merchant customers for our Merchant Acquiring Business. In our experience, our merchant acquiring and POS customer base of predominantly SMEs tends to switch payments providers less often than larger customers. For the twelve months ended June 30, 2015, no single partner bank accounted for more than 10% of our operating revenue.

In addition, we believe we face limited risk of banks in-sourcing the card issuing, merchant acquiring or POS services that we provide. In our Merchant Acquiring and POS Businesses, we believe that our partner banks would find that insourcing these non-core banking services would be less cost-effective than partnering with us, due to the economies of scale from which CartaSi benefits, and regulatory pressure on these partner banks to focus on their core banking businesses. In the Card Issuing Business, issuing and processing require specialized knowledge, a large scale and a clear strategic rationale, including incurring the cost of participating in Visa and MasterCard card licensing schemes, and we believe that no company in Italy matches CartaSi's strengths in these areas. Based on the current level of interchange fees, we estimate that a bank would need a portfolio of at least one million credit or charge cards to make insourcing of our card issuing services commercially viable. Even where partner banks have a strategic rationale to insource their card issuing or merchant acquiring functions, we believe our scale would incentivize them to continue under a servicing agreement with us, rather than to insource all functions. Given that our bank customers span the range of the Italian banking industry, many of our bank customers are significantly smaller than this threshold, and we believe past attempts by certain banks to insource such functions are likely to deter followers because even banks of significant scale have faced difficulties. As such, we believe that the risk of insourcing is limited, even if some degree of consolidation among our partner banks occurs. In addition, if our partner banks were to insource their acquiring functions, they would need to implement extensive changes to their acquiring systems, which might result in significant disruption to their customers. We believe that because of the close relationships required with local banks and their branch networks for success in the Italian market, non-Italian merchant acquirers historically have struggled to gain market share, and no international merchant acquirers have a material presence in Italy. In connection with the Acquisition, our current shareholder banks, which accounted for approximately 50% of our operating revenue for the year ended December 31, 2014, in their capacity as our partner banks and bank customers, have agreed to extend the terms of their contracts with us until five years after consummation of the Transactions, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years, and to maintain their level of business with us for a certain period of time. See "*Our Business—Our Customers*."

Based on our experience, we believe that our Payments Business is generally characterized by what we believe are strong and long-term customer relationships. Revenue in our Securities Services Business has generally been stable. We also expect to continue to benefit from a back-stop of vendor covenants entered into in connection with past acquisitions. Pursuant to these covenants, the vendors from which we acquired certain components of our Securities Services Business have guaranteed stable revenues under our main depositary bank agreements for certain time periods, in some cases for as long as ten years.

We believe that the stability of our revenues is also a result of the regulated nature of our business, which limits the entrance of new competitors. In line with our scale, we believe we have developed strong relationships with regulatory bodies, including the Bank of Italy and the European Central Bank, which has helped our business to thrive in a changing regulatory environment that emphasizes a shift away from cash-based payments. Each of our businesses is difficult to replicate or replace. We also believe that regulatory activity will drive volume growth, particularly for our Merchant Acquiring and POS Businesses from forthcoming interchange fee regulation, which will limit the interchange fees payable by our Merchant Acquiring Business. In other jurisdictions in which similar legislation has been enacted, merchant acquiring and POS businesses have benefited.

Infrastructure-Like Asset Critical to Italian Payment Flows

Our scale, client base of cardholders, merchants, banks, funds and other financial institutions and long-term relationships with partner banks make us a key pillar in the Italian financial system. We serve the entire banking market across our businesses and we estimate that more than 75% of the total consumer card spending in Italy for the year ended December 31, 2014 flowed through some aspect of our business. Our businesses combine market-leading service, brand recognition, product design, payment card portfolio management and a scalable, versatile ICT infrastructure with specialized knowledge, an understanding of Italian consumer behavior and preferences and marketing networks on a nationwide scale which distinguish us from our competitors. In each case, we believe that these advantages have contributed to our reputation for reliability as a trustworthy partner in the Italian financial system. We believe our scale and long-term, mutually beneficial relationships with banks throughout the Italian banking sector make us a difficult-to-replace component of Italian payment flows, reinforcing our market leading positions and customer relationships and setting the foundations for our strong financial model of long-term growth.

Attractive Financial Model with Long-Term Revenue Growth and Strong Profitability

We have consistently demonstrated the stability and profitability of our business, with like-for-like operating revenue and like-for-like EBITDA growing at compound annual growth rates of 2.8% and 4.6%, respectively, between the year ended December 31, 2012 and the twelve months ended June 30, 2015. See "*Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*."

Our revenue sources are also diversified, with our Merchant Acquiring and POS Businesses benefiting from a highly fragmented and diversified mix of merchants, skewed toward high-value SMEs. Our Card Issuing, Merchant Acquiring, POS and Payments Businesses serve virtually the entire Italian banking system, with our top ten partner banks accounting for 47% of our operating revenue for the twelve months ended June 30, 2015. With a stock of approximately 15 million credit, charge and prepaid cards as of December 31, 2014, we also have a highly diversified cardholder customer base. We are also diversified in terms of services provided, with our largest business unit representing 31% of our operating revenue for the twelve months ended June 30, 2015.

Our business is profitable, having generated €107.3 million of profit for the period (attributable to the owners of the parent) for the twelve months ended June 30, 2015. This income generation provides us with the financial strength to grow our business while still maintaining a CET1 capital ratio (15.16% as of June 30, 2015 and a Pro Forma CET1 Capital Ratio of 21.49%) ahead of other leading Italian financial institutions. For example, according to public filings, Intesa San Paolo's CET1 capital ratio was 13.4% and UniCredit's CET1 capital ratio was 10.5%, in each case as of June 30, 2015. This robust profit generation is coupled with strong cash flow generation in the underlying operating companies, which benefit from an outsourced ICT processing model with limited capital expenditure requirements. Moreover, we believe that efficiency benefits due to the existing scale of our CartaSi business units allow us to capture greater value from the future growth of our business compared to our competitors. We believe there are significant opportunities to improve our profitability through revenue growth by taking advantage of favorable market and regulatory conditions and through improved operational efficiencies. See "*—Our Strategies—Increase Operational Efficiency.*"

We expect the factors described above, including our market leading positions, attractive markets and long-term contracts and what we believe are strong customer relationships, to continue to drive the profitability of our business under the leadership of our management team and future shareholders.

Experienced Management Team with Strong Support from Sponsors Highly Experienced in the Payments Sector

ICBPI is led by its chairman Giovanni De Censi and managing director and general manager Giuseppe Capponcelli, who have more than 50 collective years of management experience in the Italian financial sector. Mr. De Censi has extensive experience in the banking sector and has been the Chairman of ICBPI since 1995, driving our expansion as Italy's leading diversified payments banking group. Mr. Capponcelli has a strong background and several years of experience in financial services and information technology and he played a key role in the development of the financial infrastructure for Italian payment systems. During his tenure at ICBPI, Mr. Capponcelli successfully implemented both revenue growth and cost-cutting initiatives, while continuously working to improve customer service. Mr. Capponcelli has been a member of the supervisory board of Equens SE since January 1, 2012 and a member of the Visa Europe Board since May 1, 2015.

In addition, we expect to benefit from the market expertise, business relationships, knowledge and experience of our future shareholders, Advent, Bain Capital and Clessidra. Advent and Bain Capital are among the pre-eminent global investors in the payments industry. In 2010, Advent and Bain Capital jointly invested in Worldpay, an international payments processor. In 2014, Advent and Bain Capital made another joint investment in Nets, a Scandinavian payments processor and, in 2009, Advent invested in Vantiv, a public, U.S.-based payment processing and technology provider.

Worldpay, Nets and Vantiv all experienced significant improvement in their operating performance under the ownership of our Sponsors, who have created a track record of significant revenue and profitability growth and success in driving operational efficiencies in the payments industry. Under the ownership of Advent and Bain Capital, Worldpay has grown its net revenue from £717 million in the year ended December 31, 2012 to £919 million in the twelve months ended June 30, 2015 (representing a compound annual growth rate of 10.4%) and has increased its underlying EBITDA from £305 million in the year ended December 31, 2012 to £396 million in the twelve months ended June 30, 2015 (representing a compound annual growth rate of 11.1%). Building on their experience with Worldpay, Advent and Bain Capital are implementing a similar strategy and best practices at Nets as at Worldpay and are seeing excellent results in growing Nets's business and increasing its profitability.

Our sponsor consortium also benefits from extensive market presence and experience in the Italian market and regulatory environment, as evidenced by recent investments in companies such as Cerved and Anima.

Our Strategy

We have developed the following strategies together with our future shareholders to maintain and expand our market-leading positions, grow and make our businesses more profitable, and exploit market opportunities:

Continue to Enhance Market-Leading Positions and Capture Additional Value

We intend to continue to enhance our market leading positions across the payments value chain, including CartaSi's position as the #1 merchant acquiring and POS and #1 card issuing business in Italy, by improving our sales team, further developing our product offering and widening our distribution model in our Payments Business. For CartaSi's Card Issuing and Merchant Acquiring Businesses, we intend to enhance CartaSi's sales team and improve our already strong ties with our bank customers by introducing dedicated bank relationship managers. We also intend to optimize our sales and demand management strategies to make our sales efforts more focused and effective, as well as to strengthen card issuing loyalty schemes and customer relationships across our Card Issuing, Merchant Acquiring and POS Businesses in an effort to increase our customer retention and acquisition rates. We believe we are known as an innovation leader in the Italian payments industry, and we intend to maintain and grow that track record by further developing our product offering in digital products, international debit cards and enhanced eCommerce capabilities, and by providing a more integrated product offering across our Card Issuing, Merchant Acquiring, and POS Businesses. As part of our effort to grow our Payments Business, we plan to improve our customer service with dedicated client services and innovative solutions teams for our payments services customers. We also aim to widen the distribution model in our Payments Business into adjacent channels, such as receivables management, supply chain services (such as invoicing) and multichannel payments options for corporate banking, and to expand our payments services product portfolio to capitalize on regulatory and other market changes, such as instant payments.

Increase Payment Card Usage by Cardholders and Card Penetration for CartaSi

We believe the Italian electronic payments market, when compared to other markets in Europe, exhibits a relatively well-developed payment infrastructure but a low penetration of card payments compared to cash payments, with the rate of payment card use in Italy less than half that of the EU average (excluding Italy) of 39% as of December 31, 2014, according to Euromonitor International and with use in Italy significantly below that of the three largest EU economies. We believe there is an opportunity to grow our business as the Italian market continues to converge toward the EU norm. To capitalize on and further this opportunity, we plan to incentivize increased payment card usage through the increased use of bonus and loyalty programs, such as our cash-back program SmartSi and our loyalty program IoSi. We also intend to engage to a greater degree with our partner banks with the aim of improving the effectiveness of marketing to cardholders through joint marketing and coordination efforts. We also plan to enhance the value proposition inherent in using payment cards as a form of payment more frequently by incentivizing payment card usage through tailored tiers of credit cards with staged levels of fees and benefits. We believe that in conjunction with these efforts, we will continue to benefit from government and regulatory initiatives to increase the rate of use of payment cards and electronic payments in lieu of cash payments.

Continue to Lead in Payments Technology and Product Innovation in Italy, Including New Commercialization and Cross-Selling Initiatives

As an integrated component of the Italian payments services market, we recognize that a market-leading product portfolio is critical to our long-term success and will drive our future growth. We also recognize the value of our track record as a market leader in innovation. As such, we intend not only to enhance our core products to adapt to customers' changing needs, but also to identify and commercialize innovative new products in anticipation of emerging needs and market trends. To stay on the leading edge of product development, we intend to upgrade our eCommerce offering by entering into partnerships with eCommerce platforms, with the aim of further expanding our market position in that growing market. We also intend to further invest in contactless payments, integrated POS solutions and omni-channel payment solutions, e.g., payment by mobile phone or tablet, online or in a store. Given that we receive a significant amount of bulk data about purchases and use trends, we intend to better analyze and use that data in driving value for our cardholder, merchant and bank customers. We may also in the future explore areas outside our current business model, including insurance products cross-selling and opportunities outside of Italy.

Grow our Payments, Securities Services and BPO Services Businesses

We intend to leverage our market-leading positions in Italy to grow our Payments, Securities Services and BPO Services Businesses. In our Payments Business, we believe we can capture additional market share as our bank customers migrate to pan-European clearing services. We also plan to expand our Payments Business into adjacent channels such as receivables management, invoicing and other supply chain services and multichannel payments options for corporate banking. In addition, we intend to develop a new platform for real-time payments and a B2B online marketplace. In our Securities Services Business, our strategy is to develop correspondent bank services, proactively market our capabilities in anticipation of positive potential regulatory changes and develop and diversify our global custody and investment services offering. We also believe there are significant opportunities for cross-selling, including leveraging our strength in fraud detection and outsourcing services with our CartaSi customers. In addition, we intend to expand the scope of our BPO Services Business by offering an enhanced portfolio of payment data analytics and bundling our business process outsourcing services with our payments services to provide a full-service payments management hub.

Increase Operational Efficiency

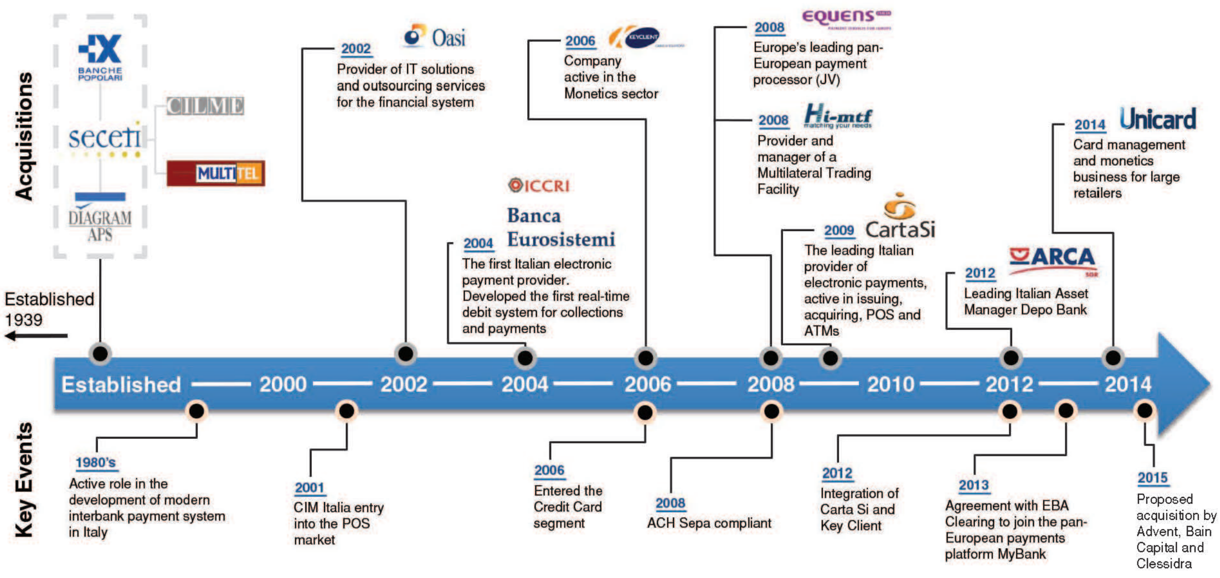
We believe that we have significant potential to enhance our already strong bottom line performance and strengthen our business over the long term by improving our operational efficiency. Our future shareholders have an extensive track record of driving efficiency in their other investments in the payments industry, including Nets, Vantiv and Worldpay, providing us with an opportunity to implement their established best practices to significantly improve our operational efficiency. As a result, we believe that there are significant opportunities to continue to improve our operational efficiency across our businesses. For example, we believe that we can reduce our ICT costs and non-ICT procurement and other expenses. We believe we can realize potential ICT cost savings through improved demand management, termination of lossmaking projects and other initiatives, as well as achieve a reduction in the costs of our processing contracts and other outsourced relationships. We expect non-ICT procurement expenses can be reduced through enhanced category management, standardized negotiation procedures, procurement pipeline and vendor database management. We also expect to realize other cost savings by achieving efficiencies throughout our businesses. See "*Summary Historical Financial and Other Information—Other Financial and Operating Information.*" To the extent we generate cost savings from these initiatives, we plan to refocus investment in product development and ICT systems to further drive improvements in operational efficiency. Our future shareholders estimate that the total annualized run-rate benefit to EBITDA from these operational efficiencies which are expected to be realized within two-to-three years following the Acquisition, will be approximately €31.2 million, net of expenses associated with achievement. These estimated operational efficiencies are based on our future shareholders' experience with previous investments in the industry, as well as industry benchmarking, advice from industry experts and management consultants retained in connection with the Acquisition. There can be no assurance that we will realize all or any of these potential operational efficiencies. See "*Forward-Looking Statements.*"

Explore Selective Acquisitions of Synergistic and High Growth Businesses

We believe ICBPI provides a strong platform due to our scale advantage and integrated business model, thereby offering significant potential for synergies with other payments services businesses. We have a long and successful track record in integrating businesses and achieving synergies. Given our future shareholders' extensive industry experience and significant organizational capabilities, we also expect to benefit from their expertise in complementary and value-accretive businesses. We intend to selectively evaluate and potentially acquire high growth companies with synergistic technologies, customer relationships and product offerings as appropriate opportunities arise.

Our History

ICBPI was founded in 1939 by six Italian cooperative, or *popolari*, banks as a joint undertaking to provide essential banking infrastructure to the entire network of Italy's *popolari* banks. In keeping with this objective, we gradually expanded our service offering over the course of the following decades. In addition, we broadened our shareholder base to include other types of banks. Driven by emerging outsourcing trends and growing economies of scale, we grew our service offering both organically and through a series of synergistic acquisitions. We strengthened our Payments Business and debit card activities through the add-on acquisition of a similar business from *Banca Popolare di Lodi*, which widened our network of partner banks to include the Casse di Risparmio banks. The subsequent acquisitions of KeyClient in 2006 and CartaSi in 2009 solidified our position in the Italian payment card issuing and merchant acquiring industries. In 2010, we devised a strategy to expand our service offering through the inception of our Securities Services Business, which was realized through the acquisition of Centrosim and a small portfolio of other depositary bank activities. Most recently, we acquired two additional card issuing businesses called C-Card and Unicard, which merged with CartaSi in December 2014 and August 2015, respectively. The following graphic shows the acquisitions made in the development of our business.



Our Services

We are a leading Italian payments banking group, providing industry-leading services to cardholders, merchants, banks, public sector clients, funds and other corporations. By virtue of our well-diversified business portfolio, we are present across the entire payments value chain. We operate our business through the following five main businesses:

- our Card Issuing Business, which is marketed through the CartaSi brand;
- our Merchant Acquiring and POS Businesses, which are marketed through the CartaSi brand;
- our Payments Business, which uses the ICBPI brand and consists of banking and clearing services and digital corporate banking services;
- our Securities Services Business, which comprises fund services, global custody services and investment services and is promoted using the ICBPI brand; and
- our BPO Services Business, which is advertised through the Oasi brand.

Card Issuing

Overview

Our CartaSi Card Issuing Business is the #1 issuer of credit, charge and prepaid cards in Italy by value of transactions for the year ended December 31, 2014. As of December 31, 2014, we managed approximately 15 million credit, charge and prepaid cards. We estimate our market share in card issuing in Italy was approximately 49% for the year ended December 31, 2014. According to The Nilson Report, this leading position in Italy also makes us one of the largest card issuing companies in Europe in terms of the number of payment cards managed and the value of transactions executed. Our Card Issuing Business generated €209.2 million, or 31.0%, of our operating revenue for the twelve months ended June 30, 2015.

Through our Card Issuing Business, we issue credit, charge and prepaid cards to consumers, typically through a partnership arrangement with a partner bank. While most of the payment cards issued by CartaSi are credit or charge cards, we believe there are significant opportunities to expand our already strong presence in prepaid cards in Italy.

Credit cards are characterized by an underlying revolving credit account from which the cardholder can borrow money for payment to a merchant. Charge cards are similar to credit cards except that, while credit card holders can roll over outstanding balances from month to month, holders of charge cards have to settle their outstanding balance each month. In contrast, debit cards immediately withdraw funds from the cardholder's designated bank account to make a payment to the merchant. Prepaid cards bear a stored value with which payments can be made until the underlying account, which can be held by a bank or another provider, is depleted. In Italy, prepaid cards often function as top-up, reusable debit cards rather than as one-off gift cards. Store cards are payment cards that can only be used in one particular store or group of stores. Founded in 1985 and acquired by ICBPI in 2009, CartaSi played a key role in the introduction of credit cards to the Italian market.

In addition to traditional payment cards (which themselves include recent innovations such as contactless payments), we offer mobile solutions such as our e-wallet MySi, cloud-based electronic payments (i.e., host card emulation), integrated POS solutions and omni-channel payment solutions (that is, payment by mobile phone or tablet, online or in a store). MySi enables customers that download the mobile application to record the details of their payment cards and make purchases using only their smartphone, without entering the authentication data relating to their payment card or other personal information. We believe we are the leading Italian merchant acquirer and POS provider in the rapidly growing domestic eCommerce field and the #2 company active in the Italian market, which we believe provides a strong platform to capitalize on potential future growth in this market segment.

We believe the card issuing industry is characterized by barriers to entry for new entrants. In addition, we believe that we have several competitive advantages that we rely on to protect and expand our market share. A key barrier to entry is the requirement to obtain a bank identification number ("**BIN**") from card scheme operators (such as Visa and MasterCard), which are the first few figures on the face of payment cards which identify the card issuer. Obtaining a BIN is a time-consuming process which requires sufficient capitalization as well as compliance with other complex regulatory requirements. Our competitive advantages also include our unmatched scale in the Italian card issuing market, our long-standing experience and expertise in the industry and our deep understanding of the customer base in the Italian market.

When issuing payment cards, we typically cooperate with a partner bank. The scope of the services we provide depends on whether we act as a licensor or servicer for such partner bank. Both the licensing and service distribution channels, however, allow our partner banks to benefit from our economies of scale. Our partner banks typically originate the business relationship with cardholders, regardless of whether we act as licensor or servicer, relying on their typically extensive branch networks and relationships with existing customers. A key determinant of whether our partner bank opts for the licensing or servicing distribution channel is whether it has the necessary scale and strategic rationale to acquire its own BIN. With respect to credit and prepaid cards, we also act as standalone issuer for large corporate clients. See "*Risk Factors—Risks Related to Our Business—We depend on our relationships with our partner banks which are our primary distribution channel for our CartaSi business units. If we are unable to maintain these relationships, or if our partner banks are unable to maintain relationships with merchants or cardholders, our businesses may be adversely affected*."

The chart below illustrates CartaSi's business units:

		Description	Value added	Customer	Credit risk
CartaSi S.p.A.	Card Issuing (licensing)	▪ Management of credit, charge and prepaid cards ▪ Ownership of cardholders and relationship with card schemes	▪ Commercialization and management of issuing services with low cost per transaction due to scale advantage ▪ Product development and marketing, customer care, fraud management and fee collection ▪ Innovative initiatives such as MySi	Partner Banks/ Cardholders	▪ ICBPI funds receivables in respect of cardholder payments on behalf of the partner banks. Partner banks ultimately bear the credit risk ▪ Due to immaterial size of the direct issuing business (0.2% of all credit and prepaid cards managed), direct credit risk is negligible
	Card Issuing (servicing)	▪ Management of credit, charge and prepaid cards		Partner Banks	
	Merchant Acquiring (licensing)	▪ Set-up and management of payments' acceptance ▪ Ownership of merchants and relationship with card schemes	▪ Commercialization of merchant acquiring services with low cost per transaction due to scale advantage ▪ Account activation, transaction processing, fraud and customer care functions ▪ Innovative initiatives such as mobile and contactless POS, and tablet/smartphone rendering	Partner Banks/ Merchants	▪ Licensing - Exposure to merchant risk ▪ Servicing - No exposure to merchant credit risk (borne by partner banks)
	Merchant Acquiring (servicing)	▪ Set-up and management of payments' acceptance		Partner Banks	
	POS	▪ POS set-up and maintenance	▪ Commercialization and management of POS including configuration, activation, maintenance and servicing	Merchants	▪ No
	Debit servicing	▪ Management of domestic debit cards	▪ Acting as a reliable servicer and outsourcer for banks in connection with transactions for PagoBancomat	Partner Banks	▪ No
	ATM	▪ ATM set-up and maintenance	▪ ATM management	Partner Banks	▪ No
HelpLine S.p.A.	Customer care	▪ Customer contact center	▪ Management of contact center	Partner Banks/ Merchants/ Cardholders	▪ No

Licensing (Card Issuing)

Licensing accounted for €186.4 million, or 27.6%, of our operating revenue in the twelve months ended June 30, 2015, and we estimate that it accounted for approximately 71% of our market share in card issuing. Under our licensing distribution model, we assume a more comprehensive issuer role and handle all card issuing functions. We operate the licensing business model in our Card Issuing Business in two ways: the traditional licensing model and the licensing associate model.

Traditional licensing model. Under the traditional licensing model, we are a co-issuer and enter into a contractual relationship with each cardholder customer referred to us by our partner bank, manage the entire stock of payment cards for the partner bank, provide the relationship with the card scheme operators and license our BIN to the partner bank. Additionally, CartaSi undertakes product development and marketing, customer care, fraud management and fee collection. Most of the payment cards issued pursuant to a licensing agreement are co-branded with both the CartaSi logo and the partner bank's logo. Credit risk management, credit scoring, distribution and pricing is handled by the co-issuing partner bank. The licensing model is typically utilized by those partner banks which seek to derive the full benefit from CartaSi's unique scale in the Italian card issuing industry. Customers who partner with us under a licensing agreement include, for example, Banco Popolare, Cariparma and Carige. For a description of the material terms and conditions governing our licensing agreements see "*—Material Contracts*" and "*Risk Factors—Risks Related to Our Business—Changes in payment network rules or standards could adversely affect our business, financial condition and results of operations*."

Under a traditional licensing agreement, CartaSi collects revenue directly from our cardholder customers and the card schemes including the following fees:

- *Annual management fee:* CartaSi collects an annual fee from the cardholder, with pricing depending on the partner bank.

- *Additional fee:* CartaSi collects other card related fees defined by its partner banks (for example, an account statement fee).

- *Interchange fee:* For each transaction executed with payment cards subject to our traditional licensing model, CartaSi collects a payment from the applicable card scheme operator, which is referred to as an interchange fee. The interchange fee is equal to a fraction of the transaction value and is set by the card scheme operator which passes the transaction value received from the card issuer through to the merchant acquirer (net of the interchange fee and a scheme fee). See "*Risk Factors—Risks Related to Our Business—Interchange regulation may adversely affect the results of operations of CartaSi's Card Issuing Business and "Industry—The Payment Solutions Economic Model*."

From the revenues collected on its own behalf and that of its partner bank, as described above, CartaSi deducts and withholds the following fees and remits the balance to the partner bank:

- *Annual fee:* An annual fee that is equal to a fixed amount which depends on the tier and type of the card (classic, gold, platinum, black, commercial). In the case of prepaid cards, a similar top-up fee becomes payable upon every recharge of the card.

- *Percentage fee:* A fraction of the payment value for each transaction processed through the payment card we issued.

- *Transaction fee:* A flat fee for each transaction processed through the payment card we issued.

- *Funding margin*: For charge cards, funding for customer purchases is provided for between 15 and 45 calendar days, with an average of 29 days. For the outstanding balance, CartaSi does not charge interest to the cardholder but deducts and withholds financial costs incurred in connection with these funding activities plus a margin from the compensation remitted to the relevant partner bank. CartaSi currently charges its partner banks an indexed floating rate based on 3-month Euribor. See "*—Funding, Settlement and Credit Risk.*"

Licensing associate model. Under a licensing associate agreement, we manage the relationship with the card scheme operator on behalf of a partner bank which, unlike in the traditional licensing model, manages the relationship with the cardholder (for instance, with respect to revenue collection). See "*—Material Contracts—CartaSi Agreements with Partner Banks—Associate Licensing and Servicing (Card Issuing and Merchant Acquiring Businesses), POS Management, Debit Servicing, ATM Management and HelpLine.*" CartaSi receives revenues from the relevant partner bank which typically include the following two components:

- *Annual fee:* An annual fee that is equal to a fixed amount which depends on the tier and type of the card (classic, gold, platinum, black, commercial). In the case of prepaid cards, a top-up fee becomes payable upon every recharge of the card.

- *Transaction fee:* A flat fee for each transaction processed through the payment card we issued which covers the costs we incur in connection with the transaction.

Servicing (Card Issuing)

Servicing accounted for €22.8 million, or 3.4%, of our operating revenue in the twelve months ended June 30, 2015, and we estimate that it accounted for approximately 29% of our card issuing market share. Under our servicing distribution model, we play a more limited role in the issuing of payment cards, which results in lower fees. Our partner banks handle product development, marketing, distribution, pricing and fee collection, but require our services for payment card administration. However, our partner bank (instead of CartaSi) enters into the contractual relationship with each cardholder customer and our partner bank utilizes its own BIN and relationship with the card scheme operators. Additionally, our partner bank is responsible for product development, customer care, marketing, distribution, pricing and fee collection. The servicing model is typically used by financial institutions that have sufficient scale and strategic rationale to insource part of their card issuing business. Customers who cooperate with us under a servicing agreement include, for example, Deutsche Bank and Banca Popolare di Milano. See "*Material Contracts—CartaSi Agreements with Partner Banks—Associate Licensing and Servicing (Card Issuing and Merchant Acquiring Businesses), POS Management, Debit Servicing, ATM Management and HelpLine.*"

While the terms of our servicing agreements are customized and thus vary, we typically receive the following types of fees from our partner bank in connection with servicing:

- *Annual fee:* An annual fee that is equal to a fixed amount which depends on the tier and type of the payment card (classic, gold, platinum, black, commercial). In the case of prepaid cards, a top-up fee becomes payable upon every recharge of the card.

- *Transaction fee:* A flat fee for each transaction processed through the payment card we issued which covers the costs we incur in connection with the transaction.

Direct Issue Prepaid and Credit Cards

We also issue prepaid cards directly without partner banks. These clients mostly include large corporations such as ENI, Vodafone and Trenitalia, which retain our services to provide them with co-branded prepaid cards. The prepaid payment cards are typically rechargeable, co-branded with our corporate partner's logo and sold to such corporate partner's customers.

Approximately 30,000 of the payment cards managed by CartaSi are credit cards that are issued directly by CartaSi without a partner bank. As a result, we receive all the issuing fees generated by these payment cards but also retain the ultimate credit risk associated with them. See "*—Funding, Settlement and Credit Risk—CartaSi Business Units*," "*Risk Factors—Risks Related to Our Business—We are exposed to liquidity risks*" and "*—We are subject to potential credit risk from our customers, as well as short term credit risk from our partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, we could experience material losses*."

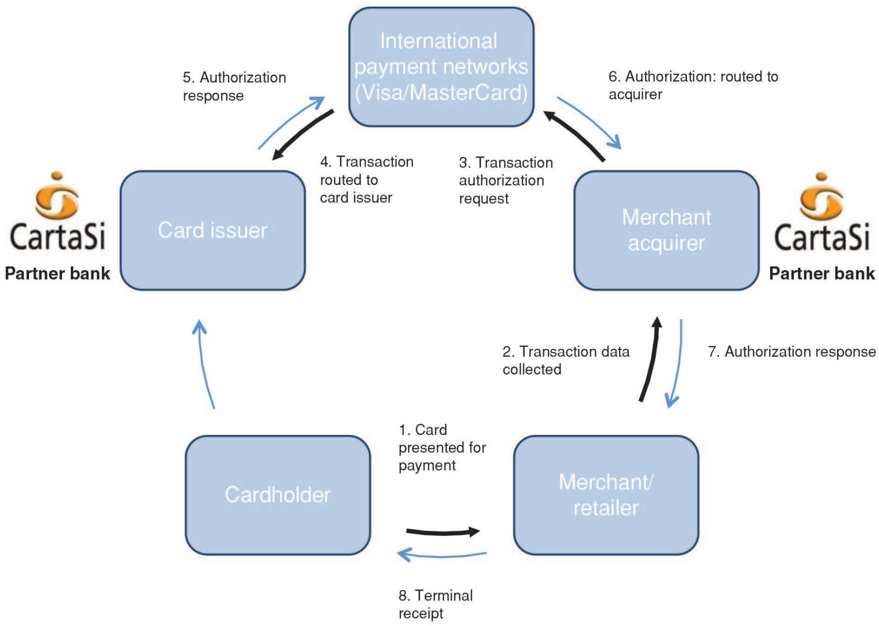
Merchant Acquiring and POS

Overview

CartaSi is the #1 merchant acquirer in Italy in terms of volume of transactions executed and market share as of and for the year ended December 31, 2014. In 2014, we served approximately 687,000 merchants and handled approximately 1.2 billion transactions including approximately 744 million credit and prepaid card transactions and approximately 520 million debit card transactions. We estimate our market share was approximately 65% in merchant acquiring by number of transactions and approximately 30% in POS by number of POS terminals. Our Merchant Acquiring and POS Businesses together generated €166.8 million, or 24.7%, of our operating revenue for the twelve months ended June 30, 2015.

Merchant acquiring encompasses the full scope of services that are necessary to enable a merchant to accommodate and execute electronic payments. We equip both offline and online merchants with electronic payment solutions (POS management) and handle the electronic payments that they transact (merchant acquiring). We may act as one or more of the card issuer, merchant acquirer and POS manager with respect to the same transaction, but our card issuing, merchant acquiring and POS management services each function independently and are compatible with those of other major providers.

The graphic below describes the information flows typically required to authorize and execute a card payment:



POS and other electronic payment solutions allow consumers to pay for goods and services they purchase electronically using a payment card instead of cash. The most common electronic payments method is the POS terminal which is also known as a payment terminal. The POS terminal is a stationary or handheld electronic device that reads the encrypted information stored on a consumer's payment card, typically prompts the consumer to enter his confidential PIN authorization code, authenticates this data, authorizes a payment drawing on the account pertaining to the payment card and transmits the verified data to the merchant's electronic payment software such that the merchant receives the funds with cash settlement on a daily basis. We also provide and establish virtual POS portals which do not involve any physical devices but process data in the same way as physical POS terminals. Both POS terminals and virtual POS portals transmit data over a standard telephone line or an internet connection, with some having the ability to cache transactional data and transmit the data to the gateway processor when a connection becomes available. POS terminals are typically interfaced with computer software and connected to a monitor and printer, with the latter generating a receipt for each of the customer and the merchant. Virtual POS portals enable payments at an internet web site or via a merchant's smartphone and are more recent technologies.

In our Merchant Acquiring Business, we typically cooperate with a partner bank that originates the relationship with the merchant, leveraging its branch network and often a preexisting business relationship. Most of the merchants that utilize our merchant acquiring systems are SMEs, and we estimate that we have approximately 79% market share in this attractive business line. We estimate that we have a market share of approximately 46% among large merchants. In select cases, we provide merchant acquiring services directly to large merchants, without using a partner bank. When we execute payment card transactions originated by one of our merchant customers, we are generally responsible for the production of account statements, dispute management, credit collection, fraud management and customer service through our call center, but outsource the processing part of the acquiring value chain to our processing partners Equens and SIA. See "*—Information and Communications Technology*." Similarly to our Card Issuing Business, the scope of the services we provide as merchant acquirer depends on whether our partner bank requests that we act as a licensor or servicer, with approximately 89% of our Merchant Acquiring Business market share contributed by our licensing distribution channel and approximately 11% contributed by our servicing distribution channel.

Licensing (Merchant Acquiring)

We operate the licensing business model in our Merchant Acquiring Business in two ways: the traditional licensing model and the licensing associate model. Licensing accounted for €70.0 million, or 10.4%, of our operating revenue in the twelve months ended June 30, 2015.

Traditional licensing model. Under our licensing distribution model, we provide a wide range of services to our merchant customers. We set up and manage credit, charge, debit and prepaid card payment acceptance software and hardware. We activate our merchant customers' accounts, and (through our processing partners Equens and SIA) process the transactions they originate. In addition, we provide fraud detection services as well as dispute and HelpLine functions. Although our partner bank originates the relationship with a merchant customer, under a licensing agreement, we have the contractual relationship with the merchant and card scheme operators. See "*—Our Suppliers—Card Scheme Operators*." The licensing model is typically utilized by smaller financial institutions that derive the greatest benefit from CartaSi's unique scale in the Italian merchant acquiring industry. For a description of the material terms and conditions governing our licensing agreements, see "*—Material Contracts—CartaSi Card Issuing Cardholder Agreements (Traditional Licensing)*" and "*—CartaSi Agreements with Partner Banks—Traditional Licensing (Card Issuing and Merchant Acquring Businesses)*."

Under a licensing agreement, we generate revenue directly from our merchant customers based on the following fee structure:

- *Gross MSC*: A gross merchant service charge ("**MSC**"), which is determined by our partner bank and paid by the merchant, with collection handled by CartaSi. See "*Industry—The Payment Solutions Economic Cycle.*"

From the gross MSC collected, CartaSi deducts and withholds CartaSi's percentage fee and transaction fee as well as the corresponding interchange fee (which is passed through to the card issuer), as described below, and remits the balance to the partner bank.

- *Percentage fee:* CartaSi charges a fraction of the payment value for each transaction processed through our merchant customer. The fraction is equal to a fixed percentage of the transaction value.

- *Transaction fee:* CartaSi charges a flat fee for each transaction processed through our merchant customer, which covers the costs we incur in connection with the transaction.

- *Interchange fee:* For each transaction handled on behalf of a merchant customer, we remit a payment to the applicable card scheme operator, which is referred to as an interchange fee. The interchange fee is equal to a fraction of the transaction value and is set by the card scheme operator which passes the interchange fee through to the card issuer (net of a scheme fee).

Licensing associate model. Under our licensing associate model, we manage the relationship with the card scheme operator on behalf of a partner bank which manages, unlike in the traditional licensing model, the relationship with the merchant (for instance with respect to revenue collection). See "*—Material Agreements—CartaSi Agreements with Partner Banks—Associate Licensing and Servicing (Card Issuing and Merchant Acquiring Businesses), POS Management, Debit Servicing, ATM Management and HelpLine*." CartaSi receives a transaction fee from the relevant partner bank, which is a flat fee for each transaction processed through the card we issued which covers the costs we incur in connection with the transaction.

Servicing (Merchant Acquiring)

Servicing accounted for €16.9 million, or 2.5%, of our operating revenue in the twelve months ended June 30, 2015. Under our servicing model, our role is more limited as compared to that under a licensing agreement. We set up and manage payment acceptance for the merchant customer, but our partner bank enters into the contractual relationship with the merchant and also maintains its own relationship with the scheme operators. Partner banks typically employ the servicing model where they have sufficient scale and strategic rationale to insource part of this business. See "—*Material Contracts*."

While the terms of our servicing agreements are customized and thus vary, servicing agreements typically attract lower revenues and fewer fees for us than licensing agreements. For every merchant acquiring transaction under a servicing agreement, we would typically receive a transaction fee from our partner bank, which is a flat fee for each transaction processed through the payment card we issued, and which covers the costs we incur in connection with the transaction.

Direct Acquiring

CartaSi also serves large merchants directly from time to time, without the involvement of a partner bank. As a result, we receive all the acquiring fees from the card payment transactions generated by these merchants and exclusively manage the relationship with these clients. In the twelve months ended June 30, 2015, the merchants under these direct acquiring contracts originated card payment transaction volume of €7.5 billion. Our top 35 customers in this business unit accounted for 80% of total operating revenue for direct acquiring, with our largest customer contributing approximately 10% of card payment transaction volume.

POS Management

In our POS Business we install and manage physical and virtual POS. As of December 31, 2014, we managed 541,219 POS (including approximately 12,000 virtual POS) and were the #1 POS manager with a market share of approximately 30%. We believe the lower market share in POS management compared to merchant acquiring is primarily a result of our partner banks' and merchant customers' legacy relationships with other POS terminal providers. With our portfolio of approximately 12,000 managed virtual POS, we believe we are well-positioned to capitalize on potential future growth in the eCommerce market.

Through our POS Business we configure, activate, maintain and provide helpdesk services for POS for merchants. CartaSi POS are typically distributed through partner banks, and generally bundled with other merchant acquiring services. The POS terminals we install at our merchant customers are typically manufactured by Ingenico. POS terminal technology is still emerging and continues to diversify, which creates opportunities for our business. For instance, we have been a leader in the Italian market with initiatives such as mobile POS terminals, contactless POS and tablet and smartphone rendering. While most of the merchants using our merchant acquiring services are store-based, we also increasingly serve eCommerce merchants. As of December 31, 2014, we had a market share of approximately 15% for merchant acquiring and POS services for eCommerce merchants.

Revenue in our POS management business is generated by charging merchants a set-up fee and a monthly rental or maintenance fee, which is shared with the distributing partner bank.

Other CartaSi Business Units

In addition to card issuing, merchant acquiring and POS management, CartaSi generates revenue from three smaller business units: debit servicing, ATM management and HelpLine services.

Debit Servicing

Our debit servicing business unit involves processing domestic debit card transactions as a servicer for partner banks in connection with PagoBancomat transactions. PagoBancomat is a trade name that denotes an Italian payment network for debit card payments at enabled POS terminals. As of December 31, 2014, we managed approximately 11.4 million debit cards. Revenue in our debit servicing business unit is generated based on a fee for each transaction we process and accounted for €35.6 million, or 5.3%, of our operating revenue for the twelve months ended June 30, 2015.

ATM Management

Our ATM management business unit involves the set-up and maintenance of ATMs in Italy on behalf of bank customers. As of December 31, 2014, we managed 9,628 ATMs across Italy. Management of ATMs takes various forms, subject to the requirements of our customers and ranges from the complete management of an ATM fleet to parts of the value chain such as pre-processing. Revenue is typically generated from fees for each managed ATM and each transaction executed. Our ATM management service is offered to banks using the CartaSi brand, while our software operated on the ATMs is branded as QuiMultiBanca. We intend to further develop our ATM management business as the ongoing trend in bank branch closures and transformations in favor of more limited physical infrastructure is expected to continue. ATM management accounted for €18.0 million, or 2.7%, of our operating revenue for the twelve months ended June 30, 2015.

HelpLine

Our HelpLine business unit is marketed to customers through our HelpLine brand and provides a dedicated call center that offers customer service to both cardholders and merchants. Revenue is generated from fees for inbound and outbound calls. Our HelpLine business accounted for €5.5 million, or 0.8%, of our operating revenue for the twelve months ended June 30, 2015.

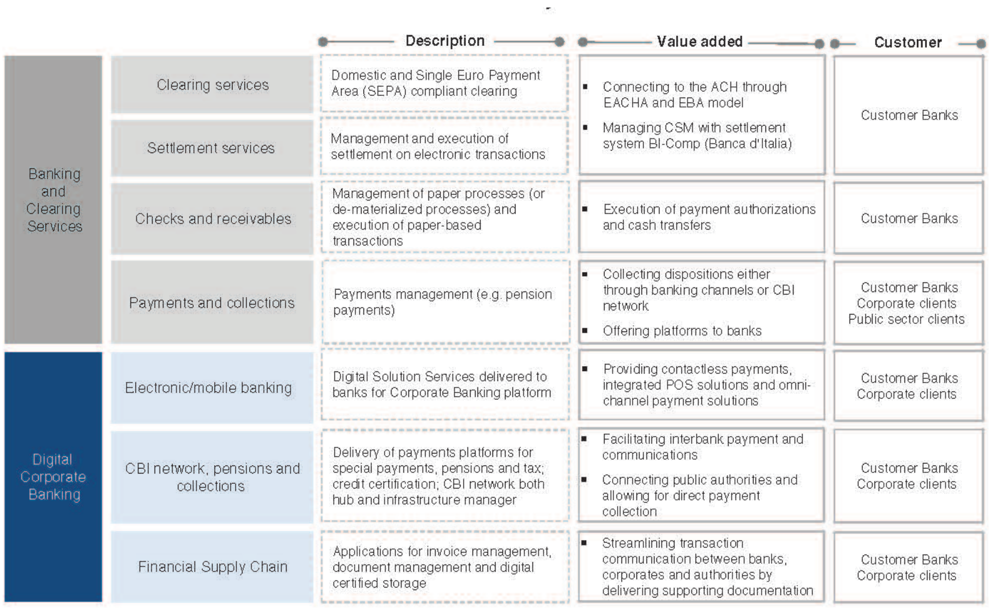
Payments Business

Our Payments Business manages approximately one billion transactions per year. Through our Payments Business, ICBPI is:

- one of the leading providers of SEPA interbank clearing services in Italy by number of transactions; and
- the #1 provider by number of transactions processed through the CBI Gateway.

As of and for the year ended December 31, 2014, we settled 466.0 million banking payment transactions, executed 810.9 million clearing transactions, served 203,001 workstations in our e-banking platform and connected 262,000 customers through our CBI Gateway. As of and for the year ended December 31, 2014, approximately 42% of our revenue was dependent on the number of banking payment transactions we completed, approximately 5% was dependent on the number of clearing transactions we completed and approximately 13% was dependent on the number of e-banking workstations we served. The remainder of our revenue was mainly composed of fixed fees charged for recurring services, project based service fees and net interest income. Our Payments Business generated €87.7 million, or 13.0%, of our operating revenue, and €22.2 million, or 11.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. The service offering in our Payments Business can be categorized into (i) banking and clearing services and (ii) digital corporate banking.

The chart below illustrates the business units in our Payments Business:



Banking and Clearing Services

This service offering ranges from the supply of payments infrastructure and payments management to clearing, settlement and intermediary services.

Through our clearing and settlement services business lines, we provide domestic and SEPA services compliant with standard interbanking schemes. Within the Italian market, ICBPI operates as a clearing house for domestic and SEPA payments. For example, it exchanges collection and payment orders between banks. Our clearing capabilities encompass ACH and SEPA services, as well as EBA Clearing SEDA services.

Intermediary services includes services provided to customer banks to manage interbank payments and collections of bills, checks, pensions and social security vouchers, cash letters and others, as well as related back-office activities. Within this business we also provide payments and collection management to select large corporate and public sector clients such as Autostrade-Telepass, American Express, INPS, AGEA and ISMEA.

Additionally, we manage cross-border payments on behalf of our corporate and bank customers, including credit transfers and giro-credit transfers in euro and foreign currencies.

Revenue in our banking and clearing services business unit is generated from fees based on the number of transactions or fixed fees charged for recurring services. Additionally, we generate net interest income from deposits by, and loans made available to, our customers.

Our banking and clearing services accounted for €63.5 million, or 9.4%, of our operating revenue for the twelve months ended June 30, 2015.

Digital Corporate Banking Services

This service offering is aimed at digital solutions that help corporate clients manage all their bank accounts and payments.

In our digital corporate banking division, ICBPI supplies payments services to banks and large corporate clients. Our offering includes white label digital solutions allowing banks to establish their own branded corporate e-banking platform, specialized payment platforms, applications for invoice management and storage and other financial supply chain products, enabling prepaid card recharging, payment of bills, payment of postal orders and other services via the internet, mobile phones or ATMs. Apart from banks, we also serve large corporations in this business. Our large corporate customers typically rely on our services for the installation of their group-wide bank account and payment management systems. These large corporate clients are typically referred to us by one of our partner banks under our card issuing or merchant acquiring platforms. This business unit also provides our market leading CBI Gateway services. The CBI Gateway is an Italian payment platform that was initially designed to facilitate interbank payments and communication. It was subsequently integrated into a payment hub also connecting public authorities and allows for direct payment collection and delivery of supporting documentation between banks and public authorities. ICBPI is the #1 provider by number of transactions in CBI Gateway services.

We also provide two recently-introduced, account-based services that target eCommerce customers, which are PagoBancomatWeb (enabling PagoBancomat cards for eCommerce transactions) and MyBank (the eCommerce-enabled service provided by EBA Clearing that uses SEPA Credit Transfer).

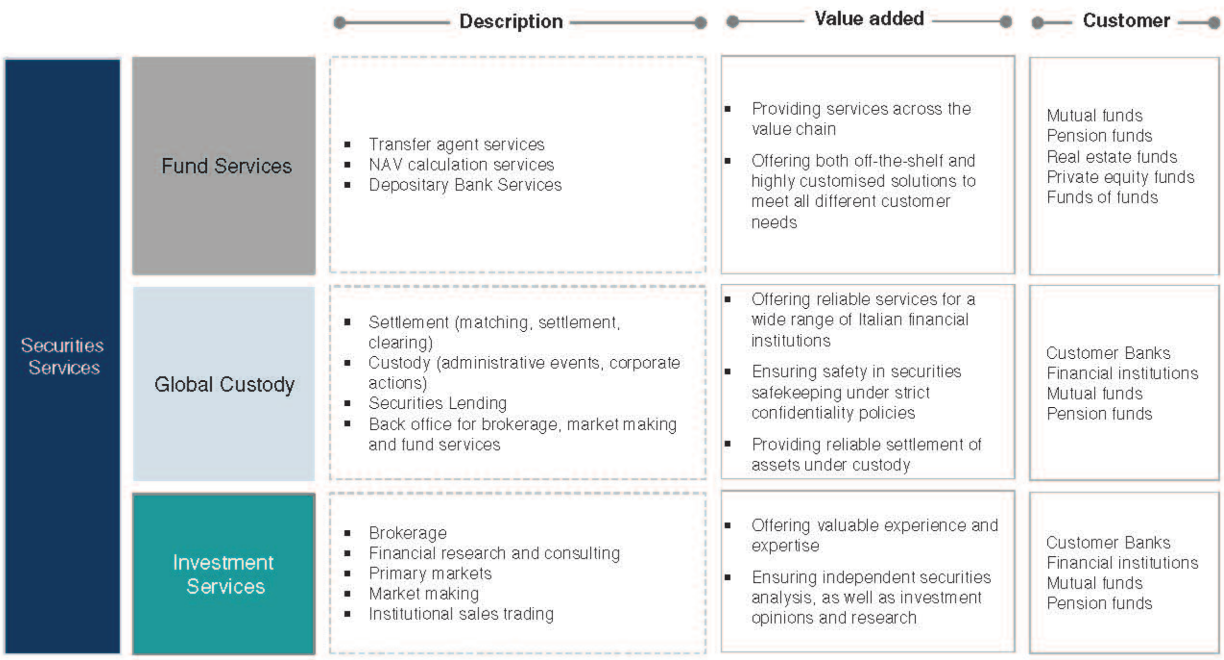
Revenue in our digital corporate banking services business unit is generated from fees based on the number of e-banking workstations, fixed fees charged for recurring services and project-based service fees.

Together, our digital corporate banking services accounted for €24.2 million, or 3.6%, of our operating revenue for the twelve months ended June 30, 2015.

Securities Services Business

Our Securities Services Business consists of fund services, global custody services and investment services and holds market leading positions in the mutual funds and pension funds space. We provide both off-the-shelf and highly customized solutions to our customers, which include pension funds, mutual funds and other Italian banking and financial institutions. Our Securities Services Business generated €66.5 million, or 9.8%, of our operating revenue and €10.3 million, or 5.1%, of EBITDA, in each case for the twelve months ended June 30, 2015.

The chart below illustrates the business units in our Securities Services Business:



Fund Services

We are the third-largest provider, and the only significant Italian-incorporated provider, of administrative services to mutual and pension funds in Italy. Our customers in this business unit range from mutual funds, pension funds and real estate funds to private equity funds and funds of funds. Our key lines of business in this business unit include acting as transfer agent and performing net asset value ("**NAV**") calculations for such funds, as well as providing them with depositary bank services. As of June 30, 2015, we managed 2.4 million accounts of investors in mutual and pension funds and performed NAV calculations for assets under management ("**AUM**") of €43 billion. In our role as depositary bank, we act as depositary bank for Italian open and closed pension funds, open mutual funds, funds of funds, private equity and closed real estate funds. As of June 30, 2015, our depositary bank activities had €57 billion in assets in custody. The assets generated through our depositary bank activities also constitute our primary source of deposits. We are the #1 depositary bank for pension funds in Italy.

Revenue in our funds services business unit is generated from fees based on the AUM we hold in deposit for a customer and the number of investors in the fund. Additionally, we generate net interest income from deposits by, and loans made available to, our fund customers. This business unit generated €44.4 million, or 6.6%, of our operating revenue for the twelve months ended June 30, 2015.

Global Custody

Our Securities Services Business also engages in global custody activities, including settlement, custody and securities lending services and provides back office services for brokerage, market making and fund services. This business unit generates revenue from fees based on the amount of assets under custody and the number of transactions settled, respectively. As of June 30, 2015, our assets under custody were €130.6 billion, and for the twelve months ended June 30, 2015, we settled approximately 3.1 million transactions. This business unit generated €6.0 million, or 0.9%, of our operating revenue in the twelve months ended June 30, 2015.

Investment Services

Our investment services unit provides brokerage, financial research and consulting, primary markets, market making and institutional sales trading. It generates revenue from fees for each executed transaction, research and consulting services and profits from proprietary trading. This business unit generated €16.1 million, or 2.4%, of our operating revenue for the twelve months ended June 30, 2015, and processed securities trades with a volume of €48 billion.

BPO Services Business

Through our BPO Services Business, we offer business outsourcing services to Italian companies in the four key areas of (i) anti-money laundering ("**AML**") and know-your-customer ("**KYC**") procedures, (ii) regulatory reporting, (iii) compliance and internal governance and (iv) information and communications technology ("**ICT**") security. We market our BPO Services Business under our Oasi brand.

The chart below illustrates the business units in our BPO business:

		Description	Value added	Customer
BPO Services	Anti-money laundering Know-your-customer	▪ Software solutions development, outsourcing and added value consulting in AML market ▪ Master for bank's employees, training for bank's managers	▪ AML outsourcing: GIANOS systems, AUI, Tax office and court cases ▪ Compliance with both domestic and European AML rules and regulations ▪ Consulting and system integration ▪ Maintenance and assistance ▪ Driving of banks and insurance users committees ▪ Monitoring and setting of AML market standards for banks ▪ GIANOS training (for AML) in collaboration with ABI	Customer Banks Insurance companies Financial institutions Banking service bureau
	Regulatory reporting	▪ Software solutions development ▪ Outsourcing services ▪ Consulting for regulatory reporting	▪ Offering reliable maintenance and assistance to a wide range of clients ▪ Providing flexible outsourcing of regulatory reporting	Customer Banks Insurance companies Financial institutions Banking service bureau
	Compliance and internal governance	▪ Consulting, outsourcing and co-sourcing services for governance and control functions, risk assessment and development of valuation and control methodologies	▪ Consulting on control functions ▪ Consulting and software solutions on law 231/2001 ▪ Consulting on governance ▪ Compliance products offer (e.g. ABICS by ABI) ▪ Control functions: co-sourcing/outsourcing	Customer Banks Banking service bureau
	ICT security	▪ Consulting, solutions, outsourcing and system integration services with respect to cyber-security, IT risk and compliance, antifraud and business continuity	▪ Consulting ▪ Product and solutions ▪ System integration ▪ Security Operation Center ▪ Antifraud services for e-banking ▪ Services against identify theft	Customer Banks Banking service bureau

As part of our AML and KYC services, we offer trainings for our clients' employees and also advise our clients on the risk profiling of their customers. We employ the GIANOS software for the identification of suspicious activity, KYC procedures and the assessment of customers' risk profiles. Our regulatory reporting business unit develops software solutions and offers consulting services. Our portfolio of compliance and internal governance services includes consulting, outsourcing and co-sourcing services for governance and control functions, risk assessment and the development of valuation and control methodologies. The service offering in our ICT security business unit consists of consulting services, the development of software solutions, outsourcing and system integration services with respect to cyber-security, ICT risk and compliance, antifraud measures and business continuity.

We provide anti-money laundering, consulting and outsourcing services for approximately 800 financial institutions and regulatory reporting for approximately 180 financial institutions and we believe we are the leading Italian provider in anti-money laundering services with a market share of approximately 90% as of December 31, 2014. Revenue in this business unit is generated from fees for outsourcing services, trading of proprietary and third-party software and consulting services. Our BPO Services Business generated €28.7 million, or 4.3%, of our operating revenue and €7.6 million, or 3.8%, of our EBITDA, in each case for the twelve months ended June 30, 2015, with anti-money laundering services contributing

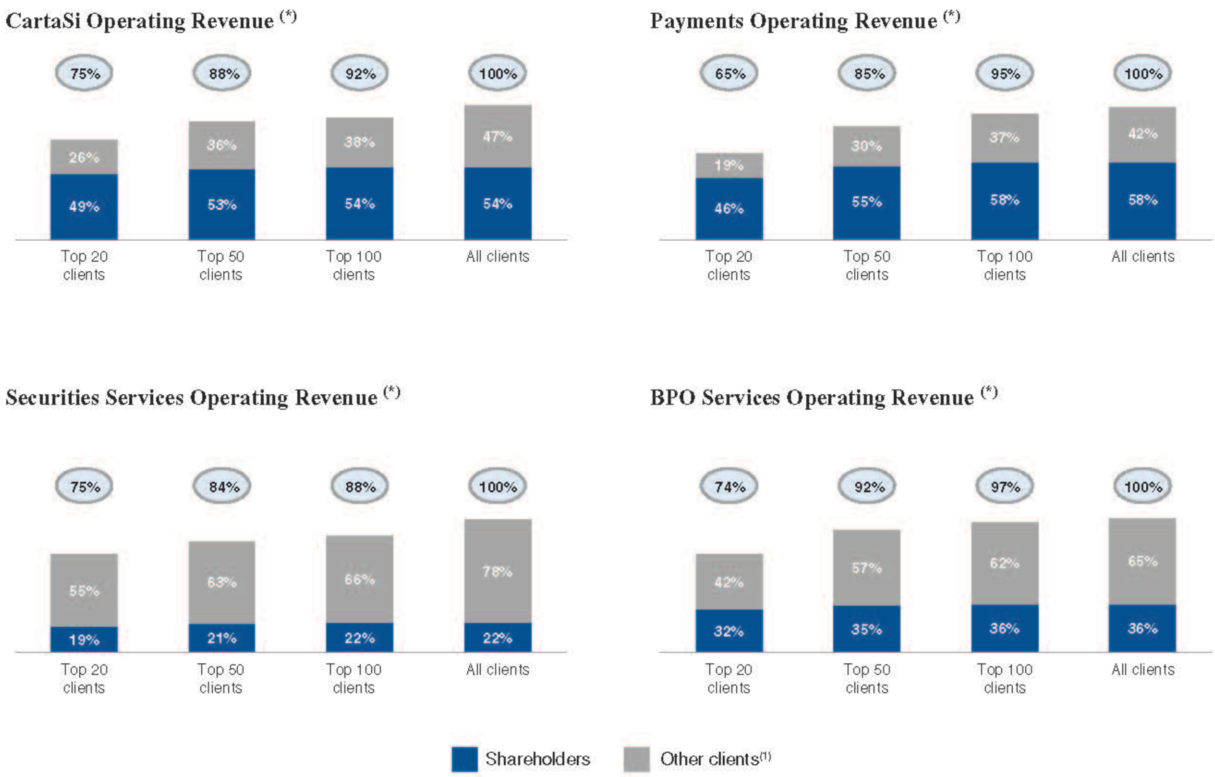
€11.6 million and regulatory reporting services contributing €12.0 million to our operating revenue, respectively, and other services accounting for the balance of €5.1 million.

Our ICBPI treasury function manages our financing needs, resources and settlement activities at the group level. It provides the large majority of CartaSi's funding requirements, using funds generated by our Securities Services and Payments Businesses. Additionally, our treasury function manages our bonds portfolio and the related accounts with banks, and operates on the interbank depositary (secured and unsecured) market to ensure that daily and intra-daily requirements for settlement activities can be satisfied. Treasury also ensures that we are adequately protected against currency risk. Through interest paid on its holdings, together with revenue generated in our Other Group Activities reporting segment, it generated €63.7 million, or 9.4%, of our operating revenue, and €38.2 million, or 19.0%, of our EBITDA, in each case for the twelve months ended June 30, 2015. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*" and "*—Funding, Settlement and Credit Risk.*"

Our Customers

We believe we have a well-diversified customer base across our businesses. As of and for the year ended December 31, 2014, we served, directly or together with a partner bank, (i) consumers holding approximately 26.4 million payment cards, (ii) approximately 687,000 merchants in our Merchant Acquiring and POS Businesses, (iii) approximately 262,000 CBI Gateway bank customers and approximately 203,000 digital corporate banking customers in our Payments Business, (iv) approximately 127 mutual funds, 45 pension funds, 38 real estate funds and 20 private equity funds with depositary bank and administrative services in our Securities Services Business and (v) approximately 680 financial institutions with anti-money laundering training and approximately 155 financial institutions with regulatory reporting services in our BPO Services Business. The customer base in our smaller businesses such as compliance and internal governance is less diversified. For the twelve months ended June 30, 2015, no single partner bank accounted for more than 10% of our operating revenue.

In connection with the Acquisition, our current shareholder banks, which accounted for approximately 50% of our operating revenue for the year ended December 31, 2014, in their capacity as our partner banks and bank customers, have agreed to extend the terms of their contracts with us until five years after consummation of the Transactions, subject to the right to renegotiate after six months and the right of the selling banks to terminate after three years, and to maintain their level of business with us for a certain period of time. The charts below show a breakdown of our operating revenue by customer group (including the selling banks under the Acquisition Agreement):



(*) Operating revenue is shown for the year ended December 31, 2014.

(1) Other clients includes minority shareholders of CartaSi, but excludes shareholders of the Target. See "*Principal Shareholders—Shareholders of the Target*."

Our Suppliers

Overview

We believe we are not dependent on any single source supplier for any material part of our business, except that our business is dependent on its continued membership in the leading card schemes provided by Visa and MasterCard. See "*Risks Related to Our Business—Changes in payment network rules or standards could adversely affect our business, financial condition and results of operations.*"

Our key suppliers include (i) Equens and SIA for processing of payments as well as providers of mass printing and delivery services in relation to account statements and credit cards, (ii) our suppliers of smart cards that comply with the EMV (Europay MasterCard Visa) technical standard and related personalization services, including Oberthur, an Advent portfolio company, (iii) our suppliers of POS terminals for our Merchant Acquiring Business, (iv) our suppliers of ATMs for our ATM management business unit and (v) our suppliers of certain outsourced services related to banking delivery services, check, cash letter and internet banking services. For a description of suppliers of our information technology systems see "*—Information and Communications Technology.*" For a description of our contractual relationships with some of these suppliers, see "*Material Contracts.*"

Card Scheme Operators

Card scheme operators primarily include Visa and MasterCard, but also American Express, Diners Club, JCB and others. Card schemes are payment networks linked to payment cards (such as debit, charge or credit cards) of which banks or other eligible financial institutions can become members. See "*—Material Contracts.*" By becoming a member of the scheme, the bank has the ability to issue or acquire payment cards operating on the network of that card scheme and to charge fees in respect thereof. The scheme operator itself retains a scheme fee.

The number of card scheme operators is small, and Visa and MasterCard have significant scale, such that our business depends on our continuing relationship with these scheme operators. See "*Risk Factors—Risks Related to Our Business—Changes in payment network rules or standards could adversely affect our business, financial condition and results of operations*."

We primarily transact with Visa Europe Ltd. and MasterCard Worldwide. Visa Europe Ltd. is a membership association and cooperative of over 3,700 European banks and other payment service providers that operate Visa branded products and services within Europe. It is separate and independent from Visa Inc., having been spun off in October 2007 in preparation of Visa Inc.'s initial public offering on the New York Stock Exchange in 2008. MasterCard Worldwide is part of MasterCard Incorporated that has been a publicly traded company on the New York Stock Exchange since 2006. Prior to 2006, MasterCard was also a cooperative owned by the approximately 25,000 financial institutions that issue its branded cards. For a description of our contractual relationships with these card scheme operators, see "*Material Contracts—CartaSi Relationship with Visa Europe*" and "*—CartaSi Relationship with MasterCard*."

Material Contracts

CartaSi Card Issuing Cardholder Agreements (Traditional Licensing)

When operating under the traditional licensing model in our Card Issuing Business, we act as a co-issuer alongside a partner bank and enter into a contractual relationship with each cardholder customer referred to us by our partner bank.

CartaSi's relationship with its cardholders is governed by a standard-form Italian law-governed cardholder agreement. Under the terms of this agreement, CartaSi agrees to issue the cardholder with a payment card and provide relevant support services. Cardholders may purchase goods and services and withdraw cash using the CartaSi payment card. In return, the cardholder agrees to pay CartaSi the amounts due under the payment card's account statement, and authorizes CartaSi to automatically deduct these amounts from a nominated bank account. CartaSi may amend the agreement by giving two months' notice to the cardholder. However, where the amendment relates to rates, prices, conditions that are governed by Italian consumer laws, or other contractual conditions, amendments may only be made for justified reasons (*giustificato motivo*). CartaSi may withdraw from the agreement with no notice where there is a justified reason, or otherwise by giving two months' notice. It may terminate the agreement in a number of circumstances, including under circumstances in which the cardholder fails to comply with its payment obligations. The cardholder may withdraw from the agreement without penalty at any time. There are a number of variations to the standard cardholder agreement which take into account certain specific circumstances. For example, a variation of the cardholder agreement exists to allow for the issuance of company cards to employees, and for the issuance of cards to prepaid cardholders.

For a description of the credit risk we incur in connection with our card issuing agreements, see "*—Funding, Settlement and Credit Risk.*"

CartaSi Merchant Acquiring Agreements (Traditional Licensing)

When operating under the traditional licensing model in our Merchant Acquiring Business, our partner bank originates the relationship with a merchant customer but we have the contractual relationship with the merchant.

CartaSi's relationship with the majority of merchants which use its payment processing systems is governed by a standard-form, Italian law-governed merchant agreement which allows merchants to accept payment cards. The agreement contains the terms and conditions of (i) the merchant's rights and obligations regarding the acceptance of CartaSi's payment cards for payment of goods or services and (ii) the service provided to the merchant by CartaSi. In particular, under the terms of the merchant agreement, the merchant agrees to provide CartaSi cardholders with goods or services, and CartaSi agrees to pay the merchant the amount which it collects in connection with the purchase of those goods or services. CartaSi may withdraw from or amend the merchant agreement by providing two months' written notice. The merchant may withdraw from the agreement without advance notice, at which point the merchant is required to cease carrying out transactions with CartaSi cardholders. If it withdraws from the agreement, it must pay all amounts due and return all relevant materials to CartaSi. There are a number of variations to the standard merchant agreement which apply to specific industries and markets, such as those merchants engaged in electronic (internet) sales, mail and telephone sales, sales in a currency other than euro, hotel sales, and car rentals.

For a description of the credit risk we incur in connection with our agreements, see "*—Funding, Settlement and Credit Risk*."

CartaSi Agreements with Partner Banks

Traditional Licensing (Card Issuing and Merchant Acquiring Businesses)

A partner bank acts as an intermediary in most of CartaSi's relationships with merchants (in our Merchant Acquiring Business) and cardholders (in our Card Issuing Business). CartaSi uses a standard-form agreement with these banks to provide for cooperation between the two parties in connection with CartaSi's card issuing and merchant acquiring services. Under these agreements, as they apply to card issuing services, CartaSi agrees to notify the bank of anomalous circumstances or transactions surrounding the use of its credit cards, send monthly statements and an annual summary of terms and conditions to customers, process payment authorizations, and handle claims and disputes with cardholders. In relation to its merchant acquiring services, CartaSi agrees to manage the merchant network, send invoices and an annual summary of terms and conditions to merchants, and handle claims and disputes with merchants. In the course of providing both its card issuing and its merchant acquiring services, CartaSi agrees to notify the *Centrale d'Allarme Interbancaria* and the international card scheme operators of revoked, lost and stolen credit cards, provide any other notices or reports required under law, and provide the bank with customer documentation and data necessary to fulfill its legal disclosure obligations. The partner bank makes a number of undertakings to CartaSi. In relation to CartaSi's card issuing services, it agrees to select eligible potential cardholders (in light of their creditworthiness), process requests for and delivery of payment cards to the cardholders, and deduct payment amounts from cardholders' accounts and credit CartaSi's account with the corresponding amount, which means that the partner bank, and not CartaSi, is responsible for payments made under a payment card. In relation to CartaSi's merchant acquiring services, the bank agrees to process merchants' requests to be provided with CartaSi's services, cooperate with CartaSi in supplying these merchants with the necessary materials and documentation, and pay CartaSi the amounts owed to it by merchants. In relation to both acquiring and issuing services, the bank agrees to ensure that relevant legal and regulatory regimes (including anti-money laundering and know-your-customer ("**KYC**") procedures) are complied with, provide CartaSi with the necessary personal and economic data for each cardholder and merchant, maintain its ATM and POS terminals at the merchant's site in compliance with the networks rules established by the card scheme operators, and retain customer data for a certain minimum period.

Under the agreement, the partner bank is liable for damages arising from its failure to comply with the provisions of the agreement. CartaSi is liable: (i) except in the case of fraud by the cardholder, for losses arising from the use of lost or stolen payment cards or misuse of payment cards if the transaction occurred after the cardholder notified CartaSi of such a loss or theft (in accordance with the agreement and the law); (ii) for losses arising from fraud by merchants; (iii) cardholder insolvencies arising from CartaSi's failure to comply with the agreement; and (iv) cardholder insolvencies arising from unauthorized payment card use.

Either party may terminate the agreement by giving three months' notice. CartaSi may unilaterally amend the terms and conditions of the agreement and the bank documents prepared by CartaSi in connection with the execution of the agreement (*Circolari Banche*) by giving 60 days' notice, during the first 30 days of which the bank may withdraw from the agreement. Where the bank withdraws from the agreement, CartaSi will continue to manage existing payment cards and the bank will continue to bear the risk of cardholder insolvencies until the relevant payment cards have expired.

Associate Licensing and Servicing (Card Issuing and Merchant Acquiring Businesses), POS Management, Debit Servicing, ATM Management and HelpLine

The associate licensing and servicing agreements in our Card Issuing and Merchant Acquiring Businesses as well as the agreements in our POS Management Business and debit servicing, ATM management and HelpLine business units, all of which are entered into with partner banks, are customized and thus vary on a case by case basis.

For a description of the credit risk we incur in connection with our card issuing and merchant acquiring agreements, see "*—Funding, Settlement and Credit Risk*."

CartaSi Relationship with Visa Europe

Visa Inc. and Visa Europe Limited

Visa Europe Ltd. ("**Visa Europe**") is a leading European card scheme operator, providing the brand, systems, electronic payment services and operating rules that govern its European payments business and infrastructure. Visa Europe is separate and independent from Visa Inc., having been spun off from their joint predecessor in October 2007 in preparation of Visa Inc.'s initial public offering on the New York Stock Exchange in 2008. When Visa Europe was spun-off, it was restructured as a not-for-profit membership association and cooperative and became owned by those banks and other service provider members who, as members of Visa Europe, issue payment cards or who provide card acquiring services (such as CartaSi). Visa Europe determines certain cardholder and related fees. Visa Europe is owned by the approximately 3,700 European banks and other payment service providers that operate Visa branded products and services within Europe.

Visa Membership Deed

CartaSi became a member of Visa Europe on September 10, 2009. Each member of Visa Europe owns one redeemable ordinary share in Visa Europe. Limited value (economic or otherwise) attaches to the shares in Visa Europe themselves; instead, voting and any economic rights relating to the shares in Visa Europe are broadly based on sales volumes of the particular member or group of members.

The membership deed grants CartaSi certain rights of membership, and gives it such participation entitlements as are permitted by the Visa membership regulations. In return, CartaSi agrees to comply with the obligations imposed on it by various membership documents. CartaSi also agrees to comply with Article 30 of the articles of association of Visa Europe, which is described below. Under the membership deed, Visa Europe agrees to grant CartaSi the right to use certain intellectual property of Visa Europe (which grant of rights is set out in a separate Trade Mark Agreement and Technology License Agreement). Visa Europe has the right to change CartaSi's participation entitlements at any time. CartaSi may terminate its membership by giving 180 days' notice, while Visa Europe may terminate CartaSi's membership for good cause, or for a termination event as defined in the Visa membership regulations.

By virtue of its membership in Visa Europe, CartaSi has potential joint and several liability that is unlimited in terms of both time and amount under the terms of the Visa Europe operating regulations, along with all other members of Visa Europe in respect of actual losses incurred by Visa Europe in Visa Europe's operation of the card scheme. See "*Risk Factors—Risks Related to Our Business—As a member of Visa Europe, CartaSi may become liable for liabilities and losses of Visa Europe*" and "*Forward-Looking Statements*."

Articles of Association of Visa Europe

By entering into the membership deed, CartaSi agrees to comply with Article 30 of the articles of association of Visa Europe. Article 30 provides that each shareholder of Visa Europe (which includes members) agrees to the entry by Visa Europe into an option agreement (the "**Option Agreement**") in respect of that shareholder's shares.

Visa Europe Put-Call Option Agreement

According to public filings of Visa Inc., in connection with the spin-off, Visa Inc. granted Visa Europe the right to operate as a licensee of Visa Inc. under an exclusive, perpetual and irrevocable license. Visa Inc. was only prepared to agree that the license be exclusive, perpetual and irrevocable if Visa Inc. was granted an option to buy back the European business in the event of a catastrophic decline in POS and ATM acceptance in the Visa Europe territory. Accordingly, the Board agreed to a call option over the shares in Visa Europe in favor of Visa Inc., which would be exercisable in the event of an unremedied degradation in the European business in excess of certain thresholds which are specified in the option agreement (the "**Call Option**"). The Board also negotiated a perpetual put option in favor of Visa Europe, pursuant to which the members of Visa Europe would be required to sell their shares in Visa Europe to Visa Inc., were the Board to determine at any point in the future following the IPO of Visa Inc. that it was in the best interests of the members of Visa Europe to join the global corporation (the "**Put Option**").

The Call Option may be exercised by Visa Inc., subject to certain conditions, at any time following the later to occur of an IPO of Visa Inc.'s class A common stock (which occurred in 2008) or the date of certain triggering events that result in an unremedied and significant degradation in the European business. Such a significant degradation occurs in the event of a decline of 25% or more in the number of merchants accepting Visa-branded products, a decline of 45% or more in the number of ATMs that accept Visa-branded payment cards, and the failure of Visa Europe to remedy this decline.

The Put Option can already be exercised because its exercise was conditioned on the expiration of a certain time period after Visa Inc.'s IPO. Pursuant to the articles of association of Visa Europe (the "**Visa Europe Articles**"), each of the members of Visa Europe (including CartaSi) has authorised the board of Visa Europe to: (i) exercise the Put Option on their behalf; (ii) amend the Option Agreement in such manner as it sees fit; and (iii) transfer its share in Visa Europe to Visa Inc. pursuant to the exercise of the Put Option. Furthermore, under the Visa Europe Articles, each shareholder appoints any director of Visa Europe as its attorney to deliver and execute the necessary documents to effect a transfer of its shares pursuant to the exercise of the Put Option. The Put Option is exercisable at any time at the sole discretion of Visa Europe and must be approved by at least four-fifths of the total membership of the board of Visa Europe.

The price at which both the Call Option and the Put Option are exercisable is tied to a formula based on Visa Europe's financial performance and the value of Visa Inc.'s common stock. Upon exercise, the key inputs to this formula will be the result of negotiation between Visa Inc. and Visa Europe. The Put Option provides an arbitration mechanism in the event that the two parties are unable to agree on the ultimate purchase price. Alternatively both Visa Inc. and Visa Europe could negotiate an agreement for the sale of Visa Europe to Visa Inc. outside of the existing Put Option. As a result, the consideration for the acquisition of CartaSi's membership interest in Visa Europe could take the form of Visa Inc. shares or cash or a combination of the two, together with the potential for deferred consideration in the form of an earnout or other form of contingent payment. On June 30, 2015, Visa Inc. provided an indication of the actual purchase price that Visa Inc. may be required to pay if the Put Option is exercised. Given economic conditions at that time, Visa Inc. estimated that the purchase price under the terms of the Put Option would likely be in excess of US$15 billion. The purchase price will ultimately have to take into account any element of deferred or contingent consideration or contingent liability related to on-going litigation involving Visa Europe. Visa Inc. has confirmed and publicized that discussions are currently taking place with Visa Europe to consummate a business combination, with the aim of resolving these discussions, in principle, by the end of 2015. We expect that the exercise of the Call Option or Put Option would result in a material, non-recurring profit for CartaSi. The Acquisition Agreement includes an earnout provision which requires BidCo to pass through to the sellers a significant part of any proceeds received in the event of a future sale, transfer, distribution of dividends or liquidation proceeds, reimbursement of capital and/or similar transactions (subject to certain exceptions) with respect to Visa Europe Limited in which the Target Group holds an interest. On November 2, 2015, Visa Inc. announced that it had entered into a transaction agreement with Visa Europe, of which CartaSi is a shareholder, pursuant to which Visa Inc. agreed to acquire 100% of the share capital of Visa Europe for a total consideration of up to €21.2 billion. Such announcement stated that Visa Inc. expects the acquisition to close by the end of June 2016. We expect that the earnout under the Acquisition Agreement will be triggered by the announced acquisition of Visa Europe by Visa Inc.

Rebates

Historically, the Target Group received certain benefits of membership, including periodic and one-off rebates of a certain proportion of the scheme fees paid to Visa Europe. Through their membership in Visa Europe, CartaSi receives a rebate on its scheme fees, calculated by reference to the volume of transactions it processes through Visa Europe. If the Call Option or Put Option was exercised, or if CartaSi would otherwise cease to be a member of Visa Europe, we may have to renegotiate the terms of our business relationship with the Visa card scheme and there can be no assurance that we would be able to negotiate for terms that are equally commercially attractive as our current terms. See "*Risk Factors—Risks Related to Our Business—Changes in payment network rules or standards could adversely affect our business, financial condition and results of operations*" and "*Forward-Looking Statements*."

Acquisition of Visa Europe by Visa Inc.

On November 2, 2015, Visa Inc. announced that it had entered into a transaction agreement with Visa Europe Limited ("**Visa Europe**"), of which CartaSi is a shareholder, pursuant to which Visa Inc. agreed to acquire 100% of the share capital of Visa Europe for a total consideration of up to €21.2 billion. Under the terms disclosed, Visa Inc. will pay up-front consideration of (i) €11.5 billion in cash and (ii) preferred stock convertible into Visa Inc. class A common stock valued at approximately €5.0 billion as of the date of announcement (net of contingent liabilities of Visa Europe). Four years after closing of this transaction, Visa Inc. will pay contingent consideration of up to €4.7 billion (including €0.7 million of interest), subject to the achievement of certain net revenue levels. Visa Inc.'s announcement stated that the transaction is expected to close by the end of June 2016. Closing of the transaction is subject to certain closing conditions, including regulatory approval. Because CartaSi is a shareholder of Visa Europe, we expect to participate in the sale proceeds and for CartaSi to receive a certain amount of each type of consideration paid in connection with the transaction, based on negotiations with Visa Inc. and certain other factors. We expect to carry on business with Visa Europe and, following the transaction, Visa Inc., in the ordinary course.

According to Visa Inc.'s public filings, the transaction is expected to result from the exercise of Visa Europe's Put Option at the time of closing. In connection with the transaction agreement, the Put Option has been amended to reflect the agreed-upon purchase price and timing. If the transaction is not completed, the Put Option will revert to its original terms.

The foregoing summary does not purport to be complete, is based on public statements and filings, and has not been independently verified by us or any independent sources. We cannot assure you that the sale of Visa Europe will be completed by the time specified above or at all. See "Forward Looking Statements."

CartaSi Relationship with MasterCard

On January 1, 1986, Servizi Interbancari, S.P.A. (CartaSi's predecessor) entered into a card member license agreement with MasterCard, which is the only material agreement governing our relationship with MasterCard. Under this agreement, MasterCard granted Servizi Interbancari S.P.A. a perpetual license to use MasterCard's marks. In return, Servizi Interbancari agreed to cause those merchants with whom Servizi Interbancari had an agreement to honor all MasterCard payment cards, and to disburse cash advances at its non-U.S. offices to MasterCard holders.

MasterCard had the right to terminate the agreement if Servizi Interbancari ceased to be a card member of MasterCard, failed to comply with the standards for use of MasterCard's marks, or discontinued use of MasterCard's marks for a period of one year. Servizi Interbancari had the right to terminate the agreement by giving 30 days' written notice.

Contracts with Equens SE

ICBPI and CartaSi have outsourced to Equens SE, as processor, certain ICT activities mainly related to payment cards and payments. The relationship between ICBPI and CartaSi, on the one hand, and Equens, on the other hand, is governed by service supply agreements and an agreement for the supply of data center outsourcing solutions. The parties to these contracts agreed on certain key performance indicators to measure performance. The details of these contracts are subject to confidentiality provisions. See "*—Our Minority Interests*."

Contracts with SIA S.p.A.

ICBPI and CartaSi have outsourced to SIA S.p.A., as processor, certain ICT activities mainly related to payment cards and payments. The relationship between ICBPI and CartaSi, on the one hand, and SIA, on the other hand, is governed by service supply agreements and an agreement for the supply of data center outsourcing solutions. The parties to these contracts agreed on certain key performance indicators to measure performance. The details of these contracts are subject to confidentiality provisions.

Funding, Settlement and Credit Risk

Our main businesses (including our Card Issuing, Merchant Acquiring, Payments and Securities Services Businesses) require planning and monitoring of payment flows and necessitate that we maintain account relationships with financial institutions, funds and other entities and provide credit lines to certain of our customers and partners. We concentrate these activities in our dedicated ICBPI treasury function on a group holding level, which allows us to centrally coordinate and manage our financing needs, resources and settlement activities. While we generate most of the deposits in our treasury function from the depositary bank business unit in our Securities Services Business, we also partly rely on interbank funding. We believe interbank funding would provide a substitute if the volume of deposits in our Securities Services Business declined. The amounts available to us in the interbank market are largely determined by our relationships with other banks and our credit rating. For the twelve months ended June 30, 2015, we settled transactions in our treasury function in an amount of approximately €1.1 trillion. Set forth below is a description of the key funding, settlement and credit risk considerations for each the aforementioned four businesses.

CartaSi Business Units

CartaSi's Card Issuing and Merchant Acquiring Businesses require funding which is typically provided by our treasury function. When funding CartaSi's financing needs, our treasury function typically draws on the surplus liquidity generated by our Payments and Securities Services Businesses. The average daily funding requirements for the twelve months ended June 30, 2015 were €1,598 million in our Card Issuing Business, €162 million in our Merchant Acquiring Business and an additional €217 million in revolving funding for credit cards. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*" The mechanics of our funding of transactions depend on whether we act as card issuer or merchant acquirer and are described below. The average funding provided by ICBPI to CartaSi for the twelve months ended June 30, 2015 was €1,230 million. We believe that CartaSi has minimal credit risk for amounts spent by cardholders because our partner banks assume the ultimate credit risk for our payment cards under their contracts with us, so that we retain credit risk only for the credit cards directly issued by us. See "*—Our Services—Card Issuing—Direct Issue Prepaid and Credit Cards*." CartaSi also incurs a daily net exposure to the Visa/MasterCard card schemes, due to the fact that receivables due to us from card scheme operators are typically higher than payables we owe to the card scheme operators.

Card Issuing

CartaSi extends credit to cardholders in its Card Issuing Business on a daily basis, when it funds such customers' payment card purchases. The funding of this credit facility, however, depends on whether the transaction is based on a charge card or credit card, and whether CartaSi operates as licensor or servicer. The majority of CartaSi's transactions are based on charge cards and therefore the outstanding balance is required to be settled in full each month, whereas a smaller fraction is based on credit cards which allow for the outstanding balance to be rolled over from month to month. Funding of cardholder receivables is provided in one of two ways:

- *Direct CartaSi funding (charge cards):* Whenever a cardholder uses a charge card issued by CartaSi to make an electronic payment at a merchant, CartaSi receives the payment transaction data and, on the following day, uploads it to the card scheme operator, settles the transaction with the card scheme operator (minus the interchange fee which CartaSi is due to receive from the card scheme operator) and funds the cardholder's receivable in the amount of the transaction. CartaSi debits the cardholder's underlying account on the 15th day of each month for the previous calendar month. Funding for customer purchases is therefore provided for between 15 and 45 calendar days, with an average of 29 days. For the outstanding balance, CartaSi does not charge interest to the cardholder but deducts and withholds financial costs incurred in connection with these funding activities plus a margin from the compensation remitted to the relevant partner bank. CartaSi is generally not dependent on wholesale funding, but instead receives funding from the surplus liquidity generated in ICBPI's Payments and Securities Services Businesses. Instead of utilizing our funding capabilities, a limited number of partner banks opt to provide the funding of their customers' receivables themselves. The average funding provided by these partner banks to CartaSi for the year ended December 31, 2014 was €127 million.

- *Revolving funding (credit cards):* If a CartaSi cardholder customer uses a credit card, the first two steps are identical to charge cards and CartaSi funds the cardholder's receivable, minus the interchange fee, on the first day after the cardholder's purchase. However, CartaSi funds such receivable drawing on a revolving facility provided by the partner bank that co-issued such cardholder's credit card together with CartaSi. On the 15th day of the month, the cardholder's account is debited for the applicable minimum amount (as set by partner bank) or a higher amount, if the cardholder voluntarily makes a higher payment. Since CartaSi only funds a cardholder's credit card receivable if and when its partner bank provides matched funding, CartaSi typically has no net credit exposure with respect to credit cards.

Merchant Acquiring

In our Merchant Acquiring Business, CartaSi typically has to bridge differences in the timing of settlement, which results in overnight credit exposure. CartaSi settles with its merchant customers on the day after a cardholder makes a card payment. However, CartaSi only receives payment from the applicable card scheme operator on the following day (net of the interchange fee). CartaSi recovers the interchange fee the card scheme operator deducted at the end of the month, when its merchant customer remits the merchant service charge.

In order to mitigate the credit risk we incur on at-risk clients, our anti-fraud unit follows a standardized process. This process consists of an initial risk assessment that each client has to pass before a contract is signed and which is based on a comprehensive set of information and data including the client's revenue and balance sheet data, as well as its general business profile and other data. Once the business relationship has been established, our anti-fraud unit conducts monthly reviews of the financial data and collateral (if any) of a randomized sample of clients, as well as an annual review of our entire client base. The results of our monitoring process are reported to our senior management, board of directors and chief executive officer on a monthly, quarterly and annual basis.

Payments Business

ICBPI's Payments Business typically generates surplus liquidity from its funding activities including (i) deposits generated on its customer accounts through payment and collection services, (ii) the issuance of cashier's checks for the use of our bank customers and (iii) deposits generated from the sale or top-up of CartaSi prepaid cards. Some of the customers to which we deliver payments and collection services have an overdraft allowance, and therefore we are exposed to a limited amount of credit risk. The average surplus liquidity generation (net of used financing) for the twelve months ended June 30, 2015 was approximately €770 million.

Securities Services Business

ICBPI's Securities Services Business typically generates surplus liquidity, due to deposits generated through its depositary bank services. The amount available for funding purposes correlates with the amount of assets under management (AUM) and also depends on the investment strategy and level of activity of the relevant fund asset managers. We typically make a credit facility available to our mutual fund customers, which creates credit risk for ICBPI. The average surplus liquidity generation (net of used financing) for the twelve months ended June 30, 2015 was approximately €2,541 million.

Treasury

Our ICBPI treasury function manages our financing needs, resources and settlement activities at group level. It provides the large majority of CartaSi's funding requirements, using surplus liquidity generated by our Payments and Securities Services Businesses. Additionally, our treasury function manages our bonds portfolio and the related accounts with banks, and operates on the interbank depositary (secured and unsecured) market to ensure the daily and intra-daily requirements for settlement activities can be satisfied. Treasury also ensures that we are adequately protected against currency risk. The average market value of our portfolio of bonds for the twelve months ended June 30, 2015 was €2.6 billion, mainly represented by Italian government bonds. The average amount of interbank deposits made and received for the twelve months ended June 30, 2015 was €1.3 billion and €0.9 billion, respectively. As a result, our treasury function incurs significant credit risk resulting from our exposure to Italian government bonds and banks. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*" and "*Risk Factors—Risks Related to Our Business—We are exposed to market and interest rate risk, as well as sovereign risk primarily due to our holding of Italian government bonds in our banking book*."

Sales and Marketing

CartaSi Business Units

In our CartaSi Card Issuing and Merchant Acquiring Businesses we typically pair with partner banks. Our partner banks' branch networks have deep local roots and are present across all of Italy. Leveraging these capabilities and relationships with existing and new customers, our partner banks refer both eligible, potential cardholders (in our Card Issuing Business) and merchants (in our Merchant Acquiring Business) to us. Since we are the #1 card issuer and merchant acquirer in Italy, this creates a mutually dependent relationship between CartaSi and the partner banks. As of and for the twelve months ended June 30, 2015, we cooperated with more than 500 partner banks in our Card Issuing and Merchant Acquiring Business, respectively, and no single partner bank accounted for more than 10% of our operating revenue. For a more detailed description of our operating revenue by customer group (including the selling banks under the Acquisition Agreement and our other shareholders), see "*—Our Customers*."

Payments, Securities Services and BPO Services Businesses

In our Payments Business we utilize a direct sales model to market our services to bank, corporate and public sector customers. In our Securities Services Business we have a dedicated sales unit which deals directly with our existing and prospective clients (such as banks, asset managers of mutual funds, pension funds and other financial institutions). In our BPO Services Business, we rely on our own sales organization to win new clients. With respect to our AML operations, we are supported by the Italian banking association network where we participate in the AML interbank committee. We generally rely on a wide range of marketing channels including traditional advertising channels and materials, as well as online content management and social media marketing.

Employees

The following tables set forth the number of our employees expressed in full-time equivalents ("**FTEs**") by function and business, respectively, as of December 31, 2012, 2013 and 2014 and as of June 30, 2014 and 2015:

	As of December 31,			As of June 30,	
	2012	2013	2014	2014	2015
Top managers	63.0	60.0	61.0	60.0	60.0
Middle managers	535.8	568.4	604.9	585.9	605.3
White collar employees	1,074.9	1,068.9	1,076.3	1,080.1	1,072.1
Fixed term contracts	77.0	91.4	74.2	91.6	79.7
Group total(1)	**1,750.7**	**1,788.7**	**1,816.4**	**1,817.6**	**1,817.1**

(1) Employee figures are FTE figures (excluding temporary workers). Employee figures are based on the number at period-end.

	As of December 31,			As of June 30,	
	2012	2013	2014	2014	2015
ICBPI	756.5	830.1	854.7	844.2	854.9
CartaSi	518.6	496.0	507.0	494.2	503.9
Oasi	104.5	85.5	95.3	89.3	94.3

HelpLine	371.2	376.9	351.3	371.9	356.0
Others[(1)]	—	—	8.0	18.0	8.0
Group total[(2)]	**1,750.7**	**1,788.7**	**1,816.4**	**1,817.6**	**1,817.1**

(1) Data as of December 31, 2014 and June 30, 2015, includes employees of Unicard S.p.A., a company we acquired in November 2014 and which was merged with and into CartaSi in August 2015. Data as of December 31, 2014 and June 30, 2014 and 2015, includes employees of C-Card S.p.A., a company we acquired in April 2014 and which merged with and into CartaSi in December 2014. See our Financial Statements included elsewhere herein.

(2) Employee figures are FTE figures (excluding temporary workers). Employee figures are based on the number at period-end.

All of our employees (other than top managers) are subject to the Italian National Collective Agreement for employees of Credit Companies (*Contratto Collettivo Nazionale di Lavoro per le Imprese Creditizie*), while top managers are subject to a specifically tailored variation of this collective bargaining agreement (*Contratto Collettivo Nazionale di Lavoro per i Dirigenti delle Imprese Creditizie*). In addition, we have entered into several collective bargaining agreements in each of our companies that govern working hours, bonus payments, contributions to pension funds and other benefits. Some of these collective bargaining agreements were required pursuant to Italian law in connection with our past acquisitions. Moreover, Italian law provides that, upon termination of employment, Italian employees are entitled to severance pay (*trattamento fine rapporto*) based on their annual salary, the duration of their employment and the rate of inflation. Based on a collective bargaining agreement, we make pension contributions on behalf of our employees in order to grant all participating employees uniform pension benefits. In addition, we have pension commitments in respect of former executives and their relatives. As of December 31, 2014, our provisions for pension obligations amounted to €1.3 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Post-Employment and Pension Obligations*."

There is no central works council for the entire Group. However, all of our employees are represented by works councils at the company level. We consider our relations with employees, works councils and unions to be satisfactory, and we have not had any significant labor issues during the past three years.

Our Minority Interests

In keeping with our strategic positioning as a diversified payments banking group, we hold several minority interests in business partners that are of strategic relevance to our core businesses. Equens SE, in which we hold a 20% equity interest, is one of the largest payment card and payment processors in Europe and is headquartered in Utrecht, Netherlands. Both in connection with our CartaSi business units and our Payments Business, we outsource certain payment processing steps to Equens. We also hold a 25% equity interest in Hi-Mtf S.I.M. S.p.A., which operates multilateral trading facilities for securities that are relevant to our Securities Services Business, since we frequently act as market maker on Hi-Mtf's trading facilities. In addition, we hold a 24% equity interest in Unione Fiduciaria S.p.A., which offers, among other things, software products dedicated to fund services (NAV calculation and transfer agent) and controls performed by depositary banks, which are used in our Securities Services Business.

Equens SE, in which we hold a 20% equity interest and to which we outsource certain payment processing and other ICT activities mainly related to payment cards and payments, and Worldline, a European leader in payment and transaction services, announced on November 3, 2015, that they have signed a memorandum of understanding to combine their businesses. Pursuant to the combination, which is expected to close during the second quarter of 2016, and which is subject to certain closing conditions (including regulatory approval), Worldline will own 63.6% of the combined business, and the current shareholders of Equens SE will own 36.4% of the combined business. As a result of this exchange ratio and the impact of the renegotiation of ICBPI's contract with Equens, ICBPI will own 5.8% of the combined business. ICBPI has granted its consent to the combination in connection with the recent renegotiation of its contracts with Equens SE and expects to carry on business with Equens SE and, following the combination, the combined business, in the ordinary course.

The foregoing summary does not purport to be complete, is based on public statements and filings, and has not been independently verified by us or any independent sources. We cannot assure you that the Equens Worldline combination will be completed by the time specified above or at all. See "Forward Looking Statements" and "Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information."

Information and Communications Technology

Information and communications technology ("**ICT**") is a critical part of our business. As a result, we utilize a broad portfolio of software applications and technical infrastructures both for internal purposes and to provide services to our customers. We have developed a sophisticated matrix to decide which ICT systems we outsource and which ones we develop in-house. The key ICT systems employed across our business and their sourcing status is as follows:

- *Fully-outsourced ICT platforms* for (i) card issuing and merchant acquiring services, transaction authorization, ATM management and POS management in our CartaSi business units; (ii) clearing and settlement (ACH), connectivity, application center and foreign transaction in our Payments Business; (iii) investment and trading, global custody and funds administration in our Securities Services Business; and (iv) our ICBPI treasury function. See "*—Material Contracts—Contracts with Equens SE*" and "*—Contracts with SIA S.p.A.*"

- *Partly outsourced, customized ICT platforms* for (i) value added services such as web portals, mobile apps, customer relationship management (CRM) and fraud management in our CartaSi business units and (ii) services related to the CBI Gateway, management and execution of paper checks and receivables and digital corporate banking in our Payments Business.

Intellectual Property

Brands

As Italy's leading diversified payments banking group, we operate a broad business portfolio and use a number of recognizable brands across our businesses and business units. We use our CartaSi brand to market our Card Issuing, Merchant Acquiring, POS, debit servicing and ATM management businesses to our customers. Since most CartaSi payment cards are co-branded with both the CartaSi logo and the partner bank's logo, the CartaSi brand has historically enjoyed high brand recognition. According to a survey of Italian credit card holders conducted by GfK Eurisko, the CartaSi brand reached 90% prompted and unprompted brand recognition among participants. We use the HelpLine trademark with respect to our customer service business unit that forms part of CartaSi's product offering. We use the ICBPI brand for the marketing of our Payments and Securities Services Businesses, while we use the Oasi trademark to distinguish our BPO Services Business from competing offerings. In our Payments Business we also use the FastInvoice brand for products and services in connection with e-invoicing. Additionally, we leverage our Papen brand for the management and collection of pension payments for our bank clients. We expect to register additional brands and trademarks in the future.

Trademarks, Domains and Patents

As of June 30, 2015, we held 82 trademark registrations in Italy and Europe including ICBPI, CartaSi, MySi, SmartSi, HelpLine, GIANOS and others. An application for the registration of our Oasi brand as a trademark has been filed and is pending. We hold numerous internet domains relating to each of our brands and business units, and we believe we hold all internet domains that are material to our businesses. We do not hold any patents that are material to our businesses.

Licenses

CartaSi has obtained a license to perform payments services. See "*Regulation*." In addition, CartaSi is dependent on the licenses it has obtained from each of Visa, MasterCard, American Express, Diners Club and JCB to participate in international card schemes, perform payments services and issue payment cards. The underlying license agreements include a change of control clause which will require the scheme operators' consent to the Transactions. These license agreements can be terminated at any time, subject to notice periods of between three and twelve months. See "*—Material Contracts—CartaSi Relationship with Visa Europe*" and *"—CartaSi Relationship with MasterCard."*

In the Payments and Securities Services Businesses, the Target is dependent on the licenses obtained from the Bank of Italy and CONSOB that entitle the Target to provide certain banking activities and investment services including (i) providing proprietary trading services (i.e. trading financial instruments on our own account), (ii) dealer services (i.e. trading on a customer's account), placement and distribution services relating to financial instruments, (iii) depositary services for funds and (iv) NAV calculations for pension funds. In the Payments Business, the Target also holds licenses, subject to the type of service from, among others, (i) Bancomat and Pagobancomat for settlement of debit card transactions, (ii) CBI and CBILL for digital corporate banking services and (iii) PagoPA for managing payments for public sector companies. See "*Regulation*."

Property, Plants and Equipment

Our corporate offices are spread across five real estate properties in Italy that we own, and two leased properties. Additionally, we own four other real estate properties as a result of past relocation of the business that are currently vacant. We do not consider any of our real estate assets to be a material part of our business.

Insurance

We have taken out what we believe is industry-standard insurance coverage under liability and property/business interruption insurance policies. All of our policies are underwritten by well-known insurance providers, and we conduct periodic reviews of our insurance coverage, both in terms of coverage limits and deductibles. We also actively monitor key conditions under our policies and have systems in place aimed at ensuring that we remain in compliance with those conditions. We believe that our insurance coverage is sufficient for the risks associated with our operations.

For the benefit of our directors and officers, we have entered into a global directors and officers ("**D&O**") insurance policy with Generali Italia S.p.A. (70%) and ACE European Group Lt. (30%) which is based in Italy. The policy covers our present, former and future directors and officers, general managers, authorized officers and senior staff. It applies globally and provides for an insured limit of €20 million per claim and per year. The D&O insurance covers financial losses resulting from liability of our directors and officers and we believe the limitations of our coverage are in line with industry practice.

Legal Proceedings

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business, such as employee claims, disputes with our suppliers and clients, and proceedings initiated by public authorities. The most significant actual or potential claims, lawsuits, investigations or proceedings of which we are currently aware are described below:

- *Pension benefits:* ICBPI is involved in litigation with the Italian National Social Security Institute (INPS) regarding undue pensions paid by ICBPI to non-resident nationals. In March 2012, INPS requested that ICBPI refund approximately €11.6 million to INPS. The pension payments giving rise to the dispute were terminated on January 31, 2012, and we have built extraordinary provisions in the amount of €3.8 million in respect of this dispute in September 2012. We have been seeking to recover these pension payments from their recipients, but we expect that the recovery will be difficult in light of the fact that these recipients live outside of Italy.

- *Competition proceedings:* The Italian Competition Authority filed a suit against MasterCard in July 2009, in relation to the national interchange fees set by MasterCard and applied by CartaSi and KeyClient (one of our acquired businesses), as well as most of the Italian credit cards operators as licensees of the MasterCard brand. The amount of the possible fines payable by our Group is approximately €0.5 million.

- *Investigations:* One of our non-executive directors has been indicted on criminal charges for extortion, private bribery, and inducing certain statements to be made before judicial authorities, and a managing director of a controlled subsidiary has been indicted on criminal charges in connection with preventing a public authority from exercising its regulatory function. To our knowledge, the involved directors fully informed the relevant board of directors of these proceedings and the investigations and discovery proceedings are still ongoing. To our knowledge, these charges are not related to the position of these persons in our Group but to their respective offices at other Italian banks. Therefore, and because the aforementioned Italian banks are not affiliates of our Group, we do not expect our Group to incur any liability in connection with these proceedings. In addition, one of our non-executive directors is a member of a board of directors at another Italian bank where each director was fined by the Bank of Italy for deficiencies in organization and anti-money laundering and banking transparency controls.

Except for the above, to our knowledge, we are currently not involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on our financial position or results of operations. We note, however, that the outcome of legal proceedings can be extremely difficult to predict, and we offer no assurances in this regard.

REGULATION

Introduction

We are an Italian banking group and carry on several regulated businesses. Our portfolio of regulated businesses mainly consists of our Card Issuing, Merchant Acquiring, POS, Payments and Securities Services Businesses, as well as our treasury function. We are subject to statutory rules requiring us to obtain certain banking licenses, install specific internal control systems, adopt sound corporate governance practices and participate in deposit insurance programs. Additional rules regulate our capital adequacy and our policies regarding data protection, introduce statutory limits to our lending and credit risk exposure and limit the extent to which our shares can be freely transferred. Regulation also affects our own equity investments and the extent to which we can outsource business processes. In addition, we are impacted by network rules established by card scheme operators which we have to comply with in order to retain our membership in these schemes and avoid fines.

Set forth below is an overview of the Italian regulatory environment applicable to our business, followed by a detailed discussion of the regulation that significantly impacts us.

Italian Regulatory Environment

Overview of Statutes, Regulations and Supervisory Authorities

In addition to the provisions set out in our constitutive statute, which regulates the form, manner and procedures pursuant to which we operate, the primary regulations governing the conduct of our payments and banking activities in Italy are contained in several pieces of Italian and EU legislation. For a list of main regulations, see *"—Material Legislation, Rules and Regulations*."

The following entities supervise and regulate at least part of our business:

- the Bank of Italy, the European Banking Authority (the "**EBA**") and, with respect to certain matters such as the acquisition of equity interests, the European Central Bank (the "**ECB**"), in each case, pursuant to Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**"), which defines, among other things, the role of supervisory authorities in Italy and regulates banking activities and payment services. The ECB and the Bank of Italy, as EU and national central bank, respectively, are part of the Eurosystem (the "**Eurosystem**"), which comprises the ECB and all the central banks of Eurozone member states for further information about the ECB's supervisory powers, see "*—Regulatory Regimes Applicable to CartaSi and ICBPI—Banking Union—Single Supervisory Mechanism"* below;

- the Italian Minister of Economy and Finance, pursuant to the Italian Banking Act, who has broad powers to: (i) establish eligibility criteria for prospective shareholders of banks, (ii) establish qualifications for banks' prospective directors, executives and auditors and (iii) at the Bank of Italy's request, impose extraordinary management (*amministrazione straordinaria*) or compulsory winding-up proceedings (*liquidazione coatta amministrativa*) on banks, among other cases, in the event of serious malfeasance or serious losses. For additional information about extraordinary management (*amministrazione straordinaria*) and compulsory winding-up proceedings (*liquidazione coatta amministrativa*), see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—Italy"* below;

- the *Comitato Interministeriale per il Credito e il Risparmio* (the Committee for Credit and Savings, or the "**CICR**"), pursuant to the Italian Banking Act, which is composed of the Minister of Economy and Finance and other ministers with responsibility for economic matters, and has high-level supervisory powers over credit and savings protection matters;

- the Financial Intelligence Unit ("**FIU**"), to which specific powers in the anti-money laundering sector are ascribed; and

- the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**"), which, pursuant to certain other banking regulations, is the Italian securities and exchange commission and has regulatory authority over the investment services which banks provide.

Supervision by the Bank of Italy and the ECB

The main regulatory body for banks in Italy is the Bank of Italy. However, all banks classified as "significant" under the Single Supervisory Mechanism Regulation are subject to the direct supervision of the ECB as of November 4, 2014 (see also "*—Regulatory Regimes Applicable to CartaSi and ICBPI—Banking Union—Single Supervisory Mechanism*"). ICBPI has been classified as a "less significant" bank and is therefore not subject to direct ECB supervision. However, even non-significant banks are partially subject to the ECB's supervision and authorization with regard to certain matters such as the new issuance of an authorization to a bank or the acquisition of qualifying shareholdings in a bank.

The Bank of Italy is primarily responsible for (i) submitting proposals to the ECB for the issuance of licenses to Italian banks which authorize them to engage in banking and other financial activities, (ii) reviewing banks' by-laws and any amendments thereto and (iii) requiring banks to report interim balance sheet and statistical data on a monthly basis. The Bank of Italy's auditing office examines banks' periodic reports to verify, *inter alia*, the banks' capital ratios. The review also verifies the accuracy of reported data, compliance with banking regulations and compliance with internal organization and management rules. At the same time, the Bank of Italy is responsible for implementing CICR policies by adopting regulations and instructions (for both individual banks and banking groups) in the following five areas: (i) capital requirements; (ii) risk management; (iii) the acquisition and holding of equity interests; (iv) corporate governance, administrative and accounting functions and internal audit and remuneration policies; and (v) banks' public disclosure requirements with respect to these matters. In addition, the Bank of Italy also acts together with governmental entities to prevent usury by conducting quarterly surveys to measure the "average overall effective interest rate" charged by banks and financial intermediaries according to the Italian law on usury (Law No. 108 of March 7, 1996, as subsequently amended).

The Bank of Italy is vested with supervisory power over banks and other entities subject to consolidated group supervision, including ICBPI and its subsidiaries, in order to verify and ascertain their organizational structure and internal controls systems and to ensure their sound and prudent management, as well as the adequacy of their financial condition, economic condition and capitalization. The relevant prudential rules are subject to proportionality, which means that they must take into account the individual circumstances of each supervised entity including its operational size and complexity, the nature of its financial activity, the type of services it provides, and the economic, financial and macroeconomic conditions under which it carries out its activities.

Our Licenses

Pursuant to Article 10 of the Italian Banking Act, "banking activity" consists of taking deposits from the public and lending, both of which are activities carried out by ICBPI. Pursuant to Article 14 of the Italian Banking Act, and Article 4 of the Single Supervisory Mechanism Regulation, the ECB has the exclusive power to authorize banking activities in Italy. The Bank of Italy (pursuant to Article 13 of the Italian Banking Act) holds a register of banks authorized to conduct banking activities in Italy. ICBPI was first authorized to conduct banking activities upon its formation in 1939. Due to a number of mergers and acquisitions, ICBPI is presently registered in the Bank of Italy's banking register with a banking license that was issued to it in 1973.

ICBPI has obtained licenses from the Bank of Italy to conduct the following activities:

- banking activity pursuant to Article 10 of the Italian Banking Law;
- depositary bank services; and
- net asset value calculations.

ICBPI has obtained licenses from CONSOB to conduct the following investment services and activities:

- the execution of orders on behalf of clients;
- trading on its own account;
- reception and transmission of orders in relation to one or more financial instruments; and
- subscription and/or placement with or without firm commitment underwriting or stand-by commitments to issuers.

ICBPI's licenses from the Bank of Italy and CONSOB do not have a fixed term, and may be revoked at any time by the relevant authorities. Specifically, the revocation of the banking license could be made by the ECB at the initiative of the ECB or based on a proposal by the Bank of Italy.

CartaSi is enrolled as a payment institution in the Payment Institutions Register kept by the Bank of Italy and is duly licensed to perform the payment services. See "*—Regulatory Regimes Applicable to CartaSi and ICBPI—Regulations Applicable to Payment Institutions—Application to CartaSi.*"

Regulatory Regimes Applicable to CartaSi and ICBPI

Regulations Applicable to Payment Institutions

The Payment Services Directive and Payment Services Act

The Payment Services Directive provides the legal foundation for the creation of an EU-wide single market for payments and aims to establish a modern, comprehensive set of rules applicable to all payment services in the European Union. The goal of the Payment Services Directive is to make cross-border payments as easy, efficient and secure as "national" payments within a Member State. The Payment Services Directive also seeks to improve competition by opening up payment markets to new entrants, thus fostering greater efficiency and cost-reduction. The Payment Services Directive also provides the necessary legal platform for the Single Euro Payments Area ("**SEPA**").

The Payment Services Directive established a new category of payment service providers referred to as "**payment institutions**." Pursuant to Article 114-*sexies* of the Italian Banking Act, payment institutions are permitted to provide payment services alongside, *inter alia*, banks and electronic money institutions. Moreover, by means of a European passport available to them under the Payment Services Directive, payment institutions can offer payment products and services abroad, thus making it attractive for European payment services users to pay and receive funds within as well as outside their home country. The regulatory framework for payment institutions is similar to that for banks.

Application to CartaSi

In the context of the Payment Services Directive, "payment services" include the kinds of services which CartaSi provides, such as the facilitation of electronic payments. Therefore, CartaSi is a payment institution under Legislative Decree No. 11 of January 27, 2010 (the "**Payment Services Act**"), which implements the Payment Services Directive.

The offering of payment services must be duly authorized by the Bank of Italy, which issues the relevant license if the conditions ensuring the sound and prudent management and the orderly functioning of the payment system and those set out in article 114-*novies* of the Italian Banking Act are satisfied. To this end, the Bank of Italy verifies compliance with certain requirements, including (i) the existence of a paid-up corporate capital of no less than €20,000, €50,000 or € 125,000, depending on what service is carried out and (ii) that those who carry out administration, management and control functions are suitable pursuant to the provisions of the Italian Banking Act. In addition, the Bank of Italy must evaluate the adequacy of the prospective payment institution's business plan and ensure that administrative, accounting and overall organizational and internal controls systems are adequate and proportionate to the nature, size and complexity of the services that the payment institution intends to engage in.

Since CartaSi does business both directly with merchants and consumers and as a payment institution providing services for Italian banks, it offers its products both under a proprietary license (i.e., where CartaSi is the sole issuer) and under a bank license (i.e., through a servicing agreement entered into with a bank). In addition, CartaSi is enrolled as a payment institution in the Payment Institutions Register kept by the Bank of Italy and is duly licensed to perform the payment services set forth in Article 1, let. b), No. 3, 4 and 5, of the Payment Services Act, including:

- the execution of payment orders;
- the execution of payment transactions where the funds are covered by a credit line to a payment service user; and
- the issuing and acquiring of payment instruments.

Application to other ICBPI Businesses

ICBPI is an authorized operator for domestic clearing payment services through its Payments Business. Due to this function, ICBPI is subject to payment system market supervision by the Bank of Italy. Payment system market supervision is an integral role of the Eurosystem within the European institutional and legislative framework. In Italy, the Italian Banking Act formally assigns to the Bank of Italy the role of promoting the regular operation of payment systems and accordingly empowers it to issue regulations to ensure the efficiency and reliability of clearing and payment systems.

Prudential Measures and Requirements

The Payment Services Directive requires payment institutions to adopt adequate risk management processes in order to minimize, control and manage the risks a payment institution is exposed to, as well as to ensure the integrity of the processes carried out by the payment institution, and to implement effective risk mitigation techniques.

One of these requirements is that payment institutions must maintain an adequate level of regulatory capital as set forth in the 2012 Regulation. In general terms the amount of regulatory capital (consisting of core Tier 1 capital (*patrimonio di base*), plus supplementary Tier 2 capital (*patrimonio supplementare*)) must at any time be at least equal to the total capital requirement (*requisito patrimoniale complessivo*) set forth in the 2012 Regulation. Capital requirements depend on the calculation model chosen by each payment institution and described in the 2012 Regulation. Specifically, payment institutions engaged in lending are required to calculate (i) a minimum capital requirement of 6% of the loans granted, with the exclusion of loans connected to the carrying out of payment transactions through credit cards with a monthly balance, and (ii) a specific capital requirement for services provided that relate to payment volumes (for the purposes of calculating the capital requirement under (ii), CartaSi uses the so-called "B" calculation method). In addition, payment institutions are required to meet specific prudential requirements depending on the risks they are exposed to in light of the payment services they have actually performed. For CartaSi, the 2012 Regulation requires that CartaSi maintain a minimum regulatory capital level of 6% of the sum of Risk Weighted Assets for credit risk and services provided.

In addition, since CartaSi is a member of a banking group, regulatory capital requirements must be complied with at the consolidated Target Group level, which includes ICBPI and the other companies belonging to the Group. For further information on the regulatory capital requirements, please see "—*Capital Adequacy Requirements*."

The Interchange Fees Regulation

CartaSi's issuing and acquiring business is also governed by provisions set forth by the Interchange Fees Regulation published in the Official Journal of the European Union last May 19, 2015, which, subject to certain derogations, came into force on June 8, 2015. The Interchange Fees Regulation is designed to increase competition in, and the integration of, the European market for payment cards. To this end, as of December 9, 2015, interchange fees will be capped at 0.3% of the individual transaction value for consumer credit cards and at 0.2% for consumer debit and prepaid cards, although Member States will have the option of applying the 0.2% cap to payment card schemes on the basis of the annual weighted average of all transactions rather than to each individual payment transaction. CartaSi is taking several steps to adapt to the Interchange Fees Regulations, including: (i) reviewing pricing in relation to banks and merchants in order to ensure compliance with and sustainability under the new regime; (ii) enabling a wider set of pricing structures for banks in both our Card Issuing and Merchant Acquiring business, to be applied to cardholders and merchants; and (iii) redesigning our statements to merchants to ensure full compliance with new transparency rules.

The Interchange Fees Regulation sets out uniform technical and business requirements to increase the harmonization in the payments sector and to ensure the security, efficiency and competitiveness of electronic payments. Intermediaries' ability to oblige merchants to accept all categories of payment cards will be restricted, and steps will be taken to ensure that payment card schemes and processing entities are independent in terms of accounting, organization and governance, and that transparent terms and conditions are applied to merchants. Although the details surrounding implementation of the regulation are still being fully determined by the national regulator, CartaSi is working to fully comply with the regulation while maintaining competitiveness in the market, including by introducing flexibility in our rules relating to card acceptance, accounting (for both banks and merchants) and statement and customer communications design.

In addition, the opening of branches and the performance of payment services outside Italy by an Italian payment services company, even within the European single market, is subject to a notification procedure with the Bank of Italy. The Bank of Italy can deny the enrollment of the non-Italian branch in the relevant register when certain conditions are not satisfied. CartaSi is also required to notify the Bank of Italy of any intention to make use of agents for the provision of payment services, both with respect to agents in Italy or abroad.

Banking Union

Single Supervisory Mechanism

As described above, on October 15, 2013, the Council of the European Union adopted the Single Supervisory Mechanism Regulation which established the Single Supervisory Mechanism for banks in the European Monetary Union (the "**Eurozone**") and other credit institutions, which, as of November 4, 2014, gave the ECB, in conjunction with the national regulatory authorities of the Eurozone states, direct supervisory responsibility over "significant banks" in the Eurozone. "Significant banks" are defined to include, *inter alia*, any Eurozone bank that: (i) has assets greater than €30 billion; (ii) has assets constituting at least 20% of its home country's gross domestic product; or (iii) has requested or received direct public financial assistance from the European Financial Stability Facility or the European Stability Mechanism. In addition, the ECB may, pursuant to Article 6, par. 5, letter b) of Council Regulation (EU) No. 1024/2013, decide at any time, by means of an ECB decision, to exercise direct supervision over a less-significant supervised entity or less-significant supervised group where this is necessary to ensure consistent application of high supervisory standards. ICBPI (including its component businesses) has been classified as a "less significant" bank, and therefore is not subject to direct ECB oversight under the Single Supervisory Mechanism Regulation.

The ECB also has the power to subject even non-significant banks to its supervision with regard to certain matters. In respect of ICBPI, the ECB has exclusive power to: (i) authorize and withdraw banking activity authorization from ICBPI; and (ii) assess ICBPI's acquisition and disposal of holdings in other banks.

Bank Recovery and Resolution Directive

The Bank Recovery and Resolution Directive established a framework for the recovery and resolution of credit institutions and investment firms, and applies to all banks covered by the Single Supervisory Mechanism. This Directive sets out recovery and resolution tools to handle situations involving both systemic crises and failures of individual institutions. These tools include mechanisms that allow authorities to deal effectively with institutions that are failing or likely to fail. The powers provided to the relevant authorities in the Bank Recovery and Resolution Directive include write-down and conversion powers to ensure relevant capital instruments fully absorb losses at the point of non-viability, as well as a bail-in tool which in certain circumstances and subject to certain exclusions gives relevant authorities a more general power to write down or convert subordinated debt, certain types of senior debt and certain other liabilities into equity.

In addition, the Bank Recovery and Resolution Directive provides relevant authorities with broad powers to implement other resolution measures with respect to distressed banks which satisfy the conditions for resolution. These measures may include (without limitation) the sale of a bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modification to the terms of debt instruments (including altering their maturity or the amount of interest payable or imposing a temporary suspension of payments) and invalidating the listing and admission to trading of financial instruments. The Bank Recovery and Resolution Directive represents the implementation in the European Economic Area of the non-viability requirements set out in the paper dated January 13, 2011 issued by the Basel Committee entitled "Minimum requirements to ensure loss absorbency at the point of non-viability," which forms a part of the broader Basel III requirements, implemented in the European Union through the CRD IV Package.

Furthermore, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of July 15, 2014 established, among other things, the "Single Resolution Fund" which is to be used to finance the restructuring of banks in crisis if neither the contributions of their shareholders nor their creditors are sufficient. Contributions to the Single Resolution Fund must be made by banks to the extent provided by the Council in implementing Regulation (EU) 2015/81 of December 19, 2014, which specifies uniform conditions with regard to *ex ante* contributions.

The Bank of Italy is the competent resolution authority for Italy for the purposes of: (i) participating in the Single Resolution Mechanism, under Legislative Decree No. 72/15; and (ii) implementing the Bank Resolution and Recovery Directive in Italy, under the draft legislative decree recently issued by the Italian Treasury. On September 21, 2015, the Bank of Italy set up a specific Resolution and Crisis Management Unit.

Except for the bail-in tool with respect to eligible liabilities, which is expected to apply as from January 1, 2016, the Bank Recovery and Resolution Directive contemplates that the measures set out therein apply from January 1, 2015. Further to the publication of the law (*Legge di delegazione europea 2014*) mandating the Italian Government to implement, among others, the Bank Recovery and Resolution Directive in Italy, the Italian Treasury has launched a consultation on two draft legislative decrees intended to implement the Bank Recovery and Resolution Directive in Italy and amend the Italian Banking Act and the Italian Financial Act accordingly. Following the conclusion of the consultation on August 12, 2015, the Italian Government will be required to pass the legislative decree implementing the Bank Recovery and Resolution Directive by 15 November 2015.

The Italian Financial Act

Legislative Decree No. 58 of February 24, 1998 (the "**Italian Financial Act**") applies, *inter alia*, to banks and other financial companies that carry on any investment services and activities concerning (i) financial instruments dealing for their own account, (ii) the execution of orders on behalf of clients, (iii) subscription and/or placement with a firm commitment, underwriting or standby commitments to issuers, (iv) placement without a firm or standby commitment to issuers, (v) portfolio management, (vi) reception and transmission of orders in relation to one or more financial instruments, (vii) investment consultancy and (viii) management of multilateral trading systems (together, "**investment services**"). More specifically, the Italian Financial Act sets out the regulation of the Italian financial markets, which is aimed at ensuring the transparency of and appropriate behavior by financial market participants, disclosure of complete and accurate information to the investing public by listed companies, and accuracy of the facts represented in prospectuses related to offerings of transferable securities to the investing public.

The Italian Financial Act contains general principles on the supervision of intermediaries that provide investment services (including principles to protect investors against an intermediary's insolvency) and of intermediaries that offer collective investment management services (including mutual funds and open-end investment companies, depositary bank services and net asset value calculation services for funds). ICBPI is an intermediary subject to the Italian Financial Act since it is duly authorized to carry out investment services and activities such as: (i) the reception and transmission of orders in relation to one or more financial instruments; (ii) the execution of orders on behalf of clients; (iii) the underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; (iv) the placing of financial instruments without a firm commitment basis; and (v) trading on its own account.

Under the Italian Financial Act, the Bank of Italy is responsible for risk limitation and financial stability, while CONSOB is responsible for market disclosure and proper business conduct. The Italian Financial Act also establishes standards for the organization and management of financial markets, centralized management of financial instruments, methods for soliciting investments and the corporate governance of listed companies.

In addition, the Italian Financial Act provides specific regulation related to banks that carry out depositary bank services for pension funds, mutual funds, funds of funds, private equity funds, and real estate funds. More specifically, it provides that custodian mandates may be conferred on authorized banks in Italy, Italian branches of EU banks, Italian investment companies (SIMs) and Italian branches of EU investment companies. The Bank of Italy authorizes the exercise of custodial functions and, after consulting with CONSOB, the conditions for accepting the mandate. As a general principle, the directors and statutory auditors of depositary banks must report without delay to the Bank of Italy and CONSOB (depending on the issue) any detected irregularities in the administration by managers (*amministrazione del gestore*) and in the management of the funds and, at the request of the Bank of Italy or CONSOB, must provide such authorities with information of which they have knowledge in the performance of depositary duties.

The Italian Financial Act also provides specific rules aimed at the prevention of market abuse, such as insider trading and market manipulation. Market abuse may arise in circumstances where investors have been unreasonably disadvantaged, directly or indirectly, by other market participants. Legislation against market abuse is generally aimed at the preservation of functioning financial markets in the European Union and seeks to prevent market participants from (i) using information which is not publicly available (insider trading); (ii) distorting the price-setting mechanism of financial instruments; or (iii) disseminating false or misleading information.

Since our treasury function mainly includes activities aimed at increasing the return on our liquidity, such as investing in Italian government securities, it is primarily governed by the Italian Financial Act and Italian Banking Act.

Deposit Insurance

Pursuant to Article 96 of the Italian Banking Act, all Italian banks, including ICBPI, must be members of a deposit guarantee fund, which protects bank deposits in case of insolvency of any authorized Italian bank. Under Italian law two guarantee funds are currently established: the Interbank Deposit Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi*), and the Guarantee Fund of Depositors of Co-operative Credit (*Fondo di Garanzia dei Depositanti del Credito Cooperativo*) (together the "**Guarantee Funds**"). The Guarantee Funds cover losses up to € 100,000 per depositor held in the form of deposits, bank drafts and other similar instruments. The Guarantee Funds do not cover, *inter alia*, bearer deposits, bonds, credit institutions' deposits made for their own account and in their own name (including deposits from certain companies in a banking group) and deposits of the government and local authorities.

Capital Adequacy Requirements

After the global financial crisis that began in 2008, the Basel Committee on Banking Supervision approved revised global regulatory standards under the Basel III rules on capital adequacy and liquidity in the fourth quarter of 2010 and in January 2011. These new standards apply to banks, including ICBPI. They were designed to result in higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the previous risk-based requirement. They also introduced two new global liquidity standards.

The Basel III rules adopt a gradual approach, with the requirements to be implemented over time, with full enforcement by 2019. Minimum common equity tier 1 (the "**CET1**") has been increased from broadly 2.0% of risk-weighted assets ("**RWA**") to 7.0%. The 7.0% level includes a "capital conservation buffer" of 2.5% to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. An additional "countercyclical buffer requirement" of 0 - 2.5% may be implemented on a country-by-country basis depending on national circumstances. The countercyclical buffer requirement will apply if there is excess credit growth in any country resulting in a systemic build-up of risk. Furthermore, banks that are considered to have systemic importance should have loss-absorbing capacity beyond these standards.

In addition, banks will need to satisfy a minimum leverage ratio requirement which has been set at 3% of Tier 1 Capital over total exposure from January 1, 2018, after appropriate review and calibration.

The Basel III rules have been implemented in the EU through the CRD IV Package adopted on June 26, 2013. Full implementation began on January 1, 2014, with certain parts of the CRD IV Package being phased in over a period of time. The requirements will be largely fully effective by 2019, though some minor transitional provisions provide for their phase-in up to 2024.

The Bank of Italy published Circular No. 285 in December 2013, which came into force on January 1, 2014, implementing the CRD IV Package and setting out additional local prudential rules concerning matters not harmonized at an EU level. Italian banks are required to comply with a minimum CET1 capital ratio of 4.5%, Tier I Capital ratio of 5.5% (6.0% starting from January 1, 2015) and a Total Capital Ratio of 8.0%. These minimum ratios are complemented by the following capital buffers, to be met with CET1 capital:

- a capital conservation buffer set at 2.5% of risk-weighted assets, which applies from January 1, 2014; and
- a counter-cyclical capital buffer as described above, set by the relevant authority between 0 - 2.5% (but which may be set higher than 2.5% where the competent authority considers that the conditions in the Member State justify this), with gradual introduction from January 1, 2016, and which applies temporarily in the periods when the relevant national authorities judge credit growth to be excessive.

Member States may establish a "systemic buffer" for their banks of between 1% and 3% of the RWA (or up to 5% of RWA with respect to domestic and third-country exposures) in order to counteract non-cyclical or systemic risks to the financial system or the economy. Member States may set an even higher "systemic buffer" with the consent of the European Commission. Further capital buffers may be established for banks with global systemic importance or other systemically important banks.

Failure to comply with such combined buffer requirements triggers restrictions on the distribution of dividends and reserves and requires the bank to adopt a capital conservation plan with necessary remedial actions (Articles 141 and 142 of the CRD IV Directive and Circular No. 285).

Recently-enacted legislation in Italy changed the way the CRR's treatment of deferred taxes operates, which could have an adverse effect on Italian banks, including the Target Group. Under the CRR, deferred tax assets are treated in one of the following two ways for the purposes of regulatory capital requirements:

1. *Risk-Weighting.* Deferred tax assets that do not depend on the future profitability of the bank are risk-weighted at 100% and included in the calculation of Risk-Weighted Assets for purposes of regulatory capital requirements. Higher Risk-Weighted Assets, all else being equal, increase the denominator in the calculation of capital ratios and therefore decrease a bank's capital ratios.

2. *Deduction.* Deferred tax assets that do depend on the future profitability of the bank are partially or fully deducted from regulatory capital. This means that these deferred tax assets decrease the numerator in the calculation of capital ratios.

Under previous Italian regulation, certain types of deferred tax assets could be converted into tax credits which are considered as not dependent on the future profitability of the bank; this was beneficial for the bank's capital ratio, because such tax assets would not have to be deducted from regulatory capital but merely risk-weighted and added to the sum of Risk-Weighted Assets (see Article 2, par. 55, of Italian Law Decree No. 225 of December 29, 2010). Subsequent regulation, however, partly repealed these rules. If recognized on or after January 1, 2015, certain types of deferred tax assets (including those related to goodwill) will no longer be eligible for conversion into tax credits, will therefore be treated as dependent on the future profitability of the bank and thus will be deducted from regulatory capital (see Article 17 of Italian Law Decree No. 83 of June 27, 2015). As a result, this new Italian regulation may adversely affect the capital ratios of Italian banks, including the Target Group.

Under the CRD IV Package, recognition of regulatory capital instruments that will no longer be included in Tier 1 Capital or Tier 2 Capital will be gradually phased out over an eight-year period, which is due to begin January 1, 2014. From 2014, the grandfathered amount (as determined on the basis of a one-time calculation) of those regulatory capital instruments that may be recognized has been reduced in steps of 10% per annum from 80% in 2014 to 10% in 2021, with the grandfathering of such instruments due to end at the beginning of 2022.

The CRR also includes a requirement to report on a bank's leverage ratio from January 1, 2015; the leverage ratio details are yet to be determined. Under the CRD IV Package, banks will also be required to meet two new liquidity standards: a liquidity coverage ratio (the "**LCR**") and a net stable funding ratio ("**NSFR**"). The LCR will require banks to hold an amount of unencumbered, high quality liquid assets that can be used to offset the net cash outflows the bank might encounter under an acute short-term stress scenario. The NSFR will measure the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on liquidity arising from off-balance sheet commitments and obligations. The Liquidity Coverage Ratio applies from October 1, 2015, and will be gradually phased in, and the European Commission intends to develop the NSFR with the aim of introducing it from January 1, 2018.

The European Banking Authority has been tasked by the European Commission with developing technical standards ("**EBA Technical Standards**") in respect of certain of the CRD IV Package requirements, facilitating the creation of a single EU rulebook for banks. These technical standards will need to be adopted by the European Commission in order to come into force. There is uncertainty on the final impact of CRD IV as many of the EBA Technical Standards have not been finalized or are yet to be published.

In the event of a bank's failure to comply with applicable capital adequacy requirements, or with any further requirements the regulator may impose on the bank from time to time, the competent regulator is entitled to initiate proceedings against the bank which could result in formal warnings, fines, penalties and other extraordinary actions and/or measures, which may include, among others, (i) distributions to shareholders being restricted or prohibited; (ii) the bank authorization being revoked; (iii) extraordinary management proceedings (*amminstrazione straordinaria*) under the Italian Banking Act being commenced; or (iv) the resolution tools provided for by the Bank Recovery and Resolution Directive, as described in "*—Banking Union—Bank Recovery and Resolution Directive*", being applied. See "*Risk Factors—Risks Related to Our Business—Our business is subject to a variety of complex regulatory regimes, and changes in law and regulation impose or could impose operational restrictions on us, increase our expenses and/or otherwise have a material adverse effect on our business*."

Lending Limits

Pursuant to Articles 395 et seq. of CRR, all loans made by a bank to a single client or group of connected clients, together with all other exposure, cannot exceed:

- for a banking group, 25% of the banking group's eligible capital (i.e., the sum of Tier 1 Capital and Tier 2 Capital that is equal to or less than one third of the Tier 1 Capital, as provided by the CRR); and
- for a bank that is not part of a banking group, 25% of the bank's individual eligible capital.

Specific rules apply to loans to banks, investment firms or a group of connected clients when one of the clients is a bank or an investment firm. In such a case, the risk position is permitted to exceed 25% of the bank's regulatory capital, provided that the following conditions are satisfied: (1) the amount of the risk position does not exceed €150 million; (2) the sum of the risk positions toward the connected clients (if any) which are not banks or investment firms does not exceed 25% of the bank's eligible capital; and (3) the bank assesses, according to prudential criteria, that the risk position is consistent with its capital position and in any case does not exceed 100% of the bank's eligible capital. Moreover, in order to be compliant with the above-mentioned limits, the risk positions vis-à-vis each client are considered jointly when they are economically or legally connected, as defined by CRR and Circular No. 263.

Equity Investments by Banks

Banks are permitted to make investments in both financial and non-financial companies in compliance with the rules and subject to the limits provided by CRR and Circular No. 285. The equity investments undertaken by a bank may not exceed, in total, the margin available for investments in equity holdings and real estate. The available margin is determined as being the difference between the applicable bank's regulatory capital and the sum of the value of the equity holdings and real estate, in whatever form they are held.

In certain circumstances, prior Bank of Italy authorization is required before an Italian bank may acquire equity interests in another bank, financial company or insurance company, or in a non-financial company which carries on an activity ancillary to a banking activity (an "instrumental company," such as OASI or Help Line). These circumstances are: (i) if the equity interest exceeds 10% of the consolidated regulatory capital of the acquiring bank's group or the acquiring bank, as applicable; or (ii) if the equity interest would result in an acquisition of control over the acquired company where the latter is incorporated in a non-EU country not included in the list published by the Bank of Italy in Circular No. 285.

In addition, a bank cannot hold: (i) a qualifying holding in a single non-financial company in excess of 15% of the bank's eligible capital (concentration limit), and (ii) a total amount of qualifying holdings in non-financial companies in excess of 60% of the bank's eligible capital (global limit). However, Circular No. 285 provides specific rules for shareholdings held in the context of the placement and underwriting activities of companies in financial difficulties and for debt collection, as well as for indirect investments in equity.

__Acquisition of Equity Interests in Banks__

The Holdings Directive, implemented by the Holdings Act, CRD IV, Article 19 of the Italian Banking Act, CICR resolution No. 675 of July 27, 2011, and the implementing regulations issued by the Bank of Italy, require that natural persons and entities, whether acting alone or as a group, obtain prior authorization from the Bank of Italy and the ECB before acquiring equity interests in a bank or a bank holding company such as ICBPI which would result in such person owning 10% or more of such bank's share capital or voting rights or otherwise controlling or exercising significant influence over such bank. Prior authorization is also required to obtain an ownership stake of 20%, 30% or 50% of a bank's share capital or its voting rights or any other stake which would result in a change of control of the bank.

Amendments to the Italian Banking Act repealed the requirement that banking and non-financial activities be separated. Pursuant to Article 19, paragraph 5, the Bank of Italy will evaluate, among other things, the quality of the potential acquirer and the financial stability of a proposed acquisition project in light of, *inter alia*: (i) the reputation of the potential acquirer under Article 25 of the Italian Banking Act; (ii) the professionalism, integrity and independence requirements of the individuals in charge of performing managing, controlling and directive functions under Article 26 of the Italian Banking Act; and (iii) the ability of the target bank to comply with the applicable legal and regulatory framework after the acquisition.

Following the enactment in Italy of CRD IV through Legislative Decree No. 72/15, Articles 25 and 26 of the Italian Banking Act were both amended so as to strengthen the requirements relating to qualifying shareholders, management, administration and control bodies in terms of, among other things, propriety (*correttezza*) and competence. Pending the issuance of the implementing regulations of the reformed Italian Banking Act, the laws and regulations in force before Legislative Decree No. 72/15 will continue to apply.

Regulations on the acquisition and holding of equity interests in payment institutions include certain provisions substantially similar to those provided for banks.

In addition, parties must disclose to the Bank of Italy any agreement to jointly exercise voting rights in a bank, a payment institution or in a parent company thereof.

__Corporate Governance, Administrative and Accounting Organization and Internal Controls__

Overview

Circular No. 285 contains specific rules designed to achieve more efficient organization of the corporate governance structure of Italian banks. The available governance models are: (i) the traditional model (a board of directors and a board of statutory auditors), (ii) the dualistic model (a management board and a supervisory board) or (iii) the monistic model (a board of directors and a control committee). Italian banks are required to choose a specific governance model that ensures efficient management and effective controls, taking into account, among other things, the bank's features, shareholding structure, size, complexity of operations, strategic goals, etc. In light of this framework, ICBPI has adopted the traditional model.

As a matter of principle, the corporate governance rules set out by Circular No. 285 do not expressly refer to specific roles or bodies, but describe the functions that are actually ascribed to certain corporate bodies or members thereof. In particular, Circular No. 285 sets out the following functions:

- "strategic oversight" (*funzione di supervisione strategica*), which involves defining the bank's policies and strategies, as well as its activity model and strategic directives. This function generally corresponds, in the traditional governance model, with the board of directors;

- "management" (*funzione di gestione*), which is responsible for management of the bank and the implementation of the policies and strategies set out by the body responsible for strategic oversight. Subject to the specific governance structure adopted, this function is carried out by the executive directors together with the CEO and the general manager, if any; and

- "control" (*funzione di controllo*), which is the responsibility of the board of statutory auditors in the traditional governance model.

In compliance with the requirements set out by Circular No. 285, ICBPI adopted specific rules to distinguish between the functions of the various corporate bodies for strategic supervision, management and control in order to achieve the appropriate balance of powers and responsibilities.

Individuals performing administrative, management and control functions at banks are required to meet specific eligibility requirements in terms of professionalism, integrity and independence (see Article 26 of the Italian Banking Act and the relevant implementing rules). However, once the CRD IV Package and the Italian Banking Act, as recently amended, is fully implemented in Italy, more stringent rules will apply. Under the new regime, individuals performing administrative, management and control functions will be also required to meet propriety and professional competence requirements and to devote appropriate time and resources to their offices. The new rules also emphasize the importance of balancing the skills and experience of directors and ensuring board diversity in terms of gender, age, competencies, origin and international experience.

The Bank of Italy has been provided with the specific power to remove directors and other individuals performing administrative, management and control functions whose being in office jeopardizes the bank's sound and prudent management.

The number of members of the board of directors must be adequate considering the size and complexity of the entity's organizational framework. In addition to being responsible for defining the bank's strategies, the body responsible for strategic oversight is also in charge of defining and periodically assessing of the Risk Appetite Framework ("**RAF**"), which can be described as the framework that sets out the bank's risk appetite, risk tolerance and limits, risk management policies and the relevant internal processes, which must be in compliance with the bank's risk capacity, business model and strategic plan. The RAF, including its risk targets and risk management policies, is considerably more than a sophisticated key performance indicator system for risk management; it is an instrument for better aligning overall corporate strategy, capital allocation, and risk. In this context, a key role is also ascribed to the internal controls system, which is meant to ensure that the risk management process is accurate, suitable, effective, efficient, reliable and in line with the RAF.

A specific role in the bank's RAF functioning is also played by the management body, which is the body responsible for implementing the RAF and the risk management policies set out by the strategic oversight body, and for adopting all the necessary measures to ensure that the organizational structure and internal controls system comply with the applicable rules.

The control body (for ICBPI, its board of statutory auditors) is responsible for supervising the suitability of the bank's organizational and accounting structure, the completeness, adequacy, functionality and reliability of the internal controls system and the RAF. Further, it must monitor the compliance of the entity's activities with applicable regulations. To this end, the board of statutory auditors, in its capacity as control body in the traditional governance model, must receive adequate and timely information from the bodies in charge of management, strategic oversight and internal control functions. It must also fulfill specific information duties vis-à-vis the body responsible for strategic oversight and the Bank of Italy, thus promptly reporting any fact or relevant information it may come across in the exercise of its responsibilities that may constitute an irregularity in the bank's management or an actual or potential violation of the applicable laws, regulations or by-laws.

Given the above task allocation, the proper operation of the internal controls system depends on the effective interaction between the corporate bodies, the internal committees (if any), the external auditors, the internal control functions, and the supervisory body under Legislative Decree No. 231/01, if appointed. The internal controls system is aimed at ensuring that the entity's activities are in line with its strategy and internal policies, as well as that the activities comply with the principle of sound and prudent management and the applicable regulations.

Notwithstanding the autonomy that banks enjoy in setting up their internal controls structure, they must establish permanent and independent control functions which are tasked with the following responsibilities:

- compliance, which oversees and manages the risk of non-compliance, and ascertains that internal policies and procedures are suitable to prevent such a risk;

- risk management, whose function is to participate in defining and implementing the RAF and the related risk governance policies through an adequate risk management process; and

- internal audit, which seeks, on one hand, to control, including through on-site controls, the regular course of the bank's business and the evolution of the performance and risks of the bank's operations, and on the other hand, to evaluate the completeness, adequacy, functionality and reliability of the organizational structure and of the other parts of the internal controls system, highlighting to the competent bodies any possible improvement to the risk management process (particularly, to the RAF), and to the instruments for risk measurement and control.

In addition, banks must establish specific internal anti-money laundering functions and controls, including for reporting suspicious transactions.

Application to Payment Institutions

As with banks, payment institutions such as CartaSi are subject to specific supervisory, regulatory and prudential requirements. In particular, there is a duty to submit, among other documents, regular reports, balance sheets and shareholder meeting minutes to the Bank of Italy to facilitate its exercise of supervisory power.

Governance requirements applicable to management, administration and control bodies

Payment institutions are subject to regulations that are, in many respects, comparable to those applicable to banks. For example, the organizational structure and corporate governance of a payment institution must also ensure the sound and prudent management of that payment institution. Moreover, individuals performing administrative, management and control functions at payment institutions must meet the requirements for professionalism, integrity and independence set forth by Article 26 of the Italian Banking Act (as referred to by Article 114-*undecies* of the Italian Banking Act) and the relevant implementing regulation.

Following the enactment in Italy of the CRD IV Directive through Legislative Decree No. 72/15, Articles 26 and 114-*undecies* of the Italian Banking Act were both amended so as to strengthen the requirements of the management, administration and control bodies in terms of: (i) propriety, (ii) sufficient time commitment and (iii) suitability. Pending the issuance of the implementing regulations of the reformed Italian Banking Act, the laws and regulations in force before Legislative Decree No. 72/15 was issued will continue to apply.

Requirements, roles and responsibilities for control systems

Payment institutions such as CartaSi must arrange for an internal controls system, composed of resources, structures, rules and procedures to ensure, among other things, that its (i) activities are in line with its strategy and internal policies; (ii) internal processes are efficient and effective; (iii) accounting, corporate, etc., information is reliable and accurate; (iv) operations are compliant with applicable laws, regulations and internal rules; and (v) activities comply with the principle of safe, sound and prudent management. Therefore, these institutions must establish a range of controls, notably:

- first level controls;
- second level controls (compliance and risk management); and
- third level controls (internal audit).

The functions in charge of second and third level controls must meet independence requirements, and are in principle responsible for the same duties as the corresponding functions in a bank.

Outsourcing

Application to Payment Institutions

Payment institutions such as CartaSi may outsource control functions or significant operational functions so long as the Bank of Italy has been previously notified in writing at least 60 days prior to the start of such outsourcing.

These institutions are also required to ensure that outsourcing agreements neither reduce their ability to fulfil their obligations towards the Bank of Italy and customers, nor impede effective supervision. As a result, and in the same manner as for banks, the outsourcing relationship must be governed by written contracts that clearly describe all executive features of the outsourcing arrangement, including the rights, responsibilities and expectations of all parties involved therein as well as appropriate agreements as to the services to be provided.

Application to Banks

Banks may outsource control functions or significant operational functions so long as the Bank of Italy has been previously notified in writing at least 60 days prior to entering into an outsourcing agreement, and only if such outsourcing is in line with the relevant internal policy that must be approved by the body responsible for strategic oversight and that shall guide the assessment of whether and how functions and activities can be appropriately outsourced.

In no event may a bank use an outsourcing arrangement to (i) delegate its own responsibilities or the responsibilities of corporate bodies; (ii) modify or in any way affect its relationship with, and obligations toward, its own customers; (iii) jeopardize its own capacity to comply with the obligations set forth by the applicable regulations; (iv) compromise the quality of its internal controls system; or (v) hinder supervision.

Where outsourcing is permitted, a bank must ensure that any outsourcing agreement neither reduces its ability to fulfil its obligations toward the Bank of Italy or its customers, nor impedes effective supervision. Therefore, in order to properly perform the entity's duties, the outsourcing relationship must be governed by written contracts that clearly describe all executive features of the outsourcing arrangement, including the right, responsibilities and expectations (in particular, the services level to be complied with by the outsourcers) of all parties involved therein.

The party carrying out the outsourced functions—including, for example, OASI, when it undertakes outsourcing business—is required to, among other things, (i) have the competence, capacity and authorization required in order to exercise the outsourced functions and activities in a professional and reliable way; (ii) comply with applicable regulations; (iii) inform the outsourcing bank of any event that may affect its ability to conduct the outsourced functions and activities efficiently and in compliance with the applicable regulations; and (iv) guarantee the security of the information regarding the outsourcing bank's activities in terms of availability, confidentiality and integrity of such information.

Antitrust and Competition

ICBPI, both individually and as a regulated group, is subject to Law No. 287 of October 10, 1990 on the protection of competition and the market (the "**Competition Act**"), which establishes certain mandatory provisions concerning cartels, concentrations between undertakings and abuse of a dominant market position. It is also subject to the Treaty on the Functioning of the European Union (the "**TFEU**"), with particular regard to infringements of the EU antitrust rules (Articles 101 and 102 TFEU), such as cartels or abuse of a dominant position in the market. Through CartaSi, the Target Group has a dominant position in the Italian payment services market and is required to avoid practices that could be considered an abuse of such dominant position within the EU internal market. More generally, the Target Group must abstain from any agreements, understandings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the EU internal market. Moreover, the Target Group must comply with the requirements set forth in Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning the unfair business-to-consumer commercial practices in the internal market (the "**Unfair Commercial Practices Directive**") which prohibits certain commercial practices in Italy and in the European Union that could adversely affect the interests of consumers.

Anti-Money Laundering and Anti-Terrorism Regulation

Banks and payment institutions, including ICBPI and CartaSi, are subject to anti-money laundering and anti-terrorism rules and regulations, set forth mainly in Legislative Decree No. 231 of November 21, 2007, which implemented the Directive 2005/60/EC of the European Parliament and of the Council of October 26, 2005 and Directive 2006/70/EC of the European Parliament and of the Council of August 1, 2006 on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing (the "**AML Decree**").

Under current anti-money laundering and anti-terrorism rules and regulations, intermediaries such as banks and payment institutions are required to, among other things:

- fulfill, using a risk-based approach, certain customer due diligence duties to identify and properly verify their customers and beneficial owners (using more rigorous procedures in circumstances with a heightened risk of money laundering or terrorism financing) and to establish the source of funds of customers. This due diligence test must be carried out before establishing a business relationship and on an ongoing basis;

- set up a consolidated Centralized Computer Archive (*Archivio Unico Informatico*, or "**AUI**") in order to record transactions equal to or higher than €15,000 and/or ongoing business relationships (e.g. bank accounts and deposits) with customers;

- transmit a statistical flow to Italian Financial Intelligence Unit (*Unità di Informazione Finanziaria* or the "**UIF**"), and manage certain related issues;

- report suspicious transactions to the UIF; and

- establish internal control measures and ensure adequate training of employees to prevent money laundering and terrorism financing transactions.

Intermediaries such as banks and payment institutions must also set up an AML function. The AML function is responsible for, among other things: (i) identifying the applicable AML rules and assessing their impact on the internal processes and procedures; (ii) helping to map the internal controls systems and procedures to prevent the risks of use of the financial system for the purpose of money laundering and terrorism financing; (iii) checking the reliability of the information systems related to the AUI and the fulfilment of the reporting duties to the UIF, and (iv) ensuring that there is an adequate staff training plan, which is delivered on an ongoing basis.

The AML Decree was implemented, by *inter alia*: (i) the Bank of Italy Ruling of March 10, 2011, pursuant to Article 7, paragraph 2 of the AML Decree, governing AML organization, internal procedures and controls; (ii) the Bank of Italy Ruling of April 3, 2013, pursuant to Article 7, paragraph 2 of the AML Decree, governing customer due diligence duties; and (iii) the Bank of Italy Ruling of April 3, 2013 pursuant to Article 37, paragraphs 7 and 8 of the AML Decree, governing the recording duties with respect to the AUI, as amended and supplemented from time to time.

Credit Reporting and Debt Collection

Central Credit Register (Centrale dei Rischi)

The Central Credit Register is an information system concerning the debt of the customers of the banks and financial companies which are supervised by Bank of Italy, including ICBPI. This register collects information on customers' borrowings from intermediaries and notifies them of the risk position of each customer vis-à-vis the banking system.

By way of the Central Credit Register, the Bank of Italy provides relevant natural persons and entities with a service which is intended to improve the quality of lending within the credit system and ultimately to enhance its stability.

Interbank Register of Bad Checks and Payment Cards (Centrale di Allarme Interbancaria)

This service allows personal information to be verified in the Interbank Register's database. It also provides for the checking of the regular circulation of bank and post office checks and payment cards, and for requests for clarification on how the Register operates. The Register serves the purpose of preventing and sanctioning the irregular use of bank and postal checks and payment cards, enhancing the security of these instruments and increasing users' confidence in them.

Independent Credit Information Systems—SIC

SIC, formerly known as "private credit registers," are independent databases accessible to banks and financial intermediaries to ensure the reliability and timeliness of payments. They are used to assess the advisability of granting consumer credit, loans and financing in any technical form. Activity performed by a SIC is governed by the Data Protection Code.

In general terms, banks and financial intermediaries who consult these systems, including ICBPI and CartaSi are under a duty of confidentiality. Banks, financial intermediaries and the managers of the SIC are required to check the accuracy of the information reported and to update it as necessary. Customers have the right, following a request to the lender or to the SIC, to know what information is registered in their own name and, in case of errors, to request the deletion or modification of incorrect data. The elimination, integration and modification of data can also be ordered by a decision of a guarantor for the protection of personal data.

Debt Collection

Debt collection is governed by the Italian Civil Code. A creditor can decide to engage in a pre-judicial procedure in order to obtain payment without detriment to his relationship with the debtor. The first step is to send a letter with notice of default to the debtor by registered mail (a demand letter). The letter, sent by the creditor or by a debt collector on the creditor's behalf, requests payment of the amount of the debt and indicates that, if the debt remains outstanding, legal action will follow. There is no prescribed form for said demand letter.

If an out-of-court solution cannot be reached, legal action may be taken.

Data Protection

Banks and payment institutions are required to comply with Italian data protection law, as contained in the code of conduct published in the Official Journal No. 300 of December 23, 2004 and issued in application of the Legislative Decree No. 196/2003 ("**Data Protection Code**"), and the implementing regulations issued by the Data Protection authority (the "**Authority**"). As a general rule, the Data Protection Code requires that personal data be processed only upon specific consent of the data owner in order to respect data subjects' rights, fundamental freedoms and dignity, particularly with regard to confidentiality, personal identity and the right to personal data protection.

The Data Protection Code governs the processing of personal data (even if held abroad) by any person or entity that is established in Italy and/or in a non-EU country (to the extent such person or entity relies on instruments which are placed in Italy for the purposes of data processing). Specifically, the Data Protection Code protects "personal data" (any information relating to natural persons that are or can be identified, even indirectly, by reference to any other information including a personal identification number), "identification data" (personal data allowing for the direct identification of the individual concerned), "sensitive data" (personal data allowing for allowing the disclosure of racial or ethnic origin, religious, philosophical or other beliefs, political opinions, membership of parties, trade unions, associations or organizations of a religious, philosophical, political or trade-unionist character, as well as personal data disclosing health and sex life), and "judicial data" (personal data concerning the criminal record, the register of offence-related administrative sanctions and the relevant current charges, or the status of being either a defendant or the subject of investigations in a proceeding).

Further regulations govern:

- personal data processing within mobile remote payment services (see the Authority's resolution no. 258 of May 22, 2014);

- data processing by outsourcers and tracking of access to data carried out by bank/payment institutions' staff (see the Authority's resolution no. 192 of May 12, 2011);

- intragroup communication of suspicious transaction reports sent to the UIF for anti-money laundering purposes (see the Authority's resolution of September 10, 2009);

- data processing within the business relationships between banks and customers, including: (i) data protection duties toward the customer and third parties; (ii) data reporting duties to public, administrative and judicial authorities; and (iii) data access by specific categories of individuals (see the Authority's resolution no. 53 of October 25, 2007); and

- customer identification duties (see the Authority's resolution of October 27, 2005).

Direction of the Group

Italian banks can be established as joint stock companies (*società per azioni*) or limited liability cooperatives (*banche popolari* and *banche di credito cooperativo*). ICBPI is an Italian bank incorporated as a joint-stock company.

As the ultimate holding company of its regulated banking group, ICBPI is responsible for the supervision of its subsidiaries with respect to their compliance with applicable regulations. As a result, it must ensure that all members of the group are at all times in compliance. ICBPI sets a unitary business plan for the Target Group, verifies each member's implementation of the plan, and ensures that the governance structure is consistent across each member. ICBPI also instructs its subsidiaries to comply with orders issued by the Bank of Italy related to the Target Group's stability. Primary responsibility for the execution of these functions rests with the Target Group's general manager, who heads ICBPI and carries out the resolutions passed by the board of directors and executive committee of ICBPI.

Material Legislation, Rules and Regulations

Below is a list of the material legislation, rules and regulations which govern our Businesses:

- Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**"), which defines the role of supervisory authorities in Italy and regulates the definition of banking activities, the licensing of banking activities, the acquisition of equity interests in banks, banking supervision, special bankruptcy procedures for banks, special credit transactions, transparency obligations of lenders and the supervision of banks, electronic money and payment institutions and other financial companies (together, "**financial companies**" and "**banking activities**"). The Italian Banking Act was last amended by Legislative Decree No. 72/15, which enacted the provisions of the CRD IV (as defined below) at Italian legislative level; specific decrees and regulations will be issued to complete the implementation at regulatory level;

- Legislative Decree No. 58 of February 24, 1998 (the "**Italian Financial Act**"), which applies, *inter alia*, to banks and other financial companies that carry on any investment services and activities concerning (i) financial instruments dealing for their own account; (ii) execution of orders for clients; (iii) subscription and/or placement with firm commitment underwriting or standby commitments to issuers; (iv) placement without firm or standby commitment to issuers; (v) portfolio management; (vi), reception and transmission of orders; (vii) investment consultancy; and (viii) management of multilateral trading systems (together, "**investment services**"). More specifically, the Italian Financial Act sets out the regulation of the Italian financial markets which is aimed at ensuring the transparency of and appropriate behavior by financial market participants, disclosure of complete and accurate information to the investing public by listed companies and accuracy of the facts represented in prospectuses related to offerings of transferable securities to the investing public. The Italian Financial Act was last amended by Legislative Decree No. 72/15, that enacted the provisions of the CRD IV (as defined below) at Italian legislative level; specific decrees and regulations will be issued to complete the implementation at regulatory level;

- Directive 2007/64/EC of the European Parliament and of the Council of November 13, 2007, on payment services in the internal market (the "**Payment Services Directive**");

- Legislative Decree No. 11 of January 27, 2010 (the "**Payment Services Act**"), which applies specifically to payment services;

- Regulation (EU) 2015/751 of the European Parliament and of the Council of April, 29 2015, on interchange fees for card-based payment transactions (the "**Interchange Fees Regulation**");

- the European Banking Authority (the "**EBA**") guidelines for payments, dated December 19, 2014, which came into effect on August 1, 2015, and provides for certain instructions which payment service providers and users must comply with, particularly with regard to the management of codes giving access to the use of payment instruments or payment accounts through the internet;

- the Regulation of the Bank of Italy dated June 20, 2012, stipulating supervisory provisions for payment institutions and electronic money institutions (the "**2012 Regulation**");

- Directive 2009/110/EC of the European Parliament and of the Council of September 16, 2009, on the taking up, pursuit and prudential supervision of the business of electronic money institutions (the "**E-Money Directive**");

- Regulation (EU) No. 1093/2010 of the European Parliament and of the Council of November 24, 2010 (as amended) (the "**EBA Regulation**"), establishing that the EBA that is responsible for, *inter alia*, conducting certain tests involving the European banking and financial system and developing and implementing regulatory and technical standards for the banking sector;

- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013, setting out prudential requirements for credit institutions and investment firms ("**CRR**");

- Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**" and, together with the CRR, the "**CRD IV Package**");

- Regulation (EU) No. 1024/2013 of the Council of the European Union of October 15, 2013, establishing a Single Supervisory Mechanism ("**Single Supervisory Mechanism**") for Eurozone banks and other credit institutions (the "**Single Supervisory Mechanism Regulation**");

- Regulation ECB/2014/17, establishing the framework for cooperation within the Single Supervisory Mechanism, adopted by the European Central Bank ("**ECB**") on April 16, 2014 (the "**Single Supervisory Mechanism Framework Regulation**"), which complements the Single Supervisory Mechanism;

- Directive 2007/44/EC of the European Parliament and of the Council of September 5, 2007, as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increases in holdings in the financial sector (the "**Holdings Directive**"), as implemented by the Legislative Decree No. 21, of January 27, 2010 (the "**Holdings Act**"). The Holdings Directive amended, among other directives, Directive 2006/48/EC of the European Parliament and of the Council of June 14, 2006 relating to the taking up and pursuit of the business of credit institutions, which was subsequently repealed by the CRD IV;

- Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**");

- Directive 94/19/EC of the European Parliament and of the Council of May 30, 1994, on deposit-guarantee schemes, as amended by Directive 2014/49/EU of the European Parliament and of the Council of April 16, 2014 (the "**Deposit Guarantee Schemes Directive**"), which provides for reimbursement of a limited amount of deposits to depositors whose bank has failed. From the depositors' point of view, this protects a part of their wealth from bank failures. From a financial stability perspective, this guarantee prevents depositors from making panic withdrawals from their bank. Pursuant to Law No. 114 of July 9, 2015, the Italian Parliament recently delegated the power to implement the Deposit Guarantee Schemes Directive and the Bank Recovery and Resolution Directive to the Italian Government;

- Directive 2004/39/EC of April 21, 2004 (the "**MiFID Directive**"), which governs the provision of investment services in financial instruments by banks and financial companies and the operation of traditional stock exchanges and alternative trading venues. In October 2011, the European Commission tabled proposals to revise the Markets in Financial Instruments Directive (MiFID 2) with the aim of making financial markets more efficient, resilient and transparent, and to strengthen the protection of investors. On June 12, 2014, the Directive 2014/65/EU of the European Parliament and of the Council of May 15 2014 on markets in financial instruments amending Directive 2002/92/EC, and Directive 2011/61/EU and repealing MiFID Directive (the "**MiFID 2 Directive**") has been published in the Official Journal of the European Union;

- Legislative Decree No. 164 of September 17, 2007 (the "**MiFID Decree**"), which entered into force on November 1, 2007 and amended the Italian Financial Act;

- Directive 2014/57/EU of the European Parliament and of the Council of April 16, 2014 on criminal sanctions for market abuse (the "**Market Abuse Directive**"), which will come into effect in July 2016;

- Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (the "**Market Abuse Regulation**"), which will come into effect in July 2016 and repeal the existing market abuse Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC;

- Directive 2005/60/EC of the European Parliament and of the Council of October 26, 2005, on the prevention of the use of the financial system for the purpose of money laundering (the "**AML Directive**"), and Directive 2006/70/EC of August 1, 2006 laying down implementing measures for the AML Directive. Both the AML Directive and Directive 2006/70/EC will be repealed, with effect from June 26, 2017, by Directive (EU) 2015/849 of the European Parliament and of the Council of May 20, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;

- Legislative Decree No. 231 of November 21, 2007, which implemented the AML Directive (the "**AML Decree**");

- national competition laws, primarily including Law No. 287 of October 10, 1990 on the protection of competition and the market (the "**Competition Act**"), which establishes certain mandatory provisions concerning cartels, concentrations between undertakings and abuse of a dominant market position, as well as EU regulations, primarily including (i) the Treaty on the Functioning of the European Union (the "**TFEU**"), with particular regard to infringements of the EU antitrust rules (Articles 101 and 102 TFEU), such as cartels or abuse of a dominant position in the market, and (ii) the Council Regulation (EC) No 139/2004 of January 20, 2004 on the control of concentrations between undertakings;

- the Italian Civil Code and Legislative Decree No. 206 of September 6, 2005 (the "**Consumer Code**" and the TFEU regarding the unfair competition and the unfair business-to-consumer commercial practices, as well as the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning the unfair business-to-consumer commercial practices in the internal market (the "**Unfair Commercial Practices Directive**");

- the code of conduct published in the Official Journal No. 300 of December 23, 2004 and issued in application of the Legislative Decree No. 196/2003 contained in the data protection law ("**Data Protection Code**");

- Circular No. 285 dated December 17, 2013, of the Bank of Italy ("**Circular No. 285**"), setting out supervisory provisions for banks which, *inter alia*, implement rules prescribed by CRD IV and make elections available under the CRR;

- Circular No. 263 dated December 27, 2006, of the Bank of Italy ("**Circular No. 263**"), setting out new regulations for the prudential supervision of banks;

- Circular No. 229 dated April 29, 1999, as subsequently amended by, among others, Circular No. 285 and Circular No. 263 ("**Circular No. 229**"), setting out supervisory instructions for banks;

- Decrees issued by the Italian Minister of Economy and Finance;

- Resolutions adopted the Committee for Credit and Savings (*Comitato Interministeriale per il Credito e il Risparmio*) (the "**CICR**");

- Regulations adopted by the Bank of Italy, Italy's central bank and a part of the European System of Central Banks (the "**ESCB**"); and

- Resolutions and regulations adopted by the Italian securities and exchange commission (*Commissione Nazionale per le Società e la Borsa)* ("**CONSOB**").

MANAGEMENT

The Target

The Target is a *sociéta per azioni* organized under the laws of Italy. The Target was incorporated on June 17, 1939, has its registered office at Corso Europa 18, 20122 Milan, Italy and is registered under number 00410710586 with the Companies Register of Milan (*Registro delle Imprese di Milano*). The Target is managed by its executive management team.

Board of Directors

Upon completion of the Acquisition, the shareholders of the Target will install a board of directors at the Target (the "**Target Board**"). The Target Board will be responsible for managing the Group in accordance with applicable laws, constitutional documents and resolutions of the Target's shareholders' meeting. The principal functions of the Target Board are to carry out the business of the Target Group and to legally represent it in its dealings with third parties. The Target Board is also entrusted with the ultimate direction of the Target Group, as well as the supervision and control of the executive management. The Target Board is expected to include members designated by the Sponsors. However, as of the date of this Offering Memorandum, the members of the Target Board have not yet been determined.

Executive Management

The Target is managed by an executive management team led by our Managing Director and General Manager. The current executive management team consists of seven key members, each of whom oversees a specific aspect of our business. See "*Risk Factors—Risks Related to Our Business—We may not be able to attract, integrate, manage, and retain qualified personnel or key employees*."

The persons set forth below are the current members of the executive management team of the Group.

Name	Age	Position
Giuseppe Capponcelli	58	ICBPI Chief Executive Officer and Director
Pier Paolo Cellerino	69	ICBPI Deputy Vice General Manager
Alfredo Pallini	53	Oasi Chief Executive Officer
Ivan Dalto	62	HelpLine General Manager
Salvatore Borgese	46	ICBPI Director of Payment Services
Paolo Mario Tadini	59	ICBPI Director of Securities Services

Set out below are brief summaries of the biographies of the members of the executive management team of the Group.

Giuseppe Capponcelli has been the Chief Executive Officer and Director of the Target Board since 2014. Mr. Capponcelli joined us in 2008, first as Deputy Vice General Manager and then as General Manager of the Target. He is also a member of the Supervisory Board of Equens SE, where he sits on the Audit and Accounting committee. Mr. Capponcelli also sits on the board of directors for CartaSi and Oasi S.p.A., and is a director of Unione Fiduciaria S.p.A., and Visa Europe Services Inc., as well as a representative of ICBPI for Convenzione Interbancaria per i Problemi dell'Automazione (CIPA) at the Bank of Italy and Vice-President of Hi-Mtf Società di Intermediazione Mobiliare S.p.A. Mr. Capponcelli has previously held prominent positions in Olivetti, Cim Italia, Seceti S.p.A. and Equens Italia S.p.A. Following Laura Cioli's resignation as CartaSi's chief executive officer with effect as of October 29, 2015, Mr. Capponcelli was appointed chief executive officer of CartaSi. Mr. Capponcelli holds a bachelor's degree in electrical engineering from the University of Bologna.

Pier Paolo Cellerino became Deputy Vice General Manager in 2010, having previously served as Deputy General Manager. Mr. Cellerino is also Vice Chairman of HelpLine S.p.A., and sits on the Board of Directors of Unione Fiduciaria S.p.A., Fondo Italiano di Investimento Sgr, EFFEBI—Associazione per lo Sviluppo Organizzativo e delle Risorse Umane and Associazione per lo Sviluppo degli Studi di Banca e Borsa (ASSBB). Mr. Cellerino has held management positions at Credito Italiano and Deutsche Bank, and has a diploma in Accounting from Istituto Sommeiller.

Alfredo Pallini has been Chief Executive Officer of Oasi Diagram S.p.A. since 2012. Mr. Pallini was named secretary of the Board of Directors of ICBPI in 2013. Mr. Pallini has over 20 years of experience in the financial industry, which includes positions as Deputy Director of the Financial Authority of Vatican City, General Manager of Banca Popolare di Spoleto, and Officer of the Department of Supervision in the Bank of Italy. He has been a member of several boards of directors, including the Italian Banking Association, Cedacri and Prader Bank. Since 2007, Mr. Pallini has also been a Lecturer and Professor of Economics of Markets and Financial Intermediaries at the Luiss University of Rome. Mr. Pallini holds a bachelor's degree cum laude in economics and banking, as well as a master's degree in banking and finance, both from the University of Siena and is a registered auditor and chartered accountant.

Ivan Dalto joined our HelpLine business unit in 2012 and has served as General Manager of HelpLine since 2013. Prior to this, he was Deputy General Manager of Key Client S.p.A., and General Manager of Equens Italia S.p.A. Mr. Dalto's management experience also includes 28 years with Seceti S.p.A., where he served as Deputy General Manager. Mr. Dalto holds a bachelor's degree in Statistics from Università Cattolica del Sacro Cuore.

Salvatore Borgese has been Director of the Payment Services Business since 2014. Mr. Borgese joined ICBPI in 2012 as Sales Director. Mr. Borgese is also a member of the board of EPC (European Payments Council), ABI (for the Payments & Settlement Council, CBI and Bancomat) and ECC (European Clearing Cooperative). Before joining ICBPI Mr. Borgese was Senior Vice President at Value Team and CEO at VT Finance—Value Partners (now NTTDATA) and Manager for Banca CRT (now UniCredit). Mr. Borgese is a member of the steering committee and a lecturer at CeTIF Banking Department (Università del Sacre Cuore of Milan) Mr. Borgese holds a bachelor's degree in International Executive Management from INSEAD Business School.

Paolo Tadini joined us in 2008 as Director of the Securities Services Business. From April 2010 to June 2011, Mr. Tadini was Managing Director of Centrosim S.p.A. Before joining ICBPI Mr. Tadini spent several years in the SIA/ SIA SSB group, and as General Manager and Managing Director of Kedrios S.p.A.

Board of Statutory Auditors

Pursuant to applicable Italian law, the Target has appointed a board of statutory auditors (*Collegio Sindacale*) whose purpose is to oversee the Target's compliance with the law and its own by-laws, verify the Target Group's compliance with best practices in the administration of its business, and assess the adequacy of the Target Group's internal controls and accounting reporting systems, including the adequacy of the procedures in place for the exchange of information between it and its subsidiaries. Currently, there are three standing auditors on the Target's board of statutory auditors. Members of the board of statutory auditors are appointed by the shareholders of the Target at ordinary shareholders' meetings. Its members are elected through the closed list system, according to rules and definitions analogous to the appointment process for the board of directors. The terms of office of the current members of the board of statutory auditors are scheduled to expire on the date of the ordinary shareholders' meeting called to approve the financial statements for the year ending December 31, 2016. Audits are performed by an auditing company listed in the Italian register of auditors, which auditing company liaises continuously with the board of statutory auditors.

The following table identifies the current members of the statutory board of auditors of the Target, together with their age and title.

Name	Age	Position
Giuliano Buffelli	72	Standing Auditor, President
Paolo Francesco Maria Lazzati	57	Standing Auditor
Cesare Orienti	47	Standing Auditor

Set out below are brief summaries of the biographies of the members of the Target's statutory board of auditors.

Giuliano Buffelli joined us in 2014, when he was appointed president of the board of statutory auditors. Mr. Buffelli is also an official receiver of Impresa Cavalleri Ottavio S.p.A., Incubatoio S. Alessandro S.r.l., Suinicola Dell'Adda S.r.l., Nuova Canova Bassa S.r.l., Pro-zoo S.r.l. and SER S.r.l. Mr. Buffelli is a trustee of Liette S.p.A., Vamatex S.p.A., Bradi S.p.A., Colours&Beauty S.p.A. and Styledil S.p.A. Mr. Buffelli serves as a director in Italfim S.p.A. and is a liquidator at Markethouse S.r.l. and the chairman of the board of statutory auditors of Stomer S.p.A. Mr. Buffelli holds a bachelor's degree in political science from Università di Urbino.

Paolo Francesco Maria Lazzati joined us in 2002, and currently sits on the board of statutory auditors of ICBPI and is president of the board of auditors of CartaSi. Mr. Lazzati holds positions on the auditing committees of Pirelli and Prysmian, and is an administrator of Parmalat S.p.A. Mr. Lazzati holds a degree in economics and commerce from Università Cattolica del Sacro Cuore and is a chartered accountant.

Cesare Orienti joined us in 2012, when he was appointed standing auditor. Mr. Orienti is director, liquidator, statutory auditor and auditor in several companies as well as in charities and public institutions. Mr. Orienti is auditor of Faro S.p.A. and statutory auditor of Afin S.p.A., Eurolites S.p.A., Medicair Italia S.r.l., Medicair Centro S.r.l., Medicair Sud S.r.l., Hospitrade S.r.l., Unendo Energia S.p.A., MDC S.r.l., Gaia Servizi S.r.l. and Gaia Luce S.r.l. Mr. Orienti is the chairman of the board of statutory auditors of Windpower S.p.A. and president of the board of statutory auditors of Nuovenergie distribuzione S.r.l. and is the chairman of the board of directors of Adamello S.p.A. Mr. Orienti holds a bachelor's degree from Università Degli Studi di Milano.

Corporate Governance

Set forth below is a description of the Target Group's corporate governance policies that are in place as of the date of this Offering Memorandum. Following the consummation of the Acquisition, the Sponsors intend to revise these policies to reflect the transition from multiple shareholders to a small group of shareholders made up by the Sponsors and their affiliates.

Composition of the Regulated Banking Group

The Target is recorded in the national register of banks as *Istituto Centrale delle Banche Popolari Italiane S.p.A.*, and acts as ultimate parent company of the Target Group. In addition to the Target, the Target Group also includes the following members:

- CartaSi S.p.A., a financial company recorded in the Register of Payment Institutions pursuant to Art. 114-f of the Italian Banking Act, and in which the Target holds a 94.88% equity interest;
- Oasi Diagram—Outsourcing Applicativo e Servizi Innovativi S.p.A., a service company that is a wholly-owned subsidiary of the Target; and
- HelpLine S.p.A., a service company in which the Target holds a 70% equity interest.

As the ultimate holding company of its regulated banking group, the Target is responsible for the supervision of its subsidiaries with respect to their compliance with applicable regulations. It sets a unitary business plan for the Target Group, verifies each member's implementation of the plan, and ensures that the governance structure is consistent across each member. The Target also instructs the other members on compliance with orders issued by the Bank of Italy related to the Target Group's stability. Primary responsibility for the execution of these functions rests with the Target Group's general manager, who carries out the resolutions passed by the board of directors and executive committee.

Direction of the Target Group

The Target operates a traditional governance model consisting of two bodies appointed by shareholder resolution. These bodies include the Target's (i) board of directors, responsible for supervisory and management functions and (ii) board of statutory auditors, responsible for control functions. Certain matters require approval by a vote of the shareholders' meeting.

Shareholders Meetings

Each share is entitled to one vote in shareholders' meetings, subject to a maximum of 22.5% of the total share capital. In addition to deliberating on matters prescribed by law, ordinary shareholders' meetings vote on remuneration policies and equity-based plans for members of the board of directors, employees and certain advisers.

Board of Directors

The board of directors is currently made up of 17 members. The business address of the members of the Target's board of directors is Corso Europa 18, 20122 Milan, Italy.

Within the limits of the law, the Target's board of directors may establish an executive committee and other committees, determining their composition, powers, authorities, duration and working procedures. The most important of these committees, which have been established are:

- the pricing panel, consisting of two members which include an external advisor and an independent director;
- the anti-corruption committee established pursuant to Law no.231/2001, consisting of three members, one of whom is an independent director; and
- the conflict of interest panel, consisting of three independent directors, regarding positions held by members of the board of directors and their relatives.

As prescribed by Bank of Italy regulations, the Target carries out an annual evaluation of the members of the board of directors and its committees, who must have adequate professional skills and devote adequate time and resources to the performance of their assigned duties.

Investment Management Policy

The investment activities of the entire Target Group are undertaken by the Target. The Target has adopted an internal investment management policy that sets out certain guidelines for risk management in connection with its investments in financial instruments. The overarching principle established by these guidelines is that the Target's investment managers must seek to optimize the risk/return ratio in their investment decisions and only assume risks that are commensurate and compatible with our assets, strategy, financial and income profiles and with our strategic and operational objectives.

Our more specific investment guidelines depend on the individual type of financial instrument in which the Target is investing. We categorize our investments in four sub-portfolios including (i) the held to maturity portfolio, which comprises financial instruments that we intend to hold until maturity, (ii) the available-for-sale portfolio, which comprises minority equity interests and other financial activities which are authorized by the applicable regulations, (iii) the held for trading portfolio, which consists of financial instruments to be used for brokerage negotiation and trading activities in euro and other currencies and for derivative transactions and (iv) the loans and receivables portfolio, which includes deposits in euro and other currencies and repurchase agreements.

Since our four sub-portfolios of financial instruments are at least partly exposed to different risks, we have established limitations designed to address the risks specific to each of these instruments. The range of risks addressed in our investment management policy includes, among others, (i) the market risk and the relevant limitations on the value of the portfolios, the maximum acceptable loss and on the value at risk, (ii) the issuer risk and limitations on eligible countries and ratings and (iii) the counterparty risk and limitations on the maximum exposure to any single counterparty.

We monitor our investment portfolio and the compliance with our investment management policy on a monthly basis by way of meetings of our internal liquidity and finance committee and also by way of periodic reports to the board of directors. Our four sub-portfolios are monitored either by our Securities Services Business or by our treasury function and, in each case, our risk management department.

The Issuer

The Issuer, Mercury Bondco plc, is a public limited company incorporated under the laws of Jersey. The Issuer currently has a board of directors comprising three directors (the "**Issuer Board**"). The business address of the members of the Issuer Board is 47 Esplanade, St Helier, Jersey JE1 0BD. Other than as disclosed in this Offering Memorandum, no director has any conflict of interest or potential conflict of interest between any of his duties to the Issuer and his private or other duties. The secretary of the Issuer is Crestbridge Corporate Services Limited of 47 Esplanade, St Helier, Jersey JE1 0BD.

The persons set forth below are the current members of the Issuer Board together with their age and title.

Name	Age	Position
Fabio Cali	33	Director
Martino Gobbi	32	Director
Katarina Safai	44	Director

Set out below are brief summaries of the biographies of the members of the Issuer's board of directors.

Fabio Cali is a director of the Issuer. Mr. Cali is also assistant director at Advent International plc, and chairman of the board of Nassa Group. Previously, Mr. Cali was an Associate at Advent International plc and a member of Bain & Company's private equity team. Mr. Cali holds a master's degree in classics from the École Normale Superieure (lettres et sciences humaines), and a master's degree in management from the École Superieure de Commerce de Paris.

Martino Gobbi is a director of the Issuer. Mr. Gobbi is also vice president of Bain Capital Europe, LLP. Prior to joining Bain Capital, Mr. Gobbi worked as an investment banking analyst with J.P. Morgan. Mr. Gobbi holds a degree in business and finance from the École Supérieure de Commerce de Paris and a degree in Business Administration from the Università Degli Studi di Genova.

Katarina Safai is a director of the Issuer. Ms. Safai is also a director and manager of Kelmer UK Ltd. Previously, Ms. Safai was a director and manager of Kelmer & Partners Ltd, and has held directorships in several other companies. Ms. Safai holds a bachelor's degree from the University of Westminster and a qualification from the Association of Tax Technicians in London.

The Sponsors' HoldCos

Each of the Sponsors' HoldCos is a private limited company incorporated under the laws of Jersey. Each of Mercury A Capital Limited and Mercury B Capital Limited currently has a board of directors consisting of two directors, whereas the board of directors of Mercury ABC Capital Limited consists of four directors. The following table identifies the current members of each Sponsors' HoldCo's board of directors, together with their age and title. The secretary of each of the Sponsors' HoldCos is Crestbridge Corporate Services Limited of 47 Esplanade, St Helier, Jersey JE1 0BD.

Mercury A Capital Limited

Name	Age	Position
Nicholas Simon Rose	35	Director
Andrew James Maddison Dawson	37	Director

Set out below are brief summaries of the biographies of the members of Mercury A Capital Limited's board of directors.

Nicholas Simon Rose is a director of Mercury A Capital Limited. Mr. Rose is also a director of Advent International plc, having joined Advent as an associate in 2005. Prior to that, he worked in the private equity practice of Bain & Company. Mr. Rose holds a master's degree in philosophy, politics and economics from Oxford University.

Andrew James Maddison Dawson is a director of Mercury A Capital Limited. Mr. Dawson is also a managing director of Advent International plc and non-executive director of DFS Furniture plc. Mr. Dawson previously worked with OC&C Strategy Consultants in London. Mr. Dawson holds a master's degree in engineering from Cambridge University.

Mercury B Capital Limited

Name	Age	Position
Christophe Jacobs van Merlen	37	Director
Dwight MacVicar Poler	50	Director

Set out below are brief summaries of the biographies of the members of Mercury B Capital Limited's board of directors.

Christopher Jacobs van Merlen is a director of Mercury B Capital Limited. Mr. Jacobs van Merlen is also a principal at Bain Capital Europe, LLP. Prior to joining Bain Capital, Mr. Jacobs van Merlen was a consultant at Bain & Company. Mr. Jacobs van Merlen holds a joint master's degree in civil engineering from the École Polytechnique at the University of Brussels and the École Centrale in France.

Dwight MacVicar Poler is a director of Mercury B Capital Limited. Mr. Poler is also a Managing Director at Bain Capital, and sits on the board of directors for several other Bain Capital portfolio companies. Prior to joining Bain Capital, Mr. Poler worked at Bain & Company and Morgan Stanley & Co. Mr. Poler holds a bachelor's degree from Amherst College and an MBA from the Amos Tuck School at Dartmouth College.

Mercury ABC Capital Limited

Name	Age	Position
Justin Alexander Nuccio	44	Director
Mandar Arvind Kulkarni	43	Director
Stefano De Giorgis	46	Director
Pietro Marini	44	Director

Set out below are brief summaries of the biographies of the members of Mercury ABC Capital Limited's board of directors.

Justin Alexander Nuccio is a director of Mercury ABC Capital Limited. Mr. Nuccio is also European director of finance and operations at Advent International plc. Previously, Mr. Nuccio was a director and senior manager at Deloitte Consulting Ltd. Mr. Nuccio holds degrees from the University of Chicago and Princeton University, and an MBA from the Leonard N. Stern School of Business at New York University.

Mandar Arvind Kulkarni is a director of Mercury ABC Capital Limited. Mr. Kulkarni is also Vice President of Bain Capital Europe, LLP, and sits on the board of directors for other Bain Capital portfolio companies. Prior to joining Bain Capital, Mr. Kulkarni worked at Cargill Inc. and at Ernst & Young as a consultant in their Entrepreneurial Services department. Mr. Kulkarni holds a bachelor's degree from Mumbai University and an MBA from the Booth School of Business at the University of Chicago, and holds an ACA qualification from the Institute of Chartered Accountants of India.

Stefano De Giorgis is a director of Mercury ABC Capital Limited. Mr. De Giorgis is also managing director in Kelmer SA and president of Energia Europa Spa. Mr. De Giorgis has held directorships in several other companies. Mr. De Giorgis holds a degree in business administration from Università Cattolica del Sacro Cuore.

Pietro Marini is a director of Mercury ABC Capital Limited. Mr. Marini is also a director and advisor in Kelmer UK Ltd, and has previously been a director of Kelmer & Partners Ltd, and several other companies. Mr. Marini is a chartered accountant and auditor, and holds a degree in economics and commerce from Università Statale di Brescia.

Share Ownership

We expect that our executive management team will benefit from a management equity participation plan following the consummation of the Acquisition. See "*Principal Shareholders—Management Equity Plan.*"

Conflicts of Interest

Certain members of the Target's board of directors are, and may continue to be, affiliated with partner banks which have regular commercial dealings with the Target Group. As a result, conflicts of interest may exist or arise between the duties of these directors owed to the Target Group on the one hand, and their duties owed to partner banks or their private interests on the other hand. The Target Group has implemented a policy governing such conflicts (*Regolamento in materia di operazioni con soggetti collegati*) which was prepared in accordance with guidance issued by the Bank of Italy and Section 2391 of the Italian Civil Code. See "*Certain Relationships and Related Party Transactions—Transactions with Entities Affiliated with our Directors and Executive Management*."

The directors of the Issuer and certain directors of the Sponsors' HoldCos are, and in the future, directors of the Target are expected to be, employees of the Sponsors.

Insurance for Directors and Officers

For the benefit of our directors and officers, we have entered into a global D&O insurance policy with Generali Italia S.p.A. (70%) and ACE European Group Lt. (30%), which is based in Italy. The policy covers our present, former and future directors and officers, general managers, authorized officers and senior staff. It applies globally and provides for an insured limit of €20 million per claim and per year. The D&O insurance covers financial losses resulting from liability of our directors and officers and we believe the limitations of our coverage are in line with industry practice.

Management Compensation

The Target Group's executive management team received total remuneration of €4.3 million in the year ended December 31, 2014, €4.7 million in the year ended December 31, 2013 and €3.4 million in the year ended December 31, 2012.

We expect that some or all of the directors of the Acquisition Vehicles will be remunerated for their services by the Acquisition Vehicles or any of their respective affiliates.

PRINCIPAL SHAREHOLDERS

Shareholders of the Issuer

The Issuer was incorporated in connection with the Transactions and is ultimately owned by the Sponsors including Advent, Bain Capital and Clessidra which beneficially hold 42.5%, 42.5% and 15.0%, respectively, of the Issuer's issued and outstanding share capital. The Issuer's share capital consists of 10,000 ordinary shares with a par value of €1.00 each. All of the Issuer's ordinary shares carry equal voting rights. The corporate governance of the Issuer is expected to be regulated by the Investors Agreement. See "—*Investors Agreement*."

Shareholders of the Target

Upon consummation of the Acquisition, the Target will become the direct subsidiary of BidCo which is indirectly owned by the Sponsors. BidCo will hold at least 89.0% of the shares of ICBPI (disregarding treasury shares). BidCo expects to purchase additional shares in the Target over the near term. Certain sellers under the Acquisition Agreement are expected to remain invested in our business by maintaining an aggregate holding of up to 8.4% of the shares of the Target, while up to 2.1% of the shares in the Target are expected to be held by non-selling minority shareholders (disregarding treasury shares). As a result, a corresponding percentage of dividends paid by the Target to BidCo and, after the Post-Completion Merger, to HoldCo, for further distribution to the Sponsors' HoldCos and the Issuer will be paid to these minority shareholders. The Target holds shares equal to approximately 0.5% of its share capital in treasury.

As a result, the Sponsors are expected to beneficially hold at least 38.0%, 38.0% and 13.4%, respectively, of the Target's issued and outstanding share capital (including beneficial interests in treasury shares). The Target's share capital consists of 14,185,790 fully paid up common shares with a par value of €3.00 each (including 75,191 treasury shares). All of the Target's common shares carry equal voting rights.

UK Holdco and its affiliates may acquire additional shares in the Target before or after the Acquisition, including from the sellers under the Acquisition Agreement and the other minority shareholders.

In order to comply with certain Italian regulatory requirements, the Sponsors will not solely and directly control the Target, and the articles of association and by-laws of HoldCo and BidCo will expressly declare that neither HoldCo nor BidCo (nor any of their indirect shareholders) shall exercise any power of "direction and coordination" over the decisions of the Target. Rather, such direction and coordination will be exercised by the board of directors of the Target. The Target will remain the ultimate bank holding company (*capogruppo*) of its regulated banking group for Italian regulatory purposes. As a result of these restrictions, our ability, and that of the Sponsors, to control the Target will be limited. See "*Risk Factors—Risks Related to the Financial Profile of the Issuer and the Sponsors' HoldCos—The Issuer is a finance subsidiary that has no revenue generating operations of its own and will be dependent upon payments by the Sponsors' HoldCos under the Proceeds Loans to meet its obligations on the Notes, and Sponsors' HoldCos are dependent upon dividend payments by HoldCo and its subsidiaries to fund payments on the Proceeds Loans*" and "*Risk Factors—Risks Related to the Notes and the Guarantees—The Issuer will not have control over compliance with the covenants under the Indenture by the Guarantors, HoldCo and HoldCo's subsidiaries (including the Target and its subsidiaries)*." In addition, the corporate governance of the Target is expected to be regulated by the Investors Agreement. See "*Investors Agreement*."

Corporate Structure of the Group

The Sponsors will indirectly control the Issuer through the Sponsors' NewCos. In addition, the Sponsors will indirectly own the Target through the Sponsors' NewCos, the Sponsors' HoldCos, HoldCo and BidCo. The Issuer in its own right will not have control of the Target. For an overview of our corporate structure see "*Summary Corporate and Financing Structure*."

Management Equity Plan

On or following the Completion Date, the Sponsors intend to establish a management equity participation program for the benefit of the Group's senior management on terms yet to be agreed.

Investors Agreement

It is expected that on or prior to the Completion Date, the Sponsors, the Sponsors' NewCos, the Sponsors' Holdcos, Holdco and the Issuer will enter into an investors agreement with respect to their rights and obligations in connection with their direct or indirect investment in, and the governance of, Holdco and its subsidiaries (the "**Investors Agreement**"). It is expected that the Investors Agreement will provide for the governance rules of Mercury ABC Capital Limited, Holdco, Bidco and the Issuer and set forth certain corporate actions that may be taken only with the consent of the representatives of the Sponsors. It is also expected that the Investors Agreement will provide certain protective rights, such as pre-emptive rights, to the Sponsors in the event of an offering of new shares, equity securities or shareholder debt in Holdco, Mercury ABC Capital Limited and the Issuer (the "**Investor Securities**"), and that it will offer certain tag-along rights, drag-along rights and rights of first offer in the event of a transfer of existing Investor Securities. Moreover, it is expected that the transfers of interests in the Investor Securities will generally be restricted for a period of five years, except for certain unrestricted transfers (including, among other things, transfers to affiliates or a secured party) and transfers by Clessidra, as long as Clessidra complies with Advent and Bain Capital's right of offer refusal. The Investors Agreement is expected to provide a framework for the Sponsors to jointly exit from their investment in the Group.

It is expected that under the Investors Agreement, each of Mercury (AI) S.à r.l. ("**Advent Newco**") and Mercury (BC) S.à r.l. ("**Bain Newco**") will have the right to appoint one director, and Fides S.p.A. ("**Clessidra Newco**") will have the right to appoint two directors, of Mercury ABC Capital Limited, and that resolutions of Mercury ABC Capital Limited will require a simple majority vote at meetings in which at least one director nominated by each of Advent, Bain Capital and Clessidra participates. It is also expected that each of Advent Newco and Bain Newco will have the right to appoint two directors, and Clessidra Newco will have the right to appoint one director, of each of Holdco, Bidco and the Issuer, and that resolutions of Holdco, Bidco and the Issuer will require a majority of votes which must include one director nominated by each of Advent and Bain Capital, and, in certain circumstances, one director nominated by Clessidra. It is not expected that the Sponsors will be in a position to exercise direction or control over the Target, which instead will be exercised by the board of directors of the Target. The Target's board of directors is expected to consist of 13 directors, the majority of which are expected to be appointed by Bidco, with the shareholders of the Target other than Bidco having the right to appoint the remaining directors. One director is expected to be the chief executive officer of the Target. Resolutions of the Target Board are expected to be passed by a simple majority of votes, which should include one (non-independent) director nominated by each of Advent and Bain Capital, and, in certain circumstances, one (non-independent) director nominated by Clessidra.

The Sponsors

Advent International

Founded in 1984, Advent International is one of the largest and most experienced global private equity investors. The firm has invested in more than 300 private equity transactions in 40 countries and as of March 31, 2015, had $32 billion in assets under management. With offices on four continents, Advent has established a globally integrated team of over 180 investment professionals across North America, Europe, Latin America and Asia. The firm focuses on investments in five core sectors, including business and financial services; healthcare; industrial; retail, consumer and leisure; and technology, media and telecom. Advent's investment track record in the business and financial services industry includes over 60 transactions, such as TransUnion, Invercap Holdings, Alianza Fiduciaria, Nets and Hypo Alpe Adria. The firm operates from 13 offices in twelve countries, with affiliates in additional countries and employs over 180 investment professionals.

Bain Capital

Bain Capital, LLC is a leading global private investment firm, which advises and manages capital across several asset classes, including private equity, venture capital, public equity and leveraged debt assets. Since its inception in 1984, Bain Capital, LLC and its affiliates have completed over 450 transactions across a broad range of industries including Industrials, Financial and Business Services, Consumer & Retail, Technology, Media & Telecommunications and Healthcare. The firm has a strong track record of investments in the European financial and business services industry, including its investments in Cerved Group, Nets and Worldpay, as well as a number of market leading companies globally such as Bellsystem24, Burger King, Burlington Coat Factory, Domino's Pizza, HCA, IMCD, Novacap, Samsonite, Securitas Direct and SigmaKalon. Headquartered in Boston, Bain Capital, LLC and its affiliates have offices in New York, Chicago, Palo Alto, London, Luxembourg, Munich, Hong Kong, Mumbai, Shanghai, Tokyo and Melbourne.

Clessidra

Clessidra SGR S.p.A. is the leading private equity firm exclusively dedicated to the Italian market. It was formed in 2003 and has completed 20 transactions in its first twelve years of operation, each involving targets headquartered in Italy such as Anima, Cerved Group, Pirelli, Giochi Preziosi, Moby, Sisal and Balconi. Leveraging the significant professional experience of its partners in the field of private equity and complex financial transactions, Clessidra SGR S.p.A. has demonstrated a strong ability to identify, execute and create value for its investments.

Rollover Shareholders

Certain selling banks under the Acquisition Agreement are expected to remain invested in our business by maintaining a small holding of the shares of the Target. BidCo has agreed to acquire an aggregate of 89.0% of the Target's share capital, with the selling banks under the Acquisition Agreement maintaining an aggregate holding of up to 8.4% of the shares of the

Target, while up to 2.1% of the shares in the Target are expected to be held by non-selling minority shareholders (disregarding treasury shares). 0.5% of the Target's share capital are currently held in treasury.

In connection with the Acquisition, our current shareholder banks, which accounted for approximately 50% of our operating revenue for the year ended December 31, 2014, in their capacity as our partner banks and bank customers, have agreed to extend the terms of their key contracts with us for up to five years after consummation of the Transactions, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years, and to maintain their level of business with us for a certain period of time. See "*Our Business—Our Customers*."

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we regularly enter into agreements with related parties. These related parties include parties in which we hold minority interests, companies over which we directly or indirectly exercise significant influence, companies with which we share key management personnel or members of supervisory bodies, pension funds for Group employees, other portfolio companies of the Sponsors, and companies that exercise significant influence over us. The agreements that we enter into with these related parties may be material, and mainly relate to the supply of services within the Group, the provision of billing, ICT and accounting services, and the rendering of other intra-group services, such as business advisory, treasury and finance, marketing, human resources and tax. In addition, it is contemplated that new related party transactions will be entered into in connection with the Transactions.

Transactions with Entities Affiliated with our Directors and Executive Management

During the periods under review, we entered into transactions with companies controlled in part by, or affiliated with, certain of our directors or members of our executive management team. None of these transactions were material, and all of these transactions were conducted in the ordinary course of our business.

Transaction and Consulting Services Agreements

Upon consummation of the Acquisition, we may enter into transaction and consulting services agreements with the Sponsors pursuant to which we will make certain payments to the Sponsors for management, consulting, monitoring or advisory services and related expenses.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

Revolving Credit Facility Agreement

In connection with the Transactions, the Issuer and each Sponsors' HoldCo will enter the Revolving Credit Facility Agreement. The original borrowers under the Revolving Credit Facility Agreement will be the Issuer and each Sponsors' HoldCo. The Issuer may request that any member of the Group become a borrower under the Revolving Credit Facility or an additional Facility under the Revolving Credit Facility Agreement, subject to certain conditions.

Borrowings

The Revolving Credit Facility Agreement provides for a Revolving Credit Facility of up to a principal amount of €55,000,000.

Borrowings under the Revolving Credit Facility may be used to directly or indirectly finance or refinance the working capital and/or the general corporate purposes of the Group, including the funding of (i) any interest payments and any fees, costs and expenses arising in connection with the Acquisition, the Notes and/or the bridge facility as applicable); (ii) capital expenditure; (iii) any permitted acquisition; (iv) operational restructurings or permitted reorganisations of the Group and (v) any working capital related adjustments (however structured) relating to or arising in connection with the acquisition and any permitted acquisition.

The Revolving Credit Facility may be utilized in the form of multi-currency advances for terms of 1, 2, 3 or 6 months (or any other term agreed with the Agent acting on the instructions of (i) the majority lenders participating in the relevant loan for periods of less than six months, or (ii) all lenders participating in the relevant loan for periods greater than six months) or letters of credit or ancillary facilities.

Additional Facility

The Issuer may elect to request, subject to certain terms and conditions, the commitment of additional facilities, either as a new facility or as an additional sub tranche or increase of the Revolving Credit Facility (the "**Additional Facility Commitments**").

The Issuer may agree with the relevant lenders certain terms in relation to the Additional Facility Commitments, including the termination date (subject to parameters as set forth in the Revolving Credit Facility Agreement) and the availability period.

The margin on any cash advances under the Additional Facility Commitments will be agreed between the Issuer and the relevant lenders providing the relevant Additional Facility Commitments (subject to parameters as set forth in the Revolving Credit Facility Agreement).

Unless otherwise agreed between the Issuer and the relevant lenders providing the relevant Additional Facility Commitments, borrowings under an additional facility may be used for the same purposes as under the Revolving Credit Facility.

Maturity Date

The Revolving Credit Facility matures on the date falling five years after the Completion Date. Loans must be repaid in full on or prior to that date. Additional Facility Commitments mature on the date specified in the additional facility notice.

Conditions Precedent

Utilizations of the Revolving Credit Facility are subject to customary conditions precedent.

Interest and Fees

The Revolving Credit Facility bears interest at a rate per annum equal to LIBOR or, for borrowings in euro, EURIBOR, plus an opening margin of 3.50% per annum. The margin may be reduced under a margin ratchet to 2.50% per annum by reference to the consolidated senior secured leverage ratio and the satisfaction of certain other conditions.

The Issuer shall pay a commitment fee, quarterly in arrears, on available but unused commitments under the Revolving Credit Facility at a rate of 35% of the applicable margin and on the date on which the Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment. Arrangement and underwriting, agency and letter of credit fees are also payable pursuant to the Revolving Credit Facility Agreement.

Security and Guarantees

The Revolving Credit Facility is guaranteed by each Guarantor, severally in proportion to that respective Guarantor's proportionate shareholding in HoldCo.

The Revolving Credit Facility is secured by the same security interests as for the Notes as set forth under "Description of the Notes—Security".

Under the terms of the Intercreditor Agreement, in the event of acceleration of the Revolving Credit Facility or the Notes, amounts recovered in respect of the Notes, including from the enforcement of guarantees and the Collateral, are required to be turned over to the Security Agent and, subject to the payment of fees and expenses of, amongst others, the agent under the Revolving Credit Facility, the Trustee and Security Agent, paid by the Security Agent to the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations in priority to the holders of the Notes.

The provision and the terms of the security set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Revolving Credit Facility Agreement. See "Risk Factors—Risks Related to the Notes and the Guarantees—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability".

Covenants

Certain of the covenants contained in the Revolving Credit Facility Agreement are based upon the covenants contained in the Indenture. See "*Description of the Notes—Certain Covenants Applicable to the Issuer*".

The Revolving Credit Facility Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain customary covenants, subject to certain exceptions and grace periods, including covenants relating to obtaining required authorizations; compliance with laws; centre of main interest; certain restrictions on repurchase of the Notes themselves (as described in more detail below); anti-corruption laws and sanctions compliance and further assurance provisions.

Financial Covenant

The Revolving Credit Facility Agreement includes a financial covenant requiring the drawn super senior leverage ratio not to exceed 0.45:1 (the "**SSRCF Financial Covenant**"). The SSRCF Financial Covenant is calculated as the ratio of the ratio of consolidated drawn super senior facilities debt to consolidated pro forma EBITDA for the twelve month period preceding the relevant quarterly testing date and is tested quarterly on a rolling basis, subject to (i) the first test date falling at least 12 months after the Completion Date; and (ii) the Revolving Credit Facility being at least 35% drawn on the relevant test date. The SSRCF Financial Covenant only acts as a draw stop to new drawings under the Revolving Credit Facility and, if breached, will not trigger a default or an event of default under the Revolving Credit Facility Agreement. The Issuer has four equity cure rights in respect of the SSRCF Financial Covenant prior to the termination date of the Revolving Credit Facility Agreement and cure amounts in consecutive financial quarters are not permitted.

Repayment

Loans made under the Revolving Credit Facility must be, subject to any rollover in accordance with the Revolving Credit Facility, repaid in full on the last day of the relevant interest period. All outstanding amounts under the Revolving Credit Facility must be repaid on the "termination date". Amounts repaid by the Issuer in respect of loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

Events of Default

The Revolving Credit Facility Agreement provides for substantially the same events of default as under the Notes. In addition, the Revolving Credit Facility Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including: (i) the failure to pay principal, interest or fees under the Revolving Credit Facility; (ii) representations or warranties are or are found to be untrue or misleading when made or deemed to be made; and (iii) repudiation or rescission of a finance document or a Transaction Security Document (defined below).

Governing Law

The Revolving Credit Facility Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the restrictive covenants scheduled to the Revolving Credit Facility Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law).

Intercreditor Agreement

In connection with the entry into the Revolving Credit Facility and the Indenture, the Issuer, the Guarantors and the Sponsors' NewCos will enter into the Intercreditor Agreement to govern the relationships and relative priorities between, among others: (i) the lenders under the Revolving Credit Facility; (ii) any persons who accede to the Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the "Hedging Agreement"; the liabilities under such Hedging Agreements, the "Hedging Liabilities"; and any persons that accede to the Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the "Hedge Counterparties"); (iii) the Trustee, on its own behalf and on behalf of the holders of the Notes (for the purpose of this "Description of Certain Financing Arrangements", the "Notes") (the "Noteholders") (the "Notes Trustee"); (iv) the intragroup creditors and debtors; (v) certain direct or indirect shareholders and subsidiaries of the Issuer in respect of certain structural debt that the Issuer or another member of the Group as incurred or may incur in the future (including any subordinated shareholder loans); and (vi) any means the lenders, noteholders or other creditors in respect of any Second Lien Debt (as defined below) and any creditor representatives of the Second Lien Creditors (as defined below).

In this description where a capitalised term is not defined it will bear the same meaning as set out in the Intercreditor Agreement unless the context otherwise requires. Additionally:

"Group" refers to the Issuer, each Sponsor Holdco, Holdco and Bidco and each of their subsidiaries from time to time that are not Unrestricted Subsidiaries.

"Security Providers" means the Sponsors' NewCos.

Each member of the Group that incurs any liability or provides any guarantee under the Revolving Credit Facility, in respect of the Notes or under any other Debt Document (as defined in "—Further Security and Incremental Borrowings") is referred to as a "Debtor" and are collectively referred to as the "Debtors".

The Intercreditor Agreement will set forth:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit (i) a sale of any assets subject to transaction security (such assets, the "Collateral"; such security, the "Transaction Security"; and the documents constituting such Transaction Security, the "Transaction Security Documents"); and (ii) other activities or transactions (including, without limitation, reorganizations and the incurrence of incremental facilities) permitted by the Debt Documents (as defined below).

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by members of the Group and which is permitted or not prohibited under the Credit Facility Documents (as defined below), the Notes Documents (as defined below), any Pari Passu Debt Document (as defined below) any Second Lien Debt Document (as defined below) and any Senior Debt Document (as defined below) to rank pari passu in right of payment with the liabilities under the Revolving Credit Facility Agreement, the liabilities under the Indenture (for the purposes of this section, the

“Notes Indenture”) and any Pari Passu Liabilities (as defined below), or, in each case, with the consent of the relevant Creditor Representatives (as defined below) under such documents (acting on the instructions of the requisite level of creditors under such documents) and to be secured on the Collateral, subject to the terms of the Intercreditor Agreement (such indebtedness being the “Pari Passu Debt”; the creditors in respect of such indebtedness being the “Pari Passu Creditors”; the liabilities of the Debtors in respect of such indebtedness being the “Pari Passu Liabilities”; and the documents creating or evidencing the Pari Passu Liabilities, the “Pari Passu Debt Documents”).

The Intercreditor Agreement will also include provisions relating to future indebtedness that may be incurred by the members of the Group which is permitted or not prohibited under the terms of the Intercreditor Agreement and the Revolving Credit Facility, the Notes Indenture, any existing Pari Passu Debt Document, any existing Second Lien Debt Documents (as defined below) and any existing Senior Debt Documents or with the consent of the relevant Creditor Representatives (as defined below) under each document (acting on the instructions of the requisite level of creditors under such documents) to share in the Transaction Security with the rights and obligations of Second Lien Creditors (as defined below), subject to the terms of the Intercreditor Agreement (such indebtedness being the “Second Lien Debt”, the creditors in respect of such indebtedness being the “Second Lien Creditors”, the liabilities of the Debtors in respect of such indebtedness being the “Second Lien Liabilities” and the documents creating or evidencing the Second Lien Liabilities, the “Second Lien Debt Documents”), provided that the Second Lien Creditors (or their Second Lien Debt Representative (as defined below)) have acceded to the Intercreditor Agreement in accordance with its terms (excluding, for the avoidance of doubt, Credit Facility Lender Liabilities (as defined below), Notes Liabilities (as defined below) and Pari Passu Liabilities (as defined below)).

The Intercreditor Agreement will also include provisions relating to future indebtedness in the form of loans, credit or guarantee facilities, or notes (such indebtedness being “Senior Debt”, the liabilities of the Debtors in respect of such indebtedness being “Senior Debt Liabilities” and documents creating or evidencing the Senior Debt Liabilities, the “Senior Debt Documents”) that may be incurred by a Sponsor NewCo or a limited liability company which is a holding company of a Sponsor NewCo or a direct wholly owned subsidiary of a Sponsor NewCo or a holding company of a Sponsor NewCo which, in each case, is not a member of the Group or a not a borrower or issuer (or co-borrower or co-issuer) of any Super Senior Liabilities or Senior Secured Liabilities (such entity, the “Senior Debt Issuer” and the liabilities arising owing to the Senior Debt Issuer by the Issuer or any other member of the Group (including but not limited to those owed by the Issuer or any Sponsor Holdco to the Senior Debt Issuer under or in connection with any loan, bond or other debt instrument whereby any proceeds of the issue of any Senior Debt are lent by a Senior Debt Issuer to the Issuer or a Sponsor Holdco (a “Senior Debt Proceeds Loan”) and declared dividends to the Senior Debt Issuer) being the “Senior Debt Issuer Liabilities”) and provisions relating to the liabilities in respect of guarantees granted by each guarantor of the Senior Debt (the “Senior Debt Guarantee Liabilities”), that is permitted or not prohibited under the Credit Facility Documents, the Notes Documents, any Pari Passu Debt Document and the Second Lien Debt Documents subject to the terms of the Intercreditor Agreement (the creditors in respect of such indebtedness being the “Senior Debt Creditors”).

The Intercreditor Agreement will also provide for any credit facility constituting a “Credit Facility” under the Notes Indenture, the creditors of which are entitled under the terms of the Notes Documents, any Pari Passu Debt Document, any Second Lien Debt Document, any Senior Debt Document and (if applicable) the Credit Facility Documents (as defined below) to receive priority in respect of the proceeds of the enforcement against the Collateral (each such facility being a “Credit Facility” and, together with the Revolving Credit Facility, the “Credit Facilities” and each finance document relating thereto (but excluding any Hedging Agreement), a “Credit Facility Document”). Each lender under a Credit Facility is a “Credit Facility Lender” and excluding any Hedging Liabilities, the liabilities of the Debtors to the Credit Facility Lenders are referred to as the “Credit Facility Lender Liabilities”.

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of a Debt Document and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any member of the Group contravening any applicable law or regulation, or present a material risk of liability for any member of the Group and/or its directors or officers, or give rise to a material risk of breach of fiduciary or statutory duties).

Any reference in this “Description of Certain Financing Arrangements” (and in the Intercreditor) to any matter being “permitted” under one or more Debt Document shall include reference to such matters not being prohibited under such Debt Documents.

By purchasing a Note, or any Pari Passu Debt issued in the form of notes or any Second Lien Debt issued in the form of notes, the relevant noteholders (as applicable) shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and to have authorized the Notes Trustee to enter into the Intercreditor Agreement on their behalf.

The following description is a summary of certain provisions in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety.

Provisions with respect to Second Lien Debt and Senior Debt

The Intercreditor Agreement will include customary provisions in respect of the rights and obligations of, and restrictions placed upon, Second Lien Creditors and Senior Debt Creditors; including in relation to (i) the circumstances in which payments in respect of Second Lien Debt and Senior Debt (as applicable) are permitted to be made (ii) the circumstances when payments under the Second Lien Debt and Senior Debt (as applicable) can be suspended (including through the issuance of a stop notice (and cure provisions in respect thereof)), (iii) restrictions on when the Second Lien Creditors and Senior Debt Creditors (as applicable) can and cannot take enforcement actions (including customary standstill provisions in respect of Second Lien Debt and Senior Debt (as applicable) and (v) the ability of Second Lien Creditors and Senior Debt Creditors (as applicable) to purchase the Super Senior Liabilities and the Senior Secured Debt (as applicable) in certain circumstances. We urge you to read the document to understand your rights as holders of the Notes and the rights of, and the restrictions placed upon, the Second Lien Creditors and Senior Debt Creditors.

Ranking and Priority

The Intercreditor Agreement will provide, subject to the provisions in respect of permitted payments described below, that (i) the Credit Facility Lender Liabilities; (ii) the liabilities of the Debtors with respect to Super Senior Hedging Liabilities (the "Super Senior Hedging Liabilities" and the creditors of the Super Senior Hedging Liabilities, the "Super Senior Hedge Counterparties"), the Super Senior Hedging Liabilities, together with the Credit Facility Lender Liabilities and the Creditor Representative Liabilities owed to the Credit Facility Agent, the "Super Senior Liabilities" and the creditors of the Super Senior Liabilities, the "Super Senior Creditors"); (iii) the liabilities of the Debtors with respect to any Hedging Agreements that do not constitute Super Senior Hedging Liabilities (the "Non-Super Senior Hedging Liabilities" and the creditors of the Non-Super Senior Hedging Liabilities, the "Non-Super Senior Hedge Counterparties"); (iv) the liabilities of the Issuer and the Debtors in respect of the Notes (the "Notes Liabilities"); (v) the Pari Passu Liabilities (together with the Notes Liabilities and the Non-Super Senior Hedging Liabilities, the "Senior Secured Liabilities", and the creditors of the Senior Secured Liabilities, the "Senior Secured Creditors"); (vi) the Second Lien Liabilities; (vii) the liabilities of the Senior Debt Issuer and the Debtors in respect of the Senior Debt (but excluding any Hedging Liabilities) (the "Senior Debt Liabilities"); and (viii) certain other unsecured liabilities, will rank in right and priority of payment in the following order:

- *first*, the Super Senior Liabilities, the liabilities of any Debtor to an arranger under the Credit Facilities (the "Arranger Liabilities"), the Senior Secured Liabilities, the Second Lien Liabilities, the Second Lien Debt Trustee Amounts, the Senior Debt Trustee Amounts and the liabilities of the Security Agent (the "Security Agent Liabilities") *pari passu* and without any preference between them; and

- *second*, the Senior Debt Guarantee Liabilities *pari passu* and without any preference between them.

The intercompany obligations (the "Intra Group Liabilities" (subject to the proviso that any liabilities in connection with the senior secured notes proceeds loan liabilities, second lien proceeds loan liabilities and senior debt proceeds liabilities are not deemed to be Intra Group Liabilities) and the documents creating or evidencing such Intra Group Liabilities being "Intra Group Debt Documents") of any member of the Group to any other member of the Group (each an "Intra Group Lender" subject to the proviso that the Company is not considered an Intra Group Lender in relation to its capacity as holder of any senior secured notes proceeds loan, the Second Lien Debt Issuer (as defined below) is not considered an Intra Group Lender in relation to its capacity as holder of any second lien notes proceeds loan and the Senior Debt Issuer is not considered an Intra Group Lender in relation to its capacity as holder of a senior debt proceeds loan, and collectively the "Intra Group Lenders") are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Creditors (as defined below).

The liabilities owed by any Debtor to any shareholder, direct or indirect, of the Issuer or any Sponsor Holdco or affiliate of the Issuer who is not a member of the Group and any of their respective transferees or successors (the "Shareholder Liabilities" and the documents creating or evidencing such Shareholder Liabilities being "Shareholder Debt Documents") are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Creditors.

In this section the Shareholder Liabilities the Senior Debt Issuer Liabilities and the Intra Group Liabilities are together referred to as the "Subordinated Liabilities".

The parties to the Intercreditor Agreement will agree in the Intercreditor Agreement that the Transaction Security ranks and secures the following liabilities in the following order:

- *first*, Credit Facility Lender Liabilities, the Creditor Representative Liabilities, the Arranger Liabilities, the Notes Liabilities, the Pari Passu Liabilities, the Senior Debt Trustee Amounts, the Second Lien Liabilities, the Second Lien Debt Trustee Amounts, the Hedging Liabilities and the Security Agent Liabilities *pari passu* and without any preference between them; and

- *second* (to the extent only of any Shared Security (as defined below)), the Senior Debt Liabilities, *pari passu* and without any preference between.

The Senior Debt Liabilities and the Subordinated Liabilities will not be secured by any of the Transaction Security unless permitted by the Credit Facility Documents, the Notes Documents, any Pari Passu Debt Documents, any Second Lien Debt Documents and any Senior Debt Documents. Notwithstanding the foregoing, the Senior Debt Liabilities may, to the extent provided for under the relevant Senior Debt Document, be secured by the Shared Security if any (being (a) in the case of Senior Debt which is not secured by any assets of the Group, the Security (if any) granted in favour of the Security Agent under the Transaction Security Documents over Investment Instruments issued by the Issuer or any Sponsor Holdco to a Sponsor NewCo/Senior Debt Issuer and over any Senior Debt Issuer Liabilities owed by the Issuer or a Sponsor Holdco to the Senior Debt Issuer including, without limitation, any proceeds loan agreement whereby the proceeds of such loan are lent by a Senior Debt Issuer to the Issuer or a Sponsor Holdco (a "Senior Debt Proceeds Loan Agreement"); or (b) in the case of Senior Debt which is secured, the Security granted in favor of the Security Agent under the Transaction Security Documents on a second-ranking basis in accordance with the Intercreditor Agreement).

The Senior Debt Liabilities are senior obligations of the Senior Debt Issuer. Until the Senior Secured Debt Discharge Date, the Senior Debt Creditors may not take any steps to appropriate the assets of the Senior Debt Issuer in connection with any enforcement action other than as expressly permitted by the Intercreditor Agreement.

Under the Intercreditor Agreement, all Proceeds from Enforcement of the Collateral and certain other recoveries will be applied as provided under "*—Application of Proceeds from Enforcement of Transaction Security*".

Hedging Liabilities

The Intercreditor Agreement will provide for Hedging Liabilities, which will consist of (a) Super Senior Hedging Liabilities, and (b) Non-Super Senior Hedging Liabilities.

Super Senior Hedging Liabilities

Any Debtor and a Super Senior Hedge Counterparty may enter into hedging agreements for the purposes of hedging any floating interest rate exposures or foreign exchange exposures in respect of any Credit Facility, Notes, Pari Passu Debt, Second Lien Debt or Senior Debt on a super senior basis and in accordance with the order of application provided under "*—Application of Proceeds from Enforcement of Transaction Security*" as Super Senior Hedging Liabilities.

Non-Super Senior Hedging Liabilities

Non-Super Senior Hedging Liabilities are those Hedging Liabilities which do not constitute Super Senior Hedging Liabilities. Recoveries made in respect of Non-Super Senior Hedging Liabilities will be allocated in accordance with the order of application provided under "*—Application of Proceeds from Enforcement of Transaction Security*" as Non-Super Senior Hedging Liabilities.

Further Security, Incremental and Replacement Liabilities

The creditors in respect of the Super Senior Liabilities and the Senior Secured Liabilities (the Super Senior Liabilities, the liabilities owed to Creditor Representatives (as defined herein, other than in paragraph (g) of that definition), the Senior Secured Liabilities, the Second Lien Liabilities and the Arranger Liabilities, together, the "Secured Liabilities", and the creditors thereof, the "Secured Parties" and the documents evidencing the Secured Liabilities, the "Secured Debt Documents") may take, accept or receive the benefit of additional security and additional guarantees, indemnities or other assurance against loss from any member of the Group in respect of the Secured Liabilities, provided that, if and to the extent legally possible, such security, guarantee, indemnity or other assurance against loss is also granted to the Security Agent as agent and trustee of the other Secured Parties. Any such additional security, guarantee, indemnity or other assurance against loss will rank in the same order of priority as referred to above and the proceeds of the enforcement of any such security will be applied as provided under "*—Application of Proceeds from Enforcement of Transaction Security*".

The Intercreditor Agreement contemplates that the Debtors (or any of them) may wish to: (i) incur, assume or establish incremental borrowing liabilities and/or guarantee liabilities; or (ii) refinance or replace (in whole or in part from time to time) the borrowing liabilities (or any other liabilities and obligations subject to the terms of the Intercreditor Agreement) incurred under any existing, additional, supplemental or new financing arrangements (including by way of a permitted structural adjustment, refinancing, replacement, exchange, set -off, discharge or increase of any such existing, additional, supplemental or new financing arrangement in whole or in part from time to time) ("Additional Indebtedness") which, in any such case, is intended to rank pari passu with or in priority to any existing Liabilities and/or share pari passu with or in priority to any Transaction Security and/or to rank behind any existing liabilities and/or to share in any existing Transaction Security behind such existing Liabilities. The Issuer and any other member of the Group may borrow or incur Additional

Indebtedness under or in respect of any Credit Facility Documents, the Notes Documents, the Pari Passu Debt Documents the Second Lien Debt Documents and the Senior Debt Documents (such documents or instruments together with Transaction Security Documents, being referred to collectively as the "Debt Documents") which in any such case are intended to rank *pari passu* with and/or share *pari passu* in any Transaction Security with any existing liabilities and/or to rank behind any existing liabilities and/or to share in the Transaction Security behind such existing liabilities.

In connection with any Additional Indebtedness, each Debtor is, and the Security Agent is authorised to enter into any new Security Document, amend or waive any terms of an existing Transaction Security Document and/or release any asset from Transaction Security subject to certain conditions: (a) if, and to the extent, any Additional Indebtedness cannot be secured by the then existing Security Documents (the "Initial Transaction Security Documents") without the security under such Initial Transaction Security Documents first being released, any such liabilities arising under such Additional Indebtedness may (to the extent permitted by applicable law, the Debt Documents, the agreed security principles and if in the Issuer's opinion (acting reasonably) it is commercially feasible) be secured pursuant to the execution of additional security documents (the "Additional Security Documents") on a second or lesser ranking basis but will nonetheless be deemed and treated for the purpose of the Intercreditor Agreement as secured by the Initial Transaction Security Documents and the Additional Security Documents pari passu with other Liabilities which would otherwise have the same ranking as contemplated by such Additional Indebtedness; (b) any new Transaction Security shall be (i) subject to the Debt Documents, any applicable guarantee limitations, any terms of the Intercreditor Agreement, the Agreed Security Principles and applicable law, granted in favour of the Security Agent for and on behalf of the providers and/or agents and/or trustees of such Additional Indebtedness and the then existing Secured Parties; (ii) on terms substantially the same (except that it shall also secure the relevant Liabilities arising under such Additional Indebtedness) as the terms of the existing Transaction Security over equivalent asset(s); and (iii) for the purposes of the Intercreditor Agreement, be considered as having secured the relevant Liabilities pari passu with the then existing Transaction Security; (c) any amendment or waiver of a Security Document or release and re-grant of Transaction Security shall only be undertaken: (i) if required under the terms of the Additional Indebtedness or to the extent necessary under applicable law to give effect to the ranking set out in the section entitled—Ranking and Priority and, where legally possible and in the opinion of the Issuer (acting reasonably) commercially feasible, where the Transaction Security is intended to secure any relevant liabilities, second or further priority (if applicable) Transaction Security will be taken instead of releasing and re-granting the existing Transaction Security but will nonetheless be deemed and treated for the purpose of the Intercreditor Agreement as secured by the Initial Security Documents and the Additional Security Documents pari passu with other liabilities which would otherwise have the same ranking as contemplated by such Additional Indebtedness; and (ii) if any asset is to be released from Transaction Security, promptly upon giving effect to that release, replacement Transaction Security is, subject to the Agreed Security Principles and applicable law, granted in favour of the Security Agent for and on behalf of the providers and/or agents and/or trustees of such Additional Indebtedness and the existing Secured Parties benefitting from the Security on substantially the same terms as the Transaction Security released (except that it shall also secure the relevant liabilities arising under such Additional Indebtedness); and (d) to the extent customary legal opinions as to due capacity, authority, execution and enforceability (together with customary supporting legal documentation, certificates and resolutions) are issued in relation to re-taken, new or amended Security Documents in connection with Additional Indebtedness, the Security Agent shall be entitled to rely on such legal opinions and shall receive documentary evidence of such reliance.

For the purpose of the Issuer determining if a matter is "commercially feasible" as per the above paragraph, the Issuer may take into account any action which is reasonably likely to have a material adverse effect on the borrowing, incurring, assumption, establishment, underwriting, placing, distribution or any other similar action; obtaining any consent, approval, release or waiver or agreement to any amendment in connection therewith (in the good faith judgment of the board of directors of the Issuer (for which it can conclusively rely on advice and market feedback of the arrangers of such Additional Indebtedness)), and the Issuer shall not be acting unreasonably if it considers that a particular action is reasonably likely to have a material adverse effect on the borrowing, incurring, assumption, establishment, underwriting, placing, distribution or any other similar action; obtaining any consent, approval, release or waiver or agreement to any amendment in connection therewith (in the good faith judgment of the board of directors of the Issuer (for which it can conclusively rely on advice and market feedback of the arrangers of such Additional Indebtedness)).

Security: Pari Passu Creditors

The Pari Passu Creditors may take, accept or receive the benefit of:

(a) security granted by a member of the Group or a Security Provider in respect of the Pari Passu Debt in addition to the Transaction Security if and to the extent legally possible, at the same time, it is also granted either:

   (i) to the Security Agent as trustee for the other Secured Parties in respect of their secured obligations;

   (ii) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as trustee for the Secured Parties:

A. to the other Secured Parties in respect of their secured liabilities; or

B. to the Security Agent under a parallel debt structure; joint and several creditor structure or agency structure for the benefit of the other Secured Parties; or

(iii) in the case of any security granted after the date of the Intercreditor Agreement, to some of the Secured Parties provided that such security is incremental to the Transaction Security that has already been granted in favor of all other Secured Parties and any proceeds derived from the enforcement of such security will be shared with the Secured Parties in accordance with the payment waterfalls set forth in "*—Application of Proceeds from Enforcement of Transaction Security*".

and ranks in the same order of priority as that contemplated in "*—Ranking and Priority*"; and

(b) any guarantee, indemnity or other assurance against loss from any member of the Group in respect of the Pari Passu Debt in addition to those in:

(i) the original form of the Pari Passu Debt Documents;

(ii) the Intercreditor Agreement; or

(iii) any guarantee, indemnity or other assurance against loss given for the benefit of all the Secured Parties in respect of their Secured Liabilities;

only if, in each case (1) the grant of such security or the giving of such guarantee, indemnity or other assurance against loss is permitted by the Credit Facility Documents, the Notes Documents, any existing Pari Passu Debt Documents then outstanding, any Second Lien Debt Documents then outstanding and any Senior Debt Documents and (2) to the extent legally possible at the same time, it is also granted to the Credit Facility Lenders and granted to the other Secured Parties in respect of their respective Secured Liabilities and ranks in the same order of priority as that contemplated in "*—Ranking and Priority*".

Permitted Payments—General

The Intercreditor Agreement will permit, prior to the occurrence of an acceleration event in respect of a Credit Facility, the Pari Passu Liabilities or the Notes Liabilities or Second Lien Liabilities (a "Secured Debt Acceleration Event"), payments to be made by the Debtors under a Credit Facility (including the Revolving Credit Facility), the Notes Documents, the Pari Passu Debt Documents, and Second Lien Debt Documents or with the consent of the relevant Creditor Representatives (as defined below) under each document (acting on the instructions of the requisite level of creditors under such documents) in each case in accordance with the terms of the relevant Credit Facility Agreement, Notes Documents, Pari Passu Debt Documents, Second Lien Debt Documents and Senior Debt Documents but subject to: (i) in the case of payments in respect of the Notes, compliance with the Notes Purchase condition described under "—Revolving Credit Facility—Notes Purchase Condition" or any equivalent provision in any other Credit Facility; and (ii) subject to certain customary exceptions in the case of payments in respect of the Pari Passu Liabilities, any restrictions under the Credit Facility Documents, the Notes Documents, any Pari Passu Debt Documents, any Second Lien Debt Documents and the Senior Debt Documents and (iii) in the case of payments in respect of the Second Lien Liabilities and Senior Debt Liabilities (as applicable), subject to certain customary provisions and restrictions governing permitted payments in respect of the Second Lien Debt and the Senior Debt (as applicable) including the issuance of any relevant payment stop notices.

Following the occurrence of a Secured Debt Acceleration Event, subject to certain exceptions, payments can only be made by the Debtors applying the amounts received by the relevant Debtor under the process described under "*—Application of Proceeds from Enforcement of Transaction Security*". The restriction in the foregoing sentence shall not apply (i) where, provided that the Majority Super Senior Creditors constitute the Instructing Group in accordance with "*—Enforcement Decision*", a payment block suspension notice has been delivered by the Credit Facility Agent to the Security Agent in accordance with the terms of the Intercreditor Agreement or (ii) to the extent that such Secured Debt Acceleration Event has subsequently been cancelled and/or irrevocably revoked in writing by each relevant Creditor Representative.

Permitted Payments—Second Lien

The Intercreditor Agreement will also permit payments in respect of Second Lien Debt to the Second Lien Creditors prior to the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date, in accordance with the terms of the Second Lien Debt Documents including:

(a) if:

(i) the payment is of:

(A) any principal amount or capitalized interest of the Second Lien Liabilities which is either not prohibited from being paid by the Credit Facility Documents, the Notes Documents and the Pari Passu Debt Documents or is paid on or after the final maturity date of the Second Lien Liabilities (*provided that* such maturity date is a date not earlier than the later of the originally scheduled maturity date of the Notes and the final termination date as set out in the Credit Facility Documents in existence at the time of issuance of such Second Lien Debt); or

(B) is a payment of any amount in respect of the Second Lien Liabilities which is not an amount of principal or capitalized interest (such amount including all scheduled interest payments, including, if applicable, special interest or liquidated damages) and default interest on the Second Lien Liabilities accrued due and payable in cash in accordance with the terms of the relevant Debt Document, additional amounts payable as a result of the tax gross up provisions relating to the Second Lien Debt Liabilities and amounts in respect of currency indemnities in the relevant Second Lien Debt Documents;

(ii) no Second Lien Payment Stop Notice (as defined below) is outstanding:

(iii) no payment default under any Credit Facility Document, the Notes Documents (above an agreed threshold), the Pari Passu Debt Documents (above an agreed threshold) and the Second Lien Debt Documents (above an agreed threshold) ("Second Lien Payment Default") (together a "Secured Debt Payment Default") has occurred and is continuing (but for the purposes of this paragraph (iii) a Second Lien Payment Default is excluded;

(b) the payment is in accordance with a provision in a Second Lien Debt Document which is substantially equivalent to the illegality provisions set out in the Revolving Credit Facility Agreement and no Secured Debt Acceleration Event has occurred;

(c) the payment is of the Second Lien Debt Liabilities outstanding which would have been payable but for the issue of a Second Lien Payment Stop Notice (which has since expired) which has been capitalised and added to the principal amount of the Second Lien Debt Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Second Lien Debt Liabilities during a period when a Second Lien Debt Payment Stop Notice was outstanding provided that no such payment may be made if any Second Lien Debt Payment Default is continuing or would occur as a result of making such payment;

(d) the payment is of amounts owing to the Second Lien Debt Representative in respect of any Second Lien Debt issued in the form of notes (the "Second Lien Representative Amounts");

(e) the payment is of administrative and maintenance costs, fees, expenses and taxes of the issuer or borrower of any second lien debt (the "Second Lien Debt Issuer") including any reporting or listing requirements, in each case in respect of the Second Lien Debt Issuer, and as permitted under the terms of the Credit Facility Documents, the Notes Documents and the Pari Passu Debt Documents or any costs and expenses of any holder of security in relation to the protection, preservation or enforcement of such security;

(f) the payment is of costs, commissions, taxes, premiums, amendment consent and/or waiver fees and any expenses incurred in respect of (or reasonably incidental to) the Second Lien Liabilities (including in relation to and reporting or listing requirements or any refinancing of the Second Lien Liabilities in compliance with the Intercreditor Agreement, the Credit Facilities, the Notes Documents, the Pari Passu Debt Documents provided that any such amendment, consent and/or waiver fees and expenses are in an amount which, when expressed as a percentage of the principal amount of the Second Lien Liabilities (or affected principal amount) do not exceed the corresponding amounts which have been paid in respect of any amendment, consent and/or waiver fees and expenses incurred in respect of (or reasonably incidental to) the Super Senior Liabilities and/or Senior Secured Liabilities (when expressed as a percentage of the principal amount of the Super Senior Liabilities and/or Senior Secured Liabilities (or affected principal amount));

(g) the payment is of the Second Lien Liabilities and such payment is not financed directly or indirectly by a payment to the Second Lien Debt Issuer from a member of the Group which was prohibited (at the time it was made to the Second Lien Debt Issuer) by any Credit Facility Document, the Notes Documents or the Pari Passu Debt Documents;

(h) for so long as a Secured Debt Event of Default is continuing, all or part of the Second Lien Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any Holding Company of the

Second Lien Debt Issuer (other than a member of the Group) (each a "Second Lien Debt for Equity Swap") provided that (A) no cash or cash equivalent payment is made in respect of the Second Lien Liabilities and (B) any liabilities owed by a member of the Group to another member of the Group, the Subordinated Creditors or any other holding company of the Second Lien Debt Issuer (other than a member of the Group) that arise as a result of any such Second Lien Debt for Equity Swap are subordinated to the Super Senior Liabilities and Senior Secured Liabilities pursuant to the Intercreditor Agreement and the Super Senior Creditors and Senior Secured Creditors are granted Transaction Security in respect of those liabilities;

(i) if the payment is of any other amount not exceeding € 1,000,000 (or its equivalent in other currencies) in aggregate in any 12 month period; or

(j) if the Majority Super Senior Creditors and the Notes/Pari Passu Required Holders give prior consent to that Payment being made.

The Intercreditor Agreement will also provide that, on or after the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date, Debtors may only make payments to the Second Lien Creditors in accordance with the Second Lien Debt Documents.

Permitted Payments—Senior Debt Guarantee Liabilities

The Intercreditor Agreement will also permit payments in respect of Senior Debt Guarantee Liabilities prior to the Secured Debt Discharge Date (as defined below) to be made by the Debtors under the Senior Debt Documents including if:

(a) (i) the payment is of any principal amount or capitalized interest of the Senior Debt Liabilities or the Senior Debt Issuer Liabilities which is either not prohibited from being paid by the Credit Facility Documents, the Notes Documents and the Pari Passu Debt Documents or is paid on or after the final maturity date of the Senior Debt Liabilities (*provided that* such maturity date is a date not earlier than the later of the originally scheduled maturity date of the Notes and final termination date of the credit facilities in existence at the time of issuance of such Senior Debt) or is a payment of any amount in respect of the Senior Debt Liabilities which is not an amount of principal or capitalized interest or a corresponding amount under the relevant proceeds loans for the Senior Debt (such amount including all scheduled interest payments, including, if applicable, special interest or liquidated damages) and default interest on the Senior Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant Debt Document, additional amounts payable as a result of the tax gross up provisions relating to the Senior Debt Liabilities and amounts in respect of currency indemnities in the relevant indenture for the Senior Debt and/or applicable proceeds loan, (ii) no notice of a Secured Debt Event of Default has been delivered by the Credit Facility Agent, the Notes Trustee or the Pari Passu Debt Representative (as the case may be) (a "Senior Debt Payment Stop Notice"); and (iii) no payment default under any Credit Facility Document, the Notes Documents (above an agreed threshold) and the Pari Passu Debt Documents (above an agreed threshold) has occurred and is continuing (a "Senior Debt Payment Default");

(b) the payment is in accordance with a provision in a Senior Debt Document which is substantially equivalent to the illegality provisions set out in the Revolving Credit Facility Agreement and no Secured Debt Acceleration Event has occurred;

(c) the Payment is of the Senior Debt Liabilities outstanding which would have been payable but for the issue of a Senior Debt Payment Stop Notice (which has since expired) which has been capitalised and added to the principal amount of the Senior Debt Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Senior Debt Liabilities during a period when a Senior Debt Payment Stop Notice was outstanding provided that no such Payment may be made if any Secured Debt Payment Default is continuing or would occur as a result of making such payment;

(d) the payment is of amounts owing to the Senior Debt Representative in respect of any Senior Debt issued in the form of notes (the "Senior Debt Representative Amounts");

(e) the payment is of administrative and maintenance costs, fees, expenses and taxes of the Senior Debt Issuer including any reporting or listing requirements, in each case in respect of the Senior Debt Issuer, and as permitted under the terms of the Credit Facility Documents, the Senior Secured Notes Documents, the Pari Passu Debt Documents and the Second Lien Debt Documents or any costs and expenses of any holder of security in relation to the protection, preservation or enforcement of such security;

(f) the payment is of costs, commissions, taxes, premiums, amendment consent and/or waiver fees and any expenses incurred in respect of (or reasonably incidental to) the Senior Debt Liabilities (including in relation to and reporting or listing requirements or any refinancing of the Senior Debt Documents in compliance with the

Intercreditor Agreement, the Credit Facilities, the Notes Documents, the Pari Passu Debt Documents and the Second Lien Debt Documents provided that any such amendment, consent and/or waiver fees and expenses are in an amount which, when expressed as a percentage of the principal amount of the Senior Debt Liabilities (or affected principal amount) do not exceed the corresponding amounts which have been paid in respect of any amendment, consent and/or waiver fees and expenses incurred in respect of (or reasonably incidental to) the Super Senior Liabilities, the Senior Secured Liabilities and/or Second Lien Liabilities (when expressed as a percentage of the principal amount of the Super Senior Liabilities, Senior Secured Liabilities and/or Second Lien Liabilities (or affected principal amount));

(g) the payment is by the Senior Debt Issuer of the Senior Debt Liabilities and such payment is not financed directly or indirectly by a payment to the Senior Debt Issuer from a member of the Group which was prohibited (at the time it was made to the Senior Debt Issuer) by any Credit Facility Document, the Notes Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents or the Senior Debt Documents;

(h) for so long as a Secured Debt Event of Default or a Senior Debt Default which is continuing, all or part of any liabilities in respect of any Senior Debt proceeds loan ("Senior Debt Proceeds Loan Liabilities") being released or otherwise discharged solely in consideration for the issues of shares in any holding company of Senior Debt Issuer (each a "Senior Debt for Equity Swap") provided that (A) no cash or cash equivalent payment is made in respect of the Senior Debt Proceeds Loan Liabilities and (B) any liabilities owed by a member of the Group to another member of the Group, the Subordinated Creditors or any other holding company of a Senior Debt Issuer that arise as a result of any such Senior Debt for Equity Swap are subordinated to the Super Senior Liabilities and Senior Secured Liabilities pursuant to the Intercreditor Agreement and the Super Senior Creditors and Senior Secured Creditors are granted Transaction Security in respect of any of those Senior Debt Proceeds Loan Liabilities owed by Senior Debt Issuer;

(i) if the payment is of any other amount not exceeding € 1,000,000 (or its equivalent in other currencies) in aggregate in any 12 month period; or

(j) if the Majority Super Senior Creditors and the Notes/Pari Passu Required Holders give prior consent to that Payment being made.

The Intercreditor Agreement will also provide that, on or after the Secured Debt Discharge Date, the debtors may make payments to the Senior Debt Creditors or the Senior Debt Issuer (in respect of the Senior Debt Proceeds Loan Liabilities only in respect of the Senior Debt Liabilities in accordance with the Senior Debt Documents and the Senior Debt Proceeds Loan Agreement.

Permitted Payments—Intra Group Liabilities

The Intercreditor Agreement will also permit payments to be made from time to time when due to lenders owed any Intra Group Liabilities ("Intra Group Liabilities Payments") if at the time of payment no Secured Debt Acceleration Event or an acceleration event in respect of the Senior Debt has occurred and is continuing (together an "Acceleration Event").

The Intercreditor Agreement will permit Intra Group Liabilities Payments if:

(i) an Acceleration Event has occurred prior to the date on which the Super Senior Liabilities are discharged in full (the "Super Senior Discharge Date"), with the consent of the Instructing Group (as defined, and further described, in "*—Enforcement Decision*");

(ii) an Acceleration Event has occurred after the Super Senior Discharge Date but prior to the date on which the Senior Secured Liabilities are discharged in full (the "Senior Secured Discharge Date"), with the consent of the Notes/Pari Passu Required Holders (as defined below) (acting through their Creditor Representatives);

(iii) an Acceleration Event has occurred on or after the Senior Secured Discharge Date but prior to the date on which the Second Lien Liabilities are discharged in full (the "Second Lien Discharge Date"), with the consent of the Second Lien Debt Required Holders (as defined below) (acting through their Creditor Representatives);

(iv) an Acceleration Event has occurred on or after the Secured Debt Discharge Date but prior to the later of the date on which the Senior Debt Liabilities are discharged (the "Senior Debt Discharge Date"), with the consent of the Senior Debt Required Holders (as defined herein) (acting through their Creditor Representatives);

(v) that payment is made to facilitate payment of the Super Senior Liabilities or Senior Secured Liabilities; or

(vi) the payment is made to facilitate payments of the Second Lien Debt Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement and, if such payment is made pursuant to the Second Lien Debt Documents, it would be permitted at such time;

(vii) the payment is made to facilitate payments of the Senior Debt Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement and, if such payment is made pursuant to Senior Debt Guarantees, it would be permitted at such time.

The Intercreditor Agreement will also permit payments to be made from time to time when due to lenders owed any senior secured notes proceeds liabilities (being the intragroup loan from the Issuer to the Sponsor Holdcos of a principal amount of up to €1,100.0 million, as such an amount may increase or decrease from time to time, and any other loans or credit or financial arrangements having similar effect which are made available by the Issuer to BidCo any Sponsor Holdco for the purpose of, directly or indirectly, downstreaming all or part of the proceeds of proceeds of Credit Facilities, Pari Passu Debt and/or Notes Liabilities (other than the Notes initially issued) which will be issued and/or incurred in accordance with the Debt Documents on or after the date of the Intercreditor Agreement) if such payment is made (i) to facilitate the making of a payment by the Issuer under any Notes Document, which was downstreamed to such Debtor under such senior secured notes proceeds liabilities; or (ii) such prepayment is made to facilitate the making of a payment by the Issuer which is stated not to be prohibited by the covenant described under "*Description of the Notes—Certain Covenants—Restricted Payments*" or of a payment of the administrative and maintenance costs, fees, expenses and taxes of the Issuer including any reporting or listing requirements, in each case in respect of the Issuer permitted under the terms of the Credit Facility Documents, the Notes Documents and the Pari Passu Debt Documents.

At any time prior to an Acceleration Event, each Debtor may set off or convert its Intra-Group Liabilities into equity, provided that if the existing shares of the relevant Debtor are subject to Transaction Security, subject to any new shares issued as a result thereof automatically falling within the scope of the existing Transaction Security or equivalent Transaction Security is granted in accordance with the terms of the Debt Documents over any such new shares.

Permitted Payments—Shareholder Liabilities

Payments may be made on Shareholder Liabilities from time to time when due if:

(i) the payment is not prohibited by a Credit Facility, the Notes Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents or the Senior Debt Documents;

(ii) the payment is to be made by the Issuer to the Senior Debt Issuer in respect of any Senior Debt Issuer Liabilities made in order to make a corresponding payment of Senior Debt Liabilities which is then due and payable by the Senior Debt Issuer pursuant to the Senior Debt Documents (or in the case of a payment in respect of scheduled interest, such payment will become due and payable within three business days) to be made at the time such payment of Shareholder Liabilities is made by the Issuer to the Senior Debt Issuer;

(iii) prior to the Super Senior Discharge Date, the Instructing Group (as defined below) gives written consent to such payment being made;

(iv) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Notes/Pari Passu Required Holders (acting through their Creditor Representative (as defined below)) give written consent to such payment being made;

(v) on or after the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date but prior to the Second Lien Debt Discharge Date, the Second Lien Debt Required Holders (acting through their Creditor Representatives) give written consent to that payment being made; or

(vi) on or after the Secured Debt Discharge Date but prior to the Senior Debt Discharge Date, the Senior Debt Required Holders (acting through their Creditor Representative (as defined below)) give written consent to such payment being made.

At any time prior to an Acceleration Event, each Shareholder Creditor may set off or convert its Shareholder Liabilities into equity, provided that if the existing shares of the relevant Debtor are subject to Transaction Security, subject to any new shares issued as a result thereof automatically falling within the scope of the existing Transaction Security or equivalent Transaction Security is granted in accordance with the terms of the Debt Documents over any such new shares.

Nothing in the Intercreditor Agreement or any of the Debt Documents shall prohibit or restrict any roll-up or capitalisation of any amount under any Shareholder Debt Document or the issue of any payment in kind instruments in satisfaction of any amount under any Shareholder Debt Document or any forgiveness, write-off or capitalisation of any Shareholder Liabilities or the release or other discharge of any such Shareholder Liabilities.

Creditor Representative

Under the Intercreditor Agreement, the parties will appoint various creditor representatives. "Creditor Representative" means:

(a) in relation to the lenders under the Revolving Credit Facility, the facility agent under the Revolving Credit Facility Agreement;

(b) in relation to the Credit Facility Lenders under any other Credit Facility, the facility agent in respect of that Credit Facility (an "Additional Credit Facility Agent," and, together with the facility agent under the Revolving Credit Facility Agreement, a "Credit Facility Agent");

(c) in relation to the Noteholders, the Notes Trustee;

(d) in relation to any Pari Passu Creditors, the creditor representative for those Pari Passu Creditors (the "Pari Passu Debt Representative"); and

(e) in relation to any Second Lien Creditors, the creditor representative for those Second Lien Creditors (the "Second Lien Debt Representative");

(f) in relation to the Senior Debt Creditors, the creditor representative for those Senior Debt Creditors (the "Senior Debt Representative"); and

(g) in relation to any Hedge Counterparty, such Hedge Counterparty (which shall be its own Creditor Representative).

Timing of Incurrence of Second Lien Debt

Until the later to occur of the Super Senior Discharge Date (as defined below) and the Senior Secured Discharge Date (as defined below), except as otherwise approved in writing by (x) the Majority Super Senior Creditors and (y) the Notes/Pari Passu Required Holders (which, in each case, shall only be required where and to the extent the relevant entry or incurrence is not permitted or is prohibited under the relevant Secured Debt Documents), each of the Sponsor Newcos and the Issuer shall procure that no member of the Group or any issuer of Second Lien Debt shall enter into any Second Lien Debt Documents or incur any Second Lien Liabilities under a Second Lien Debt Document unless:

(a) the Security Agent receives copies of the Second Lien Debt Documents as soon as practicable after the relevant Second Lien Liabilities is issued; and

(b) such Second Lien Debt Documents (and the incurrence of any financial indebtedness thereunder) are permitted by the Credit Facility Documents, the Notes Documents, any Pari Passu Debt Documents then outstanding, any Second Lien Debt Documents then outstanding and any Senior Debt Documents then outstanding.

Issue of Second Lien Payment Stop Notice

Until the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date, subject to limited exceptions or with the prior consent of the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s), and subject to the provisions of the Intercreditor Agreement which deal with the effects of an insolvency event, the Debtors shall procure that no member of the Group (other than the Second Lien Debt Issuer if outside the Group) shall make, and no Second Lien Creditor may receive from any member of the Group, any payment in respect of the Second Lien Debt which would otherwise be permitted as referred to above (other than certain payments, including the Second Lien Representative Amount and certain amounts relating to the administrative and maintenance costs of the issuer of Second Lien Debt) if:

(a) a Secured Debt Payment Default (as defined below) (other than a Second Lien Payment Default) has occurred and is continuing; or

(b) a Secured Debt Event of Default (other than an event of default under a Second Lien Debt Document (a "Second Lien Debt Default") or a Secured Debt Payment Default) has occurred and is continuing, from the date on which the Credit Facility Agent or the Notes Trustee or the Pari Passu Debt Representative (as the case may be) (the "Relevant Representative") delivers a notice (a "Second Lien Payment Stop Notice") specifying the event or circumstance in relation to that Secured Debt Event of Default to the Second Lien Debt Issuer, the Security Agent and the relevant Second Lien Debt Representative, until the earliest of:

(i) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

(ii) the date on which a Second Lien Debt Default occurs for failure to pay principal at the original scheduled maturity of the Second Lien Liabilities;

(iii) in relation to payments of Second Lien Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;

(iv) the date on which the relevant Secured Debt Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;

(v) the date on which the Relevant Representative delivers a notice to the Second Lien Debt Issuer, the Security Agent and the relevant Senior Debt Representative cancelling the Second Lien Payment Stop Notice;

(vi) the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date; and

(vii) the date on which the relevant Second Lien Debt Representative takes any enforcement action that it is permitted to take under the Intercreditor Agreement.

(c) Unless the relevant Second Lien Debt Representative waives this requirement:

(i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and

(ii) no Second Lien Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 60 days after the date the Second Lien Debt Representative received notice of that Secured Debt Event of Default.

(d) The Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) may serve only one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to paragraph (b) above, this shall not affect the right of the Relevant Creditor Representative(s) to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances.

(e) No Second Lien Payment Stop Notice may be served by the Relevant Creditor Representative(s) in respect of a Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Second Lien Payment Stop Notice was issued.

Paragraphs (a) to (e) above

(i) act as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;

(ii) will not prevent the accrual or capitalisation of interest (including default interest) in accordance with each Second Lien Debt Documents;

(iii) will not prevent certain payments permitted under the terms of the Intercreditor Agreement including but not limited to payments in connection with (A) Second Lien Debt Representative Amounts and any payment described in paragraphs (d) to (j) of the section of this document entitled "*Permitted Payments—Second Lien*".

Cure of Payment Stop: Second Lien Creditors

If at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Secured Debt Payment Default (other than a Second Lien Payment Default):

(a) that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Secured Debt Payment Default ceases to be continuing; and

(b) the relevant Debtor then promptly pays to the Second Lien Creditors or Second Lien Debt Issuer (in respect of any applicable Second Lien Debt Proceeds Loan) an amount equal to any Payments which had accrued under the Second Lien Debt Documents or a Second Lien Debt Proceeds Loan (as applicable) and which would have been Permitted Second Lien Debt Payments, as the case may be, but for that Second Lien Payment Stop Notice, Secured Debt Payment Default or such Secured Debt Acceleration Event,

then any event of default which may have occurred as a result of that suspension of Payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Second Lien Creditors or Second Lien Debt Issuer (in respect of any applicable Second Lien Debt Proceeds Loan).Second Lien Standstill Period

In relation to a relevant Second Lien Debt Default, a Second Lien Debt Standstill Period shall mean the period beginning on the date (the "Second Lien Standstill Start Date") the relevant Second Lien Debt Representative serves a Second Lien Enforcement Notice on the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) in respect of such Relevant Second Lien Debt Default and ending on the earlier to occur of:

(a) the date falling (the "Second Lien Standstill Period"):

   (i) 90 days after the Second Lien Standstill Start Date in the case of a failure to make a payment of an amount of principal, interest or fees representing the Second Lien Liabilities; or

   (ii) 150 days after the Second Lien Standstill Start Date in the case of any other relevant Second Lien Default;

(b) the date the Secured Parties take any enforcement action in relation to a Debtor, provided however, that:

   (i) if a Second Lien Standstill Period ends pursuant to this paragraph (b), the Second Lien Creditors may only take the same enforcement action in relation to such Debtor as the enforcement action taken by the Secured Parties against such Debtor and not against any other member of the Group; and

   (ii) enforcement action for the purpose of this paragraph (b) shall not include action taken to preserve or protect any Security as opposed to realise it;

(c) the date of an Insolvency Event in relation to a Debtor against whom enforcement action is to be taken;

(d) the date on which a Second Lien Debt Default occurs for failure to pay principal at the original scheduled maturity of the Second Lien Debt; and

(e) the expiry of any other Second Lien Standstill Period outstanding at the date such first mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy).

Restrictions on enforcement by Second Lien Creditors

Until the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date, except with the prior consent of or as required by the Instructing Group, no Second Lien Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities, except as permitted under the Intercreditor Agreement (see "—*Permitted Second Lien Enforcement*" below).

Permitted Second Lien Enforcement

(a) The restrictions detailed in the section entitled "—*Restrictions on enforcement by Second Lien Creditors*" will not apply in respect of the Second Lien Liabilities if:

   (i) a Second Lien Debt Default (the "Relevant Second Lien Debt Default") is continuing;

   (ii) the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) have received a notice of the Relevant Second Lien Debt Default specifying the event or circumstance in relation to the Relevant Second Lien Debt Default from the relevant Second Lien Debt Representative;

   (iii) a Second Lien Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Second Lien Debt Default is continuing at the end of the relevant Second Lien Standstill Period.

(b) Promptly upon becoming aware of a Second Lien Debt Default, the relevant Second Lien Debt Representative may, by notice (a "Second Lien Enforcement Notice") in writing notify the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) of the existence of such Second Lien Debt Default.

Issue of Senior Debt Payment Stop Notice

Until the later of the Super Senior Discharge Date and the Senior Secured Discharge Date (the "Secured Debt Discharge Date"), subject to limited exceptions or with the prior consent of the Credit Facility Agent, the consent of the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien

(a) Until the later of the Super Senior Discharge Date and the Senior Secured Discharge Date (the "Secured Debt Discharge Date"), except with the prior consent of the Credit Facility Agent, the consent of the Notes Trustee and the Pari Passu Debt Representative(s), and subject to the provisions of the Intercreditor Agreement which will deal with the effects of an insolvency event, the Issuer shall ensure that no member of the Group (other than the Senior Debt Issuer) shall make, and no Senior Creditor may receive from any member of the Group, any payment in respect of the Senior Debt which would otherwise be permitted as referred to above (other than certain payments, including the Senior Debt Representative Amount and certain amounts relating to the administrative and maintenance costs of the Senior Debt Issuer) if:

(i) a payment default under the Secured Debt Documents (a "Secured Debt Payment Default") has occurred and is continuing;

(ii) an event of default (subject to certain thresholds) under a Credit Facility Document, the Notes Indenture, the Pari Passu Debt Documents or the Second Lien Debt Documents (other than a Secured Debt Payment Default) (a "Secured Debt Event of Default") has occurred and is continuing, from the date on which the Credit Facility Agent or the Notes Trustee or the Pari Passu Debt Representative (as the case may be) (the "Relevant Representative") delivers a notice (a "Senior Debt Payment Stop Notice") specifying the event or circumstance in relation to that Secured Debt Event of Default to the Senior Debt Issuer, the Security Agent and the relevant Senior Debt Representative, until the earliest of:

A. the date falling 179 days after delivery of that Senior Debt Payment Stop Notice;

B. the date on which a Senior Debt Default occurs for failure to pay principal at the original scheduled maturity of the Senior Debt;

C. in relation to payments of Senior Debt Liabilities, if a Senior Debt Standstill Period (as defined below) is in effect at any time after delivery of that Senior Debt Payment Stop Notice, the date on which that Senior Debt Standstill Period expires;

D. the date on which the relevant Secured Debt Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;

E. the date on which the Relevant Representative delivers a notice to the Senior Debt Issuer, the Security Agent and the Senior Debt Representative cancelling the Senior Debt Payment Stop Notice;

F. the Secured Debt Discharge Date; and

G. the date on which the relevant Senior Debt Representative takes any enforcement action that it is permitted to take under the Intercreditor Agreement.

(b) Unless the relevant Senior Debt Representative waives this requirement:

(i) a new Senior Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Debt Payment Stop Notice; and

(ii) no Senior Debt Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 60 days after the date the Relevant Creditor Representative received notice of that Secured Debt Event of Default.

(c) The Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) and the Second Lien Debt Representatives may serve only one Senior Debt Payment Stop Notice with respect to the same event or set of circumstances.

(d) The Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) may not serve a Senior Debt Payment Stop Notice with respect to a Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Senior Debt Payment Stop Notice was issued.

Paragraphs (a) to (d) above

(i) act as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;

(ii) will not prevent the accrual or capitalisation of interest (including default interest) in accordance with each Senior Debt Documents;

(iii) will not prevent certain payments permitted under the terms of the Intercreditor Agreement including but not limited to payments in connection with (A) Senior Debt Representative Amounts and any payment described in paragraphs (d) to (j) of the section of this document entitled "*Permitted Payments—Senior Debt Guarantee Liabilities*".

Cure of Payment Stop: Senior Debt Creditors

If at any time following the issuance of a Senior Debt Payment Stop Notice or the occurrence of a Secured Debt Payment Default:

(a) the Senior Debt Payment Stop Notice ceases to be outstanding and/or the Secured Debt Payment Default ceases to be continuing, as the case may be; and

(b) the relevant Debtor then promptly pays to the Senior Debt Creditors or Senior Debt Issuer (in respect of the Senior Debt Proceeds Loan) an amount equal to any payments which had accrued under the Senior Debt Documents or a Senior Debt Proceeds Loan (as applicable) and which would have been permitted payments but for that Senior Debt Payment Stop Notice or Secured Debt Event of Default,

then any Event of Default which may have occurred as a result of that suspension of payments shall be waived and any Senior Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Debt Creditors or Senior Debt Issuer (in respect of a Senior Debt Proceeds Loan).

Restrictions on Enforcement/certain Challenges by Senior Debt Creditors

Until the later of the Secured Debt Discharge Date, except with the prior consent of or as required by the Instructing Group, no Senior Creditor shall take or require the taking of any enforcement action in relation to the Senior Debt Guarantee Liabilities except as permitted under the Intercreditor Agreement (see "*—Permitted Senior Debt Guarantee Enforcement*" below).

Permitted Senior Debt Guarantee Enforcement

(a) The restrictions detailed in the section entitled "*Restrictions on Enforcement/certain Challenges by Senior Debt Creditors"* will not apply in respect of the Senior Debt Guarantee Liabilities or any Shared Security which secures the Senior Debt Liabilities as permitted by the Intercreditor Agreement if:

(i) an event of default (or event or circumstance which would, with the expiration of a grace period, the giving of notice, the making of any determination provided for in the relevant definition of "Event of Default" in the Senior Debt Document or any combination of the foregoing, be an event of default) under any Senior Debt Document (a "Senior Debt Default") (such default being a "Relevant Senior Debt Default") is continuing;

(ii) the Credit Facility Agent, the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) have received a notice of the Relevant Senior Debt Default specifying the event or circumstance in relation to the Relevant Senior Debt Default from the Senior Debt Representative;

(iii) a Senior Debt Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Debt Default is continuing at the end of the relevant Senior Debt Standstill Period (as defined below).

(b) Promptly upon becoming aware of a Senior Debt Default, the Senior Debt Representative may, by notice (a "Senior Debt Enforcement Notice") in writing notify the Credit Facility Agent, the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) of the existence of such Senior Debt Default.

Senior Debt Standstill Period

In relation to a Relevant Senior Debt Default, a Senior Debt Standstill Period shall mean the period beginning on the date (the "Senior Debt Standstill Start Date") the Senior Debt Representative serves a Senior Debt Enforcement Notice on the Credit Facility Agent, the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) in respect of such Relevant Senior Debt Default and ending on the earliest to occur of:

(a) the date falling 179 days after the Senior Debt Standstill Start Date (the "Senior Debt Standstill Period");

(b) the date the Secured Parties take any enforcement action (excluding any action taken to preserve or perfect any Collateral as opposed to realize it) in relation to a guarantor of Senior Debt (a "Senior Debt Guarantor"), provided that the Senior Debt Creditors or the Senior Debt Issuer (in respect of a Senior Debt Proceeds Loan only) may then only take the same enforcement action in relation to the Guarantor as the enforcement action taken by the Secured Parties against such Guarantor and not against any other member of the Group;

(c) the date of an insolvency event in relation to a Senior Debt Guarantor against whom enforcement action is to be taken;

(d) the date on which a Senior Debt Default occurs for failure to pay principal at the original scheduled maturity of the Senior Debt; and

(e) the expiration of any other Senior Debt Standstill Period outstanding at the date such first Senior Debt Standstill Period commenced (unless that expiration occurs as a result of a cure, waiver or other permitted remedy).

The Senior Debt Creditors may take enforcement action as described above in relation to a Relevant Senior Debt Default even if, at the end of any relevant Senior Debt Standstill Period or at any later time, a further Senior Debt Standstill Period has begun as a result of any other Relevant Senior Debt Default.

If the Security Agent has notified the Senior Debt Representative that it is enforcing Transaction Security created over (directly or indirectly) shares of a Senior Debt Guarantor, no Senior Creditor may take any action referred to in the section entitled "*—Permitted Senior Debt Guarantee Enforcement*", above against that Senior Debt Guarantor while the Security Agent is, in accordance with the instructions of the Instructing Group, taking steps to enforce that Collateral where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Enforcement Instructions

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by the relevant Instructing Group (as further described in "*—Enforcement Decision*").

Subject to the Transaction Security having become enforceable in accordance with its terms and subject to the terms of the Intercreditor Agreement the Instructing Group may give instructions to the Security Agent as to the enforcement of the Transaction Security as they see fit provided that the instructions as to enforcement given by the Instructing Group are consistent with the Security Enforcement Principles (as defined below).

The Secured Parties may not give instructions to the Security Agent as to the enforcement of the Transaction Security other than in accordance with the Intercreditor Agreement.

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by the relevant Instructing Group or in certain other circumstances by the Second Lien Debt Representatives or the Senior Debt Representatives (as applicable) (as further described in "*—Enforcement Decision*").

Subject to the Transaction Security having become enforceable in accordance with its terms and subject to the terms of the Intercreditor Agreement the relevant Instructing Group may give instructions to the Security Agent as to the enforcement of the Transaction Security as they see fit provided that the instructions as to enforcement given by the Instructing Group are consistent with the Security Enforcement Principles (as defined below) and the other provisions of the Intercreditor Agreement.

Enforcement decision

Subject to certain conditions with respect to the make up of the relevant instructing group set out in the Intercreditor Agreement, either the Majority Super Senior Creditors, the Notes/Pari Passu Required Holders, the Second Lien Debt Required Holders or the Senior Debt Required Holders (in each case acting through their Creditor Representatives) (the relevant "Instructing Group") wish to instruct the Security Agent to commence enforcement of any Transaction Security, such group of creditors must deliver a copy of the proposed instructions as to enforcement (the "Proposed Enforcement Instructions") to the Security Agent and the Creditor Representative for each of the Super Senior Creditors, the Notes Trustee, each Pari Passu Debt Representative, each Second Lien Debt Representative and each Senior Debt Representative (as appropriate). The Security Agent shall promptly notify each Creditor Representative of the Super Senior Creditors, the Notes Trustee, each of the Pari Passu Debt Representatives, each of the Second Lien Debt Representatives and each of the Senior Debt Representatives upon receipt of such Proposed Enforcement Instructions.

Instructing Group—General

Prior to the Super Senior Discharge Date and subject to the three paragraphs immediately below, if the Security Agent has received any Proposed Enforcement Instructions, then the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Notes/Pari Passu Required Holders (and the Notes/Pari Passu Required Holders shall be the Instructing Group for the purpose of "—*Enforcement Instructions*", in each case, acting through their respective Creditor Representative) provided that such instructions are consistent with certain Security Enforcement Principles (as referred to below) and failure to give instructions will be deemed to be an instruction not to take Enforcement steps.

In the event that:

(a) from the date that is three months after the date upon which the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) are delivered, the Notes/Pari Passu Required Holders have not taken any Enforcement Action of the Transaction Security; or

(b) the Super Senior Liabilities have not been fully discharged in cash within six (6) months of the date upon which the first such Proposed Enforcement Instructions (including any such instructions not to take Enforcement steps) are delivered,

then (with effect from the date of the earlier to occur of such events), the Majority Super Senior Creditors shall become the Instructing Group for the purposes of "—*Enforcement Instructions*".

If at any time the Security Agent has not taken any Relevant Enforcement Action of the Transaction Security notwithstanding the Transaction Security having become enforceable in accordance with its terms, a Creditor Representative acting on behalf of the applicable Instructing Group, as the case may be, may at any time provide immediate instructions as to enforcement to the Security Agent, notwithstanding any instructions delivered in accordance with the above, if the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders determine in good faith (and notify the Creditor Representatives of the other Super Senior Creditors, the Notes Creditors, the Pari Passu Creditors and the Security Agent) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on:

(i) the Security Agent's ability to enforce the Transaction Security; or

(ii) the realization proceeds of any enforcement of the Transaction Security,

and the Security Agent shall only act with respect to the relevant asset or Debtor that is the subject of the determination pursuant to (i) or (ii) above, in accordance with the first such notice of determination and instructions as to enforcement received by the Security Agent (provided in each case that such instructions are consistent with certain Security Enforcement Principles (referred to below)).

If at any time an insolvency event has occurred with respect to any Debtor or any person (which is not a Debtor) which grants any Transaction Security in favour of the Secured Parties in respect of the obligations of the Debtors) (a "Security Provider") (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the applicable Instructing Group), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from such Majority Super Senior Creditors, provided that in the event the Security Agent has received Proposed Enforcement Instructions from the Creditor Representative for the Notes/Pari Passu Required Holders and has commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the Creditor Representative for the Notes/Pari Passu Required Holders, until such time as the Creditor Representative for the Majority Super Senior

Creditors issues enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the Creditor Representative for the Notes/Pari Passu Required Holders.

Other than where the preceding two paragraphs apply, if prior to the Super Senior Discharge Date, the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders (in each case acting reasonably) consider that the Security Agent is enforcing the Security in a manner which is not consistent with the Security Enforcement Principles, the Creditor Representatives for the Super Senior Creditors, the Noteholders or the Pari Passu Creditors shall give notice to the Creditor Representatives for the other Super Senior Creditors, the Noteholders or the Pari Passu Creditors (as appropriate) after which the Creditor Representatives for the other Super Senior Creditors, the Senior Secured Noteholders or the Pari Passu Creditors shall consult with the Security Agent for a period of 15 days (or such lesser period as the Relevant Creditor Representatives may agree) with a view to agreeing the manner of enforcement provided that such Creditor Representatives shall not be obliged to consult in the manner set out in this paragraph more than once in relation to each enforcement action.

After the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Notes/Pari Passu Required Holders.

After the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Second Lien Debt Required Holders.

After the Secured Debt Discharge Date but prior to the Senior Debt Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Senior Debt Required Holders.

After the Super Senior Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Notes/Pari Passu Required Holders.

Instructing Group—Second Lien Creditors

Prior to the Super Senior Discharge Date or, if later, the Senior Secured Discharge Date:

(a) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(b) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Second Lien Debt Representative(s) (acting on the instructions of the Second Lien Debt Required Holders) are then entitled to give to the Security Agent as detailed in the section above titled—*Permitted Second Lien Enforcement*. This independent right of enforcement is subject to certain exceptions provided for the Intercreditor Agreement whereby the relevant Instructing Group can, in certain circumstances, retake control of the enforcement process.

Instructing Group—Senior Debt Creditors

Prior to the Secured Debt Discharge Date:

(a) if the Instructing Group (or the Second Lien Creditors pursuant to paragraph (e) above) has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(b) in the absence of instructions from the Instructing Group (or the Second Lien Creditors pursuant to paragraph (e) above),

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Shared Security which the Senior Debt Representative(s) (acting on the instructions of the Senior Debt Required Holders) are then entitled to give to the Security Agent under as detailed in the section above titled—*Permitted Senior Debt Enforcement*. This independent right of enforcement is subject to certain exceptions provided for the Intercreditor Agreement whereby the relevant Instructing Group can, in certain circumstances, retake control of the enforcement process.

Limitation on Enforcement of Shareholder Liabilities

Subject to the below, Shareholder Creditors will not be permitted to take any enforcement action in respect of any of the Shareholder Liabilities at any time prior the last to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, the Second Lien Debt Discharge Date and the Senior Debt Discharge Date (the "Final Discharge Date") unless:

(a) such enforcement action is to demand any payment, set-off, account combination or payment netting in relation to any permitted Shareholder Liabilities payments; or

(b) otherwise directed by the Security Agent.

Subject to the turnover provisions relating to the Senior Debt Creditors and Subordinated Creditors in the Intercreditor Agreement, after the occurrence of an insolvency event in relation to any Debtor or member of the Group or Security Provider, each Shareholder Creditor may only (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Shareholder Creditor in accordance with the filing of claims provisions in the Intercreditor Agreement) and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

(a) accelerate any of that member of the Group's Shareholder Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Shareholder Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Shareholder Liabilities of that member of the Group; or

(d) claim and prove in the liquidation of that member of the Group for the Shareholder Liabilities owing to it,

but is not permitted to take any other enforcement action.

Limitation on Enforcement of Intra Group Liabilities

Subject to the below, Intra-Group Lenders will not be permitted to take any enforcement action (other than rights of set-off to enable permitted intra-group payments) in respect of any of the Intra-Group Liabilities at any time prior to the Final Discharge Date unless:

(a) such enforcement action is to demand any payment, set-off, account combination or payment netting in relation to any permitted intra-group payments; or

(b) otherwise directed by the Security Agent.

After the occurrence of an insolvency event in relation to any member of the Group or any Security Provider, an Intra Group Lender may be permitted (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra Group Lender in accordance with the Intercreditor Agreement) and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

(a) accelerate any of that Group member's Intra Group Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra Group Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Intra Group Liabilities of that member of the Group; or

(d) file claims, or claim and prove in the liquidation of that member of the Group for the Intra Group Liabilities owing to it,

but is not permitted take any other enforcement action.

Security Enforcement Principles

A Creditor Representative may only give enforcement instructions that are consistent with the following security enforcement principles (the "Security Enforcement Principles"):

(a) it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the security enforcement objective, such objective being to maximize, so far as is consistent with prompt and expeditious realisation of value from enforcement of the Transaction Security, and in a manner consistent with the provisions of the Intercreditor Agreement, the recovery by the Super Senior Creditors, the Senior Secured Creditors and, to the extent only of any Shared Security, the Senior Debt Creditors (the "Security Enforcement Objective");

(b) without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced and other enforcement action will be taken such that either:

   (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the terms of the Intercreditor Agreement (as further described in "*—Application of Proceeds from Enforcement of Transaction Security*"); or

   (ii) in the case of enforcement by the Notes/Pari Passu Required Holders sufficient Proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the terms of the Intercreditor Agreement (see "*—Application of Proceeds from Enforcement of Transaction Security*"), the Super Senior Liabilities are repaid and discharged in full in cash (unless the Majority Super Senior Creditors agree otherwise);

(c) on:

   (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent in other currencies); or

   (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists,

   then the Security Agent shall, if requested by the Instructing Group, and at the expense of the Issuer, (to the extent that financial advisors have not adopted a general policy of not providing such opinion) appoint an independent and internationally recognized investment bank or accountancy firm or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), another third-party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets (in each case not being the firm appointed as the relevant Debtor's administrator or other relevant officer holder) selected by the Security Agent (a "Financial Advisor") to opine as expert that the consideration received from any disposal is fair from a financial point of view after taking into account all relevant circumstances (a "Financial Advisor's Opinion");

(d) the Security Agent has no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement. Prior to making any appointment of a Financial Advisor, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided;

(e) the Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met;

(f) where the Instructing Group is the Notes/Pari Passu Required Holders, the Notes/Pari Passu Required Holders (as applicable) may waive the requirement for a Financial Advisor's Opinion where sufficient Proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the terms of the Intercreditor Agreement (see "*—Application of Proceeds from Enforcement of Transaction Security*"), the Super Senior Liabilities are repaid and discharged in full; and

(g) if enforcement of the Transaction Security is conducted by way of Public Auction (as defined below), no Financial Advisor shall be required to be appointed, and no Financial Advisor's Opinion shall be required, in relation to such enforcement, provided that the Security Agent shall be entitled (but not obligated) to appoint a Financial

Advisor to provide such advice as the Security Agent deems appropriate in relation to such enforcement by way of Public Auction.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, the Notes Required Holders, the Pari Passu Debt Required Holders of each tranche of Pari Passu Debt and the Security Agent and the Issuer.

"Public Auction" means an auction or other competitive sale process of assets, by or on behalf of the Security Agent pursuant to an enforcement of Transaction Security (or by a member of the Group in circumstances that are a Distressed Disposal (as defined below)), the process of such sale or disposal having been conducted as follows:

(a) prior to the sale or other disposal, the Security Agent shall, in respect of such auction or other competitive sale process, consult with an independent and internationally recognized investment bank or accounting firm selected by the Security Agent (acting reasonably) with respect to the procedures which may reasonably be expected to be used to obtain a fair market price in the then prevailing market conditions (taking into account all relevant circumstances and in order to facilitate a prompt and expeditious sale at a fair market price in the prevailing market conditions although there shall be no obligation to postpone any such sale in order to achieve a higher price);

(b) the Security Agent shall have implemented (to the extent permitted by law) in all material respects the procedures recommended by such bank or firm in relation to such auction or process;

(c) the Secured Parties shall have a right to participate including as part of a consortium and as prospective buyers and/or financiers.

For the purposes of paragraphs (a), (b) and (c) above:

(i) the Security Agent shall be entitled to retain any such independent and internationally recognized investment bank or accounting firm as its and/or any of the other Secured Parties' financial advisor to advise and assist in the proposed sale or disposition for such remuneration as the Security Agent in good faith determines is appropriate for the circumstances;

(ii) except as required by applicable law, the Security Agent shall not have any obligation to any person to engage in or to use reasonable efforts to engage in a listing of any or all of any equity interests the subject of such auction or other competitive sale process, including, without limitation, if recommended by such investment bank or accounting firm;

(iii) by reason of certain prohibitions, or exemptive or safe-harbor provisions from such prohibitions, contained in law or regulations of any applicable governmental authority, the Security Agent may, with respect to any sale of all or any part of such equity interests or assets:

  A. limit purchasers to those who meet the requirements of such governmental authority or exemptive or safe-harbor provision (as applicable) and/or make representations and undertakings satisfactory to the Security Agent relating to compliance with such requirements and/or provisions; and/or

  B. limit purchasers to persons who will agree, among other things to acquire such shares for their own account, for investment and not with a view to the distribution or resale thereof;

(iv) the Security Agent and other Secured Parties shall not under any circumstances be required to make representations, warranties or undertakings to any actual or proposed purchaser (other than customary representations in a security enforcement as to power to transfer the relevant equity interests pursuant to the Transaction Security Documents) or to indemnify any actual or proposed purchaser against any costs, liabilities or similar expenses or losses;

(v) without limitation to the other circumstances of the sale or other disposition that the Security Agent and such investment bank or accounting firm may take into consideration, the Security Agent may (but is not required to) in all circumstances specify that no offer to purchase equity interest or other assets will be entertained unless such offer:

  A. is for all (and not some only) of the equity interests being sold or otherwise disposed;

  B. is for cash consideration payable at closing (and therefore not including, for the avoidance of doubt, any element of deferred compensation) and is not subject to any financing conditions; and/or

C. contemplates a closing of the sale of the equity interests or other assets in not more than three (3) months (or such longer period as the Security Agent may specify) from the time of initiation of the sale or disposition process; and

(vi) a "right to participate":

A. means (I) any offer, or indication of a potential offer, that a Secured Party makes shall be considered by the Security Agent or such investment bank or accounting firm against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder and (II) each Secured Party, that is considering making an offer in any Public Auction is provided with the same information (including any due diligence reports and access to management that is being provided to any other bidder at the same stage of the process). For the avoidance of doubt, if after having applied that same criteria and provided the same information, the offer or indication of a potential offer made by a Secured Party, is not considered by the Security Agent or such investment bank or accounting firm to be sufficient to continue in the sale or disposal process, such consideration being against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder (such continuation may include being invited to review additional information or being invited to have an opportunity to make a subsequent or revised offer, whether in another round of bidding or otherwise) then the right to participate of that Secured Party, under the Intercreditor Agreement shall be deemed to be satisfied. The Second Lien Creditors and Senior Debt Creditors shall not have access to any due diligence report commissioned by the Super Senior Creditors and/or Senior Secured Creditors or any agent or adviser on their behalf, whether or not any such due diligence report is addressed to, or capable of being relied upon by, any member of the Group or any holding company of the Issuer or the Sponsor Holdcos, which relates to the possible implementation of any Enforcement Action, debt restructuring and/or sales process which may or will involve the release and/or compromise of any of the Second Lien Liabilities and/or Senior Debt Liabilities, any guarantees given for the Second Lien Liabilities and/or Senior Debt Liabilities or any Transaction Security (the "Senior Secured Enforcement Advice"). Where any due diligence report that has been shared with any potential third-party purchaser under a Public Auction includes any Senior Secured Enforcement Advice, the Second Lien Creditors and Senior Debt Creditors shall have access to the relevant report with the Senior Secured Enforcement Advice redacted. Super Senior Creditors and Senior Secured Creditors shall have access to reports commissioned by the Second Lien Creditors and Senior Debt Creditors on the same basis only; and

B. shall not apply if the Security Agent believes in good faith that it may (or there is a risk that it may) result in a violation of any applicable laws or that it may (or there is a risk that it may) result in a requirement for registration under any applicable securities laws.

For the purposes of paragraph (a), such investment bank or accounting firm may be instructed by the Security Agent to take the limitations set out in subparagraphs (i) to (vi) (inclusive) above into account and to formulate recommendations that are consistent with them.

Exercise of Voting Rights

Each Intra Group Lender and Subordinated Creditor will (to the fullest extent permitted by law at the relevant time) cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent and the Security Agent shall give instructions for these purposes as directed by the Instructing Group, provided that such instructions have been given in accordance with the terms of the Intercreditor Agreement.

Turnover

Turnover by Primary Creditors

The Intercreditor Agreement will provide that if any time prior to the Final Discharge Date, any Super Senior Creditor, Notes Creditor, Pari Passu Creditor, Second Lien Creditor or Senior Debt Creditor (collectively the "Primary Creditors") receives or recovers or otherwise realises the proceeds of any enforcement of any Transaction Security or any other amounts which should otherwise be received, recovered or realized by the Security Agent (whether before or after an insolvency event) other than in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*", that Primary Creditor will, subject to certain exceptions:

(a) in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for (or on behalf of) the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Turnover by Senior Debt Creditors, Second Lien Creditor and Subordinated Creditors

The Intercreditor Agreement will provide that if at any time prior to the Final Discharge Date, any Senior Debt Creditor, Second Lien Creditor or any creditor of any Subordinated Liabilities receives or recovers:

(a) any payment or distribution of, or on account of, or in relation to any such liabilities which is not otherwise permitted under the Intercreditor Agreement or made in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*";

(b) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any such liabilities which does give effect to a payment permitted under the Intercreditor Agreement or which does not give effect to a payment or enforcement action which is otherwise permitted to be made, received or taken by the relevant creditor under the Intercreditor Agreement;

(c) other than by way of set-off permitted under the Intercreditor Agreement, any amount on account of, or in relation to, any of such liabilities after the occurrence of an Secured Debt Acceleration Event or the enforcement of any Transaction Security (a "Distress Event") or as a result of any other litigation or proceedings against a Debtor or a member of the Group (other than after the occurrence of an insolvency event in respect of that Debtor or that member of the Group), other than, in each case, any amount received or recovered in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*";

(d) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any of such liabilities after the occurrence of a Distress Event; or

(e) other than by way of set-off permitted under the Intercreditor Agreement, any distribution in cash or in kind or payment of, or on account of or in relation to, any of such liabilities which is not made in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that Debtor,

the relevant Senior Debt Creditor, Second Lien Creditor or Subordinated Creditor (as applicable) will, subject to certain exceptions:

(i) in relation to receipts or recoveries not received or recovered (A) hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (B) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds from Enforcement of Transaction Security

The Intercreditor Agreement provides that amounts received from the realization or enforcement of all or any part of the Transaction Security will be applied in the following order of priority:

(a) *first*, *pari passu* and pro rata in or towards payment of: (A) any sums owing to the Security Agent or any delegate appointed by the Security Agent or any receiver, any amounts owing to the Notes Trustee, any Pari Passu Debt Representative in respect of any Pari Passu Debt issued in the form of notes, any amounts owing to the Second Lien Debt Representative in respect of any Second Lien Debt issued in the form of notes, any Senior Debt Representative Amounts payable to the Senior Debt Representative and (B) the liabilities owed to the Revolving Credit Facility Agent and each Creditor Representative (to the extent not included in the foregoing and excluding any Hedge Counterparty in its capacity as its own Creditor Representative) of any unpaid fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant Secured Debt Documents) of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any

Transaction Security Document or the Intercreditor Agreement (to the extent that such Transaction Security has been given in favor of such obligations);

(b) *second*, *pari passu* and pro rata in or toward payment of all costs and expenses incurred by the Super Senior Creditors and the Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

(c) *third*, *pari passu* and pro rata in or toward payment to: (i) the Revolving Credit Facility Agent on behalf of the Revolving Credit Facility finance parties and on behalf of the arrangers under the Revolving Credit Facility and each Creditor Representative in respect of a Credit Facility on behalf of the arrangers and lenders under and in respect of that Credit Facility; and (ii) the Super Senior Hedge Counterparties in respect of the Super Senior Hedging Liabilities, for application towards the discharge of (A) the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under the Revolving Credit Facility and the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under such Credit Facility) in accordance with the terms of the Credit Facility Documents and (B) the Super Senior Hedging Liabilities on a *pari passu* and pro rata basis as between (A) and (B);

(d) *fourth*, *pari passu* and pro rata to: (i) the Notes Trustee on behalf of the Noteholders for application towards the discharge of the Notes Liabilities (ii) the relevant Pari Passu Debt Representative on behalf of the Pari Passu Creditors for application towards the discharge of the Pari Passu Liabilities and (iii) to the Non-Super Senior Hedge Counterparties for application towards the discharge of the Non-Super Senior Hedging Liabilities on a *pari passu* and pro rata basis as between (i) and (ii) and (iii); and

(e) *fifth,* in or towards payment of each Second Lien Debt Representative on behalf of the Second Lien Creditors (or, if there is no Second Lien Debt Representative on behalf of the Second Lien Creditors, such Second Lien Creditors) for application towards the discharge of the Second Lien Liabilities owed to the Second Lien Creditors (in accordance with the Second Lien Debt Documents) on a *pari passu* and pro rata basis;

(f) *sixth*, to the extent paid out of enforcement proceeds resulting from the enforcement of Shared Security, the Senior Debt Guarantee or proceeds from a Distressed Disposal in relation to assets which were previously secured by such Shared Security, in payment or distribution to each Senior Debt Representative on behalf of the Senior Debt Creditors or, if there is no Senior Debt Representative acting on behalf of any relevant Senior Debt Creditors, such Senior Debt Creditors for application towards the discharge of the Senior Debt Liabilities owed to the Senior Debt Creditors (in accordance with the terms of the Senior Debt Documents) on a *pari passu* and pro rata basis; and

(g) the balance, if any, in payment or distribution to the Security Providers, any member of the Group or any other party entitled to receive it.

Notwithstanding any provision relating to the application of proceeds from enforcement of Transaction Security set out in the Intercreditor Agreement, no Secured Party will be entitled to receive any recovery from the realisation or enforcement of all or any part of the Transaction Security unless that recovery is received in connection with the realisation or enforcement of Transaction Security which is secured with Secured Liabilities (and only to the extent of such Secured Liabilities) that are due and owing to such Secured Party.

Release of the Guarantees and the Security

Non-Distressed Disposal

In circumstances where:

(a) a disposal is made of an asset by a Debtor or Security Provider; or

(b) a disposal is made of an asset which is subject to the Transaction Security,

and such disposal, is not being effected (a) by enforcement of the Transaction Security; (b) at the request of the Instructing Group, after the Transaction Security has become enforceable; or (c) being effected, after the occurrence of a distress event, by a Debtor or a Security Provider, to a person or persons which is not a member, or members, of the Group (each a "Distressed Disposal") and is otherwise permitted by the Credit Facility Documents, the Notes Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents and the Senior Debt Documents (together the "Senior Debt Documents," and such disposal, a "Non-Distressed Disposal"), the Intercreditor Agreement will provide that the Security Agent is irrevocably instructed and authorised (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any Creditor, Debtor, Security Provider, the Issuer or Notes Trustee) but subject to certain exceptions contained in the Revolving Credit Facility Agreement (i) to release the Transaction Security (including for the avoidance of doubt, any shared assurance), or any other claim relating to a Debt Document over the relevant asset; (ii) where that asset consists of shares in the capital of a Debtor, to release the Transaction Security (including, for the avoidance of doubt, any shared assurance), any guarantee liabilities or any other claim (relating to a Debt Document) over that Debtor and its assets and the shares in and assets of any of its subsidiaries and (iii) to execute and deliver or enter into any release of the Transaction Security (including, for the avoidance of doubt, any shared assurance, any guarantee liabilities or any claim described in sub-paragraphs (i) and (iii) above and issue any certificates of non-crystallisation of any floating charge (or similar concepts under relevant applicable local law, if any) or any consent to dealing that may, be reasonably requested by the Issuer, **provided that** in the case of a disposal which is not a Distressed Disposal made within the Group to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security will (subject to any other requirements relating to the release, retaking, amendment or extension of the Transaction Security under the Debt Documents) be granted at the same time as (or before) the relevant disposal is effected.

If any proceeds from a Non-Distressed Disposal are required to be applied in mandatory prepayment of any of the Secured Liabilities or to be offered to any Secured Party pursuant to the terms of the Secured Debt Documents, then such proceeds will be applied in or towards payment of such Secured Liabilities or shall be offered to the relevant Secured Parties in accordance with the terms of the relevant Secured Debt Documents and the consent of any other party will not be required for that application.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is irrevocably instructed and authorised (at the cost of the relevant Debtor or the Issuer) and without any consent, sanction, authority or further confirmation from any Creditor, Debtor, Security Provider or the Issuer: (a) to release the Transaction Security, or any other claim over the asset subject to the Distressed Disposal and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallisation of any floating charge (or similar concepts under relevant applicable local law) or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable; (b) if the asset which is subject to the Distressed Disposal consists of shares in the capital of a Debtor, to release (or instruct to release) that Debtor and any subsidiary of that Debtor from all or any part of (i) its borrowing liabilities in respect of the Debt Documents (other than borrowing liabilities owed by any Second Lien Debt Issuer if it is outside the Group) or owed by any issuer of Senior Debt if outside the Group and the Issuer to the Primary Creditors), its liabilities as guarantor in respect of the Debt Documents and any trading or other liabilities (not being borrowing or guaranteeing liabilities) it may have to an Intra Group Lender or another Debtor (“Other Liabilities”) and its guarantee liabilities; (ii) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; (iii) any other claim of a Subordinated Creditor, or of another Debtor over that Debtor’s assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant Creditor and Debtors; and (c) if the asset which is subject to the Distressed Disposal consists of shares in the capital of any holding company of a Debtor, to release (or instruct to release) that holding company and any subsidiary of that holding company from all or any part of (i) its borrowing liabilities in respect of the Debt Documents (other than borrowing liabilities owed by any Second Lien Debt Issuer (if it is outside the Group) or owed by any issuer of Senior Debt if outside the Group and the Issuer to the Primary Creditors), its liabilities as guarantor in respect of the Debt Documents and any Other Liabilities and guarantee liabilities; (ii) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (iii) any other claim of a Subordinated Creditor or another Debtor over the assets of any Subsidiary of that holding company.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will also provide that the Security Agent is authorized:

(a) if the asset being disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) decides to dispose of all or any part of the liabilities of that Debtor or holding company or any subsidiary of that Debtor or holding company (as the case may be) under the Debt Documents (other than borrowing liabilities owed by any Second Lien Debt Issuer (if it is outside the Group) or owed by any issuer of Senior Debt if outside the Group and the Issuer to a Primary Creditor) or any liabilities owed by such Debtor, holding company or subsidiary to another Debtor (“Debtor Liabilities”):

    (i) if the Security Agent does not intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor or all (but not part) of such Debtor Liabilities provided that notwithstanding any other provision of any Debt Document the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; or

(ii) if the Security Agent does intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor and all or any part of such Debtor Liabilities and any other liabilities under the Debt Documents,

on behalf, in each case, of the relevant creditors and Debtors.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will also provide that the Security Agent is authorized, if the asset being disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor (the "Disposed Entity") and the Security Agent decides to transfer to another Debtor (the "Receiving Entity") all or any part of that Disposed Entity's obligations (or any obligations of any subsidiary of that Disposed Entity) in respect of Intra Group Liabilities or Debtor Liabilities, to enter into any agreement (a) to transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (b) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

Certain Limitations on Release—Second Lien Debt

If on or after the first date that Second Lien Debt is issued but before the date that all Second Lien Debt has been fully and finally discharged "the Second Lien Debt Discharge Date", a Distressed Disposal is being effected such that the Transaction Security and/or guarantee liabilities will be released is a further condition to the release that either:

(a) the Second Lien Debt Representative has approved the release on the instructions of the Second Lien Debt Required Holders; or

(b) where shares or assets of a Debtor or any subsidiary of that Debtor are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash);

(ii) all present and future obligations owed to the Secured Parties under the Credit Facility Documents, the Hedging Agreements, the Notes Documents and the Pari Passu Debt Documents by a member of the Group, all or part of whose shares are pledged in favour of the Secured Parties are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its Affiliates), and all Security under the Transaction Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(A) where the Super Senior Creditors or the Senior Secured Creditors constitute the Instructing Group, the Credit Facility Agent, Notes Trustee and Pari Passu Debt Representative:

(I) determine acting reasonably and in good faith that the finance parties under the Revolving Credit Facility Agreement (the "RCF Finance Parties"), the Note Creditors and the Pari Passu Creditors (respectively) will recover more than if such claim was released or discharged but is nethertheless less than the outstanding Super Senior Liabilities and/or Senior Secured Liabilities; and

(II) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser);

(B) where the Second Lien Creditors constitute the Instructing Group, the Second Lien Debt Representative:

(I) determine acting reasonably and in good faith that the RCF Finance Parties, the Notes Creditors, the Pari Passu Creditors and Second Lien Creditors (respectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities, Senior Secured Liabilities and/or Second Lien Liabilities; and

(II) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a Public Auction; or

(II) where a Financial Advisor confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances (including the method of enforcement), although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price and provided that the liability of such Financial Advisor in giving such confirmation may be limited to the amount of its fees in respect of such engagement.

Certain Limitations on Release—Senior Debt

If on or after the first date on which Senior Debt is issued but before the Senior Debt Discharge Date, a Distressed Disposal is being effected such that the Senior Debt Guarantees will be released, it is a further condition to the release that either:

(a) the Senior Debt Representative has approved the release on the instructions of the Senior Debt Required Holders; or

(b) where shares or assets of a Senior Debt Guarantor are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash);

(ii) all present and future obligations owed to the Secured Parties under the Credit Facility Documents, the Hedging Agreements, the Notes Documents, the Second Lien Debt Documents and the Pari Passu Debt Documents by a member of the Group, all or part off whose shares are pledged or charged in favor of the Secured Parties are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all or part of the security under the Transaction Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

A. the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative determine acting reasonably and in good faith that the finance parties under the Revolving Credit Facility, the Notes Creditors, Second Lien Creditors and the Pari Passu Creditors (respectively) will recover more than if such claim was released or discharged; and

B. the Credit Facility Agent, the Notes Trustee, Second Lien Debt Representative and the Pari Passu Debt Representative serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(iii) such sale or disposal (including any sale or disposal of any claim) is made:

A. pursuant to a Public Auction; or

B. where a Financial Advisor confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

In the case of a Distressed Disposal, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have an obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities owed to a Primary Creditor or disposal of Debtor Liabilities) shall be paid to the Security Agent for application in accordance with the payment waterfall described in "—*Application of Proceeds from Enforcement of Transaction Security*", as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities owed to a Primary Creditor or disposal of Debtor Liabilities has occurred, as if that disposal of liabilities or Debtor Liabilities had not occurred.

In this section:

“Majority Super Senior Creditors” means those Super Senior Creditors whose super senior credit participations at that time aggregate more than $66^2/_3$% of the total super senior credit participations at that time;

“Pari Passu Debt Required Holders” means in respect of any direction, approval, consent or waiver to be granted by a tranche of the Pari Passu Debt, the Pari Passu Creditors of the principal amount of the relevant tranche of Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant Pari Passu Debt Documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding relevant tranche of Pari Passu Debt, in accordance with the relevant Pari Passu Debt Documents. For the avoidance of doubt, in determining whether the Pari Passu Creditors of the required principal amount of the relevant tranche of Pari Passu Debt have concurred in any direction, waiver or consent, relevant Pari Passu Debt owned by any Debtor, or by any Sponsor Affiliate, or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor (other than any Independent Debt Fund), will be considered as though not outstanding.

“Relevant Enforcement Action” means either (a) the determination by the Instructing Group of the method of enforcement of Transaction Security or (b) the appointment of a Financial Advisor by the Instructing Group to assist in such determination;

“Notes/Pari Passu Required Holders” means, at any time, those Senior Secured Notes Required Holders, Pari Passu Debt Required Holders and Non- Super Senior Hedging Counterparties whose Senior Secured Credit participations at that time aggregate more than 50% of the total Senior Secured Credit Participations (as defined herein) at that time;

“Second Lien Required Holders” means, in respect of any direction, approval, consent or waiver to be granted by a tranche or class of Second Lien Creditors, the Creditors of the principal amount of the relevant tranche or class of Second Lien Debt required to vote in favor of such direction, approval, consent or waiver under the terms of the relevant Second Lien Debt Documents, or, if the required amount is not specified, the holders holding at least a majority of the principal amount of the then outstanding relevant tranche or class of Senior Debt, in accordance with the relevant Second Lien Debt Documents. For the avoidance of doubt, in determining whether the Second Lien Creditors of the required principal amount of relevant tranche or class of Second Lien Debt have concurred in any direction, waiver or consent, relevant Second Lien Debt owned by any Debtor, or by any Sponsor Affiliate or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor other than an Independent Debt Fund, will be considered as though not outstanding;

“Senior Debt Guarantees” means each senior subordinated guarantee by a Senior Debt Guarantor of the obligations of the Senior Debt Issuer under the Senior Debt Documents which shall be made expressly subject to the provisions of the Intercreditor Agreement in a legally binding manner;

“Senior Debt Required Holders” means, in respect of any direction, approval, consent or waiver to be granted by a tranche or class of Senior Debt Creditors, the Senior Debt Creditors of the principal amount of the relevant tranche or class of Senior Debt required to vote in favor of such direction, approval, consent or waiver under the terms of the relevant Senior Debt Documents, or, if the required amount is not specified, the holders holding at least a majority of the principal amount of the then outstanding relevant tranche or class of Senior Debt, in accordance with the relevant Senior Debt Documents. For the avoidance of doubt, in determining whether the Senior Debt Creditors of the required principal amount of relevant tranche or class of Senior Debt have concurred in any direction, waiver or consent, relevant Senior Debt owned by any Debtor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor other than an Independent Debt Fund, will be considered as though not outstanding; and

“Senior Secured Notes Required Holders” means in respect of any direction, approval, consent or waiver, the Notes Trustee acting on behalf of the relevant Noteholders of the principal amount of the then outstanding Notes required or permitted under the terms of the Notes Indenture to vote in favor of such direction, approval, consent or waiver under the terms of the Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the aggregate principal amount of the then outstanding Notes, in accordance with the Notes Indenture. For the avoidance of doubt, in determining whether the Noteholders of the required principal amount of Notes have concurred in any direction, approval, consent or waiver, Notes owned by any Debtor, or by any Sponsor Affiliate or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor other than an Independent Debt Fund, will be considered as though not outstanding, except that for the purpose of determining whether the Notes Trustee will be protected in relying on any such direction, approval, waiver or consent, only Notes that the Notes Trustee knows are so owned will be disregarded.

Amendment

Subject to (A) customary exceptions in relation to, among other things, the issuance or take up of new and incremental liabilities, exceptions provisions, snooze and lose provisions and disenfranchisement of Sponsor Affiliates and defaulting lenders and (B) customary minor, technical or administrative matter amendments which may be effected by the Security Agent and the Issuer, the Intercreditor Agreement will provide that it may be amended with only the consent of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Pari Passu Debt Required Holders, the Second Lien Debt Required Holders, the Senior Debt Required Holders, the Issuer (on behalf of itself and on behalf of the Guarantors) and the Security Agent (insofar as the amendment or waiver might materially and adversely affect the rights, ranking, immunities or protections of the Security Agent) or, in each case, the respective Creditor Representative acting in accordance with the relevant Debt Document provided that to the extent an amendment, waiver or consent only affects one class of Secured Party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of Secured Party, only written agreement from the required portion of the relevant affected class (being the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Pari Passu Debt Required Holders, the Second Lien Debt Required Holders or, as the case may be, the Senior Debt Required Holders) shall be required.

Subject to certain exceptions, an amendment, waiver or consent that has the effect of changing or which relates to: (a) any amendment to the turnover provisions, redistribution provisions, enforcement of Transaction Security, process of disposals, application of proceeds provisions or amendment; (b) certain provisions relating to the giving of instructions to the Security Agent or the exercise of discretion by the Security Agent; or (c) the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of:

(i) the Credit Facility Lenders;

(ii) the Notes Trustee (acting in accordance with the terms of the Notes Indenture) insofar as the amendment or waiver would materially and adversely affect the rights, ranking, immunities or protections of that Notes Representative or the Senior Debt Creditors;

(iii) in the case of any Pari Passu Debt constituting an issuance of debt securities, the Pari Passu Debt Representative (acting in accordance with the terms of the relevant Pari Passu Debt Documents) insofar as the amendment or waiver would materially and adversely affect the rights, ranking, immunities or protections of that Pari Passu Debt Representative or the Pari Passu Creditors;

(iv) in the case of any Pari Passu Debt constituting a credit facility, the Pari Passu Creditors in that tranche of Pari Passu Debt;

(v) in the case of any Second Lien Debt constituting an issuance of debt securities, the Second Lien Debt Representative (acting in accordance with the terms of the relevant Second Lien Debt Documents) insofar as the amendment or waiver would materially and adversely affect the rights, ranking, immunities or protections of that Second Lien Debt Representative or the Second Lien Creditors;

(vi) in the case of any Second Lien Debt constituting a credit facility, the Second Lien Creditors in that tranche of Second Lien Debt;

(vii) in the case of any Senior Debt constituting an issuance of debt securities, the Senior Debt Representative (acting in accordance with the terms of the relevant Senior Debt Documents), insofar as the amendment or waiver would materially and adversely affect the rights, ranking, immunities or protections of that Senior Debt Representative or the Senior Debt Creditors;

(viii) in the case of any Senior Debt constituting a credit facility, the Senior Debt Creditors in that tranche of Senior Debt;

(ix) each Hedge Counterparty, insofar as the amendment or waiver would materially and adversely affect the Hedge Counterparty in any material respect;

(x) the Issuer; and

(xi) the Security Agent, insofar as the amendment or waiver might materially and adversely affect the rights, ranking, immunities or protections of the Security Agent.

except, in any such case, any amendments or waivers pursuant to or in connection with new, incremental and replacement liabilities (as detailed in "—*Further Security, Incremental and Replacement Liabilities*") or consequential on, incidental to or required to implement or reflect any financing described therein will not require creditor consent.

Notwithstanding the provisions of the Amendment section as detailed above, if the relevant Debt Documents for a class of creditors permits an amendment or waiver to the terms of the Intercreditor Agreement either without a requirement for consent from such creditors or with a requirement to obtain a lower level of consent from such creditors than that prescribed in Amendment section detailed above, such consent requirements shall prevail with respect to that class of creditors.

Subject to the paragraphs above and certain other exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without the prior written consent of the affected party.

Snooze/Lose

The Intercreditor Agremeement contains a snooze/lose provision that provides that if in relation to:

(a) a request for a consent, approval, release or waiver in relation to any of the terms of the Intercreditor Agreement;

(b) a request to participate in any other vote under the terms of the Intercreditor Agreement;

(c) a request to approve any other action under the Intercreditor Agreement; or

(d) a request to provide any confirmation or notification under the Intercreditor Agreement,

then, in each case, any Primary Creditor (other than any Notes Creditor for so long as such Notes remain public debt securities listed on an recognised exchange and any other Primary Creditor whose Secured Liabilities constitute a issuance of public debt securities listed on an recognised exchange) (an "Excluded Creditor"):

(i) fails to respond to that request within 10 Business Days (or any other period of time notified by the Issuer, with the prior agreement of the Security Agent if the period for this provision to operate is less than 10 Business Days) of that request being made; or

(ii) fails to provide details of its Super Senior Credit Participation, Senior Secured Credit Participation, Second Lien Credit Participation or Senior Debt Credit Participation (the "Participation") to the Security Agent within the timescale specified by the Security Agent:

(A) in the case of paragraphs (a) to (c) above, that Excluded Creditor's relevant Participation shall be deemed to be zero for the purpose of calculating the relevant total Participations when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of the total Participations has been obtained to give that consent, approval, release or waiver, carry that vote or approve that action;

(B) in the case of paragraphs (a) to (c) above, that Excluded Creditor's status in its relevant capacity shall be disregarded for the purposes of ascertaining whether the agreement of any specified group of Primary Creditors has been obtained to give that consent, approval, release or waiver, carry that vote or approve that action; and

(C) in the case of paragraph (d) above, that confirmation or notification shall be deemed to have been given.

Option to Purchase: Second Lien Creditors

The Second Lien Creditors (the "Purchasing Second Lien Creditors") may, following a distress event or for so long as either (i) a Second Lien Payment Stop Notice or (ii) a Second Lien Standstill Period is outstanding, by giving not less than 10 days' notice to the Credit Facility Agent, the Hedge Counterparties, the Notes Trustee and the Creditor Representatives of the Pari Passu Creditors, acquire or procure the acquisition by a person or persons nominated by the Purchasing Second Lien Creditors of all (but not part only) of the rights and obligations of the Super Senior Creditors and the Senior Secured Creditors in connection with the Credit Facility Lender Liabilities under the Credit Facility Documents, the Hedging Liabilities under the Hedging Agreements, the Notes Liabilities under the Notes Documents and the Pari Passu Creditors under the Pari Passu Debt Documents (for the purposes of this section only, the "Priority Acquisition Debt").

If more than one Purchasing Second Lien Creditor wishes to exercise the option to purchase the Priority Acquisition Debt in accordance with paragraph (a) above, each such Purchasing Second Lien Creditor shall acquire the Priority Acquisition Debt pro rata, in the proportion that its Second Lien Credit Participation bears to the aggregate Second Lien Credit Participations of all the Purchasing Second Lien Creditors. Any Purchasing Second Lien Creditors wishing to exercise the option to purchase the Priority Acquisition Debt shall inform the relevant Second Lien Debt Representative in accordance with the terms of the relevant Second Lien Debt Documents, who will determine (consulting with each other as required) the appropriate share of the Priority Acquisition Debt to be acquired by each such Purchasing Second Lien Creditor and who shall inform each such Purchasing Second Lien Creditor accordingly. Furthermore, the Second Lien Debt Representative shall promptly inform the Creditor Representatives of the Credit Facility Lenders, the Notes Trustee and the Pari Passu Debt Representatives of the Purchasing Second Lien Creditors' intention to exercise the option to purchase the Priority Acquisition Debt.

Option to Purchase: Second Lien Creditors—Terms

Any such purchase will be on terms which will include, without limitation, (a) lawful transfer (b) payment in full in cash of an amount equal to Credit Facility Lender Liabilities, the Notes Liabilities, Pari Passu Liabilties and relevant hedging purchase amount (as determined in accordance with the Intercreditor Agreement) then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the creditors in respect of the relevant Secured Liabilities; (c) after the transfer, no Credit Facility Lender, Hedge Counterparty, Notes Creditor or Pari Passu Creditor will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document, any Hedging Agreement, any Notes Document, any Pari Passu Debt Document for which it is not holding cash collateral in an amount and on terms satisfactory to it; (d) the Purchasing Senior Debt Creditors, other than the Senior Debt Representative (or if required by the Credit Facility Lenders, Hedge Counterparties, Noteholders or Pari Passu Creditors, a third-party acceptable to the Credit Facility Lenders, Hedge Counterparties, Notes Creditors, Pari Passu Creditors), shall provide on the date of the transfer an indemnity to each Credit Facility Lender and each other finance party under such Credit Facility Document, Hedge Counterparty, Notes Creditor or Pari Passu Creditor (each, an "Indemnified Party") for any actual or alleged obligation to repay or claw back any amount received by such Indemnified Party (e) the relevant transfer shall be without recourse to, or warranty from, any Primary Creditor, save that each such Primary Creditor will be deemed to have given the following representations and warranties on the date of the transfer:

(a) in the case of a Credit Facility Lender, it is the sole owner, free from all Security and third party interests (other than any arising under the Credit Facility Documents or by operation of law), of all rights and interests under the Credit Facility Documents purporting to be transferred by it by that transfer;

(b) in the case of a Hedge Counterparty, it is the sole owner, free from all Security and third party interests (other than any arising under the Hedging Agreements or by operation of law) of all rights and interests under the Hedging Agreements purporting to be transferred by it by that transfer;

(c) in the case of a Notes Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the Notes Documents or by operation of law), of all rights and interests under the Notes Documents purporting to be transferred by it by that transfer;

(d) in the case of a Pari Passu Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the relevant Pari Passu Debt Documents or by operation of law), of all rights and interests under the relevant Pari Passu Debt Documents purporting to be transferred by it by that transfer;

(e) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer; and

(f) it is satisfied with the results of any "know your client" or other similar checks relating to the identity of any person that they or any Representative are required by law to carry out in relation to such a transfer.

Option to Purchase: Senior Debt Creditors

The Senior Debt Creditors (the "Purchasing Senior Debt Creditors") may, after a distress event or for so long as either a (i) a Senior Debt Payment Stop Notice or (ii) a Senior Debt Standstill Period is outstanding, by giving not less than ten days' notice to the Credit Facility Agent, the Notes Trustee, the Hedge Counterparties, the Notes Trustee, the Pari Passu Debt Representative and the Second Lien Creditors (together, the "Relevant Representatives"), require the transfer to them (or to a nominee or nominees) of all (but not part only) of the rights, benefits and obligations in respect of the Super Senior Liabilities, the Senior Secured Liabilities, the Pari Passu Creditors under the Pari Passu Debt Documents and the Second Lien Creditors under the Second Lien Debt Documents (the "Senior Secured Acquisition Debt"). If more than one Purchasing Senior Debt Creditor wishes to exercise the option to purchase the Senior Secured Acquisition Debt, each such Purchasing Senior Debt Creditor shall acquire the Senior Secured Acquisition Debt pro rata, in the proportion that its principal amount outstanding under the Senior Debt and its principal amount outstanding under the Senior Debt Documents ("Senior Debt Credit Participations") bears to the aggregate Senior Debt Credit Participations of all the Purchasing Senior Debt Creditors.

Option to Purchase: Senior Debt Creditors—Terms

Any such purchase will be on terms which will include, without limitation, (a) lawful transfer (b) payment in full in cash of an amount equal to Credit Facility Lender Liabilities, the Notes Liabilities and relevant hedging purchase amount (as determined in accordance with the Intercreditor Agreement) then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the creditors in respect of the relevant Secured Liabilities; (c) after the transfer, no Credit Facility Lender, Hedge Counterparty, Notes Creditor, Pari Passu Creditor or Second Lien Creditor will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document, any Hedging Agreement, any Notes Document, any Pari Passu Debt Document or any Second Lien Debt Document for which it is not holding cash collateral in an amount and on terms satisfactory to it; (d) the Purchasing Senior Debt Creditors, other than the Senior Debt Representative (or if required by the Credit Facility Lenders, Hedge Counterparties, Noteholders, Pari Passu Creditors or Second Lien Creditors, a third-party acceptable to the Credit Facility Lenders, Hedge Counterparties, Notes Creditors, Pari Passu Creditors or Second Lien), shall provide on the date of the transfer an indemnity to each Credit Facility Lender and each other finance party under such Credit Facility Document, Hedge Counterparty, Notes Creditor, Pari Passu Creditor or Second Lien Creditor (each, an "Indemnified Party") for any actual or alleged obligation to repay or claw back any amount received by such Indemnified Party (e) the relevant transfer shall be without recourse to, or warranty from, any Primary Creditor, save that each such Primary Creditor will be deemed to have given the following representations and warranties on the date of the transfer:

(a) in the case of a Credit Facility Lender, it is the sole owner, free from all Security and third party interests (other than any arising under the Credit Facility Documents or by operation of law), of all rights and interests under the Credit Facility Documents purporting to be transferred by it by that transfer;

(b) in the case of a Hedge Counterparty, it is the sole owner, free from all Security and third party interests (other than any arising under the Hedging Agreements or by operation of law) of all rights and interests under the Hedging Agreements purporting to be transferred by it by that transfer;

(c) in the case of a Notes Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the Notes Documents or by operation of law), of all rights and interests under the Notes Documents purporting to be transferred by it by that transfer;

(d) in the case of a Pari Passu Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the relevant Pari Passu Debt Documents or by operation of law), of all rights and interests under the relevant Pari Passu Debt Documents purporting to be transferred by it by that transfer;

(e) in the case of a Second Lien Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the relevant Second Lien Debt Documents or by operation of law), of all rights and interests under the relevant Second Lien Debt Documents purporting to be transferred by it by that transfer;

(f) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer; and

(g) it is satisfied with the results of any "know your client" or other similar checks relating to the identity of any person that they or any Representative are required by law to carry out in relation to such a transfer.

Guarantee limitations

The obligations of each Debtor and Intra-Group Lender under the Intercreditor Agreement will be appropriately limited by reference to any corresponding limitations in the Debt Documents (as applicable) or at law.

Governing Law

The Intercreditor Agreement will be governed by and construed in accordance with English law.

Proceeds Loans

Upon consummation of the Acquisition, the Issuer will on-lend the gross proceeds from the Offering of the Notes in an aggregate principal amount of €1,100.0 million to the Sponsors' HoldCos (collectively, the "**Proceeds Loans**"). Each Sponsors' HoldCo, as borrower, will enter into a proceeds loan agreement with the Issuer, as lender (each, a "**Proceeds**

Loan Agreement”). Each Proceeds Loan Agreement will provide for two loan facilities, with the initial principal amount of one facility (each, a “**Fixed Rate Proceeds Loan**”) being equal to one third of the gross proceeds from the offering of the Senior Secured Fixed Rate PIK Toggle Notes and the initial principal amount of the other facility (each, a “**Floating Rate Proceeds Loan**”) being equal to one third of the gross proceeds from the offering of the Senior Secured Floating Rate PIK Toggle Notes. The Proceeds Loans will mature on the maturity date of the Notes. The Fixed Rate Proceeds Loans will accrue interest at a fixed rate equal to the interest rate accruing on the Senior Secured Fixed Rate PIK Toggle Notes from time to time, and the Floating Rate Proceeds Loan will accrue interest at a floating rate equal to the interest rate accruing on the Senior Secured Floating Rate PIK Toggle Notes from time to time. Subject to the terms of the Intercreditor Agreement, accrued interest on each Proceeds Loan may, on the applicable interest payment date, either be paid in arrears or capitalized and added to the principal amount outstanding under such Proceeds Loan.

The Sponsors’ HoldCos will contribute the proceeds received under the Proceeds Loans (less a certain amount held at the Sponsors’ HoldCos for purposes of paying deferred consideration and the first interest payment in respect of the Notes), together with the proceeds of the equity contributions received from the Sponsors’ NewCos in an amount of €933.4 million, to HoldCo’s equity. HoldCo, in turn, will contribute such proceeds to BidCo’s equity which will use the proceeds to fund the Acquisition purchase price and pay the transactions costs incurred in connection with the Acquisition, the Offering and the Financing.

Ordinary Course Funding

In the ordinary course of our business, we incur certain third-party funding obligations to fund the operations of the Target and CartaSi and to manage liquidity. This ordinary course funding consists of a wide variety of borrowings commonly undertaken by banks for such purposes, including borrowings from central banks, deposits in current accounts, demand deposits, term deposits, borrowings in the interbank market, borrowings under repurchase agreements and other similar borrowings due to banks and customers. Ordinary course funding may be undertaken on a collateralized or uncollateralized basis. These obligations may be settled on demand, or within up to one week or more, or involve borrowing on daylight or overnight credit. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity, Funding and Intragroup Funding*.”

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading "*Certain Definitions*." For purposes of this "*Description of the Notes*," references to the "Issuer," "we," "our," and "us" refer only to Mercury Bondco plc.

The Issuer will issue €900.0 million in aggregate principal amount of its $8^1/_4$%/9% Senior Secured Fixed Rate PIK Toggle Notes due 2021 (the "*Fixed Rate Notes*") and €200.0 million in aggregate principal amount of its Senior Secured Floating Rate PIK Toggle Notes due 2021 (the "*Floating Rate Notes*" and together with the Fixed Rate Notes, the "*Notes*") under an indenture to be dated as of the Issue Date (the "*Indenture*"), between, *inter alios*, the Issuer, U.S. Bank Trustees Limited, as trustee (the "*Trustee*") and as security agent (the "*Security Agent*") and Elavon Financial Services Limited, UK Branch, as paying agent and calculation agent, in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not be qualified under, incorporate by reference or include terms of, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer to make intercompany loans to each of Mercury A Capital Limited, Mercury B Capital Limited and Mercury ABC Capital Limited (together, the "*Sponsors' HoldCos*," and each a "*Sponsors' HoldCo*"), as further described below under "*—The Proceeds Loans*," and to pay the estimated fees and expenses incurred in connection with the Transactions, including commitment, placement, financial advisory and other transaction costs and professional fees, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*." A portion of the proceeds of the Proceeds Loans received by each Sponsors' HoldCo, together with the Equity Contribution of each Sponsors' HoldCo will be contributed to Mercury UK HoldCo Limited ("*HoldCo*") and by HoldCo to Mercury Italy S.r.l. ("*BidCo*") to fund the consideration payable for the shares of Istituto Centrale delle Banche Popolari S.p.A. (the "*Target*") purchased in connection with the Acquisition. In addition, the Sponsors' HoldCos will retain an amount of the Proceeds Loans, excluding the Deferred Consideration Amount, sufficient to enable the Issuer to make the first interest payment on each of the Fixed Rate Notes and Floating Rate Notes in cash. Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers of the Notes will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of this offering of the Fixed Rate Notes and the Floating Rate Notes into a segregated escrow account (the "*Escrow Account*") pursuant to the terms of an escrow deed (the "*Escrow Agreement*") dated as of the Issue Date, among the Issuer, the Trustee and Elavon Financial Services Limited, UK Branch, as escrow agent (the "*Escrow Agent*"). If the Acquisition is not consummated on or prior to March 31, 2016 (the "*Escrow Longstop Date*"), the Notes will be redeemed at a price equal to the aggregate issue price of the respective Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See "*—Escrow of Proceeds; Special Mandatory Redemption*." On the Issue Date, the Notes will be secured by the Collateral (as defined below). See "*—Security*."

Upon the issuance of the Notes, the Notes will be a direct obligation of the Issuer and will be guaranteed on a several, but not joint, basis by each of the Sponsors' HoldCos as evidenced by guarantee agreements entered into by each Sponsors' HoldCo (each, a "*Guarantee Agreement*"). The Notes will not be guaranteed by HoldCo, BidCo or the Target or any of its Subsidiaries. Prior to the Completion Date, we will not control the Target or any of its Subsidiaries. As such, we cannot assure you that, prior to the Completion Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to such entity becoming a Subsidiary of BidCo. See "*Risk Factors—Risks Related to the Transaction—The Sponsors' HoldCos do not currently control the Target and will not control the Target until completion of the Acquisition.*"

In addition, because the Target is subject to certain regulatory regimes, the Sponsors' HoldCos will not exercise any power of direction and coordination over the decisions of the Target, and the articles of association and by-laws of HoldCo and BidCo will be expressly limited in order to prevent HoldCo and BidCo from exercising such powers. Instead, the direction and coordination of the Target will be exercised by the board of directors of the Target appointed by BidCo. The Target will remain as "*capogruppo*" of its regulated banking group for Italian regulatory purposes, subject to the discretionary evaluation of the Bank of Italy. As a result of these restrictions, our ability, and that of the Sponsors' HoldCos, to control the Target will be limited and the covenants will not apply to the Restricted Subsidiaries. Instead, the occurrence of certain events described herein under the caption "*Specified Defaults*" will constitute a default in respect of the Issuer. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Issuer will not have control over compliance with the covenants under the Indenture by the Guarantors, HoldCo and HoldCo's subsidiaries (including the Target and its subsidiaries).*" In this Description of the Notes, "*Restricted Subsidiary*" means (i) until the date such Sponsors' HoldCo is released from its Notes Guarantee in accordance with the terms of the Indenture, each Sponsors' HoldCo and its respective successors, transferees and assigns and (ii) HoldCo and any Subsidiary of HoldCo (other than an Unrestricted Subsidiary that is a Subsidiary of HoldCo).

The Indenture will be unlimited in aggregate principal amount, of which €900.0 million in aggregate principal amount of Fixed Rate Notes and €200.0 million in aggregate principal amount of Floating Rate Notes will be issued in this offering. We may, subject to applicable law, issue an unlimited principal amount of additional Fixed Rate Notes having identical terms and conditions as the Fixed Rate Notes (any such additional Fixed Rate Notes actually issued, the "*Additional Fixed Rate Notes*") and an unlimited principal amount of additional Floating Rate Notes having identical terms and conditions as the Floating Rate Notes (any such additional Floating Rate Notes actually issued, the "*Additional Floating Rate Notes*" and together with any Additional Fixed Rate Notes, the "*Additional Notes*"); *provided* that if the Additional Fixed Rate Notes are not fungible with the Fixed Rate Notes for U.S. federal income tax purposes, the Additional Fixed Rate Notes will be issued with a separate ISIN code or common code, as applicable, from the Fixed Rate Notes, and that if the Additional Floating Rate Notes are not fungible with the Floating Rate Notes for U.S. federal income tax purposes, the Additional Floating Rate Notes will be issued with a separate ISIN code or common code, as applicable, from the Floating Rate Notes. We will only be permitted to issue Additional Notes in compliance with the covenants and without triggering any Specified Default or events of default contained in the Indenture, including the covenants, Specified Defaults and events of default restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under "*Certain Covenants Applicable to the Issuer—Limitation on Indebtedness in respect of the Issuer*," "*Certain Covenants Applicable to the Issuer—Incurrence of Liens by the Issuer*," "*Specified Defaults—Indebtedness*" and "*Specified Defaults—Liens*"). Except as otherwise provided for in the Indenture, the Notes issued in this offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless otherwise excluded, in this "*Description of the Notes*," references to the "Notes", the "Fixed Rate Notes" or the "Floating Rate Notes" include the Notes and any Additional Notes, the Fixed Rate Notes and any Additional Fixed Rate Notes or the Floating Rate Notes and any Additional Floating Rate Notes, as the case may be, that are actually issued (including in respect of PIK Interest).

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See "*Description of Other Indebtedness—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Guarantee Agreements, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Guarantee Agreements, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and the Guarantors and your rights. Copies of such documents are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

The Issuer has filed U.S. Internal Revenue Service Form 8832, electing to be treated as a partnership for U.S. federal tax purposes, with an effective date prior to the issuance of the Notes and, for so long as the Issuer remains eligible under applicable U.S. Treasury Regulations to elect its classification for U.S. federal tax purposes, will take any action reasonably necessary to maintain its status as a pass-through entity for U.S. federal tax purposes.

Brief Description of the Notes and the Notes Guarantees

The Notes

The Notes will, upon issuance:

- be general, senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including obligations of the Issuer under the Revolving Credit Facility;
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer, of the Sponsors' HoldCos, HoldCo or of Subsidiaries of HoldCo that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness or obligation;
- be guaranteed on a several, but not joint, basis by each Sponsors' HoldCo on a senior basis;
- be secured as set forth under "*—Security*";

- be structurally subordinated to any existing or future Indebtedness of the Sponsors' HoldCos, HoldCo or Subsidiaries of HoldCo, in each case that are not Guarantors, including obligations owed to trade creditors and depositors; and
- be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry; Delivery and Form*").

Under the terms of the Intercreditor Agreement, Holders of the Notes will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Credit Facility, (ii) other Indebtedness incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes and (iii) certain Hedging Obligations.

The Notes Guarantees

The Notes will be guaranteed by each of the Sponsors' HoldCos on the Issue Date as evidenced by the Guarantee Agreements. In addition, if certain other Restricted Subsidiaries do not provide a Notes Guarantee (as defined below) in the future under certain circumstances, it would constitute a Specified Default as described under "*—Specified Defaults—Additional Guarantees*."

The Notes Guarantee of each Sponsors' HoldCo will:

- be a senior obligation of each Sponsors' HoldCo;
- be secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future indebtedness of such Sponsors' HoldCo that is not subordinated in right of payment to such Notes Guarantee, including such Guarantor's Guarantee of the Revolving Credit Facility;
- rank senior in right of payment to any existing and future indebtedness of such Sponsors' HoldCo that is expressly subordinated to such Notes Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of such Sponsors' HoldCo that is secured by property and assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness or obligation; and
- be structurally subordinated to any existing or future Indebtedness of HoldCo or Subsidiaries of HoldCo, in each case that are not Guarantors, including obligations owed to trade creditors and depositors.

The obligations of a Guarantor under its Notes Guarantee will be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance or unlawful financial assistance or infringement of capital maintenance rules under applicable law, or otherwise to reflect limitations under applicable law or as set out in the respective Guarantee. By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*" The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in this Offering Memorandum under the caption "*Certain Insolvency Law Considerations and Limitations on the Validity and the Enforceability of the Guarantees and the Security Interests*."

As of the Issue Date, all of the Subsidiaries of the Sponsors' NewCos (other than the Issuer) will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." No action taken by an Unrestricted Subsidiary will result in a Specified Default in respect of the Issuer under the Indenture.

All of the operations of the Target will be conducted through Restricted Subsidiaries that will not be Guarantors. Claims of creditors of non-Guarantor Restricted Subsidiaries, including depositors, trade creditors and creditors holding claims under debt and guarantees issued by those Restricted Subsidiaries, and claims of minority stockholders and preferred stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors and depositors), preferred stockholders (if any) and minority stockholders of Restricted Subsidiaries (other than the Guarantors). As of the Completion Date, the Sponsors' HoldCos are expected indirectly to hold via their combined holdings in HoldCo and HoldCo's holdings in BidCo, 89.0% of the share capital of the Target. The Target holds 94.38% of the share capital of CartaSi S.p.A. and 70.00% of the share capital of Help Line S.p.A.

As of June 30, 2015, after giving *pro forma* effect to the Transactions, the Sponsors' HoldCos and the Issuer would have had on a combined basis €1,100.0 million of third party financial Indebtedness outstanding, all of which is represented by the Notes, and HoldCo and its Subsidiaries on a combined basis would have had no third party financial Indebtedness, excluding Ordinary Course Funding and Settlement Obligations. In addition, there would have been €55.0 million available for drawing by the Sponsors' HoldCos and the Issuer under the Revolving Credit Facility. See "*Description of Other Financing Arrangements.*"

Principal and Maturity

On the Issue Date, the Issuer will issue €900.0 million in aggregate principal amount of the Fixed Rate Notes and €200.0 million in aggregate principal amount of the Floating Rate Notes. The Notes will mature on May 30, 2021. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1 in excess thereof. While the Notes may only be traded in denominations of €100,000 and in integral multiples of €1 in excess thereof, for the purpose of the International Central Securities Depositories ("**ICSDs**"), the minimum denomination will be considered to be €1. For the avoidance of doubt, the ICSDs are not required to monitor or enforce the minimum amount.

Each of the Fixed Rate Notes (together with any Additional Fixed Rate Notes) and Floating Rate Notes (together with any Additional Floating Rate Notes) will constitute a separate series of Notes, but shall be treated as a single class for all purposes under the Indenture, including in respect of any amendment, waiver or other modification of the Indenture or any other action by the Holders of the Notes hereunder, except as otherwise provided in the Indenture.

Interest

Fixed Rate Notes

Interest on the Fixed Rate Notes will accrue at the rate of 8.25% per annum with respect to interest payments paid in cash ("*Fixed Rate Cash Interest*") or 9.0% per annum with respect to any interest paid in kind by increasing the principal amount of the outstanding Fixed Rate Notes in a principal amount equal to such interest ("*Fixed Rate PIK Interest*"). Interest (whether Fixed Rate Cash Interest or Fixed Rate PIK Interest) on the Fixed Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable semi-annually in arrears, on each May 30 and November 30, beginning on May 30, 2016;
- be payable to the Holder of record of such Fixed Rate Notes on the May 29 and November 29 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal, Fixed Rate Cash Interest and Fixed Rate PIK Interest, as applicable, will accrue at a rate that is 1% higher than the then applicable rate of Fixed Rate Cash Interest, in the case of overdue principal and/or Fixed Rate Cash Interest, or the then applicable rate of Fixed Rate PIK Interest, in the case of overdue Fixed Rate PIK Interest. In no event, however, will the rate of interest on the Fixed Rate Notes be higher than the maximum rate permitted by applicable law.

Except as described below under "*—PIK Toggle*", interest on the Fixed Rate Notes shall be payable entirely in cash.

Floating Rate Notes

Interest on the Floating Rate Notes will accrue at a rate per annum, reset semi-annually, equal to the sum of EURIBOR, plus 8.0% (such sum, the "*Cash Applicable Rate*"), with respect to interest payments paid in cash ("*Floating Rate Cash Interest*" and, together with Fixed Rate Cash Interest, "*Cash Interest*"), as determined by the Calculation Agent, or equal to the sum of EURIBOR, plus 8.75% (such sum, the "*PIK Applicable Rate*" and each of the Cash Applicable Rate and the PIK Applicable Rate, an "*Applicable Rate*"), with respect to interest payments paid in kind by increasing the principal amount of the outstanding Floating Rate Notes in a principal amount equal to such interest ("*Floating Rate PIK Interest*", together with Fixed Rate PIK Interest, "*PIK Interest*"), as determined by the Issuer. Interest on the Floating Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;

- be payable semi-annually in arrears, on each May 30 and November 30, beginning on May 30, 2016;
- be payable to the Holder of record of such Floating Rate Notes on the May 29 and November 29 immediately preceding the related interest payment date; and
- be computed on the basis of a 365-day year and the actual number of days elapsed.

Interest on overdue principal, Floating Rate Cash Interest and Floating Rate PIK Interest, as applicable, will accrue at a rate that is 1% higher than the then applicable rate of Floating Rate Cash Interest, in the case of overdue principal on the Floating Rate Notes and/or Floating Rate Cash Interest, or the then applicable rate of Floating Rate PIK Interest, in the case of overdue Floating Rate PIK Interest. In no event, however, will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law; *provided, however*, that the Calculation Agent (as defined below) shall not be responsible for verifying that the rate of interest on the Floating Rate Notes is permitted under applicable law.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Floating Rate Interest Calculation Date, determine the Cash Applicable Rate and calculate the aggregate amount of Floating Rate Cash Interest payable in respect of the following Floating Rate Interest Period (the "*Floating Rate Cash Interest Amount*") and notify the Issuer in writing thereof. The Floating Rate Cash Interest Amount shall be calculated by applying the Cash Applicable Rate to the principal amount of the Floating Rate Notes outstanding on the Floating Rate Interest Calculation Date, multiplying each such amount by the actual number of days in the Floating Rate Interest Period concerned divided by 365. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). The determination of the Applicable Rates and the Floating Rate Cash Interest Amounts and Floating Rate PIK Interest Amounts by the Calculation Agent shall, in the absence of willful default, fraud or manifest error, be final and binding on all parties.

Except as described below under "*—PIK Toggle*", interest on the Floating Rate Notes shall be payable entirely in cash.

PIK Toggle

For any interest period after the first interest period (other than the final interest period ending at the stated maturity of the Notes and other than as described under "*Specified Defaults—Further Limitations*"), if the Cash Available for Debt Service as determined on the Determination Date (each, as defined below) for such interest period:

(i) equals or exceeds 75%, but is less than 100% of the aggregate amount of Cash Interest that would otherwise be due on the relevant interest payment date, then the Issuer may, at its option, elect to pay interest (A) on up to 25% of the then outstanding principal amount of the Fixed Rate Notes as Fixed Rate PIK Interest and (B) on up to 25% of the then outstanding principal amount of the Floating Rate Notes as Floating Rate PIK Interest;

(ii) equals or exceeds 50%, but is less than 75%, of the aggregate amount of Cash Interest that would otherwise be due on the relevant interest payment date, then the Issuer may, at its option, elect to pay interest (A) on up to 50% of the then outstanding principal amount of the Fixed Rate Notes as Fixed Rate PIK Interest and (B) on up to 50% of the then outstanding principal amount of the Floating Rate Notes as Floating Rate PIK Interest;

(iii) equals or exceeds 25%, but is less than 50%, of the aggregate amount of Cash Interest that would otherwise be due on the relevant interest payment date, then the Issuer may, at its option, elect to pay interest (A) on up to 75% of the then outstanding principal amount of the Fixed Rate Notes as Fixed Rate PIK Interest and (B) on up to 75% of the then outstanding principal amount of the Floating Rate Notes as Floating Rate PIK Interest; or

(iv) is less than 25% of the aggregate amount of Cash Interest that would otherwise be due on the relevant interest payment date, then the Issuer may, at its option, elect to pay interest (A) on up to 100% of the then outstanding principal amount of the Fixed Rate Notes as Fixed Rate PIK Interest and (B) on up to 100% of the then outstanding principal amount of the Floating Rate Notes as Floating Rate PIK Interest.

The insufficiency or lack of funds available to the Issuer to pay Cash Interest as required under the Indenture shall not permit the Issuer to pay PIK Interest in respect of any interest period, and the sole right of the Issuer to elect to pay PIK Interest shall be as (and to the extent) provided under the immediately preceding sentence.

If interest on the Fixed Rate Notes or the Floating Rate Notes with respect to an interest period will not be paid entirely as Fixed Rate Cash Interest or Floating Rate Cash Interest (as applicable), the Cash Available for Debt Service shall be calculated by the Issuer and shall be set forth in an Officer's Certificate delivered to the Trustee (with a copy delivered to the Paying Agent) five Business Days prior to the commencement of the relevant interest period in which it is to be applied, which Officer's Certificate shall set forth in reasonable detail the Issuer's determination of each component of the definition of Cash Available for Debt Service. In addition, such Officer's Certificate shall also state the total amount of interest to be paid on such interest payment date and the amount of such interest to be paid as Fixed Rate PIK Interest or Floating Rate PIK Interest, as applicable. Notwithstanding the foregoing, the delivery of such Officer's Certificate to the Trustee shall not restrict the Issuer's ability to pay, at its option, a greater portion of the interest on any Note with respect to such interest period as Fixed Rate Cash Interest or Floating Rate Cash Interest (as applicable).

If interest on the Floating Rate Notes with respect to an interest period will not be paid entirely as Floating Rate Cash Interest, the aggregate amount of Floating Rate PIK Interest payable in respect of such Floating Rate Interest Period (the "*Floating Rate PIK Interest Amount*") shall be calculated by applying the PIK Applicable Rate to the principal amount of the Floating Rate Notes in respect of which it is determined that Floating Rate PIK Interest shall be paid (which shall be determined in accordance with the first paragraph under this "*PIK Toggle*" provision), multiplying each such amount by the actual number of days in the Floating Rate Interest Period concerned divided by 365.

If less than all of the interest on the Floating Rate Notes in respect of an interest period is paid as Floating Rate PIK Interest, then the Floating Rate Cash Interest Amount payable shall be calculated by applying the Cash Applicable Rate to the principal amount of the Floating Rate Notes in respect of which it is determined that Floating Rate Cash Interest shall be paid (which shall equal the principal amount of the Floating Rate Notes outstanding on the Floating Rate Interest Calculation Date, less the principal amount of the Floating Rate Notes in respect of which it is determined that Floating Rate PIK Interest shall be paid), multiplying each such amount by the actual number of days in the Floating Rate Interest Period concerned divided by 365.

Notwithstanding anything to the contrary, the payment of accrued interest in connection with any redemption or repurchase of any Notes as described under "*Optional Redemption*," "*Redemption for Taxation Reasons*," "*Change of Control*" and "*Sales of Assets and Subsidiary Stock*," will be made solely in cash.

If the Issuer pays a portion of the interest on the applicable series of Notes as Cash Interest and PIK Interest, such Cash Interest and PIK Interest shall be paid to the Holders of such series of Notes *pro rata* in accordance with their interests.

The ability of the Target to make dividends to HoldCo is subject to important limitations and restrictions. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Issuer is a finance subsidiary that has no revenue generating operations of its own and will be dependent upon cash flow from the Sponsors' HoldCos and their subsidiaries to meet its obligations on the Notes and the Guarantees.*"

As used herein:

"*Calculation Agent*" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which shall initially be Elavon Financial Services Limited, UK Branch.

"*Cash Available for Debt Service*" shall be the amount equal to the sum (without duplication) of:

(i) the aggregate amount of all cash and Cash Equivalents on hand at each Sponsors' HoldCo as of such Determination Date that may lawfully be used to make a distribution or payment prior to the relevant interest payment date on one or more of the Proceeds Loans (other than an amount necessary to maintain the corporate existence of such Sponsors' HoldCo, pay taxes and other corporate and administrative expenses and carry out activities not prohibited by the Indenture (such amount with respect to any company, a "*Maintenance Amount*")), net of all taxes attributable solely to such payments or distributions, if any; *plus*, without double counting,

(ii) all cash and Cash Equivalents on hand at the Issuer as of such Determination Date (other than the Issuer's Maintenance Amount), which amount shall in no event be less than €0;

provided that there shall be excluded from both clauses (i) and (ii) any net proceeds from the Notes, and any cash and Cash Equivalents on hand to be used for payment of interest on the interest payment date immediately succeeding such Determination Date or to be used to make payments under the Revolving Credit Facility; and *provided further* that the Issuer or the Sponsors' HoldCos shall retain and continue to hold at all times until the date on which the first interest payment is due and payable, an amount in cash or Cash Equivalents from the proceeds of the Notes (less €50.0 million) (which amount may be distributed to one or more Sponsors' NewCos if replaced by a corresponding amount from another source) sufficient to pay the first six months of interest applicable (A) to the Fixed Rate Notes entirely as Fixed Rate Cash Interest and (B) to the Floating Rate Notes entirely as Floating Rate Cash Interest.

"*Determination Date*" shall mean, with respect to each interest period following the first interest period, the 15th calendar day immediately prior to the first day of the relevant interest period.

"*EURIBOR*", means with respect to a Floating Rate Interest Period, the rate (expressed as a percentage per annum) for deposits in euro for a six-month period beginning on the day that is two TARGET Settlement Days after the Floating Rate Interest Calculation Date that appears on Reuters page 248 as of 11:00 a.m. (Brussels time) on the Floating Rate Interest Calculation Date; *provided, however*, that EURIBOR shall never be less than 0%. If Reuters Page 248 does not include such a rate or is unavailable on a Floating Rate Interest Calculation Date, the Calculation Agent will request the principal London office of each of four major banks in the euro zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m. (Brussels time) on such Floating Rate Interest Calculation Date, to prime banks in the euro zone inter-bank market for deposits in a Representative Amount in euro for a six-month period beginning on the day that is two TARGET Settlement Days after the Floating Rate Interest Calculation Date. If at least two such offered quotations are so provided, EURIBOR for such Floating Rate Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m. (London time) on such Floating Rate Interest Calculation Date, for loans in a Representative Amount in euro to leading European banks for a six-month period beginning on the day that is two TARGET Settlement Days after the Floating Rate Interest Calculation Date. If at least two such rates are so provided, EURIBOR for such Floating Rate Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then EURIBOR in respect of such Floating Rate Interest Period will be the EURIBOR in effect with respect to the immediately preceding Floating Rate Interest Period.

"*euro zone*" means the region comprised of member states of the European Union that at such time use the euro as their official currency.

"*Floating Rate Interest Calculation Date*" means the day that is two TARGET Settlement Days preceding the Determination Date (as defined below) in respect of the relevant Floating Rate Interest Period.

"*Floating Rate Interest Period*" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Floating Rate Interest Period shall commence on and include the Issue Date.

"*Representative Amount*" means the greater of (i) € 1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*Reuters Page 248*" means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"*TARGET Settlement Day*" means any day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET2) System is open.

The rights of Holders to receive payments of interest on the Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, Cash Interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof. PIK Interest will be payable with respect to the Notes represented by one or more Global Notes by the Issuer delivering an order to increase the principal amount of the applicable Global Note by the relevant amount or, if necessary, by issuing a new Global Note executed by the Issuer and an order to the Trustee (or its authenticating agent) to authenticate such new Global Note under the Indenture.

Principal, Cash Interest, premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, Cash Interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. PIK Interest will be payable with respect to Definitive Registered Notes by the Issuer delivering to the Trustee and Paying Agent such Additional Notes in the relevant amount as Definitive Registered Notes and an order to authenticate such Notes. See "*—Paying Agent and Registrar for the Notes*."

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in London. The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC, as amended or supplemented from time to time, including through European Union Council Directive 2014/48/EU, or any other directive implementing the conclusions of the ECOFIN meeting of 26 and 27 November 2000 regarding the taxation of savings income (the "*Directive*"), or any law implementing or complying with or introduced in order to conform to, such Directive. The initial Paying Agent will be Elavon Financial Services Limited, UK Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*"), and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Elavon Financial Services Limited and the initial Transfer Agent will be Elavon Financial Services Limited, UK Branch. The Registrar, Transfer Agent and Paying Agent, as applicable, will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

Subject to the above restrictions, the Issuer may change the Paying Agent, Registrar, Transfer Agent or Calculation Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar, Transfer Agent or Calculation Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or Calculation Agent in respect of the Notes.

The Notes Guarantees

General

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, initially will be guaranteed on a several, but not joint, basis and on a senior basis, on the Issue Date by the Sponsors' HoldCos (each, a "*Guarantor*" and, together with any other Person that provides a Notes Guarantee, the "*Guarantors*," and any such guarantee of any Guarantor, a "*Notes Guarantee*"). Each Sponsors' HoldCo will guarantee, on a several but not joint basis, a percentage of the aggregate principal amount of the Notes in proportion to its direct shareholding in HoldCo from time to time, which, together with any other shareholder of HoldCo, will collectively equal not less than 100% of all obligations under the Notes then outstanding. As of the Issue Date, each Sponsors' Holdco's Notes Guarantee will constitute $33^1/_3$% of the aggregate principal amount of each of the Fixed Rate Notes and Floating Rate Notes.

The initial Guarantors, the type of Notes Guarantee and their respective jurisdictions of incorporation will be as follows:

Guarantor	Type of Guarantee	Jurisdiction
Mercury A Capital Limited	Several ($33^1/_3$%), but not joint	Jersey
Mercury B Capital Limited	Several ($33^1/_3$%), but not joint	Jersey
Mercury ABC Capital Limited	Several ($33^1/_3$%), but not joint	Jersey

In addition, as described below under "*—Specified Defaults—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, if the Target or its Subsidiaries in the future guarantee the Revolving Credit Facility or certain other Indebtedness of the Issuer or a Guarantor permitted under the Indenture, such guarantee will constitute a Specified Default in respect of the Issuer unless such Person also enters into one or more Guarantee Agreements or supplemental indentures to become Guarantors of the Notes and accedes to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, "thin capitalization" rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders of the Notes.

In addition to being granted on a several, but not joint, basis, which means that each initial Guarantor will only guarantee and be liable for one-third of the value of the Notes, each Notes Guarantee will also be limited to the maximum amount that would not render the applicable Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of non-U.S. law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance, capital maintenance rules and other laws or will be limited as set out in the respective Notes Guarantee. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Risk Factors—Risks Related to the Notes and the Guarantees—Enforcing your rights as a holder of the Notes may prove difficult, and insolvency laws of England and Wales and Jersey may not be as favorable to you as U.S. and other insolvency laws with which you may be more familiar and may preclude holders of the Notes from recovering payments due on the Notes, the Guarantees or under the Security Documents*."

All of the operations of the Target will be conducted through Restricted Subsidiaries that will not be Guarantors as of the Issue Date or as of the Completion Date. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries. As of the Completion Date, the Sponsors' HoldCos are expected indirectly to hold via their combined holdings in HoldCo and HoldCo's holdings in BidCo 89.0% of the share capital of the Target. The Target holds 94.38% of the share capital of CartaSi S.p.A. and 70.00% of the share capital of Help Line S.p.A. See "*Summary—Summary Corporate and Financing Structure*."

As of and for the twelve months ended June 30, 2015, the Guarantors' only assets were their shares in HoldCo and the Guarantors had no revenues or revenue generating operations. As of June 30, 2015, after giving *pro forma* effect to the Transactions, HoldCo and its consolidated Subsidiaries would have had no third party financial Indebtedness, excluding Ordinary Course Funding and Settlement Obligations. Although it will constitute an event of default for the Issuer to Incur Indebtedness in excess of the limitations described under "*—Certain Covenants—Limitation on Activities of the Issuer*", or a Specified Default in respect of the Issuer for any Restricted Subsidiary to Incur Indebtedness in excess of the limitations described under "*— Specified Defaults—Indebtedness*," such limitations are subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by the Issuer or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Specified Defaults—Indebtedness*."

Notes Guarantees Release

The Notes Guarantee of a Guarantor will terminate and release upon:

(1) a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of a Guarantor that immediately prior to such sale or other disposition was a Subsidiary of HoldCo (whether by direct sale or sale of a holding company) if the sale or other disposition does not violate the Indenture or the Intercreditor Agreement and such Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(2) the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(4) in accordance with an enforcement or distressed disposal undertaken in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(5) as described under "*—Amendments and Waivers*";

(6) as described in the second paragraph of the Specified Default described below under "*—Specified Defaults—Additional Guarantees*"; or

(7) as a result of a transaction that would not constitute a Specified Default under "*—Specified Defaults—Merger and Consolidation*."

In addition, but notwithstanding the provisions described under "*Specified Defaults—Additional Guarantees*," the percentage of the Notes guaranteed by each Sponsors' HoldCo on a several but not joint basis will automatically be amended if and to the extent such Sponsors' HoldCo's direct shareholding in HoldCo changes to correspond to the proportion of such Sponsors' HoldCo's direct shareholding in HoldCo. Notwithstanding the immediately preceding sentence, in no event shall the obligations under the Notes guaranteed under all Notes Guarantees granted by the Sponsors' Holdcos and any other shareholder of HoldCo be less than 100% of all obligations under the Notes then outstanding.

At the request and expense of the Issuer and, if applicable, at the request of the Security Agent, the Trustee shall take all reasonably necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release or amendment of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases and amendments set forth above shall be effected by the Trustee without any consent of the Holders or any other action or consent on the part of the Trustee.

Transfer and Exchange

The Notes will be issued in the form of registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("*Rule 144A*") that are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended) will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- Notes sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act ("*Regulation S*") will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S and if the transferee is a U.S. Person, to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A that is also a "Qualified Purchaser" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended).

Subject to the foregoing, Book-Entry Interests in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the 144A Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A that is also a "Qualified Purchaser" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended) in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the two immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

No Book Entry Interest in any Global Note representing the Fixed Rate Notes (the "*Global Fixed Rate Notes*"), and no Definitive Registered Note issued in exchange for a Book-Entry Interest in the Global Fixed Rate Notes (the "*Definitive Registered Fixed Rate Notes*"), may be transferred or exchanged for any Book-Entry Interest in any Global Note representing the Floating Rate Notes (the "*Global Floating Rate Notes*") or any Definitive Registered Note issued in exchange for a Book-Entry Interest in the Global Floating Rate Notes (the "*Definitive Registered Floating Rate Notes*"), and no Book-Entry Interest in the Global Floating Rate Notes and no Definitive Registered Floating Rate Note may be transferred or exchanged for any Book-Entry Interest in any Global Fixed Rate Note or any Definitive Registered Fixed Rate Note.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes, each Sponsors' HoldCo, HoldCo and each of HoldCo's Subsidiaries will be a Restricted Subsidiary. However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Issuer will be permitted to designate Restricted Subsidiaries that are Subsidiaries of HoldCo as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and cannot trigger a Specified Default.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers of the Notes will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account will be pledged on a first-priority basis in favor of the Trustee for the benefit of the Holders of the relevant series of Notes, pursuant to an escrow account charge dated the Issue Date between the Issuer, the Trustee and the Escrow Agent (the "*Escrow Charge*"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "*Escrowed Property*."

In order to cause the Escrow Agent to release the Escrowed Property to, or to be paid at the instruction of, the Issuer (the "*Release*"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall conclusively rely, without further investigation or liability, to the effect that:

- prior to or concurrently with the Release, the Equity Contribution will have been made and, in the case of the release of the Fixed Rate Notes from escrow, the Floating Rate Notes will be released concurrently from escrow, and in the case of the release of the Floating Rate Notes from escrow, the Fixed Rate Notes will be released concurrently from escrow;

- the Escrowed Property will be applied in substantially the same manner as described in this Offering Memorandum;

- the Acquisition will be consummated on the terms set forth in the Acquisition Agreement (and on substantially the same terms as described in the Offering Memorandum under the section "*The Transactions*"), promptly following release of the Escrowed Property, except for any changes or other modifications that will not, individually or when taken as whole, have a material adverse effect on the Holders of the Notes;

- immediately after consummation of the Acquisition, BidCo will own, directly or indirectly, at least 85.3% of the share capital of the Target; and

- as of the Completion Date, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled "Events of Default" below.

The Release shall occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the "*Completion Date*"). Upon the Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (d) one or more of the Initial Investors ceases to beneficially own or control at least 50% of the issued and outstanding Capital Stock of the Sponsors' HoldCos (in the aggregate) and the Issuer or (e) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "Events of Default" below on or prior to the Escrow Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to the aggregate issue price of the respective Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, certain funds formed or managed by Advent International Corporation, Bain Capital Europe LLP and Clessidra SGR S.p.A. will be required to make an equity contribution to their respective Sponsors' HoldCo for further payment to the Issuer in an amount required to enable the Issuer to pay the accrued and unpaid interest, plus Additional Amounts, if any, owing to the Holders of the Notes, pursuant to one or more agreements or equity commitment letters between such funds (on a several, *pro rata* basis in relation to their respective total equity investments in the Sponsors HoldCos) and the Trustee. See "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.*"

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the relevant series of Notes a security interest over the Escrow Account. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption (provided funds sufficient to pay the Special Mandatory Redemption Price are in the Escrow Account) shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange of such Special Mandatory Redemption and any relevant details relating to such special mandatory redemption.

Security

General

The Notes and the Notes Guarantees in respect thereof will be secured on the Issue Date:

- by first-priority security interests in the Escrowed Property;
- by first-priority pledges of each Sponsors' NewCo's shareholding in each respective Sponsors' HoldCo and the Issuer;
- by first-priority pledges of each Sponsors' HoldCo's shareholding in HoldCo (the "*HoldCo Share Pledges*");
- by first-priority security interests in all bank accounts of each Sponsors' HoldCo and the Issuer; and
- by an assignment of all receivables owed to the Issuer (as lender) by the Sponsors' HoldCos (as borrowers) under the Proceeds Loans (together, the "*Collateral*").

The assets that comprise the Collateral will also secure on a first-priority basis the Revolving Credit Facility and certain Hedging Obligations, which, in each case, will be entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes.

Subject to certain conditions, and provided no Specified Default under "*—Specified Defaults—Impairment of Security Interest*" and "*Specified Defaults—Liens*" is triggered, the Issuer will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including Additional Notes, as permitted under the Indenture and the Intercreditor Agreement.

The Collateral will be pledged or assigned pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Notes and lenders under the Revolving Credit Facility. Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute "Collateral." Any future additional Collateral (for the avoidance of doubt, other than Collateral that is released and retaken either (i) pursuant to clause (1) under "Release of Liens" or (ii) as would not result in a Specified Default under "*Specified Default—Impairment of Security Interest*") will be subject to the Agreed Security Principles and all Collateral will be subject to any Permitted Collateral Liens.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Certain Insolvency Law Considerations and Limitations on the Validity and the Enforceability of the Guarantees and the Security Interests*" in this Offering Memorandum.

Notwithstanding the foregoing and the provisions of the Specified Defaults described below under "*—Certain Covenants Applicable to the Issuer—Limitation on Liens Incurred by the Issuer*" and the conditions set forth under "*—Specified Defaults—Liens*" and "*—Specified Defaults—Additional Guarantees*" certain property, rights and assets (other than the Collateral described in the first paragraph of this section) may not be pledged or assigned, and any pledge or assignment over property, rights and assets may be limited (or the Liens not perfected) and certain Persons may grant Notes Guarantees or such Notes Guarantees (excluding the Notes Guarantees of the Sponsors' HoldCos or any other shareholder of HoldCo) may be limited, in each case, in accordance with the Agreed Security Principles. The following is a summary of certain terms of the Agreed Security Principles:

- general legal and statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, thin capitalization rules, retention of title claims and similar principles may limit the ability of the Issuer and the Restricted Subsidiaries (collectively, the "Group") to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise. If any such limit applies, the guarantees and security provided will be limited to the maximum amount, which the relevant member of the Group may provide having regard to applicable law (including any jurisprudence) and subject to fiduciary duties of management. The relevant Guarantor will use reasonable endeavors to assist in demonstrating that adequate corporate benefit accrues to each Guarantor or security provider;

- the giving of a guarantee or the taking of security (and the extent of any perfection and/or registration actions) will not be required to the extent that the applicable time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration taxes and notarial costs) associated with such guarantee or security are disproportionate to the benefit obtained by the creditors;

- where there is material incremental cost involved in creating security over all assets owned by a member of the Group in a particular category (e.g., real estate) the principle stated above shall apply and, subject to these Agreed Security Principles, only the material assets in that category (e.g., material real estate) shall be subject to security;

- in certain jurisdictions it may be impossible to create security over certain categories of assets in which event such security will not be taken over such assets;

- members of the Group will not be required to give guarantees or enter into Security Documents if it is not within the legal capacity of the relevant members of the Group or if, in the reasonable opinion of legal counsel to the directors of the relevant members of the Group, the same would conflict with the fiduciary duties of those directors or contravene any applicable legal or regulatory prohibition or result in personal or criminal liability on the part of any officer or result in any significant risk of legal liability for the directors of any member of the Group;

- the terms of the security will be limited to those required by local law and should only operate to create or perfect security and will not impose commercial obligations, nothing in any security document shall prohibit any transaction, matter or other step if not prohibited by the terms of the Indenture or the Notes; and

- the perfection of security interests granted will not be required if it would have a material adverse effect on the ability of the relevant Guarantor to conduct its operations and business in the ordinary course as otherwise permitted by the relevant finance documents (which will include, *inter alia*, the Indenture, the Revolving Credit Facility and the Intercreditor Agreement).

As described above, all of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations, which will receive proceeds from the enforcement of the Collateral in priority to the Notes, and may also secure certain future Indebtedness on the same basis with respect to the receipt of proceeds from the enforcement of the Collateral in priority to the Notes. The proceeds from the enforcement of the Collateral after all such obligations have been satisfied may not be sufficient to satisfy the obligations owed to the Holders of the Notes.

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes and the Guarantees—It may be difficult to realize the value of the Collateral securing the Notes and the Guarantees*."

The Proceeds Loans

On the Completion Date, the proceeds of the offering of Fixed Rate Notes issued on the Issue Date (the "*Fixed Rate Notes Proceeds Loans*" and each, a "*Fixed Rate Notes Proceeds Loan*") and the proceeds of the offering of the Floating Rate Notes issued on the Issue Date (the "*Floating Rate Notes Proceeds Loans*" and each a "*Floating Rate Notes Proceeds Loan*" and together with the Fixed Rate Notes Proceeds Loans and any future proceeds loans in respect of the proceeds of Additional Notes, the "*Proceeds Loans*" and each a "*Proceeds Loan*") will be made available in a single drawing to each Sponsors' HoldCo pursuant to one or more proceeds loan agreements (the "*Proceeds Loan Agreements*" and each, a "*Proceeds Loan Agreement*"). Each Sponsors' HoldCo will borrow $33^1/_3$% of the aggregate proceeds of the issuance of the Fixed Rate Notes issued on the Issue Date under a Fixed Rate Notes Proceeds Loan and $33^1/_3$% of the aggregate proceeds of the issuance of the Floating Rate Notes issued on the Issue Date under a Floating Rate Notes Proceeds Loan. The Proceeds Loan Agreements will provide that the Sponsors' HoldCos will pay to the Issuer interest and principal under each Proceeds Loan prior to the time at which it becomes payable on the Notes (including any additional amounts due thereunder) in such a manner that will allow the Issuer to meet its obligations under the Notes. The Fixed Rate Notes Proceeds Loans will bear interest at a rate at least equal to the interest rate of the Fixed Rate Notes (including with respect to any PIK interest paid), the Floating Rate Notes Proceeds Loans will bear interest at a rate at least equal to the interest rate of the Floating Rate Notes (including with respect to any PIK interest paid) and interest on the Proceeds Loan will be payable semi-annually in arrears such that the Issuer will have received payment prior to the time at which the Issuer is obligated to make a corresponding interest payment under the Notes. To the extent that PIK interest is paid on the Fixed Rate Notes Proceeds Loans and/or the Floating Rate Notes Proceeds Loans, the principal amount of such Proceeds Loan will increase accordingly. Principal payments of the Proceeds Loan will be payable at least one, and no more than five, Business Days prior to any expected corresponding payment by the Issuer to repurchase, redeem or defease the Notes or as consideration payable under a Change of Control Offer or Asset Disposition Offer (each as defined below), each in accordance with the Indenture. The Sponsors' HoldCos will retain an amount of the Proceeds Loans sufficient to pay part of the Deferred Consideration Amount and to enable the Issuer to make the first interest payment on the Notes in cash and contribute the remaining proceeds together with the € 933.4 million in proceeds of the equity contributions received from the Sponsors' NewCos, to HoldCo's equity. HoldCo, in turn, will contribute such proceeds to BidCo's equity in order for BidCo to pay the purchase price for the Target in the Acquisition.

The Proceeds Loans (including as increased pursuant to any PIK interest) will be pledged on a first-priority basis to secure the obligations of the Issuer and the Guarantors under the Notes and the Notes Guarantees.

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Agents and the Holders of the Notes under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, will be established by the terms of the Intercreditor Agreement, the Indenture, the Notes, the Guarantee Agreements and the Security Documents, which will provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Credit Facility, certain Hedging Obligations, the Notes and the Notes Guarantees will be secured equally and ratably by first-priority Security Interests over the Collateral. The Intercreditor Agreement will also provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Credit Facility, certain Hedging Obligations will receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*Description of Other Indebtedness—Intercreditor Agreement*." In addition, subject to certain limitations, the Collateral may be pledged to secure future Indebtedness, some of which may receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*—Release of Liens*," "*—Specified Defaults—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, the Issuer, the Sponsors' NewCos and the Sponsors' HoldCos will grant security over the Collateral to secure the payment, when due, of the Issuer's and the Guarantors' payment obligations under the Notes, the Notes Guarantees and the Indenture, as well as the Issuer's and the Guarantors' payment obligations under the Revolving Credit Facility and certain Hedging Obligations. The Security Documents will be entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders of the Notes. As a consequence of such contractual provisions, Holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes and the Guarantees*."

Enforcement of Security Interest; Limitations

The creditors under the Revolving Credit Facility, the counterparties to certain Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the relevant security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each relevant Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Other Indebtedness—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

See the sections entitled "*Risk Factors—Risks Related to the Notes and the Guarantees—The security interest over the Collateral will not be granted directly to the holders of the Notes and the holders of the Notes will have limited rights to enforce remedies under the Security Documents*" and "*Description of Other Indebtedness—Intercreditor Agreement*."

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into as described under "*—Additional Intercreditor Agreements*."

Release of Liens

The Issuer, the Sponsors' NewCos and the Sponsors' HoldCos and (if applicable) HoldCo and Subsidiaries of HoldCo will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to any Restricted Subsidiary (other than HoldCo and its Subsidiaries) (including any transaction subject to "*—Specified Defaults—Merger and Consolidation*" or any Permitted Reorganization); *provided* that this clause (1) shall not be relied upon in the case of a transfer of Capital Stock, obligations under proceeds loans owed to the Issuer, or accounts receivable (including intercompany loan receivables and hedging receivables) owed to a Restricted Subsidiary (except, in the case of accounts receivable, to a Receivables Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such transfer, sale or disposal;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) upon the contribution of any claim of the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of the Restricted Subsidiaries (other than the Proceeds Loan); *provided* that such contribution is made in compliance with the Intercreditor Agreement; or

(7) as otherwise not prohibited by the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as would not result in a Specified Default under "*—Specified Defaults—Impairment of Security Interest*."

At the request and expense of the Issuer or the relevant pledgor, the Security Agent and, to the extent required or necessary, the Trustee will take all necessary action required to effectuate any release of Collateral securing the Notes and the Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Fixed Rate Notes

Except as described below and except as described under "*Redemption for Taxation Reasons*," the Fixed Rate Notes are not redeemable until November 30, 2017. On and after November 30, 2017, the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' prior written notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date, if redeemed during the twelve-month period beginning on November 30 of the years indicated below:

Year	Redemption Price
2017	104.1250%
2018	102.0625%
2019 and thereafter	100.0000%

Prior to November 30, 2017, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes issued under the Indenture (including the aggregate principal amount of any Additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' prior written notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 108.2500% of the principal amount of the Fixed Rate Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date; *provided* that:

(1) at least 50% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Fixed Rate Notes) issued under the Indenture remain outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to November 30, 2017, the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes, plus the Fixed Rate Applicable Premium, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date.

"*Fixed Rate Applicable Premium*" means, with respect to any Fixed Rate Note the greater of:

(a) 1% of the principal amount of such Fixed Rate Note; and

(b) the excess (to the extent positive) of:

    (i) the present value at such redemption date of (1) the redemption price of such Fixed Rate Note at November 30, 2017 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (2) all required cash interest payments due on such Fixed Rate Note to and including November 30, 2017 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points; over

    (ii) the outstanding principal amount of such Fixed Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Fixed Rate Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

"*Bund Rate*" as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors of the Issuer) most nearly equal to the period from the redemption date to November 30, 2017; *provided*, *however*, that if the period from the redemption date to November 30, 2017, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to November 30, 2017, is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

Floating Rate Notes

Except as described below and except as described under "*Redemption for Taxation Reasons*," the Floating Rate Notes are not redeemable until November 30, 2016. On and after November 30, 2016, the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' prior written notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest (calculated with reference to the Floating Rate Cash Interest as of the most recent Floating Rate Interest Calculation Date) and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date, if redeemed during the twelve-month period beginning on November 30 of the years indicated below:

Year	Redemption Price
2016	101.0000%

2017 and thereafter	100.0000%

In addition, prior to November 30, 2016, the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Floating Rate Notes, plus the Floating Rate Applicable Premium, plus accrued and unpaid interest (calculated with reference to the Floating Rate Cash Interest as of the most recent Floating Rate Interest Calculation Date) and Additional Amounts, if any, to, but not including, the applicable redemption date.

"*Floating Rate Applicable Premium*" means, with respect to any Floating Rate Note the greater of:

(a) 1% of the principal amount of such Floating Rate Note; and

(b) the excess (to the extent positive) of:

(i) the present value at such redemption date of (1) the redemption price of such Floating Rate Note at November 30, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), *plus* (2) all required cash interest payments due on such Floating Rate Note to and including November 30, 2016 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date (or, if greater than such Bond Rate, zero) plus 50 basis points and assuming that the rate of interest on the Floating Rate Notes for the period from the redemption date through November 30, 2016, will equal the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over

(ii) the outstanding principal amount of such Floating Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Floating Rate Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

General

Subject to compliance with the covenants contained herein, and provided that no Specified Default or Default is triggered thereby, the Issuer and its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine.

Notice of redemption will be provided as set forth under "*—Selection and Notice*" below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (provided, however, that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for the Fixed Rate Notes or the Floating Rate Notes at a price of at least 100.000% of the principal amount of the Notes tendered, plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other Holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Sinking Fund

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On May 30, 2021, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of the Fixed Rate Notes or Floating Rate Notes (as applicable) are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Notes of the applicable series for redemption on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "*Book-Entry; Delivery and Form*," based on a method that most nearly approximates a *pro rata* selection of the applicable series in accordance with the procedures of the relevant clearing system, unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may instead be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) mutatis mutandis to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "*Payor*") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or any Notes Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (in the form of (i) in the case of PIK interest, additional PIK Interest, and (ii) in other cases, cash) (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the beneficial owner, if the relevant Holder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction such be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Notes Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar Tax;

(6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Directive or any law implementing, or complying with, or introduced in order to conform to, such Directive;

(7) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(8) any Taxes required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), in each case, as of the Issue Date (or, in each case, any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain and provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and the Paying Agent. Such copies shall be made available to the Holders upon reasonable request, and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this Offering and limited solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (8)).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "—*Change of Control,*" each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1 in excess thereof; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase; *provided*, *however*, that the Issuer shall not be obligated to repurchase Notes as described under this heading, "— *Change of Control,*" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Fixed Rate Notes or Floating Rate Notes (as applicable) and given notice of redemption as described under "—*Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Fixed Rate Notes or Floating Rate Notes (as applicable) and given notice of redemption as described under "—*Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly, at the cost of the Issuer, mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility Agreement. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources and whether the Target is permitted to distribute funds to the Sponsors' HoldCos or to the Issuer. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes and the Guarantees—We may not be able to repurchase the Notes upon a change of control, and the occurrence of certain important corporate events may not constitute a change of control*" and "*—The Issuer is a finance subsidiary that has no revenue generating operations of its own and will be dependent upon cash flow from the Sponsors' HoldCos and their subsidiaries to meet its obligations under the Notes*."

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Sponsors' HoldCos (taken as a whole), HoldCo or the Restricted Subsidiaries (taken as a whole) to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property and assets of the Sponsors' HoldCos (taken as a whole), HoldCo or the Restricted Subsidiaries (taken as a whole). As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants Applicable to the Issuer

Limitation on Activities of the Issuer

The Issuer shall not carry on any business or own any material assets other than:

(1) relating to the incurrence, offering, sale, issuance and servicing, listing, purchase, redemption, exchange, refinancing or retirement of the Notes (including any Additional Notes) and other Issuer Permitted Debt (and guarantees thereof) permitted by the terms of the Indenture and performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Indenture, the incurrence of Subordinated Shareholder Funding and the issuance of Capital Stock (other than Disqualified Stock) and the granting of Liens permitted pursuant to the covenant described below under "*—Limitation on Liens Incurred by the Issuer*";

(2) relating to the lending of the proceeds of the Notes (including any Additional Notes) and the lending of the proceeds of other Issuer Permitted Debt, in each case, to one or more Guarantors;

(3) relating to rights and obligations arising under the Indenture, any Credit Facility (including the Revolving Credit Facility), the Intercreditor Agreement (including any Additional Intercreditor Agreement) and the Security Documents;

(4) undertaken with the purpose of, or directly related to, the fulfilment of any other obligations, and the exercise of any other rights, under any Issuer Permitted Debt;

(5) the investment in, and ownership and disposition of, cash, Cash Equivalents and Temporary Cash Investments;

(6) relating to the making of Investments in the Notes (including any Additional Notes) and Investments in any Issuer Permitted Debt or other Indebtedness permitted to be Incurred by a Guarantor by the terms of the Indenture;

(7) relating to the making of any Issuer Permitted Payments;

(8) directly relating or reasonably incidental to the establishment and/or maintenance of its corporate existence;

(9) conducting activities directly related, or reasonably incidental to, (i) any transaction undertaken in accordance with the provisions described under "*—Merger and Consolidation in respect of the Issuer*" or (ii) any Permitted Reorganization; or

(10) other activities not specifically enumerated above that are *de minimis* in nature.

The Issuer will not:

(1) commence or take any action or facilitate any voluntary winding-up, liquidation, dissolution or other analogous proceeding, except in connection with (i) any transaction undertaken in accordance with the provisions described under "*—Merger and Consolidation in respect of the Issuer*" or (ii) any Permitted Reorganization; or

(2) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation) or sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any Person or group of Persons, except in accordance with the covenant described under "*—Merger and Consolidation in respect of the Issuer*".

Limitation on Indebtedness in respect of the Issuer

The Issuer will not Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that this covenant will not prohibit the Incurrence of the following Indebtedness ("*Issuer Permitted Debt*"):

(1) Indebtedness of the Issuer evidenced by the Notes on the Issue Date (not including any Additional Notes), any PIK Interest on the Notes (not including any PIK Interest on any Additional Notes) and any other Indebtedness of the Issuer outstanding on the Issue Date;

(2) Indebtedness of the Issuer (including any Additional Notes and any PIK Interest thereon) the proceeds of which are loaned to one or more Guarantors under an agreement or agreements substantially similar to the Proceeds Loans; *provided, however*, that the Incurrence of such Indebtedness by the Issuer will only be permitted to the

extent the Incurrence of such proceeds loans by such Sponsors' HoldCo or Sponsors' HoldCos would not constitute a Specified Default as described under "*—Specified Defaults—Indebtedness*" or "*—Specified Defaults—Additional Guarantees*"; *provided further, however*, that such Indebtedness of the Issuer will be subordinated to or pari passu with the Notes to the same extent that the instrument by which the proceeds of such Indebtedness are loaned to one or more Guarantors is subordinated to or pari passu with the obligations of such Guarantor or Guarantors under any Proceeds Loan;

(3) Guarantees by the Issuer of Indebtedness of any Guarantor, so long as the Incurrence of such Indebtedness by such Guarantor would not constitute a Specified Default as described under "*—Specified Defaults—Indebtedness*" or any other provision of the Indenture; *provided* that if the Indebtedness being guaranteed is subordinated to or pari passu with a Notes Guarantee, then the Guarantee by the Issuer shall be subordinated to or pari passu with the Notes to the same extent as the Indebtedness being guaranteed; *provided further* that if the Indebtedness being guaranteed by the Issuer is Indebtedness of a Guarantor whose Notes Guarantee is a several, but not joint, Guarantee, then the Guarantee by the Issuer shall be limited to the same extent as the Notes Guarantee of such Guarantor;

(4) without limiting the covenant described under "— Limitation on Liens Incurred by the Issuer," Indebtedness arising by reason of any Lien granted by or applicable to the Issuer securing Indebtedness of the Issuer so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(5) other Indebtedness of the Issuer that is of the type specified in one or more of clauses (6), (8) or (10) of the second paragraph under "—Specified Defaults—Indebtedness".

Limitation on Issuer Restricted Payments

The Issuer will not directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer except dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding;

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement);

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as an "*Issuer Restricted Payment*").

The immediately preceding paragraph will not prohibit the Issuer from making any Issuer Restricted Payment to the extent that a Sponsors' HoldCo would be able to make such a Restricted Payment (substituting the Issuer for such Sponsors' HoldCo, *mutatis mutandis*) without such Restricted Payment constituting a Specified Default as described under "*Specified Defaults—Restricted Payments*" (collectively, "*Issuer Permitted Payments*").

Limitation on Liens Incurred by the Issuer

The Issuer will not directly or indirectly create, Incur or suffer to exist any Lien upon any of its property or assets, whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Issuer Lien*"), except (a) Issuer Permitted Liens or (b) Liens on property or assets that are not Issuer Permitted Liens if the obligations under the Notes and the Indenture are directly secured equally and ratably with, or prior or senior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.

Any such Lien created in favor of the Notes (under clause (b) above) will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Issuer Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

Limitation on Issuer Affiliate Transactions

The Issuer will not, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Sponsors' HoldCos (other than any Restricted Subsidiary) (any such transaction or series of related transactions being an "*Issuer Affiliate Transaction*") involving aggregate value in excess of €10.0 million unless:

(1) the terms of such Issuer Affiliate Transaction taken as a whole are not materially less favorable to the Issuer than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Issuer Affiliate Transaction involves an aggregate value in excess of €35.0 million, the terms of such transaction or series of related transactions have been ratified by the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Issuer Permitted Payment (other than an Issuer Permitted Payment corresponding, *mutatis mutandis*, to the Permitted Payment described under clause 9(b)(ii) of the definition of "Permitted Payment" or the Permitted Investments described under paragraphs (1)(b), (2), (11), (13), (17), (18) and (19) of the definition of Permitted Investment);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved or ratified by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances, and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or an entity that becomes a Restricted Subsidiary as a result of such transaction), or with any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer under the terms of any transaction pursuant to, or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant, or to the extent not more disadvantageous to the Holders in any material respect and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of the Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business; *provided* that payments under such Tax Sharing Agreement shall not exceed, and shall not be duplicative of, the amounts described under clause (7) of the definition of the term "Parent Expenses";

(8) any transaction between or among the Issuer and any Affiliate (other than an Unrestricted Subsidiary) of the Issuer or an Associate or similar entity, including any joint venture, that would constitute an Issuer Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(9) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved or ratified by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding is in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(10) (a) payments by the Issuer to any Permitted Holder (whether directly or indirectly, including through any Parent) of management, consulting, monitoring or advisory fees and related expenses permitted under the Indenture and (b) customary payments by the Issuer to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital markets transactions, private placements, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (10) are approved or ratified by a majority of the Board of Directors of the Issuer in good faith;

(11) any transactions in respect of which the Issuer delivers a written opinion (in form and substance reasonably satisfactory to the Trustee) to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's-length basis from a Person who is not an Affiliate; and

(12) investments by Affiliates in Indebtedness or preferred equity interests of the Issuer, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or preferred equity interests, and transactions with Affiliates solely in their capacity as holders of Indebtedness or preferred equity interests of the Issuer, so long as such transactions are with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally.

Reports

For so long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days (or, in the case of the first fiscal year ending after the Issue Date, 150 days) after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2015, an annual report containing: (i) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Our Business*" (other than the "*Overview*," "*Our Strengths*" and "*Our Strategy*" sub-sections thereof) in this Offering Memorandum; (ii) unaudited *pro forma* consolidated income statement and balance sheet information of HoldCo, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the Acquisition and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited balance sheet of each of the Issuer, each Sponsors' HoldCo and, on a consolidated basis, HoldCo as at the end of the most recent two fiscal years and audited income statements, to the extent applicable, and statements of cash flow of the Issuer, each Sponsor's HoldCo and, on a consolidated basis, HoldCo for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, each Sponsors' HoldCo and HoldCo, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; and (vi) EBITDA of HoldCo and other key credit metrics of the Sponsors' HoldCos, the Issuer and HoldCo on a combined basis; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarter ended September 30, 2015, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended September 30, 2015, quarterly financial statements containing the following information: (i) the unaudited condensed balance sheet of each of the Issuer, each Sponsors' HoldCo and, on a consolidated basis, HoldCo as at the end of such

quarter and unaudited condensed statements of income and cash flow for each of the most recent quarter year to date periods ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of HoldCo on a consolidated basis, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations (other than the Acquisition) that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements, including a discussion of the financial condition, results of operations, EBITDA of HoldCo on a consolidated basis, other key credit metrics of the Sponsors' HoldCos, the Issuer and HoldCo on a combined basis and material changes in liquidity and capital resources of HoldCo and each of the Sponsors' HoldCos on a combined basis; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Target or a change in auditors of the Issuer, any Sponsors' HoldCo, HoldCo or the Target, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Securities Act.

The Issuer shall also make available to Holders and prospective Holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website (www.icbpi.it) and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the office of Greenlit Consultancy S.a.r.l, 2 rue Belle Vue, L-7214 Bereldange, Luxembourg.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as otherwise provided herein, no report need include separate financial statements for any Restricted Subsidiaries or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of HoldCo's (a) total revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries. For purposes of this covenant and any calculation to be made under the Indenture, the Issuer may use financial statements of the Target for reporting or making calculations in regards to HoldCo with respect to periods commencing within one year following the Completion Date.

All reports provided pursuant to this "Reports" covenant shall be made in the English language.

Subject to compliance with the final paragraph of this covenant, in the event that the Issuer or any Parent or IPO Entity becomes subject to the Admission and Disclosure Standards applicable to issuers of securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of securities admitted to trading on the Frankfurt Stock Exchange, Milan Stock Exchange, Irish Stock Exchange or Luxembourg Stock Exchange), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the London Stock Exchange pursuant to such Admission and Disclosure Standards (or the Frankfurt Stock Exchange, Milan Stock Exchange, Irish Stock Exchange or Luxembourg Stock Exchange equivalent, as applicable). Upon complying with the foregoing requirement, and provided that such requirements require the Issuer or any Parent or IPO Entity to prepare and file annual reports, information, documents and other reports with the London Stock Exchange, the Frankfurt Stock Exchange, the Milan Stock Exchange, the Irish Stock Exchange or the Luxembourg Stock Exchange, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Subject to compliance with the final paragraph of this covenant, in the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

The Issuer may comply with any requirement to provide reports or financial statements under this covenant by providing any report or financial statements of a direct or indirect Parent of the Issuer so long as such reports (if an annual, half-yearly or quarterly report) include in footnote form, condensed consolidating financial information together with the with separate columns for: (i) such Parent; (ii) the Issuer, each Sponsors' HoldCo and HoldCo and the Restricted Subsidiaries on a combined basis; and (iii) any other Subsidiaries of the Parent on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation in respect of the Issuer

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer, in the case of either (1) or (2), in one or more related transactions, to another Person, unless such consolidation, merger, sale, assignment or transfer is with or into an Affiliate and is solely for the purpose of reincorporating the Issuer in another jurisdiction, changing the Issuer's domicile or changing the Issuer's legal form, and unless:

(1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) (the "*Successor Issuer*") or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union, Switzerland, Canada or any province of Canada, any state of the United States or the District of Columbia, Norway, Switzerland, Jersey or Guernsey;

(2) the Person formed by or surviving any such consolidation or merger with the Issuer (if other than the Issuer) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made expressly assumes all the obligations of the Issuer under the Indenture (pursuant to a supplemental indenture or Guarantee Agreement executed and delivered in a form reasonably satisfactory to the Trustee), the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which the Issuer is a party; and

(3) the Successor Issuer delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents (to the extent which the Issuer is a party thereto) (if any) comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture, as supplemented, and the Notes constitute the legal, valid and binding obligation of the Issuer or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with its terms (provided that any such opinion of counsel may assume matters of fact, including as a factual matter that one or more conditions precedent have occurred). The Trustee shall be entitled to rely conclusively on each Officer's Certificate and Opinion of Counsel without independent verification.

In the event of any transaction described in and complying with the conditions listed in the immediately preceding paragraph in which the Issuer is not the continuing Person, the successor Person formed or remaining or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of the Issuer, and the Issuer will be discharged from all obligations and covenants under the Indenture.

Impairment of Security Interest by the Issuer

The Issuer shall not take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the

Incurrence of Issuer Permitted Liens and Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring Issuer Permitted Liens, (ii) the Issuer may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of undertaking a Permitted Reorganization, (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein and (v) the Issuer may amend the Security Interests in any manner that does not adversely affect Holders of the Notes in any material respect; *provided*, *however*, that in the case of clause (ii), the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee and the Security Agent, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee and the Security Agent from an Independent Financial Advisor confirming the solvency of the relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protection and indemnification) consent to such amendments without the need for instructions from the Holders.

Suspension of Covenants and Specified Defaults on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Indebtedness in respect of the Issuer*";

(2) "*—Limitation on Issuer Restricted Payments*";

(3) "*—Limitation on Issuer Affiliate Transactions*";

(4) "*Specified Defaults—Indebtedness*";

(5) "*Specified Defaults—Restricted Payments*";

(6) "*Specified Defaults—Distributions from Restricted Subsidiaries*";

(7) "*Specified Defaults—Sales of Assets and Subsidiary Stock*";

(8) "*Specified Defaults—Affiliate Transactions*";

(9) clause (3) of the first paragraph under "*Specified Defaults—Merger and Consolidation*"; and

(10) the second, third and fourth paragraphs of the definition of "*Unrestricted Subsidiary*";

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer.

Such provisions and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such provisions will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken on or prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments of the Issuer*" covenant and the "*Restricted Payments*" Specified Default provision will be interpreted as if they have been in effect since the Issue Date but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under, in the case of the Issuer, clause (1) under "*—Limitation on Indebtedness in respect of the Issuer*" and, in the case of any of the Restricted Subsidiaries, clause (4)(b) of the second paragraph of the Specified Default described under "*Specified Defaults—Indebtedness*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this section have been satisfied, *provided* that, no such notification shall be a condition for the suspension of the provisions described under this section to be effective and the failure to deliver such notice shall not be a Default or Event of Default under the Indenture. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or any Restricted Subsidiaries of any (x) Indebtedness permitted pursuant to the covenant described above under "*—Limitation on Indebtedness in respect of the Issuer*, " the first paragraph of the Specified Default described under "*Specified Defaults—Indebtedness*" or clause (1), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the Specified Default described under "*Specified Defaults—Indebtedness*" and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the Holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Holders in any material respect (as determined in good faith by the Issuer), it being understood that, for the avoidance of doubt, an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will be deemed to be on substantially similar terms to the Intercreditor Agreement and will be deemed not to adversely affect the rights of the Holders of the Notes and will be permitted by this covenant if, in each case, the incurrence of such Indebtedness (and any Lien in its favor) (i) in respect of any Restricted Subsidiary, would not cause a Specified Default described under "*Specified Defaults—Indebtedness*" and "*Specified Defaults—Liens*" and/or (ii) in respect of the Issuer, is permitted by the covenant described under "*— Limitation on Indebtedness in respect of the Issuer*" and "*—Limitation on Liens Incurred by the Issuer*".

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes or the Notes Guarantees), (3) add Restricted Subsidiaries or Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Issuer Permitted Liens and Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*."

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the provisions described under (i) in respect of any Restricted Subsidiary, "*Specified Defaults—Restricted Payments*" and/or (ii) in respect of the Issuer, "*—Limitation on Issuer Restricted Payments*."

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of Greenlit Consultancy S.a.r.l, 2 rue Belle Vue, L-7214 Bereldange, Luxembourg.

Specified Defaults

The occurrence of any of the following events with respect to HoldCo and its Subsidiaries that would otherwise constitute a Specified Default will not constitute a Specified Default if and to the extent that doing so would materially and substantially negatively affect the sound and prudent management of the Target and its subsidiaries or the ability of the Target and its subsidiaries to conduct their core businesses in the ordinary course.

Indebtedness

The Incurrence of any Indebtedness (including Acquired Indebtedness) by any Restricted Subsidiary shall constitute a Specified Default in respect of the Issuer; *provided, however*, that one or more Guarantors may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof) for the most recently ended four full fiscal quarters for which internal financial statements for HoldCo are available immediately preceding the date on which such Indebtedness is Incurred, the Fixed Charge Coverage Ratio would have been at least 2.0 to 1.0.

Notwithstanding the immediately preceding paragraph, the Incurrence of the following Indebtedness ("*Permitted Debt*") by one or more Restricted Subsidiaries shall not constitute a Specified Default in respect of the Issuer:

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) €100.0 million, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2)

(a) Guarantees by any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness would be permitted by the covenant "*Certain Covenants Applicable to the Issuer—Limitation on Indebtedness in respect of the Issuer*" or would not otherwise result in a Specified Default under this "*—Indebtedness*" section; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with a Notes Guarantee, then the Guarantee shall be subordinated to or *pari passu* with such Notes Guarantee to the same extent as the Indebtedness being guaranteed; *provided further* that (i) if the guarantor of such Indebtedness is a Guarantor, (ii) if such Indebtedness is Indebtedness of the Issuer Incurred under clauses (1) or (2) under "*—Certain Covenants Applicable to the Issuer—Limitation on Indebtedness in respect of the Issuer*" and on-lent to such Guarantor and (iii) if at such time such Guarantor's Notes Guarantee is a several, but not joint, Guarantee, then such Guarantee of such Indebtedness by such Guarantor shall be limited to the same extent as the Notes Guarantee of such Guarantor; or

(b) without limiting the Specified Default described under "*—Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of a Restricted Subsidiary owing to and held by any Restricted Subsidiary; *provided, however,* that:

(a) if a Guarantor is the obligor on any such Indebtedness and the obligee is not a Guarantor or the Issuer, such Indebtedness is unsecured and, only to the extent legally permitted (the relevant Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)), it is expressly subordinated to the prior payment in full in cash of all obligations with respect to the applicable Notes Guarantee pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) (x) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than a Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person other than a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness that would result in a Specified Default in respect of the Issuer;

(4)

(a) Indebtedness represented by the Notes Guarantees issued on the Issue Date (including any future Notes Guarantee, including in respect of PIK Interest and Additional Notes);

(b) any Indebtedness of the Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Credit Facility or Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date;

(c) any Indebtedness of the Target and its Subsidiaries outstanding on the Completion Date after giving effect to the Transactions (as described under "*Use of Proceeds*" in this Offering Memorandum);

(d) any Indebtedness under the Proceeds Loans outstanding on the Completion Date;

(e) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses 4(a), 4(b), 4(c), 4(d), this clause 4(e) and (5) of this paragraph;

(f) Management Advances; and

(g) any loan or other instrument lending or contributing the proceeds of the Notes to a Guarantor.

(5) subject to the final proviso to this clause (5), Indebtedness (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) any Restricted Subsidiary or (ii) Incurred by one or more Guarantors to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by a Restricted Subsidiary (subject, for the avoidance of doubt, to the provisions described under "*Specified Defaults—Additional Guarantees*"); *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, (x) either (A) a Guarantor would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this "*—Indebtedness*" section without such Incurrence constituting a Specified Default or (B) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements and Interest Rate Agreements not for speculative purposes (as determined in good faith by the Board of Directors of the Issuer);

(7) Indebtedness Incurred by HoldCo or any of its Subsidiaries consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, does not exceed at any time outstanding the greater of €40.0 million or 18.0% of Consolidated EBITDA of HoldCo; *provided* that such Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 365 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax ("*VAT*") or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement (*provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing) and (c) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Restricted Subsidiaries in respect of all such Indebtedness does not at any time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;

(10)

(a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however,* that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and the Restricted Subsidiaries; and

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness of the Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, does not exceed the greater of €75.0 million or 32% of Consolidated EBITDA of HoldCo;

(12) Indebtedness Incurred (a) in a Qualified Receivables Financing and (b) under a Receivables Financing (which, for the avoidance of doubt, includes any recourse receivables financing or securitization arrangements); *provided* that in the case of clause (b), such Indebtedness is Incurred on financing terms and with covenants, termination events and other provisions of such Receivables Financing on market terms (as determined in good faith by the Board of Directors of the Issuer);

(13) Indebtedness of the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer or the Guarantors from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date (excluding the Equity Contributions); *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed are excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of Specified Default described below under "—*Restricted Payments*" to the extent the Issuer and the Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed are excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the Specified Default described below under "—*Restricted Payments*" in reliance thereon or the Issuer makes a Restricted Payment pursuant to the second paragraph of the covenant described under "*Certain Covenants Applicable to the Issuer—Limitation on Restricted Payments*" in reliance on a Guarantor's ability to make such Restricted Payment pursuant to such provisions;

(14) the Incurrence by HoldCo or any Subsidiary of HoldCo of Indebtedness consisting of local lines of credit, overdraft facilities or local working capital facilities in an aggregate principal amount at any one time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to this clause (14), that does not exceed the greater of €15.0 million or 6% of Consolidated EBITDA of HoldCo in the aggregate outstanding at any one time;

(15) Indebtedness consisting of guarantees of Indebtedness incurred by joint ventures of any Restricted Subsidiary that does not exceed the greater of €40.0 million or 18% of Consolidated EBITDA of HoldCo in the aggregate outstanding at any one time; and

(16) Indebtedness of the Target and/or any of its Subsidiaries to the extent such Indebtedness at the time of Incurrence constitutes Tier 2 Capital for purposes of calculating Banking Capital Adequacy Ratios pursuant to the European Council Directive 2013/36/EU, as amended or supplemented from time to time, including through the European Union Council Regulation 575/2013 and as applicable to the Target or any of its Subsidiaries; *provided* that such Indebtedness

(i) has a final stated maturity after the final maturity date of the Notes and has no rights of conversion prior to maturity;

(ii) after giving effect to the Incurrence of such Indebtedness on the date thereof, either the CET1 Capital Ratio of the Target and its Subsidiaries on a consolidated basis would not be less than the threshold set forth in prong (3) of the first paragraph of the Specified Default described under "*—Further Limitations*" or would not be less than it was immediately prior to giving effect to such Incurrence of Indebtedness;

(iii) a Guarantor would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this "*—Indebtedness*" section without such Incurrence constituting a Specified Default; and

(iv) (a) the aggregate principal amount of Indebtedness Incurred pursuant to this clause (16) then outstanding does not exceed the greater of €75.0 million and 32% of Consolidated EBITDA of Holdco and (b) such amount in (iv)(a) of this clause (16), when taken together with the aggregate principal amount of Indebtedness outstanding under clause (11) of this "*—Indebtedness*" section and incurred at Holdco and its Subsidiaries does not exceed €100.0 million,

provided further that none of the foregoing clauses (i)-(iv) shall apply to the extent that the Relevant Regulator requests or requires that the Target and/or any of its Subsidiaries improve Banking Capital Adequacy Ratios applicable to them and the Target, or the relevant Subsidiary of the Target, reasonably determines that Incurring Indebtedness pursuant to this clause (16) is the most appropriate means of response to such request or requirement.

For purposes of determining whether or not a Specified Default has occurred upon the Incurrence by a Restricted Subsidiary of any Indebtedness:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this "*—Indebtedness*" section, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this "*—Indebtedness*" section;

(2) all Indebtedness outstanding on the Completion Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this "*—Indebtedness*" section and not the first paragraph or clause (4)(b) or (4)(c) of the second paragraph of this "*—Indebtedness*" section, and may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (13) of the second paragraph above or the first paragraph above of this "*—Indebtedness*" section and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness need not be permitted solely by reference to one provision of the second paragraph of this "*—Indebtedness*" section permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of the second paragraph of this "*—Indebtedness*" section permitting such Indebtedness;

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and

(8) accrual of interest (including PIK Interest), accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the Specified Default described under this "*—Indebtedness*" section. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not exempted under the second paragraph of this "*—Indebtedness*" section, such Incurrence shall constitute a Specified Default in respect of the Issuer).

For purposes of determining whether or not a Specified Default has occurred upon the Incurrence by a Restricted Subsidiary of any Indebtedness in connection with any euro-denominated limitation on the Incurrence of Indebtedness, the euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower Euro Equivalent), in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of "Refinancing Indebtedness"; (b) the Euro Equivalent of the principal amount of any such Indebtedness (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (ii) of the Target and its Subsidiaries outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of the Specified Default described under this "*—Indebtedness*" section, the maximum amount of Indebtedness that may be Incurred by a Restricted Subsidiary under this "*—Indebtedness*" section without resulting in a Specified Default in respect of the Issuer shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

The Incurrence of any Indebtedness (including Permitted Debt) by any Guarantor that is contractually subordinated in right of payment to any other Indebtedness of such Guarantor will constitute a Specified Default in respect of the Issuer unless such Indebtedness is contractually subordinated in right of payments to the applicable Notes Guarantee on substantially identical terms; *provided, however,* that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of a Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Restricted Payments

The occurrence of the following will constitute a Specified Default:

(1) the declaration or payment of any dividend or the making of any other payment or distribution by any Restricted Subsidiary on or in respect of any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) except:

  (a) dividends or distributions payable in Capital Stock of a Sponsors' HoldCo (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary other than a Sponsors' HoldCo making such dividend or distribution, to holders of its Capital Stock other than another Restricted Subsidiary on no more than a *pro rata* basis);

(2) the purchase, redemption, retirement or acquisition by any Restricted Subsidiary for value of any Capital Stock of a Sponsors' HoldCo or any direct or indirect Parent of a Sponsors' HoldCo held by Persons other than a Sponsors' HoldCo or a Restricted Subsidiary (other than in exchange for Capital Stock of a Sponsors' HoldCo (other than Disqualified Stock));

(3) the making of any principal payment on, or the purchase, repurchase, redemption, defeasance or acquisition or retirement by any Restricted Subsidiary for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, of any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clauses (3) or (16) of the second paragraph of the Specified Default described under "—*Indebtedness*");

(4) the making of any payment by any Restricted Subsidiary (whether of principal, interest or other amounts) on, or the purchase, repurchase, redemption, defeasance or the acquisition or retirement for value of any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) the making by any Restricted Subsidiary of any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "*Restricted Payment*"), if at the time such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) no Guarantor is able to Incur an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the Specified Default described under "—*Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) and (10) of the second succeeding paragraph, Issuer Permitted Payments made pursuant to the covenant described under "*Certain Covenants Applicable to the Issuer—Limitation on Issuer Restricted Payments*" in reliance on a Sponsors' HoldCo's ability to make such Restricted Payments pursuant to one or more of such provisions, but excluding all other Restricted Payments permitted by the second succeeding paragraph and all other Issuer Permitted Payments) would exceed the sum of (without duplication):

  (i) 50% of Consolidated Net Income of HoldCo for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of HoldCo are available (or, in the case such Consolidated Net Income of HoldCo is a deficit, minus 100% of such deficit);

  (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by a Sponsors' HoldCo from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer or such Sponsors' HoldCo subsequent to the Issue Date (other than (v) the Equity Contribution, (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of a Sponsors' HoldCo, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by Sponsors' HoldCo, HoldCo or any Subsidiary of HoldCo for the benefit of its employees to the extent funded by a Sponsors' HoldCo, the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (z) Excluded Contributions);

  (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by a Sponsors' HoldCo or any Restricted Subsidiary from the issuance or sale (other than to a Sponsors' HoldCo or a Restricted Subsidiary or an employee stock ownership plan or trust established by a Sponsors' HoldCo, HoldCo or any Subsidiary of HoldCo for the benefit of its employees to the extent funded by a Sponsors' HoldCo, the Issuer or any Restricted Subsidiary) by a Sponsors' HoldCo or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of a Sponsors' HoldCo (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by a Sponsors' HoldCo or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) the Equity Contribution, (x) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of a Sponsors' HoldCo, (y) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (z) Excluded Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by a Sponsors' HoldCo or any Restricted Subsidiary (other than to a Sponsors' HoldCo or a Restricted Subsidiary or an employee stock ownership plan or trust established by a Sponsors' HoldCo or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by a Sponsors' HoldCo or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or in the case that all of the assets of such Unrestricted Subsidiary are transferred to a Sponsors' HoldCo or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into a Sponsors' HoldCo or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by a Sponsors' HoldCo or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) subject to the limitations in clause (2) of the definition of "Consolidated Net Income," 100% of any dividends or distributions received by a Sponsors' HoldCo or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; to the extent that such dividend or distribution does not reduce the amount of Investments outstanding under clause (11) of the definition of "Permitted Investment,"

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clauses (iv), (v) or (vi).

The foregoing provisions will not apply to the following (collectively, "*Permitted Payments*"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares pursuant to clause (12) of this paragraph) for, or out of the proceeds of the substantially concurrent sale (other than to the Issuer or a Subsidiary of a Sponsors' HoldCo) of, Capital Stock of the Issuer or a Sponsors' HoldCo (in each case, other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than the Equity Contribution or as the issuance of Disqualified Stock or Designated Preference Shares or as an Excluded Contribution) of the Issuer or a Sponsors' HoldCo; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph of this "*—Restricted Payments*" section;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the Specified Default described under "*—Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified or Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that in each case is permitted to be Incurred pursuant to the covenant described under "*Certain Covenants Applicable to the Issuer—Limitation on Indebtedness*" or would not result in a Specified Default under "*—Indebtedness*" above;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent it would not constitute a Specified Default under "*—Sales of Assets and Subsidiary Stock*," but only if the Issuer shall have first complied with the terms described under "*—Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described in such Subordinated Indebtedness as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would not have resulted in a Specified Default under this "—*Restricted Payments*" section;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by any Restricted Subsidiary to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) € 7.5 million, plus €3.0 million multiplied by the number of calendar years that have commenced since the Completion Date, *plus* (y) the Net Cash Proceeds received by the Issuer or the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer or any Sponsors' HoldCo from the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), *plus* (z) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(i) or (c)(ii) of the first paragraph of this "—*Restricted Payments*" section and are not Excluded Contributions or the Equity Contribution;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the Specified Default described under "—*Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (10) of the second paragraph of the covenant described under "—*Limitation on Issuer Affiliate Transactions*" or clauses (2), (3), (5), (7) and (11) of the second paragraph under "—*Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by a Sponsors' HoldCo of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer, a Sponsors' HoldCo or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer or any Sponsors' HoldCo from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions) of the Issuer or a Sponsors' HoldCo or contributed as Subordinated Shareholder Funding to the Issuer or a Sponsors' HoldCo and (b) following the Initial Public Offering, an amount equal to the greater of (i) (A) 7% of the Market Capitalization and (B) 7% of the IPO

Market Capitalization; *provided* that in the case of this clause (i) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.00; and (ii) (A) 5% of Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving pro forma effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.00 to 1.00;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €50.0 million or 22% of Consolidated EBITDA of HoldCo;

(12) payments by one or more Sponsors' HoldCos, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer, any Sponsors' HoldCo or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this "*—Restricted Payments*" section or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing, a Receivables Financing or any other receivables financing permitted to be incurred under the covenant described under "*Certain Covenants Applicable to the Issuer—Limitation on Indebtedness*" or would not result in a Specified Default under "*Specified Defaults—Indebtedness*;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer or any Sponsors' HoldCo issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer and the Sponsors' HoldCos or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer and the Sponsors' HoldCos or contributed as Subordinated Shareholder Funding to the Issuer or one or more Sponsors' HoldCos, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any Parent; *provided* that, on the date of any such dividend, distribution, loan or other payment, the Consolidated Net Leverage Ratio does not exceed 3.50 to 1.00 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer, a Restricted Subsidiary or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer, a Restricted Subsidiary or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed €10.0 million in the aggregate outstanding at any time;

(19) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary to any Parent out of the proceeds of Specified Asset Sales; *provided* that (x) on the date of any such dividend, distribution, loan or other payment, the Consolidated Net Leverage Ratio does not exceed (I) 5.0 to 1.0 on a *pro forma* basis after giving effect thereto if the Specified Asset Sale is in respect of the Securities Services Business and (II) 4.75 to 1.0 on a *pro forma* basis after giving effect thereto if the Specified Asset Sale is in respect

of any other business of the Target and (y) the assets sold pursuant to such Specified Asset Sale (together with the assets sold in any previous Specified Asset Sale) (i) contributed (based on such assets' contribution to the Consolidated EBITDA of HoldCo for the most recently ended four full fiscal quarters for which internal financial statements of HoldCo are available immediately preceding the date on which such Specified Asset Sale occurred) no more than 25.0% of the Consolidated EBITDA of HoldCo for the most recently ended four full fiscal quarters for which internal financial statements of HoldCo are available immediately preceding the date on which the first such Specified Asset Sale occurred or (ii) constituted (on the basis of net assets as of the most recent balance sheet of the Target (excluding any notes thereto) immediately preceding the date of such Specified Asset Sale) no more than 25.0% of the net assets of the Target that would appear on the most recent balance sheet of the Target (excluding any notes thereto) immediately preceding the date on which the first such Specified Asset Sale occurred, in each case as prepared on the basis of IFRS; and

(20) dividends, loans, advances or distributions to any Parent or other payments by any Restricted Subsidiary in connection with the Transactions.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the assets or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For purposes of this "—*Restricted Payments*" section, in the event that a Restricted Payment meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (20) above, or is permitted pursuant to the first paragraph of this "—*Restricted Payments*" section, the Issuer, in its sole discretion, will be entitled to divide or classify such Restricted Payment (or portion thereof) on the date made or later divide or reclassify such Restricted Payment (or portion thereof) in any manner that complies with this "—*Restricted Payments*" section.

Further Limitations

If following the Issue Date,

(1) the Reserve Cash is at any time less than 6 Months Debt Service;

(2) an interest period occurs in respect of which the Issuer has notified the Trustee that it will pay part or all of the interest due in respect of such interest period as PIK Interest;

(3) the Target or one of its Subsidiaries is not in compliance with the Banking Capital Adequacy Ratios applicable to it or the CET1 Capital Ratio of the Target and its Subsidiaries on a consolidated basis is less than 14.0% on a *pro forma* basis after giving effect to any Incurrence of Indebtedness or the making of a Restricted Payment contemplated by clauses (a) or (b) below; or

(4) the Issuer delivers an Indicative Specified Default Notice,

then, at such time (or in the case of (4) above, during any Indicative Period), and during the continuance of each such event, it will constitute a Specified Default in respect of the Issuer for the Issuer and any Sponsors' HoldCo to (a) Incur Indebtedness (other than (i) Indebtedness incurred in the ordinary course of business, (ii) Indebtedness the proceeds of which are used to pay Cash Interest on the Notes or the Revolving Credit Facility, (iii) Indebtedness the proceeds of which are used to increase the amount of Reserve Cash, (iv) other than during the continuance of an event specified in (1) above, or during the continuance of an event specified in (1) above but in such case only to the extent that the Relevant Regulator requests or requires that the Target and/or any of its Subsidiaries improve Banking Capital Adequacy Ratios applicable to them or the Target, and the Issuer and/or the Sponsors' HoldCos reasonably determine that Incurring Indebtedness as contemplated under this clause (iv) is the most appropriate means of response to such request or requirement, Indebtedness the proceeds of which are used to enhance the CET1 Capital Ratio applicable to the Target and (v) other than during the continuance of an event specified in (1) or (2) above, Indebtedness (A) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) any Restricted Subsidiary or (B) Incurred by one or more Guarantors to provide all or a portion of the funds utilized to consummated the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by a Restricted Subsidiary (*provided* that in the case of this clause (v), the CET1 Capital Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness), (vi) other than during the continuance of an event specified in (1) or (3) above, Indebtedness, so long as the Issuer pays interest on the Notes entirely in cash (the provisions described under "*Interest—PIK Toggle*" notwithstanding) in respect of the interest period following the next succeeding Determination Date after the Incurrence thereof); or (b) make a Restricted Payment in reliance on the first paragraph of the Specified Default described under "—*Restricted Payments*," or in reliance on clauses (10), (11), (13), (17) or (19) of the second paragraph of the Specified Default described above under "—*Restricted Payments*".

Liens

The creation, Incurrence or suffering to exist, directly or indirectly, of any Lien by any Restricted Subsidiary upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien secures any Indebtedness (such Lien, the "*Initial Lien*") shall constitute a Specified Default in respect of the Issuer; *provided*, however, that such creation, Incurrence or suffering to exist shall not constitute a Specified Default if (a) in the case of any property or asset that does not constitute Collateral, such Initial Lien is (1) a Permitted Lien or (2) a Lien on property or assets that is not a Permitted Lien if the obligations under the Notes Guarantee and the Indenture are directly secured equally and ratably with, or prior or senior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, if such Lien is a Permitted Collateral Lien.

Any such Lien created in favor of the Notes under (a)(2) in the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "—*Security—Release of Liens*."

Distributions from Restricted Subsidiaries

If any Restricted Subsidiary (other than a Sponsors' HoldCo) creates or otherwise causes or permits to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

it shall constitute a Specified Default in respect of the Issuer; *provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to any Restricted Subsidiary to other Indebtedness Incurred by any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not apply to:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility), (b) any other agreement or instrument, in each case described in (a) or (b), in effect at or entered into on the Issue Date, (c) any other agreement or instrument with respect to the Target or any of its Subsidiaries, in each case, in effect at or entered into on the Completion Date or (d) the Indenture, the Notes, the Intercreditor Agreement or the Security Documents;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into any Restricted Subsidiary, or on which such agreement or instrument is assumed by any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by such Restricted Subsidiary or was merged, consolidated or otherwise combined with or into any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is a Successor Guarantor (as defined under "—*Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the relevant Restricted Subsidiary when such Person becomes the Successor Issuer or the Successor Guarantor;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument (i) are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors of the Issuer) or (ii) are customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes (as determined in good faith by the Board of Directors of the Issuer);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the Specified Default described under "—*Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than as are customary in comparable financings (as determined in good faith by the Board of Directors of the Issuer) or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing or a Receivables Financing that, in the good faith determination of the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing or Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien that would not constitute a Specified Default under "—*Liens*."

Sales of Assets and Subsidiary Stock

The consummation by any Restricted Subsidiary of any Asset Disposition shall constitute a Specified Default unless:

(1) the consideration such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Issuer's Board of Directors or the relevant Restricted Subsidiary's Board of Directors); and

(2) at least 75% of the consideration such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

   (i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

   (ii) Cash Equivalents;

   (iii) the assumption by the purchaser of (x) any liabilities recorded on such Restricted Subsidiary's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which no Restricted Subsidiary remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if each applicable Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

   (iv) Replacement Assets;

   (v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this "*—Sales of Assets and Subsidiary Stock*" section;

   (vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

   (vii) any Designated Non-Cash Consideration received by any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this "*—Sales of Assets and Subsidiary Stock*" section that is at any one time outstanding, not to exceed the greater of €35.0 million or 15% of Consolidated EBITDA of HoldCo (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

   (viii) a combination of the consideration specified in clauses (i) through (vii) of this paragraph (2).

If any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by such Restricted Subsidiary to:

(1) prepay, repay, purchase or redeem (i) any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Refinancing Indebtedness in respect thereof; *provided*, *however*, that, in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this clause (i), such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed; (ii) the Notes pursuant to an offer to all Holders at a purchase price equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such purchase; (iii) Indebtedness Incurred under clause (1) of the second paragraph of the Specified Default described under "Indebtedness"; *provided, however*, that, in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this clause (iii), other than in the case of the Revolving Credit Facility, the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed; or (iv) any Pari Passu Indebtedness (other than Indebtedness owed to the Issuer or a Restricted Subsidiary); provided that the Issuer shall prepay, repay, purchase or redeem Pari Passu Indebtedness pursuant to this clause (iv) only if the Issuer makes (at such time or without resulting in a Specified Default under this "*—Sales of Assets and Subsidiary Stock*" section) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate

principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness (other than the Notes);

(2) invest in any Replacement Assets;

(3) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(4) make a capital expenditure;

(5) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(6) consummate any combination of the foregoing; or

(7) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (2), (3), (4) or (5) of this paragraph or a combination thereof, provided that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in the preceding paragraph constitutes "Excess Proceeds." Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition (or the 546th day if a binding commitment, as described in clause (7) above has been entered into), or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €35.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1 in excess thereof in the case of the Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants and Specified Defaults contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by Holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be repaid or purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this "*—Sales of Assets and Subsidiary Stock*" section (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of € 100,000 and in integral multiples of €1 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this "*—Sales of Assets and Subsidiary Stock*" section. The Issuer will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this "*—Sales of Assets and Subsidiary Stock*" section, the Issuer will comply with the applicable securities laws and regulations and a Specified Default under this "*—Sales of Assets and Subsidiary Stock*" section will not be deemed to have occurred by virtue of such compliance.

Affiliate Transactions

The entry into, or conduct of, any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) by any Restricted Subsidiary directly or indirectly with any Affiliate of any Sponsor HoldCo (but not with the Issuer) (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of €10.0 million shall constitute a Specified Default unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to such Restricted Subsidiary than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €35.0 million, the terms of such transaction or series of related transactions have been ratified by the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment which would not result in a Specified Default under the Specified Default described under "*—Restricted Payments*" (other than 9(b)(ii)) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (11), (17), (18) and (19) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved or ratified by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances, and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or an entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries, or with any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any

Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of any of the Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, or, in the case of the Target and its Subsidiaries, as of or on the Completion Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this "—*Affiliate Transactions*" section or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of the Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business; *provided* that payments under such Tax Sharing Agreement shall not exceed, and shall not be duplicative of, the amounts described under clause (7) of the definition of the term "Parent Expenses";

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction between or among any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Issuer or an Associate or similar entity, including any joint venture, that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) options, warrants or other rights to acquire the Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved or ratified by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of management, consulting, monitoring or advisory fees and related expenses permitted under the Indenture and (b) customary payments by any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, private placements, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved or ratified by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions in respect of which the Issuer or a Restricted Subsidiary delivers a written opinion (in form and substance reasonably satisfactory to the Trustee) to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's-length basis from a Person who is not an Affiliate;

(13) investments by any of the Initial Investors in securities of any Restricted Subsidiary (and the payment of reasonable out of pocket expenses of the Initial Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5.0% of the issue amount of such securities;

(14) pledges of Capital Stock of Unrestricted Subsidiaries;

(15) any transaction effected as part of (i) a Qualified Receivables Financing or (ii) a Receivables Financing permitted by clause 12(b) of the second paragraph of the Specified Default described under "*Specified Defaults—Indebtedness*"; and

(16) investments by Affiliates in Indebtedness or preferred equity interests of any Restricted Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or preferred equity interests, and transactions with Affiliates solely in their capacity as holders of Indebtedness or preferred equity interests of any Restricted Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally.

Merger and Consolidation

The occurrence of the following will constitute a Specified Default: a Guarantor (other than a Guarantor whose Notes Guarantee is to be released in accordance with the terms of such Notes Guarantee and the Indenture as described any of Clauses (1)—(6) under "*—The Notes Guarantees—Notes Guarantees Release*"), directly or indirectly, (i) consolidates or merges with or into another Person (whether or not such Guarantor is the surviving corporation) or (ii) sells, assigns, transfers, leases, conveys or otherwise disposes of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries that are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either (a) such Guarantor is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) (the "*Successor Guarantor*") or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made expressly assumes all the obligations of such Guarantor under its Notes Guarantee, its Guarantee Agreement, the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee), the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party;

(2) immediately after giving pro forma effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving corporation as a result of such transaction as having been incurred by the surviving corporation at the time of such transaction or transactions), no Default or Event of Default exists;

(3) in the case of a Sponsors' HoldCo only, at the time of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other such disposition in respect of a Sponsors' HoldCo, and after giving *pro forma* effect thereto and to any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, either (i) a Guarantor would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of the Specified Default described under "*—Indebtedness*" without such Incurrence constituting a Specified Default or (ii) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer delivers to the Trustee an Officer's Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this "*—Merger and Consolidation*" section and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture (as supplemented), the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and the Notes Guarantee constitute legal, valid and binding obligations of the Guarantor or the Person formed by or surviving any such consolidation and merger (as applicable) enforceable in accordance with their terms (provided that any such opinion of counsel may assume matters of fact, including as a factual matter that one or more conditions precedent have occurred),

provided that the occurrence of such Specified Default shall not result in a Specified Default to the extent that in the case of a sale, assignment, transfer, conveyance or other disposition of all of the properties or assets of a Guarantor and, if such Guarantor is a shareholder of HoldCo, HoldCo and its Subsidiaries that are Restricted Subsidiaries taken as a whole, the Issuer shall have complied with the terms described under "*Change of Control*" and purchased all Notes tendered pursuant to the offer to purchase all the Notes required thereby. The Trustee shall be entitled to rely conclusively on each Officer's Certificate and Opinion of Counsel without independent verification.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the first paragraph of this section in which a Guarantor is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of the Guarantor and the Guarantor will be discharged from all obligations, covenants and Specified Defaults under the Indenture, its Notes Guarantee, its Guarantee Agreement, the Notes and the Security Documents to which such Guarantor is a party.

The occurrence of the following will also constitute a Specified Default: a Guarantor leasing, directly or indirectly, all or substantially all of the properties and assets of it and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The Specified Default described under this "—*Merger and Consolidation*" section will not apply to (a) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into a Guarantor, (b) any consolidation, sale, assignment, transfer, conveyance or other disposition or merger among Guarantors and (c) any consolidation or merger among Restricted Subsidiaries that are not Guarantors. Clause (2) of the first paragraph of this "—*Merger and Consolidation*" section will not apply to any merger or consolidation of any Guarantor with or into an Affiliate solely for the purpose of reincorporating such Guarantor in another jurisdiction, to change its domicile or to change its legal form.

Impairment of Security Interest

The occurrence of the following will constitute a Specified Default: (a) any Restricted Subsidiary takes or knowingly or negligently omits to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and (b) any Restricted Subsidiary grants to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral. Notwithstanding the foregoing, the following shall not constitute a Specified Default: (i) the Incurrence of Permitted Collateral Liens, (ii) the undertaking of a Permitted Reorganization, (iii) the discharge and release of Collateral in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the amendment from time to time of the applicable Security Documents to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein and (v) the amendment from time to time of the Security Interests in any manner that does not adversely affect Holders of the Notes in any material respect; *provided*, *however*, that in the case of clause (ii), the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the Issuer, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that no Specified Default arises because the Issuer complies with the requirements of this "—*Impairment of Security Interests*" section, the Trustee and the Security Agent shall (subject to customary protection and indemnification) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

If any Restricted Subsidiary Guarantees the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, respectively, in each case of or in respect of which the Issuer or a Guarantor is an obligor, unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture or a Guarantee Agreement in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, such Guarantee will constitute a Specified Default in respect of the Issuer. If any Sponsors' HoldCo Guarantees or Incurs Indebtedness under any Credit Facility (other than the Revolving Credit Facility or another Credit Facility under which the creditors are entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes) or any other Public Debt, and the Guarantee or primary obligation in respect of such Credit Facility or Public Debt of such Sponsors' HoldCo is on a joint and several or primary obligation basis, unless the Notes Guarantee of such Sponsors' HoldCo becomes a joint and several Notes Guarantee of such Sponsors' HoldCo, on the date on which such Guarantee or primary obligation is Incurred (whether through amendment of such Sponsors' HoldCo's Guarantee Agreement or otherwise), such Guarantee or primary obligation will constitute a Specified Default in respect of the Issuer. Notwithstanding the foregoing, such Guarantee (other than a Guarantee or primary obligation of a Sponsors' HoldCo) shall not constitute a Specified Default to the extent and for so long as the Incurrence of such Notes Guarantee is in accordance with the Agreed Security Principles. At the option of the Issuer, any Notes Guarantee or Guarantee Agreement may contain limitations on a Guarantor's liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*—The Notes Guarantees—Notes Guarantees Release*." A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. At the request and expense of the Issuer, the Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protection and indemnification.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Related to the Notes and the Guarantees—The Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*."

Activities of the Sponsors' HoldCos

The carrying on of any business or the ownership of any material assets by any Sponsors' HoldCo other than the following will constitute a Specified Default in respect of the Issuer:

(1) the borrowing of the proceeds of the Notes from the Issuer pursuant to the Proceeds Loans, the borrowing of other loans of proceeds of Indebtedness Incurred by the Issuer that is permitted by the terms of the Indenture, the incurrence of other Indebtedness (and guarantees thereof) permitted by the terms of the Indenture and performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Indenture and the granting of Liens permitted pursuant to the Specified Default described above under "*—Liens*";

(2) rights and obligations arising under the Proceeds Loans that are permitted by the terms of the Indenture, the Guarantee Agreements, any Credit Facility, the Intercreditor Agreement (including any Additional Intercreditor Agreement) and the Security Documents or any other agreement existing on the Completion Date to which it is a party, and other ancillary documents or instruments related thereto (including liabilities under any "parallel debt" obligations);

(3) undertaken with the purpose of, or directly related to, the fulfilment of any other obligations, and the exercise of any other rights, under any Indebtedness of the Sponsors' HoldCos permitted by the Indenture;

(4) the investment in, and ownership and disposition of, (A) cash, Cash Equivalents, Temporary Cash Investments and Investment Grade Securities and (B) other property, in each case to the extent contributed substantially concurrently to a Parent to the extent such contribution would not constitute a Specified Default as described above under "*—Restricted Payments*";

(5) the investment in and ownership of the shares and other equity and quasi-equity interests in HoldCo and the Incurrence of Liens thereon to the extent permitted by the Indenture;

(6) relating to the lending of proceeds of Indebtedness and Equity Offerings to Restricted Subsidiaries, whether as Subordinated Shareholder Funding or otherwise;

(7) relating to the granting of Guarantees of Indebtedness of Restricted Subsidiaries to the extent permitted by the Indenture;

(8) relating to the making of Investments in the Notes (including any Additional Notes) and Investments in any other Indebtedness permitted to be Incurred by the terms of the Indenture;

(9) involving the provision of administrative services (including treasury and cash pooling services) to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the receipt, investment and disposition of any amounts related thereto;

(10) directly related or reasonably incidental to the establishment and/or maintenance of its and its Subsidiaries' corporate existences;

(11) the making of any Restricted Payment (other than any Investment not otherwise permitted under this "—*Activities of the Sponsors' HoldCos*" section) permitted by the terms of the Indenture;

(12) pursuant to or in connection with the Transactions;

(13) conducting activities directly related, or reasonably incidental to, any Initial Public Offering or Equity Offering, including the maintenance of any listing of equity interests issued by an IPO Entity, and any Permitted Reorganization;

(14) any liabilities or obligations in connection with any employee or participation scheme operated by HoldCo, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of HoldCo or any other Restricted Subsidiary (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose); or

(15) other activities not specifically enumerated above that are *de minimis* in nature.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon acceleration or otherwise;

(3) failure by the Issuer to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture or the occurrence of a Specified Default which is not cured for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes;

(4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €40.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer, a Sponsors' HoldCo, or a Significant Subsidiary or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for HoldCo, or as of the latest audited consolidated financial statements of each Sponsors' HoldCo), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for HoldCo, or as of the latest audited consolidated financial statements of each Sponsors' HoldCo), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €40.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional

Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer, a Sponsors' NewCo or a Sponsors' HoldCo shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of not less than a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any, on any Note held by a non-consenting Holder (which may only be waived with the consent of Holders holding 90% of the aggregate principal amount of the Notes outstanding under the Indenture)) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee and, if requested, the Trustee has received, customary indemnification and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee indemnity and/or security satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such indemnity and/or security; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of not less than a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee is aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to customary indemnification and/or security satisfactory to the Trustee against all losses and expenses (including legal fees) caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (beginning with the first fiscal year ending after the Issue Date), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

In addition, the Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice (the "*Indicative Specified Default Notice*") of any events of which it or any Sponsors' HoldCo is aware which would have constituted a Specified Default but for reliance on the first paragraph under the caption "Specified Defaults," the first date of such event (the "*Indicative Date*") or events and the status thereof. With effect from the Indicative Date, for so long as such Specified Default would be continuing but for such reliance (such period, the "*Indicative Period*"):

(a) Interest on Fixed Rate Cash Interest, Fixed Rate PIK Interest and overdue principal, as applicable, will accrue at a rate that is 2% higher than the then applicable rate of Fixed Rate Cash Interest, in the case of overdue principal on the Fixed Rate Notes and Fixed Rate Cash Interest, or the then applicable rate of Fixed Rate PIK Interest, in the case of Fixed Rate PIK Interest; and

(b) Interest on Floating Rate Cash Interest, Floating Rate PIK Interest and overdue principal, as applicable, will accrue at a rate that is 2% higher than the then applicable rate of Floating Rate Cash Interest, in the case of overdue principal on the Floating Rate Notes and Floating Rate Cash Interest, or the then applicable rate of Floating Rate PIK Interest, in the case of Floating Rate PIK Interest.

For the avoidance of doubt, any interest applicable pursuant to the immediately preceding paragraph shall be in addition to any interest applicable pursuant to the second paragraph under each of "*—Interest—Fixed Rate Notes*" and "*—Interest—Floating Rate Notes*."

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed under "*Certain Covenants Applicable to the Issuer—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Indenture shall be deemed to be cured upon the delivery of any such report required by such provision or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). If any amendment, supplement or waiver will only affect the Fixed Rate Notes or the Floating Rate Notes, only the Holders of the requisite percentage of the aggregate principal amount of the then outstanding Fixed Rate Notes or Floating Rate Notes (and not the consent of the Holders of the majority of all Notes), as the case may be, shall be required. However, without the consent of Holders holding not less than 90% (or, in the case of clauses (8) and (10), 75%) of the then outstanding principal amount of the Notes affected, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to institute suit for the enforcement of any payment of principal of and interest on or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Notes Guarantee, Guarantee Agreement or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee and the Security Agent may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or Specified Defaults or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the provision described under "*—Specified Defaults—Indebtedness*" or "*—Specified Defaults—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Guarantee Agreements, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Guarantee Agreements, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or the Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the provisions described under "*—Specified Defaults—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Specified Defaults—Impairment of Security Interest*" and "*—Certain Covenants Applicable to the Issuer—Additional Intercreditor Agreements*."

In formulating its decision on such matters, the Trustee shall be entitled to receive and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by subsections (3) and (6) in respect of providing for a Notes Guarantee, it shall only be necessary for the supplemental indenture or Guarantee Agreement of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under the covenants described under "*—Certain Covenants Applicable to the Issuer*" (other than clauses (1) and (2) of "*—Certain Covenants Applicable to the Issuer—Merger and Consolidation*"), "*—Change of Control*" and "*—Specified Defaults*" and the default provisions relating to such covenants and Specified Defaults described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision, the guarantee provision (other than in respect of the Issuer) and the security default provision described under "*—Events of Default*" ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants Applicable to the Issuer—Merger and Consolidation in respect of the Issuer*"), (4), (5) (with respect only to Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Fixed Rate Notes or Floating Rate Notes when (1) either (a) all the Fixed Rate Notes or Floating Rate Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Fixed Rate Notes or Floating Rate Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the

Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Fixed Rate Notes or Floating Rate Notes (as applicable) not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to both the Paying Agent and the Trustee under the Indenture to apply the deposited money toward the payment of such Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with as to such Notes, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Sponsors' NewCo or any Subsidiaries or Affiliates of a Sponsors' NewCo, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

U.S. Bank Trustees Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee, and the Trustee has received, customary protection and indemnification.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer, its Subsidiaries and Affiliates.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires actual knowledge of a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses (including legal fees) Incurred without gross negligence, wilful default or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices of the Issuer with respect to the Notes will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may instead be published in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Notes Guarantees, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note (as applicable), the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF market will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Guarantee Agreements and the Notes, the Issuer in the Indenture and each Guarantor in its respective supplemental indenture or Guarantee Agreement will irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation System, as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England.

Certain Definitions

"*6 Months Debt Service*" means an amount of cash equivalent to the amount required to pay Cash Interest in respect of both the Fixed Rate Notes and the Floating Rate Notes (with the amount of Cash Interest due on the Floating Rate Notes in respect of a Floating Rate Interest Period being the amount of Floating Rate Cash Interest that would have been due in the immediately preceding Floating Rate Interest Period) on the next succeeding semi-annual interest payment date (as determined in good faith by the Issuer).

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition of at least 85.3% of the share capital of the Target by BidCo pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the sale and purchase agreement dated as of June 19, 2015, by and among certain sellers identified therein and BidCo with respect to at least 85.3% of the share capital of the Target.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares or Capital Stock of HoldCo or a Subsidiary of HoldCo (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "*disposition*") by any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Restricted Subsidiaries taken as a whole will constitute a Specified Default under "*—Merger and Consolidation*" unless the conditions described therein are met. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of HoldCo or its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants Applicable to the Issuer—Merger and Consolidation in respect of the Issuer*," "*—Specified Defaults—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved or ratified by the Board of Directors of the Issuer or such Restricted Subsidiary or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors of the Issuer) of no more than than €20.0 million;

(8) (a) any Restricted Payment which is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants Applicable to the Issuer—Limitation on Issuer Restricted Payments*" or pursuant to the conditions described above under "*—Specified Defaults—Restricted Payments*", (b) the making of any Issuer Permitted Payments, Permitted Payment or Permitted Investment or (c) asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used to make Issuer Restricted Payments, Restricted Payments or Permitted Investments (including in respect of Specified Asset Sales); *provided* that such Issuer Permitted Payments, Permitted Payments or Permitted Investments are made within 180 days of such asset sale, lease, transfer, issuance or other disposition;

(9) the granting of Liens not prohibited pursuant to the conditions described above under "*—Specified Defaults—Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of a Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with (i) any Qualified Receivables Financing, (ii) Receivables Financing as would not result in a Specified Default under clause 12(b) under the second paragraph of "*—Specified Defaults—Indebtedness*" or (iii) any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by any Restricted Subsidiary to such Person; *provided*, *however*, that the Board of Directors shall certify that in the opinion of the Board of Directors of the Issuer such Restricted Subsidiary, the outsourcing transaction will be economically beneficial to the Restricted Subsidiaries (considered as a whole);

(19) an issuance or sale by a Restricted Subsidiary of Preferred Stock or redeemable Capital Stock that would not result in a Specified Default as described above under "*—Certain Covenants Applicable to the Issuer—Limitation on*

Indebtedness in respect of the Issuer" or pursuant to the conditions described under "*—Specified Defaults—Indebtedness*";

(20) any disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements;

(21) any disposition with respect to property built, owned or otherwise acquired by any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture;

(22) the sale or transfer of all or part of the interests in Visa Europe Limited held by the Target or its Subsidiaries, and the payment of any earnout (whether on the basis of the proceeds of such sale or transfer, or in connection with the distribution of dividends, liquidation proceeds, reimbursement of capital or other value derived from the interests in Visa Europe Limited (other than rebates of commission in the ordinary course of business)) owed to the sellers under the Acquisition Agreement in connection therewith; and

(23) dispositions of Permitted Portfolio Investments in the ordinary course of business, dispositions in connection with any Settlement and dispositions of Settlement Assets and Merchant Agreements.

"*Associate*" means (i) any Person engaged in a Similar Business of which one or more Restricted Subsidiaries is the legal and beneficial owner of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by any Restricted Subsidiary.

"*Banking Capital Adequacy Ratios*" means the regulatory capital maintenance and leverage ratios applicable to the Target and/or its Subsidiaries as promulgated by the Relevant Regulator.

"*BidCo*" means Mercury Italy S.r.l., established as a private limited company (*Società a Responsabilità Limitata*) under the laws of the Republic of Italy.

"*Board of Directors*" means with respect to (1) the Issuer or its board of directors as a group; (2) or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (3) any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (4) any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval or ratification of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved or ratified, as the case may be, by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval or ratification is taken as part of a formal board meeting or as a formal board approval or ratification).

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, Luxembourg, Grand Duchy of Luxembourg, New York, New York or London, United Kingdom are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar or other recognized time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-2" or the equivalent thereof (or has an equivalent long-term rating) by S&P or at least "P-2" or the equivalent thereof (or has an equivalent long-term rating) by Moody's or at least "F2" or the equivalent thereof (or has an equivalent long-term rating) by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P, at least "P-2" or the equivalent thereof by Moody's or at least "F2" or the equivalent thereof by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by the United States of America, any state of the United States of America, Canada, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Fitch, Moody's or S&P (or, if at the time, none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Target and its Subsidiaries on the Completion Date.

"*CET1 Capital*" has the meaning given to it by the Relevant Regulator from time to time for purposes of calculating Banking Capital Adequacy Ratios.

"*CET1 Capital Ratio*" means CET1 Capital divided by the risk weighted assets required for the calculation of such ratio by the Relevant Regulator from time to time.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer or a Sponsors' HoldCo becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the (i) Sponsors' HoldCos (in the aggregate) or (ii) the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer or a Sponsors' HoldCo becoming a Subsidiary of a Successor Parent; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of (i) the Sponsors' HoldCos (taken as a whole), (ii) HoldCo or (iii) the Restricted Subsidiaries (taken as a whole) to a Person, other than a Restricted Subsidiary or one or more Permitted Holders (*provided* that a Specified Asset

Sale shall not for purposes of this definition be deemed to constitute the sale of all or substantially all of the assets of HoldCo).

"*Clearstream*" means Clearstream Banking, *société anonyme*, as currently in effect or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for any Person for any period means, without duplication, the Consolidated Net Income of such Person for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense (including lease depreciation charges);

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs (including bank fees) related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent that it would comply with the covenant described under "*—Limitation on Issuer Affiliate Transactions*" and not result in a Specified Default under "*—Specified Defaults—Affiliate Transactions*";

(8) other non-cash charges or expenses, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) and any items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any loss of profit, business interruption or equivalent insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received, or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) Group Initiatives, business optimization expenses and other restructuring charges, expenses, accruals or reserves (which shall include, without limitation, retention, severance, systems establishment cost, expenses relating to pensions including service costs and pension interest costs, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the startup, closure, relocation or consolidation of

facilities and costs to relocate employees), start-up costs for new businesses and branding or re-branding of existing businesses, any costs associated with nonordinary course tax projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing; and

(13) all adjustments of the nature used in the calculation of "Normalized EBITDA" as set forth in footnote (3) under the heading "*Summary—Summary Historical Financial and Other Information—Other Financial and Operating Information—Other Financial Information*" contained in the Offering Memorandum and applied in good faith to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated.

"*Consolidated Income Taxes*" means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any Person for any period (in each case, determined on the basis of IFRS), the consolidated net interest income (expense) of such Person and its Restricted Subsidiaries, whether paid or accrued, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (as applicable), *plus* (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses) and any other consideration given by the Issuer or the Restricted Subsidiaries during the relevant period, and relating to that period, in connection with any acceptance credit, bill discounting debt factoring or other similar arrangement;

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of such Person and all Preferred Stock of any Restricted Subsidiary of such Person, to the extent held by Persons other than such Person or a Restricted Subsidiary of such Person, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by the Board of Directors of the Issuer;

(6) interest capitalized in the relevant period and not recorded as interest expense in such period; and

(7) cash interest actually paid by such Person under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition and depreciation charges in respect of interest capitalized in a period following the Issue Date, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness, which is included in interest expense under IFRS and (v) interest expense in respect of Ordinary Course Funding and Settlement Obligations.

"*Consolidated Net Income*" means, for any period, the profit/(loss) for the period of such Person and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that when calculating the Consolidated Net Income of HoldCo, the Fixed Charges with respect to (without double counting) each Sponsors' HoldCo and, to the extent that the Issuer has Incurred Indebtedness not lent to a Sponsors' HoldCo or issued Disqualified Stock, the Issuer, for such period will be included in such calculation; *provided further, however*, that there will not be included in any calculation of Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any profit/(loss) of any Person if such Person is not a Restricted Subsidiary, except that the equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person that is not a Restricted Subsidiary during such period to such Person in respect of which Consolidated Net Income is being calculated or its Restricted Subsidiaries as a dividend or other distribution or return on

investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clauses (c)(i) and (c)(vi) of the first paragraph under "—*Specified Defaults—Restricted Payments*," any profit/(loss) of any Restricted Subsidiary or dividends or distributions received by a Restricted Subsidiary from an Unrestricted Subsidiary will be excluded if such Restricted Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Sponsors' HoldCos by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility Agreement and the Intercreditor Agreement) and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11) of the second paragraph of the Specified Default described under "—*Specified Defaults—Distributions from Restricted Subsidiaries*," except that HoldCo's equity in the profit/(loss) of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income or dividends or distributions from a Restricted Subsidiary up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Sponsors' HoldCos or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause));

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements (including any one-time compensation charges), signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment would not result in a Specified Default under "—*Specified Defaults—Restricted Payments*";

(7) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment or termination of Indebtedness or Hedging Obligations or other derivative instruments (including deferred financing costs written off and premiums paid) and any net gain or loss from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of any Restricted Subsidiary owing to any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to purchase accounting or any acquisition of or merger or consolidation with another Person or business or resulting from any reorganization or restructuring involving the Sponsors' or their Subsidiaries, including in connection with the Transactions;

(12) any goodwill or other intangible asset impairment charge or write-off or write-down;

(13) any non-cash interest expense (excluding non-cash interest expense in respect of PIK Interest and non-cash interest expense in respect of obligations under the Revolving Credit Facility), including non-cash interest expense associated with Subordinated Shareholder Funding, and any non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the maturity date of the Notes;

(14) any (a) relocation costs or expenses relating to officers and employees, (b) one-time non-cash compensation charges, (c) the costs and expenses related to employment of terminated officers or employees and (d) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other equity interests or rights of officers or directors, in each case of such Person or any of the Restricted Subsidiaries;

(15) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition;

(16) any charges or reserves in respect of any severance expenses and expenses, charges, fees or other costs related to the Acquisition, any Permitted Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization, the Incurrence of any Indebtedness (whether or not successful), any Equity Offering, the Incurrence of the Notes, the entering into of the Revolving Credit Facility Agreement and transactions related to the foregoing; and

(17) the non-cash portion of "straight-line" rent expense shall be excluded (but the cash portion of "straight-line" rent expense that exceeds the amount expensed in respect of such rent expense shall be included).

"*Consolidated Net Leverage*" means, without double-counting, the sum of the aggregate outstanding Indebtedness of the Issuer, the Sponsors' HoldCos (on a combined basis) and HoldCo (on a consolidated basis) (excluding (x) Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Board of Directors of the Issuer), less the sum (which shall in no case be less than zero) of the aggregate amount of cash and Cash Equivalents (excluding the 6 Months Debt Service and the Deferred Consideration Amount (to the extent such amount remains payable)) that would be stated on the balance sheet of each Sponsors' HoldCo and the Issuer as of such date in accordance with IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA of HoldCo for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of HoldCo are are available. In the event that the Issuer or any Sponsors' HoldCo or any other Restricted Subsidiary Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Board of Directors of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Specified Defaults—Indebtedness*" (other than for the purposes of the calculation of Consolidated Senior Secured Net Leverage Ratio for the purposes of clause (v) of the definition of "*Permitted Collateral Liens*") or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Specified Defaults—Indebtedness*."

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions, Investments and Group Initiatives that have been made by any Restricted Subsidiary, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by a Restricted Subsidiary, and including all related financing transactions and including increases in

ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by the Board of Directors of the Issuer and may include reasonably anticipated expense and cost reductions and synergies and other synergies as though the full effect of such anticipated expense and cost reductions and synergies and other synergies had been realized on the first day of the relevant four-quarter reference period) as if they had occurred on the first day of the relevant four-quarter reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period (taking into account reasonably anticipated expense and cost reductions and synergies and other synergies as though the full effect of such anticipated expense and cost reductions and synergies and other synergies had been realized on the first day of the relevant four-quarter reference period resulting from any such disposal, as determined in good faith by the Board of Directors of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any Restricted Subsidiary following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Sponsors' HoldCo's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any Restricted Subsidiary, one or more debt facilities, arrangements, instruments, trust deeds or indentures (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, performance guarantees, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Notes Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Sponsors' NewCos or HoldCo as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement or arrangement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Deferred Consideration Amount*" means approximately € 89.0 million of deferred consideration owed to the vendors under the Acquisition Agreement and other shareholders of the Target from which BidCo has agreed to purchase shares.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors of the Issuer) of non-cash consideration received by the Sponsors' HoldCos or one or more Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the conditions described under "*—Specified Defaults—Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Sponsors' HoldCos or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to a Sponsors' HoldCo or a Subsidiary of a Sponsors' HoldCo or an employee stock ownership plan or trust established by a Sponsors' HoldCo or any such Subsidiary for the benefit of their employees to the extent funded by a Sponsors' HoldCo or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) and (c)(iii) of the Specified Default described under "*—Specified Defaults—Restricted Payments*" and is not in connection with the Equity Contribution.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption would not result in a Specified Default under "*—Specified Defaults—Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contributions*" means (i) the equity contribution to be made by the Initial Investors to the Sponsors' HoldCos in connection with the Transactions and (ii) any equity contribution to, or other sale of equity or Subordinated Shareholder Funding of, the Sponsors' HoldCos using the proceeds of any Indebtedness of any Parent the proceeds of which have been on-lent to a Sponsors' HoldCo or another Restricted Subsidiary.

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer, a Sponsors' HoldCo or a Parent HoldCo (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, in each case the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions) of the Issuer, a Sponsors' HoldCo or any of the Restricted Subsidiaries, for the avoidance of doubt, other than, in each case, the Equity Contributions described in clause (i) of the definition thereof.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security denominated in euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the Issue Date, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by a Sponsors' HoldCo or the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of a Sponsors' HoldCo or the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by a Sponsors' HoldCo, HoldCo, any Subsidiary of HoldCo or the Issuer for the benefit of its employees to the extent funded by a Sponsors' HoldCo or the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of a Sponsors' HoldCo (other than the Equity Contribution), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "Description of the Notes" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fitch*" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of HoldCo for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges (without double-counting) of each Sponsors' HoldCo and HoldCo (on a consolidated basis) and, to the extent the Issuer has Incurred Indebtedness not lent to a Sponsors' HoldCo or issued Disqualified Stock, the Issuer, for such four fiscal quarters.

In the event that a Sponsors' HoldCo, the Issuer, HoldCo or another Restricted Subsidiary Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility (unless such Indebtedness has been permanently repaid and has not been replaced or constitutes ordinary working capital borrowings)) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Board of Directors of the Issuer), including in respect of reasonably anticipated expense and cost reductions and synergies and other synergies as though the full effect of such anticipated expense and cost reductions and synergies and other synergies had been realized on the first day of the relevant four-quarter reference period, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges (other than for the purposes of the calculation of Fixed Charge Coverage Ratio under clause (5) of the definition of "*Permitted Debt*") shall not give effect to (i) any

Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the Specified Default described under "—*Specified Defaults—Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the Specified Default described under "—*Specified Defaults—Indebtedness*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by any Restricted Subsidiary, including through mergers or consolidations, or by any Person or any of the Restricted Subsidiaries acquired by any Restricted Subsidiary, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by a responsible accounting or financial officer or the Board of Directors of such Person), including in respect of reasonably anticipated expense and cost reduction synergies and other synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA of HoldCo attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the Issuer or any Restricted Subsidiary following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); and

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; *plus*

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any Sponsors' HoldCo or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Issuer or a Restricted Subsidiary.

"*Group Initiatives*" means any acquisitions, dispositions or restructuring, reorganization or cost saving initiatives.

"*Guarantee*" means any guarantee (including any Notes Guarantee) or obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantors*" means any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"*HoldCo*" means Mercury UK HoldCo Limited, established as a private limited company under the laws of England and Wales; *provided* that if (i) any Person other than HoldCo is a direct or indirect Holding Company of the Target, (ii) such Person is also a direct or indirect Holding Company of HoldCo and any other Holding Company of HoldCo and (iii) such Person's consolidated results as reported under IFRS include the consolidated results of the Target as reported under IFRS, then such Person shall be substituted for HoldCo for all purposes under the Indenture; and *provided further* that if any part of any four-quarter reference period in respect of which the Consolidated EBITDA of HoldCo is to be calculated occurs prior to the consummation of the Acquisition, the Acquisition will be given *pro forma* effect (as determined in good faith by the Board of Directors of the Issuer) as if it had occurred on the first day of the relevant four-quarter reference period for the purpose of such calculation.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("*IFRS*") endorsed by the European Union or any variation thereof with which the Restricted Subsidiaries are required to comply as in effect on the Issue Date, or, solely, with respect to the Specified Default described under the heading "*—Certain Covenants Applicable to the Issuer—Reports*," as in effect from time to time.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as

determined in good faith by the Board of Directors of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS, (iii) prepayments of deposits received from clients or customers in the ordinary course of business or (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) and (9) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings or Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by a Sponsors' HoldCo or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes or under any Tax Sharing Agreement; or

(4) Ordinary Course Funding or Settlement Obligations.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means any funds or limited partnerships managed or advised by Advent International Corporation, Bain Capital Europe LLP, Clessidra SGR S.p.A. or any of their respective Affiliates or direct or indirect Subsidiaries or any trust, fund, company or partnership owned, managed or advised by Advent International Corporation, Bain Capital Europe LLP, Clessidra SGR S.p.A. or any of their respective Affiliates or direct or indirect Subsidiaries or any entity controlled by all or substantially all of the managing directors of such fund or Advent International Corporation, Bain Capital Europe LLP, Clessidra SGR S.p.A. from time to time.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer, a Sponsors' HoldCo, HoldCo, the Target or any Parent or any successor of HoldCo or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, the Sponsors' HoldCos, the Security Agent and the Trustee, as amended, restated or otherwise modified or varied from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If a Sponsors' HoldCo or any other Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by a Sponsors' HoldCo or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the Specified Default described under "—*Specified Defaults—Restricted Payments*."

For purposes of the "—*Specified Defaults—Restricted Payments*" section:

(1) "Investment" will include the portion (proportionate to HoldCo's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of HoldCo at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P, "Baa3" or higher by Moody's or "BBB–" or higher from Fitch or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Restricted Subsidiaries and the Issuer;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"*IPO Entity*" has the meaning given in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means November 13, 2015.

"*Issuer*" means Mercury Bondco plc, established as a public limited company under the laws of Jersey.

"*Issuer Permitted Liens*" means, with respect to the Issuer:

(1) Liens created for the benefit of (or to secure) the Notes (including any Additional Notes and any PIK Interest), the Proceeds Loans and loans of proceeds of Indebtedness Incurred by the Issuer and on-lent to one or more Guarantors under an agreement or agreements substantially similar to the Proceeds Loans;

(2) Liens relating to escrow or trust accounts established for the benefit of holders of Public Debt of the Issuer;

(3) Liens created for the benefit of (or to secure) other Issuer Permitted Debt (including a Guarantee of Indebtedness and including any related Hedging Obligations permitted under the Indenture); and

(4) Liens that are described in one or more of clauses (3), (4), (5), (6), (8), (9), (11), (12), (14), (16), (18), (20), (23), and (24) of the definition of "Permitted Liens", substituting the Issuer for any Restricted Subsidiary, mutatis mutandis.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business and in accordance with past practice;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €10.0 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) members of the management team of HoldCo, the Target or the Target's Subsidiaries who invest or commit to invest, directly or indirectly, in the Target, another Restricted Subsidiary or a Parent HoldCo on the Completion Date through a management equity program, (ii) persons who are or become members of the management team of HoldCo, the Target or its Subsidiaries following the Completion Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of "Permitted Holders") and who invest, directly or indirectly, in HoldCo, the Target or the Target's Subsidiaries through a management equity plan and (iii) any entity that may hold shares transferred by departing members of the management team of HoldCo, the Target or the Target's Subsidiaries for future redistribution to the management team of the Target or its Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not limited to, any managers, officers and (executive and non-executive) directors of the Target and its Subsidiaries).

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Merchant Agreement*" shall mean any contract entered into with a merchant relating to the provision of Merchant Services.

"*Merchant Services*" shall mean services provided to merchants relating to the authorization, transaction capture, settlement, chargeback handling and internet-based transaction processing of credit, charge, debit, stored-value and loyalty card and other payment transactions (including provision of point of service devices and other equipment necessary to capture merchant transactions and other ancillary services).

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition (other than Capitalized Lease Obligations), in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing agreements).

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Guarantee Agreements, the Security Documents, the Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Notes Guarantee*" means a Guarantee of the Notes by a Guarantor.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or a Restricted Subsidiary.

"*Ordinary Course Funding*" means obligations due to central banks and current accounts, demand deposits, term deposits, interbank borrowing and lending, repurchase agreements and other financings or liabilities due to banks or customers, in each case incurred in the ordinary course of business of the Target and its Subsidiaries and of a nature common to funding and liquidity management undertaken by other banks or Similar Businesses in Italy in the ordinary course of their businesses.

"*Parent*" means any Person of which a Sponsors' HoldCo at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of any Restricted Subsidiary and the Issuer, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Restricted Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Restricted Subsidiaries or the Issuer;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses and administrative costs, including (a) professional fees and expenses, regulatory costs and other operational expenses of any Parent related to the ownership or operation of the business of any Restricted Subsidiaries or the Issuer, (b) costs and expenses with respect to the ownership, directly or indirectly, of any Restricted Subsidiaries or the Issuer by any Parent, (c) any Taxes of any Parent to the extent arising from an investment in the equity interests or equity-like interests of such Parent, or shareholder loans extended to or by such Parent, in connection with the Transactions or another investment in any Restricted Subsidiaries or the Issuer, (d) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (e) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of any Restricted Subsidiaries or the Issuer or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Sponsors' HoldCos or the Issuer, in an amount not to exceed €5.0 million in any fiscal year, *plus* (i) prior to the second anniversary of the Completion Date, management fees in an amount not to exceed €5.0 million per year and (ii) in each year following the second anniversary of the Completion Date, management fees in an amount not to exceed the greater of €5.0 million or 2% of Consolidated EBITDA of HoldCo per year;

(7) any Taxes, to the extent such Taxes are referable to the income of the Issuer or the Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent referable to the income of such Unrestricted Subsidiaries; *provided*, *however*, that the amount of such payments in any fiscal year do not exceed the amount that the Restricted Subsidiaries and the Issuer would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Restricted Subsidiaries and the Issuer; and

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness;

(a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

(b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

(c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent HoldCo*" means any Person of which a Sponsors' HoldCo or the Issuer at any time is or becomes a Subsidiary, and any holding companies established by any Permitted Holder for the primary purpose of holding its investment in the Issuer, any Sponsors' HoldCo or any other Parent HoldCo; *provided* that such Person is the owner, directly or indirectly, of at least a majority of the total voting power of the Voting Stock of a Sponsors' HoldCo after giving effect to the Equity Offering relevant to such Person's status as a Parent HoldCo.

"*Pari Passu Indebtedness*" means (a) any Indebtedness of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Notes Guarantee of a Guarantor, any Indebtedness that ranks equally in right of payment with such Notes Guarantee.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "*Permitted Liens*" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) Issuer Permitted Liens (other than Issuer Permitted Liens described under clause (2) of the definition of "Issuer Permitted Liens");

(c) to secure:

  (i) the Notes issued on the Issue Date (including PIK Interest in respect thereof) and any related Notes Guarantees and the Proceeds Loans (including Guarantees thereof);

  (ii) Indebtedness of one or more Guarantors, the Incurrence of which would not result in a Specified Default under the first paragraph of the Specified Default described under "*—Specified Defaults—Indebtedness*"; *provided* that, in the case of this clause (ii), after giving effect to such Incurrence on the date thereof, the Consolidated Senior Secured Net Leverage Ratio does not exceed 5.0 to 1.0;

  (iii) Indebtedness of one or more Guarantors described under clause (1) of the second paragraph of the Specified Default described under "*—Specified Defaults—Indebtedness*", which Indebtedness may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

  (iv) Indebtedness described under clause (2) of the second paragraph of the Specified Default described under "*—Specified Defaults—Indebtedness*," to the extent Incurred by a Guarantor and to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

  (v) Indebtedness of one or more Guarantors described under clause (5) of the second paragraph of the Specified Default described under "*—Specified Defaults—Indebtedness*"; *provided* that, in the case of this clause (v), after giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness on the date thereof, either (A) the Consolidated Senior Secured Net Leverage Ratio does not exceed 5.0 to 1.0 or (B) the Consolidated Senior Secured Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

  (vi) Indebtedness described under clause (6) of the second paragraph of the Specified Default described under "*—Specified Defaults—Indebtedness*" *provided* that Currency Agreements and Interest Rate Agreements entered into with respect to any Indebtedness, the Incurrence of which would not result in a Specified Default under the Specified Default described under "*—Specified Defaults—Indebtedness*," that is not subordinated in right of payment to the Notes or the Notes Guarantees and that is permitted under the Indenture to be secured by a Permitted Collateral Lien which ranks *pari passu* with the Lien on the Collateral securing the Notes and the Notes Guarantees, which Indebtedness may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

  (vii) Indebtedness of one or more Guarantors described under clauses (7) (other than with respect to Capitalized Lease Obligations and *provided* that such Permitted Collateral Lien is limited to a Lien on the HoldCo Share Pledges), (11) or (13) of the second paragraph of the Specified Default described under "*—Specified Defaults—Indebtedness*";

  (viii) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (vii);

(d) Incurred in the ordinary course of business of any Restricted Subsidiary with respect to obligations that in total do not exceed € 5.0 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of such Restricted Subsidiary's business;

provided, further, that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further,* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof) or Refinancing Indebtedness secure the Notes and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (iii) and (vi) above.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Management Investor, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence, but excluding Persons specified in clause (4) who are not specified in clause (1), (2) or (3)) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors (or at least one of them) and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the voting Stock of HoldCo or any of their direct or indirect parent companies wholly owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by a Restricted Subsidiary):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or (b) a Person (including the Capital Stock of any such Person) if such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person as a result of such Investment in such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any Qualified Receivables Financing or Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Specified Defaults—Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, or, in respect of the Target and its Subsidiaries, on the Completion Date and, in each case, any extension, modification, restructuring or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date, or, in respect of the Target and its Subsidiaries, on the Completion Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred to the extent they would not constitute a Specified Default under "*Specified Defaults—Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €50.0 million or 22% of Consolidated EBITDA of HoldCo; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens the Incurrence of which would not constitute a Specified Default under "*Specified Defaults—Liens*";

(13) any Investment to the extent made using Capital Stock of the Sponsors' HoldCos (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (4) or (6) of the covenant described under "*—Limitation on Issuer Affiliate Transactions*" or of clauses (4), (6) or (14) the second paragraph of the Specified Default described under "*Specified Defaults—Affiliate Transactions*";

(15) Guarantees of Indebtedness of the Sponsors' HoldCos or any Restricted Subsidiary, the Incurrence of which would not constitute a Specified Default under "*Specified Defaults—Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, the Notes (including any Additional Notes) and payments under the Proceeds Loans and any future proceeds loan from the Issuer to a Restricted Subsidiary under an agreement or agreements substantially similar to the Proceeds Loans and other Indebtedness of the Issuer or a Guarantor permitted by the Indenture;

(17) Investments in joint ventures or a Similar Business, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €40.0 million or 17% of Consolidated EBITDA of HoldCo; *provided* that, if an Investment is made pursuant to this clause (17) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(18) Investments in Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this clause (18) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €30.0 million or 13% of Consolidated EBITDA of HoldCo; *provided* that, if an Investment is made pursuant to this clause (18) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(19) Permitted Portfolio Investments; and

(20) any Investment arising in the ordinary course of business of the Target and its Subsidiaries as a result of any Settlement, including Investments in Settlement Assets.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be made solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investments, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor permitted by the Specified Default described under "*Specified Defaults—Indebtedness*";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;

(7) Liens on assets or property of any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture and relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the Specified Default described above under "*Specified Defaults—Indebtedness*" and (b) any such Lien may not extend to any assets or property of any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(13) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, after giving *pro forma* effect to the use of the proceeds of the Notes as described in the Offering Memorandum (including any Lien securing the Proceeds Loans) or (b) with respect to the Target and its Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Completion Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into any Restricted Subsidiary), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on (i) Receivables Assets Incurred in connection with a Qualified Receivables Financing or (ii) a Receivables Financing permitted under "*—Specified Defaults—Indebtedness*";

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(27) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by a Restricted Subsidiary; (b) Liens over cash paid into an escrow account to fund an

acquisition or pay related fees and expenses pending the closing of such acquisition by any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by any Restricted Subsidiary.

(28) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(29) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, and (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture or the Revolving Credit Facility Agreement and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;

(30) Liens, *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed €5.0 million;

(31) Liens on rights under any loan or other instrument lending or contributing the proceeds of Indebtedness Incurred by the Issuer or another Person to one or more Guarantors in favor of the third-party creditors in respect of such Indebtedness; and

(32) Settlement Liens.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"*Permitted Portfolio Investments*" means Investments by the Target and its Subsidiaries in the ordinary course of business, consistent with the investment policy approved by the board of directors of the Target or such Subsidiary of the Target, or a committee appointed for such purpose, and consistent with applicable regulation.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any Restricted Subsidiary (a "*Reorganization*") that is made on a solvent basis; *provided* that:

(1) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and

(2) if any shares or other assets of an entity subject to reorganization form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

Promptly upon consummation of a Permitted Reorganization, the Board of Directors of the Issuer will file with the trustee a copy of the resolution of the Board of Directors of the Issuer or the applicable Restricted Subsidiary authorizing such Permitted Reorganization and an Officer's Certificate certifying that such Permitted Reorganization complied with the terms of the Indenture and did not result in a Specified Default.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Proceeds Loans*" means the loans of the proceeds of the offering of Fixed Rate Notes issued on the Issue Date (the "*Fixed Rate Notes Proceeds Loans*") and the loans of the proceeds of the offering of the Floating Rate Notes issued on the Issue Date (the "*Floating Rate Notes Proceeds Loans*" and together with the Fixed Rate Notes Proceeds Loans and any future loans of proceeds of Indebtedness of the Issuer to one or more Restricted Subsidiaries under an agreement or agreements substantially similar to the Fixed Rate Notes Proceeds Loans or the Floating Rate Notes Proceeds Loans as in effect on the Completion Date, the "*Proceeds Loans*"), in each case after paying fees and expenses in connection with the Transactions, to each Sponsors' HoldCo pursuant to one or more proceeds loan agreements (the "*Notes Proceeds Loan Agreements*," and each, a "*Notes Proceeds Loan Agreement*").

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors of the Issuer) and may include Standard Securitization Undertakings. For the avoidance of doubt, Settlement Receivables Factoring constitutes Qualified Receivables Financing.

The grant of a security interest in any accounts receivable of a Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, Fitch or any other Nationally Recognized Statistical Rating Organization selected by the Issuer as a replacement agency.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by any Subsidiary of HoldCo pursuant to which HoldCo or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by HoldCo or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of HoldCo or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by HoldCo or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of HoldCo (or another Person formed for the purposes of engaging in a Qualified Receivables Financing in which HoldCo or any Subsidiary of HoldCo makes an Investment and to which HoldCo or any Subsidiary of HoldCo transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of a HoldCo and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of HoldCo (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by HoldCo or any other Restricted Subsidiary of HoldCo (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by HoldCo or any other Restricted Subsidiary of HoldCo, (iii) is recourse to or obligates HoldCo or any other Restricted Subsidiary of HoldCo in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of HoldCo or any other Restricted Subsidiary of HoldCo, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither HoldCo nor any other Restricted Subsidiary of HoldCo has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which HoldCo reasonably believes to be no less favorable to HoldCo or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of HoldCo; and

(3) to which neither HoldCo nor any other Restricted Subsidiary of HoldCo has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of HoldCo or the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of HoldCo or the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of a Restricted Subsidiary that refinances Indebtedness of the Issuer and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary and including any Indebtedness resulting from the payment of PIK Interest) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or Notes Guarantees, such Refinancing Indebtedness is subordinated to the Notes or such Notes Guarantees, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness; *provided* that it is used to refinance the amounts to discharge in full such Credit Facility or other Indebtedness within 180 days of the relevant termination, discharge or repayment.

"*Regulatory Capital*" means the sum of the CET1 Capital, Tier 1 Capital and Tier 2 Capital of the Target on a consolidated basis.

"*Related Person*" with respect to any Permitted Holder specified in clause (2) of the definition thereof, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, a Sponsors' HoldCo, the Issuer or any Restricted Subsidiary);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of a Sponsors' HoldCo, the Issuer or any Restricted Subsidiary;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, a Sponsors' HoldCo, the Issuer or any Restricted Subsidiary; or

(e) having made any payment with respect to any of the items for which a Sponsors' HoldCo or the Issuer is permitted to make payments to any Parent pursuant to "*—Specified Defaults—Restricted Payments*."

"*Relevant Regulator*" means the Bank of Italy (*Banca d'Italia*) or such other governmental authority in Italy (or if the Target or any relevant Subsidiary becomes domiciled in a jurisdiction other than Italy, in such other jurisdiction) having primary supervisory authority with respect to the Target or such Subsidiary.

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in a Restricted Subsidiary's business (including the Target and its Subsidiaries) as of the Completion Date or any and all other businesses that in the good faith judgment of the Board of Directors of the Issuer are related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Reserve Cash*" means the sum of (i) the aggregate of all cash and Cash Equivalents on hand at the Issuer and the Sponsors' HoldCos (to the extent that such cash and Cash Equivalents at the Sponsors' HoldCos may lawfully be used to make a distribution or payment prior to the relevant interest payment date on one or more of the Proceeds Loans, but also including cash in the Escrow Account) and (ii) the amount of undrawn and available commitments under the Revolving Credit Facility; *provided*, *however*, that for so long as the Deferred Consideration Amount remains payable (including upon the occurrence of any conditions precedent) under the Acquisition Agreement, Reserve Cash will not include the Deferred Consideration Amount.

"*Restricted Investment*" means any Investment by the Issuer or a Restricted Subsidiary other than a Permitted Investment.

"*Restricted Subsidiary*" means (i) until the date such Sponsors' HoldCo is released from its Notes Guarantee in accordance with the terms of the Indenture, each Sponsors' HoldCo and each respective successor, transferee and assignee and (ii) HoldCo and any Subsidiary of HoldCo (other than an Unrestricted Subsidiary that is a Subsidiary of HoldCo).

"*Revolving Credit Facility*" means the super senior revolving credit facility established pursuant to the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" means the agreement governing the Revolving Credit Facility dated on or about the Issue Date, by and among, *inter alios*, the Issuer as borrower, Goldman Sachs International, HSBC Bank Plc, J.P. Morgan Limited, Bank Of America Merrill Lynch International Limited, Citigroup Global Markets Limited, Unicredit S.p.A., Nomura International Plc, Credito Valtellinese S.C., Banca Popolare di Milano S.c.r.l. and Unione di Banche Italiane S.c.p.A. as arrangers, Unicredit Bank AG, London Branch as agent, and the Security Agent.

"*S&P*" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Security Interests*" means the security interests in the Collateral that are created by the Security Documents.

"*Senior Secured Indebtedness*" means any Indebtedness secured by a Lien on a basis *pari passu* with or senior to the security in favor of the Notes or the Notes Guarantees.

"*Settlement*" means the transfer of cash or other property with respect to any credit card, charge card, stored-value card or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer or charge transaction for which a Person acts as issuer, acquirer, processor, remitter, funds recipient, funds transmitter or funds receiver in the ordinary course of its business.

"*Settlement Asset*" means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person or an Affiliate of such Person.

"*Settlement Lien*" means any Lien relating to any Settlement or Settlement Obligations (and may include, for the avoidance of doubt, the grant of a Lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, Liens securing intraday and overnight overdraft and automated clearing house exposure, and similar Liens).

"*Settlement Obligations*" means any payment or reimbursement obligation in respect of a Settlement Payment.

"*Settlement Payment*" means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

"*Settlement Receivable*" means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a Person in consideration for and in the amount of a Settlement made or arranged, or to be made or arranged, by such Person.

"*Settlement Receivables Factoring*" means any factoring, receivables financings or similar arrangements in connection with Settlement Receivables.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) HoldCo's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of HoldCo and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) HoldCo's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the HoldCo and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) HoldCo's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of HoldCo and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year,

provided that notwithstanding the foregoing, the Sponsors' HoldCos, HoldCo and BidCo will constitute Significant Subsidiaries.

"*Similar Business*" means (a) any businesses, services or activities engaged in by HoldCo or any of its Subsidiaries or any Associates (including the Target and its Subsidiaries) on the Completion Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Asset Sales*" means the disposition and/or Public Offering or private offering or sale of the equity interests or assets constituting all or part of, or used in, the Securities Services Business, Payments Business or BPO Services Business of the Target and its Subsidiaries, in each case as described in the Offering Memorandum.

"*Specified Default*" means the occurrence of any of the events listed under "*—Specified Defaults*".

"*Sponsors' HoldCos*" means Mercury A HoldCo Limited, Mercury B HoldCo Limited and Mercury ABC HoldCo Limited and any other shareholder of HoldCo that provides a Notes Guarantee, and their respective successors, transferees and assigns and "*Sponsors' HoldCo*" means any of them.

"*Sponsors' NewCos*" means Mercury (AI) S.à r.l., Mercury (BC) S.à r.l. and Fides S.p.A., and their respective successors, transferees and assigns, and "*Sponsors' NewCo*" means any of them.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by HoldCo or any Subsidiary of HoldCo which HoldCo or the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the conditions under "*—Specified Defaults—Sales of Assets and Subsidiary Stock*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means (a) any Indebtedness of the Issuer that is expressly subordinate in right of payment to the Notes and (b) any Indebtedness of a Guarantor that is expressly subordinate in right of payment to such Guarantor's Notes Guarantee or any Proceeds Loan under which such Guarantor is a borrower.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Sponsors' HoldCos or the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Sponsors' HoldCos or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Sponsors' HoldCos or any of their Subsidiaries; and

(5) pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Subordinated Liabilities" (as defined therein, *mutatis mutandis*).

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" means, with respect to any Person, any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Target*" means Istituto Centrale delle Banche Popolari S.p.A. and its successors and assigns.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Sponsors' HoldCos and/or any of their Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any parent to enable a parent to compensate the Sponsors' HoldCos or such Subsidiary for losses incurred which may need to be compensated by a parent under any profit and loss pooling agreement.

"*Taxes* "means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P, "A" by Fitch or "A-1" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility Agreement;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of € 250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than a Restricted Subsidiary or the Issuer), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Tier 1 Capital*" has the meaning given to it by the Relevant Regulator from time to time for purposes of calculating Banking Capital Adequacy Ratios.

"*Tier 2 Capital*" has the meaning given to it by the Relevant Regulator from time to time for purposes of calculating Banking Capital Adequacy Ratios.

"*Transactions*" shall have the meaning assigned to such term in this Offering Memorandum under the caption "*The Transactions*."

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of HoldCo that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of HoldCo (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer, a Guarantor or HoldCo; and

(2) such designation and the Investment of the Issuer or the relevant Restricted Subsidiary in such Subsidiary would not constitute a Specified Default under "*Specified Defaults—Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) a Guarantor could Incur at least €1.00 of additional Indebtedness under the first paragraph of the Specified Default described under "*Specified Defaults—Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by a Sponsors' NewCo or another Wholly Owned Subsidiary.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**"). The Regulation S Global Notes representing the Notes (the "**Regulation S Global Notes**") will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act that are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the Investment Company Act) will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**" and, together with the Regulation S Global Notes, the "**Global Notes**"). The 144A Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1 in excess thereof. While the Notes may only be traded in denominations of €100,000 and in integral multiples of €1 in excess thereof, for the purpose of the International Central Securities Depositories ("**ICSDs**"), the minimum denomination will be considered to be €1. For the avoidance of doubt, the ICSDs are not required to monitor or enforce the minimum amount.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form (subject to very limited exceptions) and will not be considered the registered owners or "holder" of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear or Clearstream, as applicable (or its nominees) will be considered the holder of the Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Registrar, the Paying Agent, the Transfer Agent, the Trustee nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes (as defined below):

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(2) if Euroclear or Clearstream so requests following an Event of Default under the Indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable, in respect of the balance of the holding not transferred or redeemed; *provided* that a Definitive Registered Note will only be issued in denominations of €100,000 or in integral multiples of €1 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, we will issue and the Trustee or an Authenticating Agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors*."

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate in accordance with their respective operational procedures; *provided*, *however*, that no Book-Entry Interest of less €100,000 principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Notes, the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents will treat the registered holder of the Global Notes (for example, Euroclear or

Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;

- Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in “street name.”

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the Initial Purchasers, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such notes through Euroclear or Clearstream, as applicable, in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in “*Notice to Investors*.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “*Notice to Investors*.”

After the expiration of the 40-day period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and Exchange*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee and the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "*Notice to Investors*."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations, they also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear and Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear and Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to trading on the Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar, the Calculation Agent, the Paying Agent nor any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

CERTAIN TAXATION CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, the United Kingdom, Jersey and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, the United Kingdom, Jersey or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to EU, the United Kingdom, Jersey and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Jersey, the United Kingdom and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

EU Directive on the Taxation of Savings Income

Under European Union Council Directive 2003/48/EC of June 3, 2003, on the taxation of savings income in the form of interest payments (the "**EU Savings Directive**"), the competent authority of each member state of the European Union (each, a "**Member State**") is required to provide to the competent authority of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or for the benefit of, an individual or certain other persons resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period Austria is instead required (unless during such period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at a rate of 35%. However, during the transitional period, withholding will not apply under the EU Savings Directive to a payment if the beneficial owner of that payment expressly authorises an exchange of information in accordance with the EU Savings Directive instead. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to the exchange of information with certain other countries.

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from January 1, 2017. A number of non-European Union countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) to those under the EU Savings Directive. In particular, the changes will expand the range of payments covered by the EU Savings Directive to include certain additional types of income and will require the application of a "look through approach" to certain payments where an individual resident in a Member State is regarded as the beneficial owner of that payment for the purposes of the EU Savings Directive, to prevent the circumvention of the EU Savings Directive by the use of intermediaries. This approach may apply to payments made to or by, or secured for or by, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. These changes will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented (i.e., Austria).

On May 14, 2013, the Council of the European Union gave a mandate to the EU Commission to negotiate amended savings tax agreements with Andorra, Switzerland, Liechtenstein, Monaco and San Marino to ensure that these five countries continue to apply measures that are equivalent to the EU Savings Directive, as amended. In March 2014, the Council of the European Union confirmed this mandate and asked the EU Commission to continue the negotiations with a view to concluding them by the end of 2014. In May 2015 the European Union and Switzerland signed a new savings tax agreement, pursuant to which both the European Union and Switzerland will automatically exchange information on the financial accounts of their residents from 2018. The EU Commission is currently concluding negotiations for similar agreements with Andorra, Liechtenstein, Monaco and San Marino, which are expected to be signed before the end of 2015.

The EU Savings Directive may, however, be repealed in due course in order to avoid overlap with the amended European Union Council Directive 2011/16/EU on administrative cooperation in the field of taxation ("**DAC2**"). Member States must apply the provisions of DAC2 from January 1, 2016, and to start exchanging information by September 30, 2017. Austria received a derogation and is allowed to start applying DAC2 one year later than the other Member States, but announced that it would not make full use of the derogation and, in certain circumstances, would also start exchanging information by September 30, 2017.

Certain Jersey Tax Considerations

The following summary of the anticipated treatment of the Issuer and holders of the Notes (other than residents of Jersey) is based on Jersey taxation law and practice as they are understood to apply at the date of this document and is subject to changes in such taxation law and practice. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice (including such tax law and practice as they apply to any land or building situated in Jersey). Prospective investors in the Notes should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of the Notes under the laws of any jurisdiction in which they may be liable to taxation.

Taxation of the Issuer

The Issuer is not regarded as resident for tax purposes in Jersey. Therefore, the Issuer will not be liable to Jersey income tax other than on Jersey source income (except where such income is exempted from income tax pursuant to the Income Tax (Jersey) Law 1961, as amended) and payments in respect of the Notes may be paid by the Issuer without withholding or deduction for or on account of Jersey income tax. The holders of the Notes (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Notes.

Stamp Duty

In Jersey, no stamp duty is levied on the issue or transfer of the Notes except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer the Notes on the death of a holder of such Notes where such Notes are situated in Jersey. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situated in respect of a holder of the Notes domiciled in Jersey, or situated in Jersey in respect of a holder of the Notes domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75% of such estate and such duty is capped at £100,000. Where the Notes are in registered form and the register is not maintained in Jersey, such Notes should not be considered to be situated in Jersey for tax purposes.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

EU Directive on the Taxation of Savings Income and Jersey

From January 1, 2015, paying agents established in Jersey must report to the Jersey Comptroller of Taxes details of all payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State ("Member State"). The Jersey Comptroller of Taxes will be required to provide to the tax authorities of the Member State in which such a beneficial owner is resident, details of such payments made to such beneficial owner.

This exchange of information system in Jersey is implemented by means of bilateral agreements with each of the Member States and the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005, as amended with reference to Guidance Notes issued by the Chief Minister's Department of the States of Jersey. Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer would not be obliged under those provisions to report to the Jersey Comptroller of Taxes payments of interest, or other similar income, made by it to a paying agent established outside Jersey.

Jersey, along with other dependent and associated territories, will consider the effect of the EC Council Directive amending the EC Council Directive 2003/48/EC on the taxation of savings income in the context of existing bilateral agreements and domestic law. It is not expected that this will result in changes to the treatment of payments by the Issuer.

If you are in any doubt as to your tax position you should consult your professional tax adviser.

Certain United Kingdom Taxation Considerations

The following applies only to persons who are the absolute beneficial owners of Notes and is a summary of the Issuer's understanding of current law in the United Kingdom and HM Revenue & Customs ("**HMRC**") published practice (which may not be binding on HMRC), relating only to certain aspects of United Kingdom taxation, both of which may be subject to change, possibly with retrospective effect. It does not purport to be a complete analysis of all United Kingdom tax considerations relating to the Notes, relates only to persons who are the absolute beneficial owners of Notes and who hold Notes as a capital investment, and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective holders of Notes depends on their individual circumstances and may be subject to change in the future. This description does not purport to constitute legal or tax advice and any prospective holders of Notes who are subject to tax in any jurisdiction other than the United Kingdom or who are in any doubt as to their tax position, should consult an appropriate professional adviser.

Payment of Interest on the Notes

Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax provided the Notes are and remain listed on a "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("**ITA**"). The Luxembourg Stock Exchange is a recognized stock exchange for these purposes. The Notes will be treated as listed on the Luxembourg Stock Exchange if they are both admitted to trading on the Euro MTF Market in accordance with the rules of the Luxembourg Stock Exchange and officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in European Economic Area states.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) at the time the payment is made that (a) the person beneficially entitled to the interest is a United Kingdom resident company or a non-United Kingdom resident company that carries on a trade in the United Kingdom through a permanent establishment and the payment is one that the non-United Kingdom resident company is required to bring into account when calculating its profits subject to United Kingdom corporation tax or (b) the person to whom the payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935 to 937 of ITA, *provided* that in either case HMRC has not given a direction, the effect of which is that the payment may not be made without that withholding or deduction.

In other cases, an amount may generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double taxation treaty provides for no tax to be withheld (or for a lower rate of withholding tax) in relation to a holder of Notes, HMRC can issue a direction to the Issuer to pay interest to the holder of Notes without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double taxation treaty). If interest is paid under deduction of United Kingdom income tax (for example, if the Notes cease to be listed on a recognized stock exchange), holders of Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Any premium payable on redemption may be treated as a payment of interest for United Kingdom tax purposes and may accordingly be subject to the withholding tax treatment described above.

Holders of Notes should note that the provisions relating to additional amounts referred to in "*Description of the Notes—Withholding Taxes*" above would not apply if HMRC sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

Provision of Information

Holders of Notes may wish to note that, in certain circumstances, HMRC has power to obtain information (including, in certain cases, the name and address of the beneficial owner of interest or the amount payable on the redemption of Notes, as applicable) from any person in the United Kingdom (a) by or through whom interest is paid or credited, or (b) by or through whom amounts payable on the redemption of Notes which constitute "deeply discounted securities" as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 ("**ITTOIA**") are paid or credited. Such information may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

Further United Kingdom Taxation Issues

Interest on the Notes may constitute United Kingdom source income for tax purposes and may be subject to United Kingdom tax by way of direct assessment (including self-assessment) even where paid without withholding or deduction. However, interest with a United Kingdom source received without withholding or deduction for or on account of United Kingdom income tax will not be chargeable to United Kingdom tax on income in the hands of a holder of Notes (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless (a) that holder of Notes is a company which carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom or, if not such a company, carries on a trade, profession or vocation in the United Kingdom through a branch or agency, and (b) the interest is received in connection with, or Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of the Notes.

The references to "interest" above are to "interest" as understood for the purposes of United Kingdom tax law. They do not take into account any different definition of "interest" that may prevail under any other tax law or that may apply under the terms and conditions of the Notes or any related document.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding for or on account of United Kingdom income tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by the Guarantor will be eligible for all of the exemptions described above.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or the transfer of the Notes, so long as (i) the interest on the Notes does not exceed a reasonable commercial return on the nominal amount of the capital and (ii) any right on repayment of the Notes to an amount which exceeds the nominal amount of the Notes is reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the London Stock Exchange.

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. Holder (as defined below), except for the discussions below under "—*Foreign Account Tax Compliance*," and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non U.S. tax laws.

This discussion is based upon the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change at any time, possibly with retroactive effect which could significantly affect the U.S. federal tax consequences described below. No rulings from the U.S. Internal Revenue Service ("**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS or a court will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes than those discussed herein or that any such position would not be sustained in the event of litigation. A different treatment than that assumed below could adversely affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such U.S. Holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as banks, certain financial institutions, U.S. expatriates, insurance companies, individual retirement and other tax-deferred accounts, dealers in securities or currencies, traders in securities, U.S. Holders whose functional currency is not the U.S. dollar, tax exempt entities, regulated investment companies, real estate investment trusts, partnerships, S corporations, or other pass through entities and investors in such entities, persons liable for alternative minimum tax, entities covered by the anti-inversion rules, persons that actually or constructively own more than 10% of our voting stock, and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets (generally, property held for investment) within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

The summary of certain U.S. federal income tax considerations set forth below is for general information purposes only. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of

holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Characterization of the Issuer

The Issuer has filed IRS Form 8832, Entity Classification Election, electing to be treated as a partnership for U.S. federal income tax purposes, with an effective date prior to the issuance of the Notes.

Characterization of the Notes

The proper characterization of instruments such as the Notes for U.S. federal income tax purposes is not entirely clear. It is possible that the Notes could, for example, be treated as debt of the Issuer or a unit comprised of separate debt issued by each of the Sponsors' HoldCos, or as an equity interest in the Issuer. Although the issue is not free from doubt, we have treated and intend to treat the Notes as indebtedness of the Issuer for U.S. federal income tax purposes. This characterization is binding on a U.S. Holder, unless the U.S. Holder explicitly discloses to the IRS on its tax return for the year during which such U.S. Holder acquires the Notes that it is taking a different position. However, our characterization is not binding on the IRS or the courts, and no ruling is being requested from the IRS with respect to the proper characterization of the Notes for U.S. federal income tax purposes. If the IRS were to successfully assert that the Notes should not be treated as indebtedness but as equity interests in the Issuer, the tax consequences to a U.S. Holder should be similar to those described herein. The following discussion assumes that the Notes will be characterized as indebtedness of the Issuer for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors regarding the characterization of the Notes and the consequences to such holders in the event that the Notes are treated as equity for U.S. federal income tax purposes.

Although the issue is not free from doubt, we intend to take the position that (i) the interest rate applicable to the Senior Secured Floating Rate PIK Toggle Notes is a "qualified floating rate" and, as a result, the Senior Secured Floating Rate PIK Toggle Notes will be subject to the Treasury regulations governing variable rate debt instruments (the "**VRDI regulations**"), (ii) U.S. Holders are entitled to account for the Senior Secured Floating Rate PIK Toggle Notes as well as the Senior Secured Fixed Rate PIK Toggle Notes using a payment schedule in which all interest payments on the Notes are initially assumed to be paid in cash in accordance with section 1.1272-1(c) of the Treasury regulations, and (iii) the Notes are therefore not subject to the Treasury regulations applicable to "contingent payment debt instruments." This position is based in part on our assessment as of the issue date that it is significantly more likely than not that interest on the Notes will be paid in cash on each interest payment date. Our assessment of the likelihood of interest being paid in cash is made solely for U.S. federal income tax purposes and does not constitute a representation by us regarding the likelihood that interest on the Notes will be paid in cash in any particular period. In addition, the Issuer may be required to pay additional amounts if certain taxes are withheld or deducted from payments on the Notes (as described under "*Description of the Notes—Withholding Taxes*") or make payments in redemption of the Notes in addition to their stated principal amount and accrued interest (as described under "*Description of the Notes—Change of Control*" and "*Description of the Notes—Optional Redemption*"). Although the issue is not free from doubt, we intend to take the position that the possibility of paying such additional amounts or making additional payments in redemption of the Notes does not result in the Notes being treated as "contingent payment debt instruments" under the applicable Treasury regulations. This position will be based in part on our determination that, as of the date of the issuance of the Notes, the possibility that additional amounts will have to be paid, or additional amounts in redemption of the Notes will have to be made, is a remote or incidental contingency within the meaning of the applicable Treasury regulations.

Our determination that the Notes are not contingent payment debt instruments is binding on a U.S. Holder, unless the U.S. Holder explicitly discloses to the IRS on its tax return for the year during which such U.S. Holder acquires the Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, a U.S. Holder may be required to accrue interest income on its Notes based upon a comparable yield, regardless of its method of accounting. The "comparable yield" is the yield at which we would issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the Notes. In addition, any gain on the sale, exchange, redemption or other taxable disposition of the Notes would generally be recharacterized as ordinary income. Each U.S. Holder should consult its own tax advisor regarding the tax consequences of the Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

Interest (Original Issue Discount)

Because interest on the Notes is not unconditionally payable in cash at least annually, the Notes are considered to have been issued with "original issue discount" ("**OID**"). The amount of OID on the Notes will equal the excess of the sum of all principal and interest payments provided by the Notes (as further discussed below, initially taking into account a payment schedule assumption that Cash Interest will be paid on each interest payment date and, in the case of Senior Secured Floating Rate PIK Toggle Notes, substituting the value of the floating rate (in this case, EURIBOR) as of the date the Notes are issued for the floating rate throughout the term of the instrument as described below) over the issue price (as defined above) of the Notes.

Under the rules governing OID, regardless of a U.S. Holder's method of accounting, a U.S. Holder will be required to accrue its pro rata share of OID on the Notes on a constant yield basis (subject to adjustments under the VRDI regulations described below for the Senior Secured Floating Rate PIK Toggle Notes and adjustments for any change in circumstances, as described below) and include such accruals in gross income, whether or not such U.S. Holder receives a cash payment of interest on the Notes on the scheduled interest payment dates.

As discussed above under "—*Characterization of the Notes*," to determine the amount of OID that a U.S. Holder must include in income, we are taking the position that we and each holder are entitled to assume the interest on the Notes would be paid in cash and the Notes will not be called prior to the maturity date. **These assumptions are made solely for U.S. federal income tax purposes and do not constitute a representation by us regarding the actual amounts, or the timing of amounts, that will be paid on the Notes.** If the assumptions we make are contrary to actual circumstances (a "**change in circumstances**"), then solely for purposes of determining the amount of OID accruals on any then-outstanding Notes, the Notes will be treated as retired and reissued on the date of the change in circumstances for an amount equal to the "adjusted issue price" of the Notes (as defined below). In that event, the "yield to maturity" of the Notes would be re-determined taking into account the change in circumstances (which, in the case of the Senior Secured Floating Rate PIK Toggle Notes, may be based on the floating rate (in this case, EURIBOR) applicable at that time) and the deemed reissued Notes could be retested for the application of the contingent payment debt instrument rules. U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences of the payment of PIK Interest.

The amount of OID that a U.S. Holder is required to include in income is the sum of the "daily portions" of OID with respect to the Notes for each day during the taxable year in which the U.S. Holder is the beneficial owner of the Notes. The "daily portions" of interest in respect of the Notes are determined by allocating to each day in an "accrual period" the ratable portion of interest on the Notes that accrues in the "accrual period." The "accrual period" for the Notes may be of any length and may vary in length over the term of the Notes, provided that each "accrual period" is no longer than one year and that each scheduled payment of interest or principal occurs on the first or final day of an "accrual period."

The amount of interest on the Notes that accrues in an "accrual period" is the product of the "yield to maturity" on the Notes (adjusted to reflect the length of the "accrual period") and the "adjusted issue price" of the Notes. With respect to the Senior Secured Fixed Rate PIK Toggle Notes, the "yield to maturity" is the discount rate that, when applicable to all payments under a Note (applying the assumptions described above), results in a present value equal to the Note's issue price. With respect to the Senior Secured Floating Rate PIK Toggle Notes the "yield to maturity" on the Notes is determined under the VRDI regulations and is discussed below. The "adjusted issue price" of the Notes at the beginning of the first "accrual period" will equal its "issue price" and for any "accrual periods" thereafter will be (x) the sum of the "issue price" of the Notes and any OID previously accrued thereon minus (y) the amount of any payments previously made on the Notes.

Under the VRDI regulations, the "yield to maturity" on the Senior Secured Floating Rate PIK Toggle Notes is the yield of an "equivalent fixed rate debt instrument." An "equivalent fixed rate debt instrument" is a debt instrument having terms identical to those of the Senior Secured Floating Rate PIK Toggle Notes (including the "issue price" as discussed above) but substituting the value of the floating rate (in this case, EURIBOR) as of the date the Notes are issued for the floating rate throughout the term of the instrument.

Under the VRDI regulations, the OID allocable to an "accrual period" must be increased (or decreased) if the interest actually paid or accrued during an "accrual period" exceeds (or is less than) the interest assumed to be paid or accrued during the "accrual period" under the equivalent fixed rate debt instrument.

A U.S. Holder will not be required to recognize any additional income upon the receipt of any cash payment on a Note that is attributable to previously accrued OID, but such U.S. Holder may be required to recognize exchange gain or loss, as described below.

The accrual of OID on a Note will be computed in foreign currency, and the amount of accrued OID determined for any accrual period then will be translated into U.S. dollars, regardless of the U.S. Holder's method of accounting and in accordance with either of two methods. Under the first method, a U.S. Holder will be required to include in income for each taxable year the U.S. dollar value of the stated interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, a U.S. Holder may elect to translate stated interest income at the spot rate on (i) the last day of the accrual period, (ii) the last day of the taxable year if the accrual period straddles its taxable year or (iii) the date on which the stated interest payment is received if such date is within five business days of the end of the accrual period. This election will apply to all debt obligations held by the U.S. Holder from year to year and cannot be changed without the consent of the IRS. U.S. Holders should consult their own tax advisors as to the availability and advisability of making such election.

Upon receipt of a payment attributable to OID on a Note (whether in connection with a payment on such Note or the sale, exchange or other disposition of such Note), a U.S. Holder generally will recognize exchange gain or loss in an amount equal to the difference between the U.S. dollar amount of OID that such holder has previously included in income and the U.S. dollar value of such payment (determined by translating any foreign currency received at the spot rate on the date of payment). Generally, any such exchange gain or loss will be treated as U.S. source and will be treated as ordinary income or loss and will not be treated as interest income or expense. For this purpose, all payments on a Note generally will be viewed first as the payment of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the payment of principal.

U.S. Holders that desire to obtain information regarding the OID on the Notes may do so by contacting Mercury Bondco plc, 47 Esplanade, St Helier, Jersey JE1 0BD, Attn: Board of Directors. We will revise our accrual of OID upon a "change in circumstances" (as defined above), and holders that desire to obtain a copy of any such revised OID information may do so by contacting us at the same address.

Foreign Tax Credit

OID on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. Holder's ability to claim foreign tax credits. The rules governing the calculation of foreign tax credits are complex and depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition and such U.S. Holder's adjusted tax basis in the Note. If a U.S. Holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency based on the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

A U.S. Holder's adjusted tax basis in a Note will, in general, be the amount paid for such Note by such U.S. Holder, increased by previously accrued OID and decreased by the amount of any payments made on the Note (including payments of Cash Interest, but excluding payments of PIK Interest). Although not free from doubt, in the event of a payment of PIK Interest, a U.S. Holder's adjusted tax basis in the original Notes will likely be allocated between the original Notes and the additional Note received in respect of PIK Interest thereon in proportion the relative principal amounts of the original Notes and the additional Notes. A U.S. Holder's holding period in any additional Note received in respect of PIK Interest would likely be identical to such holder's holding period for the original Note. If a U.S. Holder uses foreign currency to purchase a Note, the amount paid for the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the date of purchase.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source capital gain or loss and, except as discussed below with respect to foreign currency gain or loss, generally will be long-term capital gain or loss so long as the U.S. Holder has held the Note for more than one year on the date of disposition. Long-term capital gains of non-corporate U.S. Holders (including individuals) are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be treated as U.S. source income or as an offset to U.S. source income, respectively, and will generally be treated as ordinary income or loss and not be treated as interest income or expense. For these purposes, the "principal amount" of a Note is the U.S. Holder's foreign currency purchase price of the Note. Gain or loss attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will equal the difference, if any, between (i) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. Holder disposes of the Note and (ii) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. Holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder may realize exchange gain or loss attributable to amounts received with respect to accrued OID, which will be treated as discussed above under "—*Interest (Original Issue Discount)*." However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder will realize any foreign currency exchange gain or loss (including with respect to principal amount and accrued OID) only to the extent of total gain or loss realized by such U.S. Holder on such disposition.

Additional Notes

The Issuer may issue Additional Notes as described under "*Description of the Notes*." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have a different amount of OID than the original Notes or be subject to the contingent payment debt instrument rules which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax Return Disclosure Requirements

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., $50,000 in the case of an individual or trust), such as the receipt or accrual of interest or OID or a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. Holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals (and, under proposed Treasury regulations, certain entities) that own "specified foreign financial assets" with an aggregate value exceeding certain threshold amounts, generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions.

U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of principal and stated interest (including the accrual of OID) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient (such as a corporation), and, when required, provides evidence of such exemption. The payor (which may be us or an intermediate payor) will be required to impose backup withholding, currently at a rate of 28%, on such payments if (1) the U.S. Holder fails to furnish an accurate taxpayer identification number or to establish an exemption from backup withholding; (2) the IRS notifies the payor that the taxpayer identification number furnished by the U.S. Holder is incorrect; (3) there has been a "notified payee underreporting" described in section 3406(c) of the Code; or (4) the U.S. Holder has not certified under penalties of perjury that it has furnished a correct taxpayer identification number, that it is a United States person, and that the IRS has not notified such U.S. Holder that it is subject to backup withholding under the Code. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability *provided* that the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisors regarding the effect, if any, of the backup withholding rules on their particular circumstances.

Foreign Account Tax Compliance

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain pass-through payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Debt obligations that generate solely non-US source interest and are issued on or prior to the date that is six months after the date on which applicable final regulations defining "foreign passthru payments" are filed generally would be "grandfathered" unless such obligations are materially modified after such date. As of the date of this Offering Memorandum, applicable final regulations have not yet been filed. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfathering period, have the same CUSIP or ISIN as the relevant Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all notes in such series, including the relevant Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into intergovernmental agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer of the Notes is incorporated under the laws of Jersey. The Guarantors for the Notes are incorporated under the laws of Jersey. The documents relating to the Collateral for the Notes will be governed by the laws of Jersey and England and Wales. The Indenture (including the Guarantees) and the Notes will be governed by New York law. The Intercreditor Agreement will be governed by English law. All of the directors and executive officers of the Issuer and each of the Guarantors are non-residents of the United States. Since substantially all of the assets of the Issuer and each of the Guarantors, and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or a Guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and each of the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. It may be possible for investors to effect service of process within other jurisdictions upon those persons, the Issuer or the Guarantors provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which each of the Guarantors or the Collateral is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Jersey

The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money (although there are circumstances where non-money judgments can also be enforced);
- the U.S. judgment not contravening Jersey public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice; and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. federal securities laws.

England and Wales

The United States and England currently do not have a treaty between them providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England and Wales. In order to enforce any such U.S. judgment in England and Wales, fresh proceedings must first be initiated before a court of competent jurisdiction in England and Wales. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Summary judgment is a procedure by which the English court can dispose of all or part of a claim without proceeding to trial. Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law (in other words, it does not matter that the U.S. court had jurisdiction according to its own law, but instead whether it had jurisdiction according to the rules of English private international law);
- the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English public policy or the Human Rights Act 1998 (or any subordinate legislation made thereunder, to the extent applicable);
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent, determinative or conflicting judgment of an English court in respect of the same matter involving the same parties and/or prior inconsistent judgment given in a Member State of the European Union or a Member State of the European Economic Area which the English Court must recognize and enforce under Council Regulation (EC) 1215/2012 and/or the Lugano Conventions of 1988 and 2007;
- the U.S. judgment not having been wholly satisfied or not being enforceable by execution in the U.S.;
- the party seeking enforcement providing security for costs, if ordered to do so by the English court; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce judgments in England and Wales in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England and Wales. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England or Wales in an original action predicated solely upon U.S. federal securities laws. Further, it may not be possible to obtain a judgment in England and Wales or to enforce the judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, note that, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England and Wales unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

The following is a summary of certain insolvency law considerations in the jurisdictions in which the Issuer, the Guarantors and certain subsidiaries are incorporated or organized, and a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests for the Notes. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes and the Guarantees and the security interests. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

Jersey

Insolvency

The Issuer and the Guarantors are incorporated under the laws of Jersey. Consequently, in the event of an insolvency of the Issuer or a Guarantor, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: *désastre* and creditors' winding up. The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (Désastre) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be "*en désastre*" (a "**declaration**").

On a declaration of "*désastre"*, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the "**Viscount**"). With effect from the date of declaration, subject to what is set out below, a creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt but may prove in the "*désastre"*. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or proceeded with against the company except with the leave of court. The shareholders must, however, give creditors 14 days' notice of the meeting to commence the creditors' winding up. After the commencement of the creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the company without the leave of the court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (*inter alia*) three quarters in number and value of the creditors acceded to the arrangement.

Transactions at an Undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up, a procedure which is instigated by shareholders not creditors), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "**other party**") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**").

The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company. In particular, a company will enter into a transaction at an undervalue if it makes a gift to that person or it enters into a transaction with that person on terms for which there is no *cause* or for a *cause* the value of which, in money or money's worth, is significantly less than the value, in money or money's worth, of the *cause* provided by the company (whilst *cause* cannot for all purposes in connection with Jersey contract law be treated as identical to the concept of consideration, references to *cause* in relation to transactions at an undervalue may be generally considered in the same manner and subject to the same issues as set out in the Insolvency Act 1986 of the United Kingdom).

If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into (although, there is a protection for a third-party which benefits from the transaction and has acted in good faith, for value and without notice). The court shall not make such an order if it is satisfied that the company entered into the transaction in good faith for the purpose of carrying on its business and that, at the time it entered into the transaction, there were reasonable grounds for believing that the transaction would be of benefit to the company. In any proceedings, it is for the Viscount or liquidator to prove that the company was insolvent at the relevant time unless the transaction was entered into with a connected person or associate of the company, in which case there is a presumption of insolvency and the connected person or associate must prove in such proceedings that the company was not insolvent when it entered the transaction, and did not become insolvent as a result of the transaction.

Preference

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "**other party**"). There is a 12-month look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**").

The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company. In particular, a transaction will constitute a preference if it has the effect of putting a creditor of the Jersey company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into an insolvent winding up or "*désastre*") than such creditor, guarantor or surety would otherwise have been in had that transaction not be entered into. If the court determines that the transaction constituted such a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (although there is protection for a third-party which benefits from that the transaction in good faith, for value and without notice). The court shall not make such an order unless it can be shown that in deciding to give the preference the company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the Viscount or liquidator to prove that the company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the person to whom the preference was given was a connected person or associate of the Company, in which case there is a presumption of insolvency and that the company was influenced by a desire to produce the preferential effect and the connected person or associate must prove in such proceedings that the company was not insolvent when it entered the transaction, and did not become insolvent as a result of the transaction, and was not influenced by such a desire.

Extortionate Credit Transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Disclaimer of Onerous Property

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of "*désastre"* and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "*rights, interests and liabilities of the company in or in respect of the property disclaimed"* but *"does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person*." A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the "*désastre*" or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

Fraudulent Dispositions

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

Floating Charges

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside the Island of Jersey, but to the extent that any floating charge is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey situs assets.

Administrators, Receivers and Statutory and Non-statutory Requests for Assistance

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If the request comes from a prescribed country but not by a court-made request or from a non-prescribed country, then common law and principles of comity will be considered by the Royal Court by virtue of its inherent jurisdiction. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principles of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles to those applied in Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply as a result.

Enforcement of Security and Security in Insolvency

Enforcement of a security interest against a Jersey company may be limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, but insolvency or bankruptcy alone will not render such security interest invalid or non-binding on the parties thereto or any liquidator of a Jersey company or the Viscount in a *"désastre"* of a Jersey company's property.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The Jersey situs assets of the Issuer, the Guarantors and the Sponsor NewCos will be secured pursuant to Jersey law governed security interest agreements. The 2012 Law provides that a secured party may enforce security over intangible movable assets by way of sale or appropriation of the collateral or proceeds. In addition a secured party may take certain ancillary actions including any bespoke enforcement powers included in a security agreement to the extent not in conflict with the 2012 Law. More than one enforcement option can be taken, and taking one or more of the enforcement options specified above does not preclude the exercise of other rights of a secured party. The power of enforcement is exercisable once an event of default has occurred and written notice specifying the event of default has been served on the grantor by the secured party. If enforcement is by way of sale or appropriation, the secured party must give the grantor 14 days prior written notice. Importantly, the grantor may agree in writing to waive its right to notice of appropriation or sale and it is usual to include such a waiver in a security agreement. The secured party is obliged on sale or appropriation, to give at least 14 days prior written notice to: (i) any person who 21 days before the sale or appropriation has a registered security interest in the collateral; and (ii) any person other than the grantor who has an interest in the collateral unless the secured party and such person have otherwise agreed in writing. There are specific carve-outs from the obligation to give notice of sale. On exercising the power of enforcement by appropriation or sale, the secured party must: (i) take all commercially reasonable steps to determine or, in the case of a sale, obtain the fair market value of the collateral, as at the time of the relevant appropriation or sale; (ii) act in a commercially reasonable manner in relation to the appropriation or sale; and (iii) (in the case of a sale only) enter into any agreement for or in relation to the sale only on commercially reasonable terms. The duty of the secured party is owed to the grantor and also to any other person to whom the secured party was required to give notice of sale or appropriation. If, in exercising its powers of enforcement, a secured party appropriates or sells collateral, it must, within 14 days after the day on which the collateral is appropriated or sold, give certain persons (being the grantor (subject to it having waived this requirement), any person with a registered subordinate security interest and certain persons claiming an interest in the collateral) a written statement of account setting out certain information in relation to that appropriation or sale. If a secured party has sold or appropriated the collateral and the net value or proceeds of appropriation or sale (as appropriate) of the collateral exceeds the amount of the debt owed to the secured party, the secured party shall pay the amount of any resulting surplus in the following order: (i) in payment, in due order of priority, to any person who has a subordinate security interest in the collateral and has registered a financing statement over that security interest (where the registration remained effective immediately before the appropriation or sale); (ii) in payment to any other person (other than the grantor) who has given the secured party notice that that person claims an interest in the collateral and in respect of which the secured party is satisfied that that person has a legally enforceable interest in the collateral; and (iii) as to the balance (if any) in payment to the relevant debtor grantor. Alternatively, the secured party may discharge its obligation above with respect to any surplus by paying that amount into the Royal Court. The surplus may then only be paid out on the order of the court on application by a person entitled to the surplus.

Guarantee Waivers

If the Courts of Jersey were asked to enforce a guarantee against a Jersey company, the Jersey company might be able to claim certain rights under Jersey law, known as the *droit de division* and the *droit de discussion*, being respectively essentially a right to require that any liability of that company under a guarantee be divided or apportioned with another person or persons and a right to require that the assets of the principal obligor or any other person be exhausted before any claim under the guarantee is enforced against the Jersey company. These guarantor rights can be waived by contract, as is the case under the Guarantees.

Further to the above, the following language will be included in the Guarantee Agreements:

"Each Guarantor incorporated under the laws of Jersey irrevocably waives and abandons any and all rights under the laws of Jersey:

(a) whether by virtue of the *droit de division* or otherwise, to require that any liability under this Guarantee be divided or apportioned with any other person or reduced in any manner whatsoever; and

(b) whether by virtue of the *droit de discussion* or otherwise, to require that recourse be had to the assets of any other person before any claim is enforced against such Guarantor under this Guarantee."

England and Wales

HoldCo is incorporated under the laws of England and Wales and is subject to an English law share pledge granted by each of the Sponsors' HoldCos over the entire issued share capital of HoldCo. Therefore, any insolvency proceedings by or against HoldCo would likely be based on English insolvency laws. However, pursuant to the EU Insolvency Regulation on Insolvency Proceedings, where a company incorporated under English law has its "center of main interests" in a Member State of the European Union other than England and Wales, then the main insolvency proceedings for that company may be opened in the Member State in which its center of main interest is located and be subject to the laws of that Member State. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. The European Commission has published amendments to the EU Insolvency Regulation which may alter the manner in which the test for determining where a company has its center of main interests might be applied during the term of the Notes. At this stage it is not possible to conclusively determine what (if any) impact there might be in relation to the Notes.

Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e., non-English) court may have jurisdiction where any English company has its center of main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services). To the extent that the U.K. Cross-Border Insolvency Regulations 2006 conflict with an obligation of the United Kingdom under the EU Insolvency Regulation, the requirements of the EU Insolvency Regulation will prevail.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar and it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a "qualifying floating charge" (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the Insolvency Act 1986, as amended (the "**Insolvency Act**"), a company is insolvent if it is unable to pay its debts. A company is deemed unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), or, among other matters, if it fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full a judgment debt (or similar court order).

The obligations under the Notes are secured by English law governed security interests over the Collateral and therefore English insolvency laws and other limitations could limit the enforceability of security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the security interests over the Collateral that are governed by English law. The application of these laws could adversely affect investors and their ability to enforce their rights and/or the Collateral securing the Notes and therefore may limit the amounts that investors may receive in an insolvency of an English company.

Fixed and Floating Charges

Fixed charge security has a number of advantages over floating charge security: (a) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge and use the proceeds and/or cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (b) a fixed charge over assets, even if created after the date of a floating charge over the assets, may rank prior to the floating charge over the relevant assets providing that the floating charge has not crystallized at the time the fixed charge is granted; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of floating charge assets to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law (please see "*—Grant of Floating Charge*"); and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring fenced amount of the proceeds (please see "*—Administration and Floating Charges*").

Under English law there is a possibility that a court could recharacterize as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Administration and Floating Charges

Under English insolvency law, English courts are empowered to order the appointment of an administrator in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointor. During the administration, in general no proceedings or other legal process may be commenced or continued against the company, or security enforced over the company's property, except with leave of the court or the consent of the administrator. The moratorium does not, however, apply to a "security financial collateral agreement" (such as a charge over cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. During the administration of a company, a creditor would not be able to enforce any security interest (other than security financial collateral arrangements) or guarantee granted by it without the consent of the administrator or the court. In limited circumstances, a secured creditor can appoint an administrative receiver.

A chargee can appoint its choice of administrator by the out of court route or an administrative receiver if it holds a qualifying floating charge and such floating charge security, together with fixed charge security charges the whole or substantially the whole of the relevant English chargor's property. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the chargeholder to appoint an administrator of the company or (c) purports to empower the chargeholder to appoint an administrative receiver. Even if the chargee holds a qualifying floating charge it can only appoint an administrative receiver if one of the exceptions to the general prohibition of appointing an administrative receiver applies. The most relevant exception to the prohibition on the appointment is that the chargee can appoint an administrative receiver under security forming part of a "capital market arrangement" (as defined in the Insolvency Act, as amended), which is the case if the issuer of the notes incurs (or expected to incur) a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, as amended, but is generally a rated, listed or traded debt instrument). Once an administrative receiver is appointed by the chargee the company or its directors will not be permitted to appoint an administrator by the out of court route and a court will only appoint an administrator if the charge under which the administrative receiver is appointed is successfully challenged or the chargee agrees. If an administrator is appointed to a company, any administrative receiver then in office must vacate office and any receiver of part of the company's property must resign if requested to do so by the administrator.

Liquidation/Winding-Up

Liquidation is an asset realization and distribution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act, as amended. At the end of the liquidation process the company will normally be dissolved. In the case of a liquidation commenced by way of a court order, no proceedings or other actions may be commenced or continued against the company except by leave of the court and subject to such terms as the court may impose (although security enforcement is not affected).

Under English insolvency law, a liquidator has the power to disclaim any onerous property by serving the prescribed notice on the relevant party. Onerous property, for these purposes, is any unprofitable contract and any other property of the company which is unsaleable or not readily saleable or is such that it may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company which may be regarded as detrimental to creditors. A contract will not be unprofitable merely because it is financially disadvantageous or because the company could have made, or could make, a better bargain. This power does not apply to a contract all the obligations under which have been performed nor can it be used to disturb accrued rights and liabilities.

A liquidator has the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company; and to challenge antecedent transactions.

Priority of Claims

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the insolvent company and to distribute realizations made from those assets to its creditors. Under the Insolvency Act and the Insolvency Rules 1986, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the "Prescribed Part" (please see "—*Prescribed Part*" below), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

- *First ranking claims:* holders of fixed charge security and creditors with a proprietary interest in assets of the debtor;
- *Second ranking claims:* expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);
- *Third ranking claims:* preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and

(iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date. As between one another, preferential debts rank *pari passu*;

- *Fourth ranking claims:* holders of floating charge security, according to the priority of their security. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must be set aside for distribution to unsecured creditors (please see "—*Prescribed Part*");

- *Fifth ranking claims:* unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim. To pay a shortfall, the officeholder can only use realization from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part in respect of a shortfall unless the Prescribed Part is sufficient to pay out all unsecured creditors; and

- *Sixth ranking claims:* shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Prescribed Part

An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of the relevant company's net property and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English chargor's assets at the time that the floating charges are enforced will be a question of fact at that time.

Foreign Currency

Under English insolvency law any debt of a company payable in a currency other than pounds sterling (such as euro or U.S. dollars) must be converted into pounds sterling at the "official exchange rate" prevailing at the date when the company went into liquidation or, if the liquidation was immediately preceded by an administration, on the date that the company entered administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle exchange rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English company which has granted a guarantee or security or the Issuer goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such English company went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Challenges to Guarantees and Security

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set out in more detail below) of the granting of the guarantee or security and, in addition, the company was "unable to pay its debts" when the security interest or guarantee was granted or "unable to pay its debts" as a result.

If security or a guarantee granted by an English company is challenged under the laws of England and Wales, and the court makes certain findings (as described further below), it may be permitted to:

- avoid or invalidate all or a portion of an English company's obligations under the security and/or guarantee provided by such English company;

- direct that the holders of the Notes return any amounts paid by or realized from an English company under a guarantee or security to the relevant English company or to a fund for the benefit of the English company's creditors; and/or

- take other action that is detrimental to the holders of the Notes.

The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described further below) is within any of the requisite time periods set out below, the grant of a security interest or guarantee in respect of the relevant Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which (a) the court application for an administration order is issued or (b) the notice of intention to appoint an administrator is filed at court, or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be as for the initial administration.

Connected Persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person," then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out more particularly below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences and invalid floating charges is a party who is (i) a director of the company, (ii) a shadow director, (iii) an associate of such director or shadow director or (iv) an associate of the relevant company.

A party is associated with an individual if they are (i) a relative of the individual, (ii) the individual's husband, wife or civil partner, (iii) a relative of the individual's husband, wife or civil partner, or (iv) the husband, wife or civil partner of a relative of the individual.

A party is associated with a company if they are employed by that company.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same person by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The following potential grounds for challenge may apply to guarantees and security interests:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside a security interest or a guarantee granted by the company (or give other relief) on the grounds that the creation of such security interest or guarantee constituted a transaction at an undervalue. The grant of a security interest or guarantee will only be a transaction at an undervalue if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. For a challenge to be made, the guarantee or security must be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the Insolvency Act, as amended). A court will not generally make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantees or setting aside any security interests or guarantees although there is protection for a third-party which benefits from the transaction and has acted in good faith for value). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a "connected person" (as defined in the Insolvency Act, as amended), in which case there is a presumption the company was unable to pay its debts and the connected person must demonstrate the company was not unable to pay its debts in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a security interest or a guarantee granted by such company (or give other relief) on the grounds such security interest or such guarantee constituted a preference. The grant of a security interest or guarantee is a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the security interest or guarantee had not been granted. For a challenge to be made, the decision to prefer must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the Insolvency Act, as amended) if the beneficiary of the security interest or the guarantee is not a connected person, or two years if the beneficiary is a connected person. A court will not make an order in respect of a preference of a person unless it is satisfied the company was influenced in deciding to give it by a desire to produce the "better position" for that person. Case law suggests there must be a desire to prefer one creditor over another and not just other commercial motives even if they had the inevitable result of producing the better position. Subject to this, if the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting aside the security interests or guarantees). There is protection for a third-party which benefits from the transaction and acted in good faith for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction and is not therefore limited to liquidators or administrators. There is no statutory time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

Extortionate Credit Transaction

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English company up to three years before the day on which that company entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Account Banks' Right to Set-off

With respect to English law governed charges over cash deposits (each an "**Account Charge**") granted by an chargor over any of its bank accounts, the banks with which some of those accounts are held (each an "**Account Bank**") may have reserved their right at any time (whether prior to or upon a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangement with that chargor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant chargor) the Account Bank will no longer be entitled to exercise its netting and set-off rights in relation to the account, except where the Account Banks have expressly reserved set-off rights.

Limitation on Enforcement

The grant of an English law governed Guarantee or security interest by any obligor guaranteeing or securing (as the case may be) the obligations of another member of the Group must satisfy certain legal requirements. More specifically, such transaction must be allowed by the respective obligor's memorandum and articles of association. To the extent these do not allow such an action, there is the risk that the grant of the Note Guarantee and the subsequent Collateral can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an obligor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each obligor that is incorporated in England and Wales by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote success of the relevant obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Under the Companies Act 2006, subject to limited exceptions, any security (including where not governed by English law) granted by a chargor incorporated in England and Wales (together with prescribed particulars of the security constituted thereby) must be received by the Registrar of Companies in England and Wales for registration within 21 days after the date of creation of the security constituted by the applicable security document. Such security, if not registered within the 21 day period, will be deemed to be void against a liquidator, administrator and a creditor of the applicable chargor. Further, failure to register also means that the debt which was intended to be secured is deemed to have become immediately payable.

In the event where the relevant security document is not registered, a chargor incorporated in England and Wales may be required to enter into a new security document and register that with Companies House within 21 days of its creation.

Alternatively it may be possible to apply to the English courts for an order to rectify the position and allow the charge to be registered after the 21 day period has expired. This application can be made by a chargor incorporated in England and Wales or by any person interested in the relevant security. The court will grant leave to register the security out of time if it considers it "just and expedient" to do so, and will have particular regard to whether the failure to register was merely accidental and whether a late registration will prejudice the position of creditors or shareholders. The court order will have to be enclosed with any delayed application for registration of the security.

Security created on or after October 1, 2011 by overseas companies over assets in England and Wales do not need to be registered with the Registrar of Companies (although they may still need to be registered with the applicable asset registry).

Guarantees and security granted by a guarantor or security provider a chargor incorporated in England and Wales are also subject to limitations to the extent they would result in unlawful financial assistance within the meaning of the Companies Act 2006.

Grant of Floating Charge

Under English insolvency law, if an English company is unable to pay its debts at the time of (or as a result of) granting a floating charge then such floating charge can be avoided on the action of a liquidator or administrator if it was granted in the period of one year ending with the onset of insolvency (as defined in section 245 of the Insolvency Act 1986, as amended). The floating charge will, however, be validated to the extent of the value of the consideration provided for the creation of the charge in the form of money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge plus interest payable on such amounts. Where the floating charge is granted to a "connected person" the charge can be challenged if given within two years of the onset of insolvency and the prerequisite to challenge that the company is unable to pay its debts does not apply. However, if the floating charge qualifies as a "security financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulations 2003, the floating charge will not be subject to challenge as described in this paragraph.

Schemes of Arrangement

Pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction the compromise of a company's liabilities where such company (i) is liable to be wound-up under the UK Insolvency Act and (ii) has "sufficient connection" to the English jurisdiction.

In practice, any foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied by the English courts where, among other things, the company's "center of main interests" is in England, or the company's finance documents are English law governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on a detailed debt restructuring compromise. Such restructuring compromise can be proposed by the company or its creditors. If 75% by number and 50% by value of those creditors present and voting at the creditor meeting(s) vote in favor of the proposed restructuring compromise, irrespective of the terms and approval thresholds contained in the finance documents, that restructuring compromise will be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement.

Italy

Compulsory Administrative Winding-Up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities, including banks and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings set forth under the Italian bankruptcy laws. It is irrelevant whether these entities belong to the public or the private sector. A compulsory administrative winding-up constitutes a special insolvency proceeding in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Extraordinary Administration (amministrazione straordinaria)

The Italian Banking Act provides also for a special administration procedure during which the administrative bodies of the bank are substituted by one or more extraordinary administrators who, together with a supervisory committee, perform the functions and exercise the powers of the dissolved bodies of the relevant bank. Under Italian law, the extraordinary administration (*amministrazione straordinaria*) constitutes an administrative proceeding aimed at eliminating administrative irregularities and promoting solutions in order to continue the business of the bank without direct liquidation purposes, where (i) serious administrative irregularities or serious violations of laws, regulations or by-laws of the bank are identified; (ii) serious capital losses are expected; or (iii) dissolution is requested by the administrative bodies of the bank or by an extraordinary shareholders' meeting.

Extraordinary administration lasts for one year from the date of issuance of the relevant decree by the Italian Minister of Economy and Finance, acting upon request of the Bank of Italy, by means of which it provides for the dissolution of the functions of the administrative bodies, control bodies, general meetings and every other governing body of the bank.

PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the Initial Purchasers. Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Citigroup Global Markets Limited, Merrill Lynch International, UniCredit Bank AG, Nomura International plc, Credito Valtellinese s.c., Banca Akros SpA and Unione di Banche Italiane S.P.A. are the Initial Purchasers.

Subject to the terms and conditions contained in the purchase agreement between the Issuer and the Initial Purchasers dated on or about the date of this Offering Memorandum, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers severally have agreed to purchase from the Issuer, the entire principal amount of the Notes. The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The purchase agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all of the Notes if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the purchase agreement provides that the purchase commitments of the other Initial Purchasers may be increased or that the purchase agreement may be terminated.

The purchase agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers have advised us that they propose to offer the Notes initially at the offering price listed on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms of the Notes at any time without notice. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. The Initial Purchasers may offer and sell the Notes through certain of their affiliates or through registered broker dealers.

To the extent that any Initial Purchaser that is not a U.S. registered broker dealer intends to effect any sales of Notes in the United States, it will do so through one or more U.S. registered broker dealer affiliates as permitted by guidelines promulgated by the Financial Industry Regulatory Authority.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses. The Issuer has also agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the purchase agreement, any debt securities of, or guaranteed by, the Issuer or any of its subsidiaries or the Sponsors' HoldCos that are substantially similar to the Notes during the period from the date of the purchase agreement through and including the date falling 45 days after the closing of the Offering without the prior written consent of Goldman Sachs International, HSBC Bank plc and J.P. Morgan Securities plc.

United States

Each purchaser of the Notes offered by this Offering Memorandum, in making its purchase, will be deemed to have made acknowledgments, representations and agreements as described under "*Notice to Investors*."

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States unless the Notes are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Accordingly, each of the Initial Purchasers, severally and not jointly, has agreed that it will not offer or sell the Notes except (i) to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act that are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the Investment Company Act) and (ii) to non-U.S. persons (as defined in Regulation S) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S under the Securities Act.

In addition, until the expiration of 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a broker/dealer (whether or not participating in this Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*."

United Kingdom

In the purchase agreement, each Initial Purchaser, severally and not jointly, has represented and warranted to us that:

(1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(2) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or instrument to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person. The Notes are not being offered to the public in the United Kingdom.

General

New Issue of Notes

The Notes are a new issue of securities with no established trading market. We have applied to list the Notes on the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF thereof, though we cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised us that they presently intend to make a market in the Notes after completion of this Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market-making activities at any time without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, or that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you, if at all.

Price Stabilization and Short Positions

In connection with this Offering, the Stabilizing Manager (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of this Offering is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.

Initial Settlement

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle is being referred to as "**T+5**"). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next successive business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing should consult their own adviser.

Other Relationships

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to the Issuer or the Company and their affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Target, Issuer, the Guarantors or their respective affiliates. The Initial Purchasers and their affiliates will receive allocations of the Notes (subject to customary closing conditions), which could affect future trading of the Notes. The Initial Purchasers and their respective affiliates may, in the future, act as hedge counterparties to the Issuer or the Company consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Initial Purchasers or their respective affiliates have received, and expect to receive, customary fees and commissions for these transactions. In addition, certain of the Initial Purchasers and their affiliates will be lenders and/or agents under our Revolving Credit Facility and have entered into commitment documents as lenders to provide financing for the Acquisition in the event the Offering is not consummated, and such entities may act as counterparties in the hedging arrangements we expect to enter into in connection with the Transactions, and will receive customary fees for their services in such capacities. Among other things, an affiliate of UniCredit Bank AG will act as agent under the Revolving Credit Facility.

Goldman Sachs International, HSBC Bank plc and J.P. Morgan Limited have provided advisory services to some or all of the Sponsors in connection with the Acquisition.

Credito Valtellinese s.c., which is both a selling shareholder bank under the Acquisition Agreement and an Initial Purchaser in the Offering, and/or an affiliate has placed an order for approximately €30 million of the Notes and therefore will purchase Notes on the Issue Date, subject to customary closing conditions. The amount of the order is equal to the amount that Credito Valtellinese s.c. has agreed to purchase as an Initial Purchaser in the Offering. Although Credito Valtellinese s.c. and/or its affiliate intends to hold the Notes it purchases as a long-term investment, it will be permitted to sell them in the market at any time as permitted by applicable laws and regulations. If Credito Valtellinese s.c. and/or its affiliate holds its Notes to maturity, the liquidity of the Notes will be affected accordingly.

Banca Popolare di Milano S.C.R.L., the parent of Banca Akros SpA (which is an Initial Purchaser in the Offering) is a selling shareholder bank under the Acquisition Agreement.

Unione di Banche Italiane S.P.A. is both a selling shareholder bank under the Acquisition Agreement and an Initial Purchaser in the Offering.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of any of the Notes and/or the Guarantees offered hereby.

The Notes and the Guarantees (together, the "**Securities**") have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons unless the Securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act and the securities laws of any applicable jurisdiction is available. Accordingly, the Securities are being offered and sold only (i) to qualified institutional buyers (as defined in Rule 144A, "**QIBs**") in reliance on Rule 144A that are also qualified purchasers (as defined in Section 2(a)(51) of the Investment Company Act, "**Qualified Purchasers**") and (ii) outside the United States to non-U.S. persons in an offshore transaction (in each case, as defined in Regulation S) in reliance on Regulation S.

We have not registered and will not register the Securities under the Securities Act and, therefore, the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Securities to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs in compliance with Rule 144A who are also Qualified Purchasers; and
- outside the United States to non-U.S. persons in an offshore transaction in accordance with Regulation S.

We use the terms "U.S. person," "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of the Securities hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented, warranted and agreed with us and the Initial Purchasers as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) it understands and acknowledges that (i) the Securities have not been registered under the Securities Act or any other applicable securities laws and that the Securities are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, (ii) none of the Issuer and the Sponsors' HoldCos has been registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), (iii) none of the Issuer and the Sponsors' HoldCos is exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act. Section 3(c)(7) excepts from the provisions of the Investment Company Act those issuers who privately place their securities solely to persons who at the time of purchase are "qualified purchasers." In general terms, "qualified purchaser" is defined to mean, among other things, any natural person who owns not less than $5,000,000 in investments; any person who in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments; and trusts as to which both the settlor and the decision-making trustee are qualified purchasers (but only if such trust was not formed for the specific purpose of making such investment); and (iii) the Securities may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and in accordance with the Investment Company Act and any other applicable securities laws or pursuant to an exemption therefrom and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) it is either (a)(i) a QIB that is also a Qualified Purchaser and is aware that any sale of these Securities to it will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for its own account or for the account of another QIB that is also a Qualified Purchaser, (ii) not a broker dealer which owns and invests on a discretionary basis less than $25 million in securities of unaffiliated issuers, (iii) not a participant-directed employee plan, such as a 401(k) plan, (iv) not formed for the purpose of investing in the Issuer and (v) it understands that the Issuer may receive a list of participants holding positions in its Securities from one or more book-entry depositories; or (b) it is a non-U.S. person and it is purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S;

(3) it acknowledges that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to it with respect to us or the offer or sale of any Securities, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It has had access to such financial and other information concerning us and the Securities as it has deemed necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum;

(4) it is purchasing the Securities for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities to a QIB that is also a Qualified Purchaser pursuant to Rule 144A or to non-U.S. persons in offshore transactions pursuant to Regulation S;

(5) it understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Securities or any beneficial interests in any Securities, it will do so only (i) in the United States to a person it reasonably believes is a QIB that is also a Qualified Purchaser that purchases for its own account or for the account of a QIB that is also a Qualified Purchaser to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, or (ii) pursuant to offers and sales that occur outside the United States to non-U.S. persons in compliance with Regulation S, subject in each of the foregoing cases to compliance with any applicable foreign or state securities laws and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee;

(6) it understands that the Securities will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER OF THIS SECURITY (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) ("**QIB**") THAT IS ALSO A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED) ("**QUALIFIED PURCHASER**") OR (B) IT IS A NON-U.S. PERSON ACQUIRING THIS SECURITY OUTSIDE THE UNITED STATES IN AN "OFFSHORE TRANSACTION" (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR A BENEFICIAL INTEREST IN THIS SECURITY EXCEPT (A) TO A PERSON IT REASONABLY BELIEVES IS A QIB AND A QUALIFIED PURCHASER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS A QUALIFIED PURCHASER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, OR (B) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE FOREIGN OR STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE; AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

A legend substantially to the following effect shall also be included in the Securities:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS SECURITY WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("**OID**") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF ANY OID, THE ISSUE PRICE, THE ISSUE DATE AND THE YIELD TO MATURITY RELATING TO THE SECURITY BY CONTACTING THE ISSUER AT 47 ESPLANADE, ST HELIER, JERSEY JE1 0BD.

If you purchase Securities, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities;

(7) it agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities;

(8) it acknowledges that the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with;

(9) it acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account;

(10) it understands that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set forth under "*Notice to Prospective Investors in the United States*," "*Notice to New Hampshire Residents*," "*Notice to Certain European Investors*" and "*Plan of Distribution*;"

(11) it understands that the Issuer is a "covered fund" as defined in the Volcker Rule. The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act, but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer is relying on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder (which limits sales of the Securities to "qualified purchasers" as such term is defined in the Investment Company Act), it is considered to be a covered fund, and as a result banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining an "ownership interest" in the Issuer as a covered fund, absent any applicable exclusion or exemption. Under the Volcker Rule, "ownership interest" is defined broadly to include any participation or other interest that entitles the holder of such interest to, among other things: (a) vote to remove management or otherwise (other than as a creditor exercising remedies upon an event of default), (b) share in the income, gains, profits or excess spread of the covered fund or (c) receive underlying assets of the covered fund; and

(12) it understands that it may only transfer the Securities or any beneficial interest in the Securities to any person or entity that is resident or deemed to be resident, domiciled, located for tax purposes or acting through a lending office or a permanent establishment to which any payment under the Securities is effectively connected in a jurisdiction, country or territory that has implemented or has committed to implement the Organization for Economic Co-operation and Development's Common Reporting Standard.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Kirkland & Ellis International LLP, as to matters of United States federal, New York state and English law, by Bonelli Erede Pappalardo, as to matters of Italian law and by Carey Olsen, as to matters of Jersey law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of United States federal, New York state, English and Italian law and by Ogier, as to matters of Jersey law.

INDEPENDENT AUDITORS

The consolidated financial statements of Istituto Centrale delle Banche Popolari Italiane S.p.A. and its subsidiaries for the years ended December 31, 2012, 2013 and 2014, included in this Offering Memorandum, have been audited by KPMG S.p.A, independent auditors, as stated in their reports included herein.

The financial statements of Mercury Bondco plc as of June 18, 2015 which consist solely of the opening balance sheet and notes thereto and are included elsewhere in this Offering Memorandum, have been audited by KPMG Channel Islands Limited, independent auditors, as stated in their report included herein.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

The Issuer has applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and to have them admitted for trading on the Euro MTF Market thereof, in accordance with the rules and regulations of such exchange.

Listing Information

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and, if and for so long as the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be obtained free of charge at the offices of Greenlit Consultancy S.a.r.l, 2 rue Belle Vue, L-7214 Bereldange, Luxembourg:

- the organizational documents of the Issuer and the Guarantors;
- the Financial Statements included in this Offering Memorandum;
- the Indenture;
- the Guarantee Agreements;
- the Intercreditor Agreement; and
- the Security Documents.

The Issuer has appointed Lucid Issuer Services Limited as listing agent, and Elavon Financial Services Limited as Registrar. In addition, the Issuer has appointed Elavon Financial Services Limited, UK Branch as Paying Agent, Calculation Agent and Transfer Agent to make payments on, when applicable, and transfers of the Notes. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture.

We will maintain a paying agent and a transfer agent in London for as long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market. We reserve the right to vary such appointment and we will publish notice of such change of appointment, as well as all other notices to holders of the Notes, in a newspaper having a general circulation in the Grand Duchy of Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, www.bourse.lu.

Approval

The Issuer and the Guarantors have obtained all necessary consents, approvals, authorizations or other orders for the issuance of Notes and Guarantees and other documents to be entered into by the Issuer and the Guarantors in connection with the issuance of the Notes. The issuance of the Notes was authorized by the Issuer on October 14, 2015, in accordance with the resolutions validly adopted by the board of directors of the Issuer on October 14, 2015. The granting of the Guarantees was authorized by Mercury A Capital Limited on October 19, 2015 and by each of Mercury B Capital Limited and Mercury ABC Capital Limited on October 15, 2015, in each case, in accordance with the resolutions validly adopted by the board of directors of the relevant Guarantor on the same date.

Significant Change

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in our financial position since June 30, 2015; and
- we have not been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearing and settlement through the facilities of Euroclear and Clearstream. The Common Codes and international securities identification numbers ("**ISIN Number**") for the Notes are set forth below:

	Common Code	ISIN number
144A Senior Secured Fixed Rate PIK Toggle Notes	131839227	XS1318392278
Regulation S Senior Secured Fixed Rate PIK Toggle Notes	131839286	XS1318392864
144A Senior Secured Floating Rate PIK Toggle Notes	131839316	XS1318393169
Regulation S Senior Secured Floating Rate PIK Toggle Notes	131839383	XS1318393839

Periodic Reporting Under the Exchange Act

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act.

General Information on the Issuer

The Issuer, Mercury Bondco plc, was incorporated in Jersey on June 18, 2015. It is a public limited company, incorporated and established under the laws of Jersey, registered under number 118800 and having its registered office at 47 Esplanade, St Helier, Jersey JE1 0BD. Its telephone number is +44(0)1534 835600. The Issuer has an authorized share capital of €10,000 divided into 10,000 ordinary ordinary shares with a par value of €1.00 each. The Issuer's immediate shareholders are the Sponsors' NewCos which are controlled by the Sponsors. See "*Principal Shareholders.*"

General Information on the Guarantors

The Guarantors are listed and described below.

Mercury A Capital Limited was incorporated in Jersey on June 18, 2015. It is a private company, incorporated and established under the laws of Jersey, registered under number 118801 and having its registered office at 47 Esplanade, St Helier, Jersey JE1 0BD. As of June 30, 2015, Mercury A Capital Limited had an authorized share capital of €10,000 divided into 10,000 ordinary shares with a par value of € 1.00 each. Mercury A Capital Limited's immediate shareholder is Mercury (AI) S.à r.l. which is controlled by Advent. See "*Principal Shareholders.*"

Mercury B Capital Limited was incorporated in Jersey on June 18, 2015. It is a private company, incorporated and established under the laws of Jersey, registered under number 118802 and having its registered office at 47 Esplanade, St Helier, Jersey JE1 0BD. As of June 30, 2015, Mercury B Capital Limited had an authorized share capital of €10,000 divided into 10,000 ordinary shares with a par value of € 1.00 each. Mercury B Capital Limited's immediate shareholder is Mercury (BC) S.à r.l. which is controlled by Bain Capital. See "*Principal Shareholders.*"

Mercury ABC Capital Limited was incorporated in Jersey on June 18, 2015. It is a private company, incorporated and established under the laws of Jersey, registered under number 118803 and having its registered office at 47 Esplanade, St Helier, JE1 0BD Jersey. As of June 30, 2015, Mercury ABC Capital Limited had an authorized share capital of €10,000 divided into 10,000 ordinary shares with a par value of €1.00 each. Mercury ABC Capital Limited's immediate shareholders are the Sponsors' NewCos which are controlled by the respective Sponsor, with Mercury (AI) S.à r.l., Mercury (BC) S.à r.l. and Fides S.p.A. holding 27.5%, 27.5% and 45% of Mercury ABC Capital Limited's issued and outstanding share capital, respectively. See "*Principal Shareholders.*"

General Information on HoldCo and BidCo

Mercury UK Holdco Limited was incorporated in England on June 15, 2015. It is a private company, incorporated and established under the laws of England and Wales, registered under number 09638089 and having its registered office at 110 Fetter Lane, London EC4A 1AY. As of June 30, 2015, Mercury UK Holdco Limited had an authorized share capital of €3 divided into 3 ordinary shares with a par value of €1 each. Mercury UK Holdco Limited's shareholders are the Guarantors.

Mercury Italy S.r.l. was incorporated in Italy on May 6, 2015. It is a private limited company (*Società a Responsabilità Limitata*), incorporated and established under the laws of the Republic of Italy, registered under the number 09078560969 and having its registered office at Via Vittor Pisani 20, 20124 Milano. As of June 30, 2015, Mercury Italy S.r.l. had an authorized share capital of € 10,000 divided into 10,000 ordinary shares with a par value of €1 each. Mercury Italy S.r.l.'s shareholder is HoldCo.

(Translation from the Italian original which remains the definitive version)

Unaudited Interim consolidated financial statements of ICBPI Group for the six months ended 30 June 2015

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(€'000)		30/06/2015		31/12/2014	
	ASSETS				
10	**Cash and cash equivalents**		**26,453**		**536**
20	**Financial assets held for trading**		**13,293**		**19,582**
40	**Available-for-sale financial assets**		**2,725,842**		**2,535,267**
50	**Held-to-maturity investments**		**36,138**		**46,013**
60	**Loans and receivables with banks**		**987,683**		**610,682**
70	**Loans and receivables with customers**		**4,725,274**		**3,854,967**
100	**Equity investments**		**106,917**		**106,686**
120.	**Property, equipment and investment property**		**168,115**		**173,120**
130.	**Intangible assets**		**163,821**		**169,926**
	including goodwill	77,727		77,727	
140.	**Tax assets**		**54,547**		**54,233**
	a) current	904		1,793	
	b) deferred	53,643		52,440	
	including convertible into tax assets (Law no. 214/2011)	39,542		39,161	
160.	**Other assets**		**544,584**		**464,932**
	Total assets		**9,552,667**		**8,035,944**
	LIABILITIES				
10	**Due to banks**		**1,852,268**		**2,502,500**
20	**Due to customers**		**5,647,861**		**3,099,540**
40	**Financial liabilities held for trading**		**6,615**		**6,163**
80	**Tax liabilities**		**38,050**		**41,065**
	a) current	0		75	
	b) deferred	38,050		40,990	
100.	**Other liabilities**		**960,938**		**1,362,733**
110.	**Post-employment benefits**		**21,559**		**22,897**
120.	**Provisions for risks and charges**		**42,441**		**43,529**
	a) pension and similar obligations	935		967	
	b) other provisions	41,506		42,562	
140.	**Valuation reserves**		**71,502**		**75,484**
170.	**Reserves**		**644,482**		**565,156**
180.	**Share premium**		**148,242**		**148,242**
190.	**Share capital**		**42,557**		**42,557**
200.	**Treasury shares (−)**		**−32**		**−32**
210.	**Equity attributable to non-controlling interests (+/−)**		**29,169**		**29,760**
220.	**Profit for the period/year (+/−)**		**47,015**		**96,350**
	Total liabilities and equity		**9,552,667**		**8,035,944**

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

UNAUDITED CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2015 AND 2014

(€'000)		H1 2015		H1 2014	
INCOME STATEMENT					
10.	**Interest and similar income**		**39,444**		**49,611**
20.	**Interest and similar expense**		**−10,899**		**−13,040**
30.	**Net interest income**		**28,545**		**36,571**
40.	**Fee and commission income**		**507,500**		**496,607**
50.	**Fee and commission expense**		**−328,256**		**−319,281**
60.	**Net fee and commission income**		**179,244**		**177,326**
70.	**Dividends and similar income**		**21**		**68**
80.	**Net trading income**		**3,316**		**2,083**
120.	**Total income**		**211,126**		**216,048**
130.	**Net impairment losses on:**		**−1,785**		**−1,947**
	a) loans and receivables	−1,785		−1,947	
140.	**Net financial income**		**209,341**		**214,101**
180.	**Administrative expenses:**		**−255,900**		**−258,447**
	a) personnel expense	−72,669		−69,959	
	b) other administrative expenses	−183,231		−188,488	
190.	**Net accruals to provisions for risks and charges**		**−1,824**		**−5,590**
200.	**Depreciation and net impairment losses on property, equipment and investment property**		**−10,356**		**−9,471**
210.	**Amortisation and net impairment losses on intangible assets**		**−10,188**		**−7,039**
220.	**Other operating income, net**		**138,353**		**131,405**
230.	**Operating costs**		**−139,915**		**−149,142**
240.	**Share of profits of investees**		**490**		**382**
270.	**Net gains on sales of investments**		**8**		**0**
280.	**Pre-tax profit from continuing operations**		**69,924**		**65,341**
290.	**Income taxes**		**−21,176**		**−28,392**
300.	**Post-tax profit from continuing operations**		**48,748**		**36,949**
320.	**Profit for the period**		**48,748**		**36,949**
330.	**Profit for the period attributable to non-controlling interests**		**−1,733**		**−884**
340.	**Profit for the period attributable to the owners of the parent**		**47,015**		**36,065**

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2015 AND 2014

(€'000)	H1 2015	H1 2014
10. *Profit for the period*	**48,748**	**36,949**
Items, net of tax, that will not be reclassified subsequently to profit or loss		
40. *Defined benefit plans*	**802**	**−975**
Items, net of tax, that will be reclassified subsequently to profit or loss		
100. *Available-for-sale financial assets*	**−4,712**	**16,222**
130. *Other comprehensive income (expense), net of tax*	**−3,911**	**15,247**
140. *Comprehensive income (10 + 130)*	**44,837**	**52,196**
150. *Comprehensive income attributable to non-controlling interests*	**1,806**	**823**
160. *Comprehensive income attributable to the owners of the parent*	**43,031**	**51,373**

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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

						Changes for the year										
				Allocation of prior year profit			Equity transactions									
(€'000)	Balance at 31.12.2013	Change to opening balances	Balance at 1.1.2014	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Variation in ownership interests	2014 comprehensive income	Equity attributable to the owners of the parent at 31.12.2014	Equity attributable to non-controlling interests at 31.12.2014
Share capital:																
a) ordinary shares	46,103	—	46,103	—	—	—	—	—	—	—	—	—	284	—	42,557	3,830
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium	148,399	—	148,399	—	—	—	—	—	—	—	—	—	11	—	148,242	168
Reserves:																
a) income-related	516,791	—	516,791	56,830	—	1,194	—	—	—	—	—	—	2,103	—	554,308	22,610
b) other	10,848	—	10,848	—	—	—	—	—	—	—	—	—	—	—	10,848	—
Valuation reserves	77,749	—	77,749	—	—	−7	—	—	—	—	—	—	7	−2,373	75,484	−108
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Interim dividend	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	−32	—	−32	—	—	—	—	—	—	—	—	—	—	—	−32	—
Profit for the year	76,090	—	76,090	−56,830	−19,260	—	—	—	—	—	—	—	—	99,607	96,350	3,257
Equity attributable to the owners of the parent	849,514	—	849,514	—	−17,023	1,187	—	—	—	—	—	—		94,079	927,757	—
Equity attributable to non-controlling interests	26,433	—	26,433	—	−2,237	—	—	—	—	—	—	—	2,405	3,155	—	29,757

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD SIX MONTH PERIOD EN

				Allocation of prior year profit		Changes for the period					
							Equity transactions				
(€'000)	Balance at 31.12.2014	Change to opening balances	Balance at 1.1.2015	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares
Share capital:											
a) ordinary shares	46,387	—	46,387	—	—	—	—	—	—	—	—
b) other shares	—	—	—	—	—	—	—	—	—	—	—
Share premium	148,410	—	148,410	—	—	—	—	—	—	—	—
Reserves:											
a) income-related	576,918	—	576,918	80,189	—	—	—	—	—	—	—
b) other	10,848	—	10,848	—	—	—	—	—	—	—	—
Valuation reserves	75,376	—	75,376	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—
Interim dividend	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	−32	—	−32	—	—	—	—	—	—	—	—
Profit for the period	99,607	—	99,607	−80,189	−19,418	—	—	—	—	—	—
Equity attributable to the owners of the parent	927,757	—	927,757	—	−17,024	—	—	—	—	—	—
Equity attributable to non-controlling interests	29,757	—	29,757	—	−2,394	—	—	—	—	—	—

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS: INDIRECT METHOD FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2015 AND 2014

(€'000)	2015	2014
A. OPERATING ACTIVITIES		
1. Operations	**93,474**	**89,141**
—profit for the year	47,015	36,065
—net losses on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	12	2
—net impairment losses	1,785	1,947
—net impairment losses on property, equipment and investment property and intangible assets	20,544	16,510
—net accruals to provisions for risks and charges and other costs/revenue	1,824	5,590
—unpaid taxes, duties and tax assets	21,176	28,392
—other adjustments	1,118	635
2. Cash flows generated by financial assets	**−1,512,795**	**−877,524**
—financial assets held for trading	6,277	−7,584
—available-for-sale financial assets	−190,013	−67,138
—loans and receivables with banks: on demand	−377,001	−431,384
—loans and receivables with banks: other		
—loans and receivables with customers	−872,092	−261,645
—other assets	−79,966	−109,773
3. Cash flows used for financial liabilities	**1,463,831**	**591,090**
—due to banks: on demand	−650,232	1,412,486
—due to banks: other		
—due to customers	2,548,321	−727,180
—securities issued		−10,025
—financial liabilities held for trading	452	5,898
—other liabilities	−434,710	−90,089
Net cash flows generated by (used in) operating activities A	**44,510**	**−197,293**
B. INVESTING ACTIVITIES		
1. Cash flows generated by		
—sales of equity investments		
—dividends from equity investments	259	156
—sales/repayments of HTM investments	10,000	43,908
—sales of property, equipment and investment property	—	—
—non-recurring transactions	—	—
—sales of non-controlling interests	—	3,593
2. Cash flows used to acquire		
—non-controlling interests		
—equity investments	—	—
—property, equipment and investment property	−5,351	−6,446
—intangible assets	−4,083	−10,196
—subsidiaries and business units	—	—
Net cash flows used in investing activities B	**825**	**31,015**
C. FINANCING ACTIVITIES	**−19,418**	**−19,260**
—issue/repurchase of treasury shares		
—issue/repurchase of equity instruments		
—dividend and other distributions	−19,418	−19,260
NET CASH FLOWS FOR THE YEAR D=A+/−B+/−C	**25,917**	**−185,537**
RECONCILIATION		
Financial statements captions		
Opening cash and cash equivalents	536	186,512
Net cash flows for the year	25,917	−185,537
Closing cash and cash equivalents G=E+/−D+/−F	**26,453**	**974**

Key:

(+) generated

(−) used

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

A.1—GENERAL PART

Section 1—Statement of compliance

The Istituto Centrale delle Banche Popolari Italiane Group (ICBPI Group) has prepared these interim consolidated financial statements as at and for the six months ended 30 June 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 enacted into Italian law with Legislative decree no. 38/2005.

They have been prepared in accordance with IAS 34—Interim financial reporting.

The group applied the IFRS enacted at 30 June 2015.

It did not make any departures from the IFRS.

Section 2—Basis of presentation

The interim consolidated financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

The group's presentation currency is the Euro and the amounts shown in the interim consolidated financial statements and these notes are in thousands of Euros.

The group 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.

On 20 January 2015, Bank of Italy published an update to Circular no. 272 to align the national regulations with those of the EU, establishing new prudential criteria for the classification of credit quality to be adhered to from 1 January 2015. The four previous categories ("non-performing", "doubtful", "impaired past due/overdue" and "restructured") have been replaced by three new categories ("non-performing", "probable defaults" and "impaired past due and/or overdue exposures"). Accordingly, the group has presented its disclosures about credit quality in this report based on the new categories. Given the characteristics of its lending portfolio, the regulation has not had a significant effect on the group, including with respect to the restatement of the comparative data at 31 December 2014.

In addition, the new regulation has introduced the obligation to present "Forborne exposures" for both impaired and performing loans.

The group 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 interim consolidated statement of financial position as at 31 December 31, 2014 included herein was derived from the ICBPI Group's audited annual consolidated financial statements as of that date included elsewhere in this Offering Memorandum. The notes include all the information required by the IFRS as well as additional disclosures which are not mandatory but are deemed useful to give a true and fair view of the group's financial position and results of operations.

Basis of presentation of the interim consolidated 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 period split between share capital, equity-related reserves, income-related reserves, valuation reserves and the profit (loss) for the period. Treasury shares are offset against equity. The parent has not issued equity instruments other than ordinary shares.

Statement of cash flows

The statement of cash flows for the period and the corresponding period of 2014 has been prepared using the indirect method, whereby cash flows from operations are the profit for the period 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 period are indicated without a plus sign while those used during the period are shown with a minus sign.

Basis of presentation of the notes

These notes include a description of the accounting policies and a table of the main captions of the interim consolidated financial statements and the other disclosures as required by the IFRS.

Section 3—Basis of consolidation

The group has established the consolidation scope in accordance with IFRS 10—Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:

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

Therefore, the group consolidates all types of entities when all three control elements exist.

When an entity is directed mainly through exercise of voting rights, control exists when the investor holds more than half the voting rights.

In other cases, the assessment of control is more complex and requires the greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

In the case of the ICBPI Group, all the consolidated entities are directed mainly through voting rights. Accordingly, the group did not have to perform special judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

The interim financial statements at 30 June 2015 of the parent and consolidated companies were used for consolidation purposes, after being reclassified and adjusted to comply with the consolidation requirements and the IFRS.

Investments in subsidiaries are consolidated by combining the captions of the statement of financial position and income statement on a line-by-line basis, making the following adjustments:

(a) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;

(b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

Positive differences arising from the above adjustments are recognised as goodwill in caption "130 Intangible assets" at the date of first consolidation after allocation to the subsidiary's assets and liabilities. Any negative differences are recognised in profit or loss.

Intragroup assets and liabilities, off-statement of financial position transactions, income and expense and profits and losses among the consolidated companies are eliminated.

The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until the date when the parent ceases to control the subsidiary.

Pursuant to IAS 28, the consolidated financial statements also include the results of associates, i.e., entities over which the group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement using the equity method. The group's share of the associate's profit or loss is recognised separately in the income statement.

The difference between the investment's carrying amount and the group's share of its equity is included in the investment's carrying amount.

If there is indication of impairment, the group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in profit or loss.

At present, the group is not a party to joint arrangements as defined by IFRS 11 either in the form of joint operations (where the parties have rights to the assets and obligations for the liabilities) or joint ventures (where the venturers have rights to the arrangement's net assets).

1. Investments in fully controlled subsidiaries

				Investment		
	Head office	**Registered office**	**Type of relationship(1)**	**Investor**	**Investment %**	**Voting rights %(2)**
1. Oasi-Diagram S.p.A.	Milan	Milan	1	Istituto Centrale delle Banche Popolari Italiane	100.00	100.00
2. CartaSi S.p.A.	Milan	Milan	1	Istituto Centrale delle Banche Popolari Italiane	94.38	94.38
3. Help Line S.p.A.	Cividale del Friuli / Milan	Cividale del Friuli /	1	Istituto Centrale delle Banche Popolari Italiane	70.00	70.00
4. Unicard S.p.A.	Milan	Milan	1	CartaSi S.p.A.	100.00	100.00

Key

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meetings

2 = dominant influence at ordinary shareholders' meetings

3 = shareholder agreements

4 = other forms of control

5 = single management as per art. 26.1 of Legislative decree no. 87/92

6 = single management as per art. 26.2 of Legislative decree no. 87/92

(2) Voting rights at ordinary shareholders' meetings, differentiating between effective and potential voting rights

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

In addition to the parent, the banking group includes:

- Oasi Diagram—Outsourcing Applicativo e Servizi Innovativi S.p.A., operating company;
- Help Line S.p.A., operating company;
- CartaSi S.p.A., financial company included in the register of payment institutes as per article 114-septies of the Consolidated Banking Act;
- Unicard S.p.A., operating company, investee of CartaSi S.p.A..

As well as the above consolidated banking group companies, the group includes the following equity-accounted associates at 30 June 2015:

- HI-mtf S.p.A., in which the parent has a 25% interest, equity-accounted;
- Equens SE, in which the parent has a 20% interest, equity-accounted;
- Unione Fiduciaria S.p.A., in which the parent has a 24% interest, equity-accounted.

2. Significant judgements and assumptions applied to define the consolidation scope

As stated above and given the group's current structure, where control is principally based on voting rights held, there were no situations that would have made it necessary to make specific judgements or significant assumptions to define the consolidation scope.

This is also true for the associates, where significant influence is basically attributable to the voting rights held by the group.

3. Investments in consolidated companies with significant non-controlling interests

3.1 Non-controlling interests, their voting rights and dividends distributed to them

	Investment %	Voting rights %(1)	Dividends
1. Help Line S.p.A.	30%	30%	—

(1) availability of votes at ordinary shareholders' meetings

3.2 Investments with significant non-controlling interests: financial information

	Total assets	Cash and cash equivalents	Financial assets	Property, equipment and investment property and intangible assets	Financial liabilities	Equity	Net interest expense	Total expense	Operating costs	Pre-tax profit from continuing operations	Post-tax profit from continuing operations	Profit for the period(1)	Other comprehensive income, net of income taxes(2)
1. Help Line S.p.A.	25,802,993	1,124	—	6,949,676	—	9,176,669	−48,420	−48,420	17,437	1,094,853	813,218	813,218	98,274

4. Significant restrictions

There are no significant restrictions to the exercise of voting rights for the investments in subsidiaries and associates.

5. Other information

Given the group's structure, there is no other information that needs to be disclosed.

Section 4—Events after the reporting period

No events took place after the reporting period that would have had a significant effect on the group's financial position, results of operations or cash flows or that would have required adjustments to the financial statements captions.

Section 5—Other aspects

There is no other information that needs to be presented, including with respect to the Bank of Italy/Consob/IVASS document no. 6 of 8 March 2013.

A.2—KEY FINANCIAL STATEMENTS CAPTIONS

Accounting policies

1—Financial assets held for trading

Classification

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Recognition

Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets held for trading are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement

After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognised in caption 80 "Trading income (expense)" of the income statement. Interest accrued on these assets is recognised in caption 10 of the income statement "Interest and similar income", although interest and/or other income and expense on trading derivatives are recognised in caption 80 "Trading income (expense)" of the income statement.

Section 17—Other information provides information on the calculation of fair value of listed financial instruments. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

Derecognition

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

2—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 100 "Net gain (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

The group tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, the group 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 derecognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

3—Held-to-maturity investments

Classification

This category includes debt instruments with fixed or determinable payments and fixed maturities that the group has the ability and intention to hold to maturity. If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the group's intentions or ability, it is reclassified to "AFS financial assets".

Recognition

HTM investments are initially recognised at cost, being the fair value of the amount traded, including any directly related costs and income.

Measurement

After initial recognition, HTM investments are subsequently measured at amortised cost using the effective interest method. Fair value gains or losses are recognised in profit or loss when the investments are derecognised.

At each reporting date, the group tests the HTM investments for impairment. The impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Impairment losses are recognised in profit or loss. When the reasons for impairment are no longer valid as a result of an event that took place subsequent to recognition of the impairment loss, it is reversed through profit or loss.

Derecognition

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

4—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.

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.

Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably.

Loans and receivables tested individually for impairment include positions classified as non-performing, doubtful or restructured as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively.

The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position's original effective interest rate.

Estimated cash flows include guarantees securing the debtor's exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the group uses their present value, while if it is probable that they will be enforced, the group considers their realisable value net of the costs to be incurred for enforcement.

Impairment losses are recognised in caption 130 "Net impairment losses" in the income statement.

Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and may not exceed the position's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category's unrealised loss. The impairment test considers the counterparty's country risk. Collective impairment losses are recognised in profit or loss.

Derecognition

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

7—Equity investments

This caption includes equity-accounted investees as described in section 3—Basis of consolidation.

Investments in entities other than subsidiaries and associates are classified as AFS financial assets and treated accordingly (see point 2).

8—Property, equipment and investment property

Classification

This caption includes land, owner-occupied property, investment 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.

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised while other ordinary maintenance costs are expensed.

Measurement

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

The depreciable value of property and equipment 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:

- furniture and fittings: 8 years;
- owner-occupied buildings: 33 years;
- investment property: 33 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 group 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.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

9—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 and related useful lives.

The useful life of the group's intangible assets is three years, except for those assets related to the depositary services, which have an estimated useful life of ten years depending on the contractual terms.

Their residual value is taken to be nil.

The group tests the intangible 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

The group 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.

Impairment losses on goodwill are recognised in caption 260 "Impairment losses on goodwill" of the income statement. They are not reversed in subsequent periods.

11—Current and deferred taxes

The group estimates current and deferred taxes.

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. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset.

Current and deferred taxes are recognised in caption 290 "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 140.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 group may find itself.

12—Provisions for risks and charges

Pension and similar provisions

Internal pension plans are considered to be defined benefit plans. The group calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate.

The discount rate is the average market rate at the measurement date. The present value of the group’s liability at the reporting date is also adjusted by the fair value of any plan assets.

Other provisions

The group recognises provisions for risks and charges when:

- it has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation; and
- the liability can be reliably estimated.

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 and increases due to the time factor are recognised in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions and contingent liabilities are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

13—Liabilities and Securities issued

Classification

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the group has a contractual obligation to deliver cash or another financial asset to another party.

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit.

They also include finance lease liabilities.

Recognition

Amounts due to banks are recognised at the contract agreement date, which is usually when the group receives the funds and issues the debt instruments.

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.

They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price.

14—Financial liabilities held for trading

This caption includes derivatives held for trading with negative fair values.

All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognised in profit or loss.

The measurement and recognition criteria are identical to those used for financial assets held for trading.

16—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.

18—Other information

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.

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 group'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. Accordingly, the related obligation is subject to actuarial valuation using the projected unit credit method. This method projects future payments using historical statistics and the demographic curve and discounts these flows using a market interest rate.

The rate used to discount the post-employment benefit obligation (both funded and unfunded) varies from country to country. It is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The term of the corporate bonds is consistent with the estimated term of the post-employment benefit obligations.

Specifically, the amount recognised as a liability in caption 120.a) equals the net balance of the obligation's present value at the reporting date, the sum of any actuarial gains or losses, less any pension costs for past service not yet recognised and the current value of plan assets, if any, at the reporting date that will be used to directly extinguish the obligation.

Starting from the 2013 consolidated financial statements, the group has recognised actuarial gains and losses in the statement of comprehensive income as required by the revised IAS 19.

Before that, they had been recognised immediately in profit or loss.

Interest accrued on the net liability continues to be recognised.

Treasury shares

Repurchased treasury shares are directly offset against equity. No gain or loss on the repurchase, sale, issue or extinguishment of these shares can be recognised in profit or loss. Any amounts paid or received for these shares are recognised directly in equity.

The group has set up the specific reserve as per article 2357-ter of the Italian Civil Code.

Measurement of the fair value of financial instruments

The fair value of financial instruments is measured using the financial market prices in the case of instruments listed on active markets or by using internal measurement models for other financial instruments.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The closing date bid price and ask price are used for financial assets and financial liabilities respectively.

The fair value of financial instruments not quoted on active markets is determined using prices of recent market transactions of instruments with similar characteristics or by using valuation techniques based mainly on discounting cash flows. These techniques include all the factors that the market considers to set the price. Accordingly, the models consider the time value of money measured using the risk-free interest rate, default risks, the prepayment risk and the volatility of the financial instrument price, as well as, if applicable, foreign currency exchange rates.

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.

Valuation models based on market parameters are used for bonds and derivatives. The calculation method also considers the need to include the credit risk of both counterparties.

Specifically, bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk.

This method is also used for derivatives, being interest rate swaps (IRS), overnight interest rate swaps (OIS) and options.

A fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

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 on demand assets and liabilities, with a short term or undetermined maturity, 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 securities issued, 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.

Measurement of fair value of non-financial assets

The fair value of investment property is only calculated for disclosure in the notes. The group uses third party appraisals considering transactions at current prices in an active market for similar real estate assets in the same location and condition and that have the same lease and other contractual terms.

Determination of impairment losses on goodwill

Impairment losses on goodwill are determined using the discounted cash flow method.

Guarantees issued

Guarantees issued, credit derivatives and similar instruments as per IAS 39 and subsequent impairment losses are recognised in caption 100 “Other liabilities”.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Income statement

Interest income and expense

Interest income and expense and related income and expense relate to cash and cash equivalents, non-derivative financial assets and liabilities held for trading, AFS financial assets, HTM investments, 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, trading commissions on securities are recognised when the service is rendered.

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.

Business combinations

Assets and liabilities deriving from business combinations are recognised at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognised as goodwill. After initial recognition, goodwill is tested for impairment.

If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

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

The interim consolidated 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 financial assets not listed on active markets;
- measurement of intangible assets and equity investments;
- quantification of accruals to provisions for risks and charges;
- quantification of deferred liabilities.

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 the period.

A.3. Transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

					Income or expense if transfer had not taken place (before taxes)		Income or expense for the period (before taxes)	
Type of financial instrument	**Original portfolio**	**Portfolio to which transfer is made**	**Carrying amount at 31/12/2014**	**Fair value at 31/12/2014**	**Fair value gain/loss**	**Other**	**Fair value gain/loss**	**Other**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
1. Debt instruments	Financial assets held for trading	Available-for-sale financial assets	263,882	263,882	2,623		2,005	

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

No transfers among portfolios took place during the period.

A.3.3 Reclassified financial assets: effects on comprehensive income before transfer

In 2011, as the rare circumstances provided for by IAS 38 arose, the group reclassified Italian treasury credit certificates from the HFT portfolio to the AFS portfolio.

These rare circumstances related to the international sovereign debt crisis of June 2011 and the continuously widening spread of the German bund.

A.4 Fair value disclosure

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

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 on the principal market at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

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.

The decision about which level to use is not optional as they are to be applied in hierarchical order. Highest priority is given to official prices available on active markets for the assets or liabilities to be measured (level 1) or assets and liabilities measured using techniques based on parameters observable on the market other than prices (level 2) and the lowest priority is given to assets and liabilities whose fair value is calculated using techniques that are based on unobservable inputs and which are, therefore, more discretional (level 3).

The group uses the reporting date market price for instruments listed on active markets (level 1).

The fair value of financial instruments not listed on active markets is measured using techniques mainly based on discounting cash flows. These techniques consider all the factors that the market uses to set the price which are mainly inputs observable on the market (level 2). Specifically:

- bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk;
- derivatives, including IRSs, OISs and options are measured using the market models that mainly use market rates as their input, adjusted to reflect counterparty risk. This risk includes changes in the counterparty's credit standing and in the issuer's credit standing (own credit risk), if material;
- a fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

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 group did not have at the reporting date, nor did it trade in during the period, level 3 financial instruments, except for immaterial amounts.

Quantitative information

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

As noted above, the group does not have nor did it trade in level 3 financial instruments, except for immaterial amounts.

It measured level 2 financial instruments (mainly IRS, OISs and interest rate and currency options) using market interest rates and volatility. Given the group's limited operations in the unlisted derivatives segment, its transactions with Italian institutional counterparties and its guarantees mitigating risk, the adjustments made to the level 2 instruments to reflect counterparty risk were immaterial.

A.4.2 Measurement processes and sensitivity

As noted above, the group does not have nor did it trade in level 3 financial instruments, except for immaterial amounts.

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 information

The group did not avail of the exception under IFRS 13.48 to measure the net positions of groups of assets and liabilities managed on a net basis.

The group does not hold assets, the current use of which differs from their highest and best use.

Quantitative information

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.

	30/06/2015			31/12/2014		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	5,930	7,358	4	14,272	5,309	1
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	2,687,531	38,311	—	2,499,446	35,821	—
4. Hedging derivatives						
5. Property, equipment and investment property						
6. Intangible assets						
Total	**2,693,462**	**45,669**	**4**	**2,513,718**	**41,129**	**1**
1. Financial liabilities held for trading	612	6,003	—	1,488	4,674	—
2. Financial liabilities at fair value through profit or loss						
3. Hedging derivatives						
Total	**612**	**6,003**	**—**	**1,488**	**4,674**	**—**

Key

L1 = level 1

L2 = level 2

L3 = level 3

The group did not transfer assets and liabilities between level 1 and level 2 during the period.

Given the group's limited operations in the unlisted derivative segment, the fact that it solely works with Italian institutional counterparties and the existence of guarantees that mitigate counterparty risk, the above fair value is not significantly influenced by adjustment factors for counterparty risk (credit value adjustments and/or debit value adjustments).

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

	Financial assets held for trading	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Hedging derivatives**	**Property, equipment and investment property**	**Intangible assets**
1. Opening balance	**1**	—	—	—	—	—
2. Increases						
2.1. Purchases	4					
2.2. Gains recognised in:						
2.2.1. profit or loss						
—including gains on sales						
2.2.2. equity	**X**	**X**				
2.3. Transfers from other levels						
2.4. Other increases						
3. Decreases						
3.1. Sales						
3.2. Repayments						
3.3. Losses recognised in:						
3.3.1. profit or loss						
—including losses on sales						
3.3.2. equity	X	X				
3.4. Transfers from other levels						
3.5 Other decreases						
D. Closing balance	**5**	**—**	**—**	**—**	**—**	**—**

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

	30/06/2015				31/12/2014			
	CA	**L1**	**L2**	**L3**	**CA**	**L1**	**L2**	**L3**
1. Held-to-maturity investments	36,138	33,599	1,215	—	46,013	43,212	2,440	—
2. Loans and receivables with banks	987,682	—	987,682	—	610,682	—	610,682	—
3. Loans and receivables with customers	4,725,274	—	4,724,883	391	3,854,967	—	3,854,576	391
4. Investment property	66,934	—	99,496	—	67,210	—	99,496	—
5. Non-current assets held for sale and disposal groups								
Total	**5,816,028**	**33,599**	**5,813,277**	**391**	**4,578,871**	**43,212**	**4,567,194**	**391**
1. Due to banks	1,852,268	—	1,852,287	—	2,502,500	—	2,502,500	—
2. Due to customers	5,647,861	—	5,647,861	—	3,099,540	—	3,099,540	—
3. Securities issued	—				—			
4. Liabilities associated with assets held for sale								
Total	**7,500,129**	**—**	**7,500,149**		**5,602,039**	**—**	**5,602,039**	

Key:

CA = carrying amount

L1 = level 1

L2 = level 2

L3 = level 3

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

A.5 Information on "day one profit/loss"

Pursuant to IFRS 7.28 and IAS 39.AG.76, a financial instrument shall be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. In practice, there could be a difference between the two values. In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is measured:

- using prices from observable current market transactions in the same instrument;

- using valuation techniques exclusively based on observable market date as the variable factors.

In other words, IAS 39 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using objective evidence that the price paid/collected does not represent the real market value of the financial instrument being traded.

The objective evidence shall be obtained using the most objective method available, i.e., reducing valuation discretion to the minimum.

The difference between fair value and the negotiated price, when the above conditions are met, is called the "day one profit or loss" and is immediately taken to profit or loss.

The group did not recognise transactions of this kind in the period.

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

Assets

Section 1—Cash and cash equivalents—Caption 10

1.1 Cash and cash equivalents: breakdown

	30/06/2015	31/12/2014
a) Cash	573	536
b) Demand deposits with central banks	25,879	
Total	**26,453**	**536**

Section 2—Financial assets held for trading—Caption 20

2.1 Financial assets held for trading: breakdown by product

	30/06/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	5,834	1,971	—	14,202	658	—
1.1 Structured instruments	195	—	—	121	—	—
1.2 Other instruments	5,639	1,971	—	14,081	658	—
2. Equity instruments	74	—	4	49	—	1
3. OEIC units	22	—	—	22	—	—
4. Financing	—	—	—	—	—	—
4.1 Reverse purchase agreements	—	—	—	—	—	—
4.2 Other	—	—	—	—	—	—
Total A	5,930	1,971	4	14,272	658	1
B. Derivatives						
1. Financial derivatives:	—	5,387	—	—	4,650	—
1.1 trading	—	5,387	—	—	4,650	—
1.2 associated with fair value option	—	—	—	—	—	—
1.3 other	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
2.1 trading	—	—	—	—	—	—
2.2 associated with fair value option	—	—	—	—	—	—
2.3 other	—	—	—	—	—	—
Total B	—	5,387	—	—	4,650	—
Total (A + B)	5,930	7,358	4	14,272	5,309	1

2.2 Financial assets held for trading: breakdown by debtor/issuer

	30/06/2015	31/12/2014
A. Assets		
1. Debt instruments		
a) Governments and central banks	22	322
b) Other government agencies	68	267
c) Banks	5,221	8,839
d) Other issuers	2,495	5,433
2. Equity instruments		
a) Banks	6	13
b) Other issuers:	72	36
—insurance companies	—	—
—financial companies	—	—
—non-financial companies	72	36
—other	—	—
3. OEIC units	22	22
4. Financing		
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total A	7,907	14,933
B. Derivatives		
a) Banks	1,550	1,787
—fair value	1,550	1,787
b) Customers	3,837	2,863
—fair value	3,837	2,863
Total B	**5,387**	**4,650**
Total (A + B)	**13,294**	**19,583**

2.3 Financial assets held for trading: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	14,861	49	22	—	14,932
B. Increases					
B1. Purchases	8,143,754	122,186	60,454	—	8,326,393
B2. Fair value gains	3,670	280	14	—	3,963
B3. Other increases	884	12	1	—	897
C. Decreases					
C1. Sales	8,151,391	122,184	60,445	—	8,334,020
C2. Repayments	1,251	—	—	—	1,251
C3. Fair value losses	1,042	250	23	—	1,314
C4. Transfers to other portfolios	—	—	—	—	—
C5. Other decreases	1,679	14	1	—	1,693
D. Closing balance	**7,805**	**79**	**22**	**—**	**7,906**

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

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

4.1 Available-for-sale financial assets: breakdown by product

	30/06/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	2,686,838	—	—	2,498,753	—	—
1.1 Structured instruments	—	—	—	—	—	—
1.2 Other instruments	2,686,838	—	—	2,498,753	—	—
2. Equity instruments	693	4,787	—	693	4,122	—
2.1 FVTPL	693	4,787	—	693	4,122	—
2.2 Cost	—		—	—	—	—
3. OEIC units	—	33,524	—	—	31,699	—
4. Financing	—	—	—	—	—	—
Total	**2,687,531**	**38,311**	**—**	**2,499,446**	**35,821**	**—**

4.2 Available-for-sale financial assets: breakdown by debtor/issuer

	30/06/2015	31/12/2014
1. Debt instruments		
a) Governments and central banks	2,686,838	2,498,753
b) Other government agencies	—	—
c) Banks	—	—
d) Other issuers	—	—
2. Equity instruments	—	
a) Banks	846	845
b) Other issuers:	4,634	3,970
—insurance companies	—	—
—financial companies	4,140	3,577
—non-financial companies	455	352
—other	40	40
3. OEIC units	33,524	31,699
4. Financing	—	—
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**2,725,842**	**2,535,265**

4.4 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**2,498,753**	**4,815**	**31,699**	**—**	**2,535,267**
B. Increases	**229,896**	**665**	**3,301**	**—**	**233,862**
B1. Purchases	200,088	103	3,301	—	**203,492**
B2. Fair value gains	6,047	—	—	—	**6,047**
B3. Reversals of impairment losses:	—	—	—	—	**—**
—recognised in profit or loss	—	—	—	—	**—**
—recognised in equity	—	562	—	—	**562**
B4. Transfers from other portfolios	—	—	—	—	**—**
B5. Other increases	23,761	—	—	—	**23,761**
C. Decreases	**41,811**	**—**	**1,476**	**—**	**42,145**
C1. Sales	**—**	—	—	—	—
C2. Repayments	—	—	333	—	**333**
C3. Fair value losses	12,726	—	1,143	—	**12,726**
C4. Impairment losses:	—	—	—	—	**—**
—recognised in profit or loss	—	—	—	—	**—**
—recognised in equity	—		—	—	**—**
C5. Transfers to other portfolios	—	—	—	—	**—**
C6. Other decreases	29,084	—		—	**29,084**
D. Closing balance	**2,686,839**	**5,480**	**33,523**	**—**	**2,726,982**

"Other increases" include those arising from measuring assets at amortised cost.

"Other decreases" include accrued interest collected.

Section 5—Held-to-maturity investments—Caption 50

5.1 Held-to-maturity investments: breakdown by product

	30/06/2015				31/12/2014			
		FV				FV		
	CA	Level 1	Level 2	Level 3	CA	Level 1	Level 2	Level 3
1. Debt instruments	—	—	—	—	—	—	—	—
—structured instruments	4,929	4,929	—	—	4,939	4,939	—	—
—other instruments	31,209	28,671	1,215	—	41,074	38,272	2,440	—
2. Financing	—	—	—	—	—	—	—	—
Total	**36,138**	**33,599**	**1,215**	**—**	**46,013**	**43,212**	**2,440**	**—**

Key

FV = fair value

CA = carrying amount

The decrease is due to the repayment of matured securities.

5.2 Held-to-maturity investments: breakdown by debtor/issuer

	30/06/2015	31/12/2014
1. Debt instruments		
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	34,166	44,053
d) Other issuers	1,972	1,960
2. Financing	—	—
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**36,138**	**46,013**
Total fair value	**36,138**	**46,013**

5.4 Held-to-maturity investments: changes

	Debt instruments	Financing	Total
A. Opening balance	**46,013**		**46,013**
B. Increases	301	—	301
B1. Purchases	—	—	—
B2. Reversals of impairment losses	—	—	—
B3. Transfers from other portfolios	—	—	—
B4. Other increases	301	—	301
C. Decreases	10,176	—	10,176
C1. Sales	—	—	—
C2. Repayments	10,000	—	10,000
C3. Impairment losses	—	—	—
C4. Transfers to other portfolios	—	—	—
C5. Other decreases	176	—	176
D. Closing balance	**36,137**		**36,137**

Section 6—Loans and receivables with banks—Caption 60

6.1 Loans and receivables with banks: breakdown by product

	30/06/2015				31/12/2014			
		FV				FV		
	CA	Level 1	Level 2	Level 3	CA	Level 1	Level 2	Level 3
A. Loans and receivables with central banks	138,984		138,984		122,975		122,975	
1. Term deposits	—	X	X	X	—	X	X	X
2. Minimum reserve	138,984	X	X	X	122,975	X	X	X
3. Reverse repurchase agreements	—	X	X	X	—	X	X	X
4. Other	—	X	X	X	—	X	X	X
B. Loans and receivables with banks	848,698		848,698		487,707		487,707	
1 Financing								
1.1 Current accounts and demand deposits	287,291	X	X	X	307,444	X	X	X
1.2 Term deposits	192,012	X	X	X	3,803	X	X	X
1.3 Other financing:	365,584	X	X	X	172,726	X	X	X
—Reverse repurchase agreements	208,025	X	X	X	—	X	X	X
—Finance leases	—	X	X	X	—	X	X	X
—Other	157,559	X	X	X	172,726	X	X	X
2. Debt instruments	3,810	X	X	X	3,734	X	X	X
2.1 Structured instruments	—	**X**	**X**	**X**	—	**X**	**X**	**X**
2.2 Other debt instruments	3,810	X	X	X	3,734	X	X	X
Total (carrying amount)	**987,682**	—	**987,682**	—	**610,682**	—	**610,682**	—

Key

FV = fair value

CA = carrying amount

Section 7—Loans and receivables with customers—Caption 70

7.1 Loans and receivables with customers: breakdown by product

	30/06/2015						31/12/2014					
	Carrying amount			Fair value			Carrying amount			Fair value		
		Impaired						Impaired				
	Performing	Purchased	Other	L1	L2	L3	Performing	Purchased	Other	L1	L2	L3
Financing	**4,724,883**	—	**391**		**4,724,883**	**391**	**3,854,576**	—	**391**		**3,854,576**	**391**
1. Current accounts	151,989	—	391	X	X	X	181,419	—	391	X	X	X
2. Reverse repurchase agreements	1,686,288	—	—	X	X	X	887,548	—	—	X	X	X
3. Loans	—	—	—	X	X	X	—	—	—	X	X	X
4. Credit cards, personal loans and salary backed loans	2,004,853	—	—	X	X	X	2,302,122	—	—	X	X	X
5. Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
6. Factoring	—	—	—	X	X	X	—	—	—	X	X	X
7. Other financing	881,753	—	—	X	X	X	483,488	—	—	X	X	X
Debt instruments	—	—	—				—	—	—			
8 Structured instruments	—	—	—	X	X	X	—	—	—	X	X	X
9. Other instruments	—	—	—	X	X	X	—	—	—	X	X	X
Total (carrying amount)	**4,724,883**		**391**	—	**4,724,883**	**391**	**3,854,576**		**391**	—	**3,854,576**	**391**

"Other financing" mainly relates to guarantee deposits.

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

7.2 Loans and receivables with customers: breakdown by debtor/issuer

	30/06/2015			31/12/2014		
		Impaired			Impaired	
	Performing	Purchased	Other	Performing	Purchased	Other
1. Debt instruments	—		—	—		—
a) Governments	—			—		
b) Other government agencies	—			—		
c) Other issuers	—		—	—		
—non-financial companies	—			—		
—financial companies	—			—		
—insurance companies	—			—		
—other issuers	—			—		
2. Financing to:	4,724,883		—	3,854,576		—
a) Governments	—	—	—	—	—	—
b) Other government agencies	—	—	—	75	—	—
c) Other	4,724,883	—	—	3,854,501	—	—
—non-financial companies	43,460	—	—	8,381	—	—
—financial companies	2,495,464	—	391	1,396,808	—	391
—insurance companies	13	—	—	—	—	—
—other	2,185,946	—	—	2,449,313	—	—
Total	**4,724,883**		**391**	**3,854,576**		**391**

Section 10—Equity investments—Caption 100

10.1 Investments in equity-accounted jointly-controlled entities and associates

10.1 Equity investments

	Registered office	Operating office	Type of relationship	Investment		Voting rights %
				Investor	Investment %	
B. Associates						
1. Hi-Mtf Sim S.p.A.	Milan	Milan	1	ICBPI	25	25
2. Equens SE	Utrecht	Utrecht	1	ICBPI	20	20
3. Unione Fiduciaria	Milan	Milan	1	ICBPI	24	24

10.2 Significant equity investments: financial information

	Carrying amount	Fair value	Dividends received
A. Jointly-controlled entities			
B. Associates			
1. Hi-Mtf Sim S.p.A.	1,510	X	—
2. Equens SE	97,658	X	—
3. Unione Fiduciaria	7,749	X	259
Total	**106,917**	**—**	**—**

10.5 Equity investments: changes

	H1 2015	2014
A. Opening balance	106,686	109,190
B. Increases		
B.1 Purchases		
B.2 Reversals of impairment losses		
B.3 Fair value gains	490	193
B.4 Other increases		
C. Decreases		
C.1 Sales		
C.2 Impairment losses		—
C.3 Other decreases	259	2,697
D. Closing balance	106,917	106,686
E. Total fair value gains		
F. Total impairment losses		

Section 12—Property, equipment and investment property—Caption 120

12.1 Property, equipment and investment property: assets measured at cost

	30/06/2015	31/12/2014
1. Owned		
a) land	17,089	17,089
b) buildings	47,201	48,479
c) furniture	2,055	2,136
d) electronic systems	33,152	35,708
e) other	1,685	2,020
2. Under finance lease		
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic systems	—	—
e) other	—	—
Total	**101,181**	**105,432**

12.2 Investment property: breakdown of assets measured at cost

	30/06/2015				31/12/2014			
		Fair value				Fair value		
	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Owned								
a) land	38,940				38,940			
b) buildings	27,994				28,749			
2. Under finance lease								
a) land	—				—			
b) buildings	—				—			
Total	**66,934**		**99,496**		**67,689**		**99,496**	

12.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	21,401	89,979	8,704	170,355	42,115	332,554
A.1 Total net impairment losses	4,312	41,500	6,569	134,737	40,006	227,123
A.2 Net opening balance	17,089	48,479	2,135	35,618	2,109	105,431
B. Increases	—	—	19	6,993	9,535	16,547
B.1 Purchases	—	—	19	6,993	38	7,049
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	—	—	—	—	9,497	9,497
—including business combinations					9,497	9,497
—other changes						—
C. Decreases	—	1,279	100	9,460	9,956	20,795
C.1 Sales	—	—	—	1,514	9,679	11,193
C.2 Depreciation	—	1,279	100	7,946	277	9,601
C.3 Impairment losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.4 Fair value losses 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	—	—	—	1	—	1
D. Net closing balance	17,089	47,200	2,055	33,150	1,689	101,182
D.1 Total net impairment losses	4,312	42,778	6,668	142,683	40,283	236,724
D.2 **Gross closing balance**	21,401	89,980	8,723	175,832	41,971	337,908
E. Cost						—

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

12.6 Investment property: changes

	Total	
	Land	Buildings
A. Opening balance	38,940	28,749
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		755
C.3 Fair value losses		
C.4 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	38,940	27,994
E. Fair value	**99,496**	

Section 13—Intangible assets—Caption 130

13.1 Intangible assets: breakdown by asset

	30/06/2015		31/12/2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		77,727		77,727
A.1.1 attributable to the owners of the parent		77,727		77,727
A.1.2 attributable to non-controlling interests				
A.2 Other intangible assets				
A.2.1 Assets measured at cost:				
a) Internally developed assets				
b) Other	86,094		92,199	
A.2.2 Assets measured at fair value:				
a) Internally developed assets				
b) Other				
Total	**86,094**	**77,727**	**92,199**	**77,727**

13.2 Intangible assets: changes

	Goodwill	Other intangible assets: developed internally FIN.	Other intangible assets: developed internally IND.	Other intangible assets: other FIN.	Other intangible assets: other IND.	Total
A. Opening balance	77,727			164,286		242,013
A.1 Total net impairment losses				72,088		72,088
A.2 Net opening balance	77,727			92,198		169,925
B. Increases						—
B.1 Purchases	—	—	—	4,083	—	4,083
B.2 Increase in internally generated assets	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains recognised in:	—	—	—	—	—	—
—equity	—	—	—	—	—	—
—profit or loss	—	—	—	—	—	—
B.5 Exchange rate gains	—	—	—	—	—	—
B.6 Other increases	—	—	—		—	—
—including business combinations						—
C. Decreases						—
C.1 Sales	—	—	—	—	—	—
C.2 Impairment losses	—	—	—	—	—	—
−Amortisation	—	—	—	10,188	—	10,188
−Fair value losses	—	—	—	—	—	—
+ equity	—	—	—	—	—	—
+ profit or loss	—	—	—	—	—	—
C.3 Fair value losses recognised in:	—	—	—	—	—	—
—equity	—	—	—	—	—	—
—profit or loss	—	—	—	—	—	—
C.4 Transfers to non-current assets held for sale	—	—	—	—	—	—
C.5 Exchange rate losses	—	—	—	—	—	—
C.6 Other decreases						—
—business combinations						
D. Net closing balance	77,727	—	—	86,094	—	163,821
D.1 Total net impairment losses				82,275		82,275
E. Gross closing balance	77,727			168,369		246,096
F. Cost						—

Key

FIN: finite life

INDEF: indefinite life

Section 14—Tax assets and liabilities—Caption 140 of assets and Caption 80 of liabilities

14.1 Deferred tax assets: breakdown

	30/06/2015	31/12/2014
IRAP		
Net impairment losses on loans and receivables	335	
Provisions		
Substitute tax on goodwill	3,598	3,617
Amortisation/depreciation	765	680
Other	126	
Fair value reserve	97	
IRES		
Net impairment losses on loans and receivables	12,760	12,853
Provisions	7,556	7,838
Substitute tax on goodwill	17,766	17,858
Impairment losses on intangible assets, P&E and investment property	7,893	7,305
Other	2,269	2,289
Fair value reserve	478	

14.2 Deferred tax liabilities: breakdown

	30/06/2015	31/12/2014
IRAP		
Building revaluations	2,711	2,765
Other	1,250	1,894
Fair value reserve	2,355	2,687
IRES		
Building revaluations	15,157	15,155
Other	4,952	5,223
Fair value reserve	11,625	13,266

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

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

	H1 2015	2014
1. Opening balance	51,457	50,413
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	2,424	5,728
2.2 New taxes or increases in tax rates		
2.3 Other increases		663
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	1,793	5,346
b) impairment due to non-recoverability		
c) change in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
a) conversion into tax credits as per Law no. 214/2011		
b) other		
4. Closing balance	52,088	51,457

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

	H1 2015	2014
1. Opening balance	39,161	38,796
2. Increases	603	903
3. Decreases		
3.1 Reclassifications	222	537.67
3.2 Conversions into tax assets		
a) arising from the loss for the period		
b) arising from tax losses		
3.3 Other information		
4. Closing balance	39,542	39,161

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

	H1 2015	2014
1. Opening balance	25,022	24,638
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	1,263	3,870
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	2,231	3,486
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.2 Other decreases		
4. Closing balance	24,054	25,022

14.5 Changes in deferred tax assets (recognised in equity)

	H1 2015	2014
1. Opening balance	983	48
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	248	981
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	54	46
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	1,177	983

14.6 Changes in deferred tax liabilities (recognised in equity)

	H1 2015	2014
1. Opening balance	15,968	15,620
2. Increases		
2.1 Deferred tax liabilities recognised in the period		
a) related to previous periods		
b) due to changes in accounting policies		
c) other	39	348
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the period		
a) reversals	2,012	
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	13,995	15,968

Section 16—Other assets—Caption 160

16.1 Other assets: breakdown

	30/06/2015	31/12/2014
Withholding taxes paid on interest charged to customers and other tax assets	90,977	96,691
Negotiated cheques to be cleared	4,591	7,392
Matured securities and accrued interest to be collected	622	4,466
Commissions and other income to be charged	154,162	152,504
BIREL, transfers, SETIF, received messages to be charged, e-money	196,083	159,727
Sundry and residual items	98,149	44,153
Total	**544,584**	**464,932**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

Liabilities

Section 1—Due to banks—Caption 10

1.1 Due to banks: breakdown by product

	30/06/2015	31/12/2014
1. Due to central banks	730	73,583
2. Due to banks	1,851,538	2,428,917
2.1. Current accounts and demand deposits	1,159,909	1,437,396
2.2. Term deposits	108,218	107,138
2.3. Financing	248,418	398,014
2.3.1 repurchase agreements	—	165,551
2.3.2 other	248,419	232,463
2.4 Commitments to repurchase own equity instruments	—	—
2.5 Other liabilities	334,993	486,369
Total	**1,852,268**	**2,502,500**
Fair value—level 1		
Fair value—level 2	**1,852,268**	**2,502,500**
Fair value—level 3		
Total fair value	**1,852,268**	**2,502,500**

Section 2—Due to customers—Caption 20

2.1 Due to customers: breakdown by product

	30/06/2015	31/12/2014
1. Current accounts and demand deposits	4,397,455	2,637,056
2. Term deposits	9	509
3. Financing	788,438	—
3.1 repurchase agreements	788,438	—
3.2 other	—	—
4. Commitments to repurchase own equity instruments	—	
5. Other liabilities	461,960	461,975
Total	**5,647,861**	**3,099,540**
Fair value—level 1		
Fair value—level 2	**5,647,861**	**3,099,540**
Fair value—level 3		
Total fair value	**5,647,861**	**3,099,540**

Section 4—Financial liabilities held for trading—Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	30/06/2015					31/12/2014				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. Financial liabilities										
1. Due to banks	—	—	—	—	—	467	516	—	—	—
2. Due to customers	582	612	—	—	—	898	973	—	—	—
3. Debt instruments	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—		—	—	—	—	
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	**582**	**612**	**—**	**—**		**1,364**	**1,488**	**—**	**—**	
B. Derivatives										
1. Financial derivatives										
1.1 Trading	X	—	6,003	—	X	X	—	4,674	—	X
1.2 Associated with fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	—	—	X	X	—	—	—	X
2. Credit derivatives		—	—	—			—	—	—	
2.1 Trading	X	—	—	—	X	X	—	—	—	X
2.2 Associated with fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	**X**	**—**	**6,003**	**—**	**X**	**X**	**—**	**4,674**	**—**	**X**
Total (A + B)	**582**	**612**	**6,003**	**—**	**X**	**1,364**	**1,488**	**4,674**	**—**	**X**

Legenda:

FV = fair value

NA = nominal or notional amount

FV* = fair value calculated by excluding gains and losses due to changes in the issuer's credit standing compared to the issue date.

L1 = level 1

L2 = level 2

L3 = level 3

Section 8—Tax liabilities—Caption 80

See section 14 of Assets.

Section 10—Other liabilities—Caption 100

10.1 Other liabilities: breakdown

	30/06/2015	31/12/2014
Tax liabilities, withholding taxes and other amounts to be paid	17,250	18,942
Cheques, cheque truncation flows to be credited	8,757	19,163
Securities, currency and premium transactions paid for options to be credited	8,357	3,287
Due to employees	21,145	30,292
Other liabilities for expenses, commissions and interest to be paid	138,540	168,898
Prepaid debit cards	53,562	50,570
Currency differences on portfolio transactions	237,324	1,578
BIREL, transfers, payment flows to be credited	401,255	1,005,927
Sundry and residual items	74,747	64,076
Total	**960,937**	**1,362,733**

Section 11—Post-employment benefits—Caption 110

11.1 Post-employment benefits: changes

	H1 2015	2014
A. Opening balance	**22,897**	**19,471**
B. Increases		
B.1 Accruals	141	531
B.2 Other increases	66	3,636
Including business combinations		261
C. Decreases		
C.1 Payments	370	741
C.2 Other decreases	1,175	
D. Closing balance	21,559	22,897
Total	**21,559**	**22,897**

Section 12—Provisions for risks and charges—Caption 120

12.1 Provisions for risks and charges: breakdown

	30/06/2015	31/12/2014
1. Internal pension funds	935	967
2. Other provisions for risks and charges	41,506	42,562
Total	**42,441**	**43,529**

12.2 Provisions for risks and charges: changes

	Total	
	Pension funds	Other provisions
A. Opening balance	**967**	**42,562**
B. Increases		
B.1 Accruals	—	1,962
B.2 Discounting	—	—
B.3 Changes due to variations in discount rate	—	—
B.4 Other increases	—	—
C. Decreases		
C.1 Utilisations	32	3,016
C.2 Changes due to variations in discount rate	—	—
C.3 Other decreases	—	—
D. Closing balance	**935**	**41,506**

Section 15—Equity—Captions 140, 160, 170, 180, 190, 200 and 220

15.1 “Share capital” and “Treasury shares”: breakdown

	30/06/2015	31/12/2014
1. Share capital	42,557	42,557
2. Share premium	148,242	148,242
3. Reserves	644,482	565,156
4. (Treasury shares)		
a) parent	(32)	(32)
b) subsidiaries		
5. Valuation reserves	71,502	75,484
6. Profit for the period/year	47,015	96,350
Total	**953,766**	**927,757**

15.2 Share capital—number of shares: changes

	Ordinary	Other
A. Opening balance		
—fully paid-in	14,185,790	
—not fully paid-in		
A.1 Treasury shares (−)	75,191	
A.2 Outstanding shares: opening balance	14,110,599	
B. Increases	—	
B.1 New issues	—	
—against consideration:	—	
—business combinations	—	
—bond conversions	—	
—exercise of warrants	—	
—other	—	
—bonus issues:	—	
—to employees	—	
—to directors	—	
—other	—	
B.2 Sale of treasury shares	—	
B.3 Other increases	—	
C. Decreases	—	
C.1 Cancellations	—	
C.2 Repurchases of treasury shares	—	
C.3 Disposals of entities	—	
C.4 Other decreases	—	
D. Outstanding shares: closing balance	14,110,599	
D.1 Treasury shares (+)	75,191	
D.2 Closing balance	14,185,790	
—fully paid-in	14,185,790	
—not fully paid-in		

The outstanding and fully paid-in shares number 14,185,790, while treasury shares in portfolio amount to 75,191.

Section 16—Equity attributable to non-controlling interests—Caption 210

16.1 Caption 210 "Equity attributable to non-controlling interests"

	30/06/2015	31/12/2014
Investments in consolidated companies with significant non-controlling interests:		
Help Line	2,754	2,480
Other equity investments	26,415	27,280
Total	29,169	29,760

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

16.2 Equity instruments: breakdown and changes

	30/06/2015	31/12/2014
1. Share capital	3,830	3,830
2. Share premium	168	168
3. Reserves	23,476	22,614
4. (Treasury shares)		—
5. Valuation reserves	−37	−108
6. Equity instruments		—
7. Profit for the period/year attributable to non-controlling interests	1,733	3,257
Total	**29,169**	**29,760**

Part C—NOTES TO THE INCOME STATEMENTS

Section 1—Interest—Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	H1 2015	H1 2014
1. Financial assets held for trading	231	—	—	231	143
2. Financial assets at fair value through profit or loss	—	—	—	—	—
3. Available-for-sale financial assets	23,674	—	—	23,674	31,080
4. Held-to-maturity investments	301	—	—	301	506
5. Due from banks	88	790	23	902	1,447
6. Loans to customers	—	1,207	12,907	14,114	16,252
7. Hedging derivatives	—	—	—	—	—
8. Other assets	—	—	222	222	183
Total	**24,294**	**1,997**	**13,152**	**39,444**	**49,611**

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	H1 2015	H1 2014
1. Due to central banks	—	—	—	—	—
2. Due to banks	10,199	—	—	10,199	10,689
3. Due to customers	682	—	—	682	1,876
4. Securities issued	—	—	—	—	81
5. Financial liabilities held for trading	9	—	—	9	42
6. Financial liabilities at fair value through profit or loss	—	—	—	—	—
7. Other liabilities and provisions	—	—	9	9	352
8. Hedging derivatives	—	—	—	—	—
Total	**10,890**	**—**	**9**	**10,899**	**13,040**

Section 2—Fees and commissions—Captions 40 and 50

2.1 Fee and commission income: breakdown

	H1 2015	H1 2014
a) guarantees received	—	15
b) credit derivatives	—	—
c) management, brokerage and consultancy services:		
1. trading in financial instruments	6,394	6,468
2. foreign currency transactions	—	—
3. asset management	—	—
3.1. individual	—	—
3.2. collective	—	—
4. securities custody and administration	2,026	4,859
5. depository services	24,150	14,462

6. securities placement	2,912	3,341
7. order collection and transmission	1,281	650
8. consultancy services	58	53
8.1. concerning investments	—	—
8.2. concerning financial structure	58	53
9. distribution of third party services	—	—
9.1. asset management	—	—
9.1.1. individual	—	—
9.1.2. collective	—	—
9.2. insurance products	—	—
9.3. other products	—	—
d) collection and payment services	430,430	430,210
e) servicing services for securitisations	—	—
f) services for factoring transactions	—	—
g) tax collection services	—	—
h) management of multilateral trading systems	—	—
i) keeping and management of current accounts	—	—
j) other services	40,250	36,549
Total	**507,500**	**496,607**

2.2 Fee and commission expense: breakdown

	H1 2015	H1 2014
a) guarantees received	26	26
b) credit derivatives	—	—
c) management and brokerage services:	—	
1. trading in financial instruments	213	235
2. foreign currency transactions	29	1
3. asset management:	—	—
3.1 own portfolio	—	—
3.2 third party portfolios	—	—
4. securities custody and administration	2,853	1,966
5. placement of financial instruments	2,595	3,044
6. securities settlement	1,168	1,056
7. off-premises distribution of financial instruments, products and services	—	—
d) collection and payment services	319,874	312,177
e) other services	1,497	776
Total	**328,256**	**319,281**

Section 3—Dividends and similar income—Caption 70

3.1 Dividends and similar income: breakdown

	H1 2015		H1 2014	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	9	—	4	
B. Available-for-sale financial assets	12	—	64	
C. Financial assets at fair value through profit or loss	—	—	—	
D. Equity investments	—	—	—	
Total	**21**	**—**	**68**	

Section 4—Net trading income—Caption 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income [(A+B) − (C+D)]
1. Financial assets held for trading					
1.1 Debt instruments	328	2,797	321	424	2,380
1.2 Equity instruments	49	174	37	183	4
1.3 OEIC units	5	1	5	2	−1
1.4 Financing	—	—	—	—	
1.5 Other	—	—	—	—	
2. Financial liabilities held for trading					
2.1 Debt instruments	4	—	—	—	4
2.2 Payables	—	—	—	—	
2.3 Other	—	—	—	—	
3. Other financial assets and liabilities: exchange rate gains (losses)	X	X	X	X	604
4. Derivatives					
4.1 Financial derivatives:					
—On debt securities and interest rates	—	—	—	—	—
—On equity instruments and equity indexes	1,946	3,333	3,295	1,659	325
—On currencies and gold	—	—	—	—	—
—Other	—	—	—	—	
4.2 Credit derivatives	—	—	—	—	
Total	**2,333**	**6,305**	**3,659**	**2,268**	**3,316**

Section 8—Net impairment losses—Caption 130

8.1 Net impairment losses on loans and receivables: breakdown

	Impairment losses(1)			Reversals of impairment losses(2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	H1 2015 (3)=(1)−(2)	H1 2014 (3)=(1)−(2)
A. Loans and receivables with banks									
—Financing	—	—	—					—	17
—Debt instruments	—	—	—					—	—
2. Loans and receivables with customers	—	—	—					—	—
Impaired loans acquired	—	—	—					—	
—Financing	—	—	1,785			X	X	1,785	1,930
—Debt instruments	—	—	X			X	X	X	X
Other	—	—	—					—	
—Financing	—	—	—					—	—
—Debt instruments	—	—	—					—	
C. Total	**—**	**—**	**1,785**	**—**	**—**	**—**	**—**	**1,785**	**1,947**

Key

A = from interest

B = other reversals

Section 11—Administrative expenses—Caption 180

11.1 Personnel expense: breakdown

	H1 2015	H1 2014
1) Employees		
a) wages and salaries	49,480	47,966
b) social security charges	13,469	12,511
c) post-employment benefits	405	1,446
d) pension costs	121	137
e) accrual for post-employment benefits	138	—
f) accrual for pension and similar provisions:	—	
—defined contribution plans	—	—
—defined benefit plans	—	—
g) payments to external supplementary pension funds:	—	
—defined contribution plans	3,934	2,690
—defined benefit plans	—	1
h) costs of share-based payment plans	—	—
i) other employee benefits	2,686	2,903
2) Other personnel	484	512
3) Directors and statutory auditors	1,952	1,795
4) Retired personnel	—	—
Total	**72,669**	**69,959**

11.2 Average number of employees per category

	H1 2015	H1 2014
a) managers	67	60
b) junior managers	594	566
c) other employees	1,055	1,076

11.5 Other administrative expenses: breakdown

	H1 2015	H1 2014
—data processing	45,454	43,759
—post office, valuables transportation and couriers	13,457	12,782
—external services	9,250	8,497
—interbank network traffic	5,455	5,718
—IT connections and automation costs	1,781	1,092
—access to markets	1,249	1,314
—professional services	4,451	3,139
—agents' commissions	960	642
—bank draft books	104	74
—maintenance and lease	18,169	17,055
—building running costs, leases, heating and lighting	3,075	3,154
—stationery and printed matter	263	500
—insurance companies	1,141	1,151
—telegraph, telephone and telex	2,623	1,743
—card processing	14,835	17,051
—membership fees	587	466
—surveillance and cleaning	475	383
—other	31,172	32,630
—taxes and duties	28,730	37,336
Total	**183,231**	**188,488**

Part C—NOTES TO THE INCOME STATEMENTS

Section 12—Net accruals to provisions for risks and charges—Caption 190

12.1 Net accruals to provisions for risks and charges: breakdown

	H1 2015	H1 2014
Accruals to provisions	1,824	5,590
Total	**1,824**	**5,590**

Section 13—Depreciation and net impairment losses on property, equipment and investment property—Caption 200

13.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

13.1.1 attributable to the banking group

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Property, equipment and investment property				—
A.1 Owned				—
—Property and equipment	10,356			**10,356**
—Investment property	—			—
A.2 Acquired under finance lease				—
—Property and equipment	—			—
—Investment property	—			—
Total	**10,356**	—	—	**10,356**

Section 14—Amortisation and net impairment losses on intangible assets—Caption 210

14.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Intangible assets				—
A.1 Owned				—
—Generated internally				—
—Other	10,188	—		**10,188**
A.2 Acquired under finance lease				—
Total	**10,188**	—	—	**10,188**

Section 15—Other operating expense and income—Caption 220

15.1 Other operating expense: breakdown

	H1 2015	H1 2014
Transfer of revenue from services	10,776	9,349
Other costs	4,908	7,311
Total	**15,684**	**16,660**

15.2 Other operating income: breakdown

	H1 2015	H1 2014
Lease income	446	715
Services	116,609	107,846
Recoveries of stamp duties from customers and post office expenses	35,684	37,733
Other income	1,298	1,771
Total	**154,037**	**148,065**

Section 16—Share of profits of investees—Caption 240

16.1 Share of profits of investees: breakdown

	H1 2015	H1 2014
Jointly-controlled entities		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income		
B. Costs		
1. Fair value losses		
2. Impairment losses		
3. Losses on sales		
4. Other costs		
Net profits (losses)	**—**	**—**
2) Associates		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income	490	382
B. Costs		
1. Fair value losses		
2. Impairment losses		
3. Losses on sales		
4. Other costs	—	
Net profits	**490**	**382**
Total	**490**	**382**

Section 19—Gains (losses) on sales of investments—Caption 270

19.1 Net losses on sales of investments: breakdown

	HI 2015	HI 2014
A. Property		
—Gains on sales	8	
—Losses on sales		
B. Other assets		
—Gains on sales	—	
—Losses on sales	—	—
Net losses	**8**	**—**

Section 20—Income taxes—Caption 290

20.1 Income taxes: breakdown

	H1 2015	H1 2014
6. Tax expense for the period (−)	−21,176	−28,392

Section 22—Profit for the period attributable to non-controlling interests—Caption 330

22.1 Caption 330 “Profit for the period attributable to non-controlling interests”

	H1 2015	H1 2014
Consolidated investments with significant non-controlling interests		
Help Line	244	113
Other equity investments	1,489	771
Total	**1,733**	**884**

Breakdown of comprehensive income

(€'000)	Gross amount	Income tax	Net amount
10. Profit for the period	**X**	**X**	**48,748**
Items that will not be reclassified subsequently to profit or loss			
20 Property, equipment and investment property			
30 Intangible assets			
40 Defined benefit plans	**1,121**	**−320**	**802**
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)	**−7,260**	**2,548**	**−4,712**
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)			
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 **Other comprehensive income (expense)**	**−6,139**	**2,228**	**−3,911**
140. **Comprehensive income (expense) (10 + 130)**	**−6,139**	**2,228**	**44,837**
150 Comprehensive income attributable to non-controlling interests	**X**	**X**	**1,806**
160 Comprehensive income attributable to the owners of the parent	**X**	**X**	**43,031**

EQUITY

Section 1—Equity

A. Qualitative disclosure

The figure available for allocation purposes is the regulatory capital. Under this approach, the supervisory regulations represent the minimum restriction. Specifically, the group's equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main capital management tool against unexpected losses arising from the various risks (credit, market and operational) taken on by banks. Equity availability is therefore an indispensable tool supporting the group's development plans.

In accordance with internal procedures, the relevant departments regularly monitor the group'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 ICBPI Group should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, the group forecasts the related effects on equity and their suitability.

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

B. Quantitative disclosure

	30/06/2015	31/12/2014
Valuation reserves	**71,502**	**75,484**
Redeemable shares	**—**	**—**
Equity instruments	**—**	**—**
Reserves	**644,482**	**565,156**
Share premium	**148,242**	**148,242**
Share capital	**42,557**	**42,557**
Treasury shares (−)	**−32**	**−32**
Profit for the period/year (+/−)	**47,015**	**96,350**
Total	**953,766**	**927,757**

B.1 Equity: breakdown by type of entity

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	46,387				46,387
Share premium	148,410				148,410
Reserves					
—income-related	657,107				657,107
a) legal					—
b) statutory					—
c) treasury shares					—
d) other	10,848				10,848
—other					—
Equity instruments					—
(Treasury shares)	−32				−32
Valuation reserves					—
—Available-for-sale financial assets	29,304				29,304
—Property, equipment and investment property					—
—Intangible assets					—
—Hedges of investments in foreign operations					—
—Cash flow hedges					—
—Exchange rate gains (losses)					—
—Non-current assets held for sale					—
—Net actuarial losses on defined benefit pension plans	−4,060				−4,060
—Share of valuation reserves of equity-accounted investees					—
—Special revaluation laws	46,222				46,222
Profit for the period	48,748				48,748
Equity	982,933	—	—	—	982,933

B.2 Fair value reserves (AFS financial assets): breakdown

	Banking group		Insurance companies		Other companies		Eliminations and consolidation adjustments		Total	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	27,907	−399							27,907	−399
2. Equity instruments	2,560								2,560	—
3. OEIC units		−765							—	−765
4. Financing									—	—
Total at 30/06/2015	30,467	−1,164	—	—	—	—	—	—	**30,467**	−1,164

B.3 Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**31,979**	**2,037**	**—**	
2. Increases				
2.1 Fair value gains	—	523	—	
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		—		
3.2 impairment losses	—	—	—	
3.3 Reclassification of fair value gains to profit or loss:				
on sale	—	—	—	
3.4 Other decreases	4,471	—	765	
4. Closing balance	**27,508**	**2,560**	**−765**	

B.4 Actuarial reserves: changes

The actuarial reserve solely refers to the Italian post-employment benefits vested before 1 January 2006. As there are no plan assets, the reserve only includes the actuarial gains or losses on the liability, which changed as follows:

			Reserve	
	Gross actuarial losses	Income taxes	Total	including attributable to the owners of the parent
Opening balance	**−6,640**	**1,778**	**−4,862**	**−4,636**
Actuarial gains	—	—	—	
Actuarial losses	**1,121**	**−320**	**802**	**760**
Closing balance	**−5,519**	**1,458**	**−4,060**	**−3,876**

SECTION 2—REGULATORY CAPITAL AND RATIOS

Section 2.1—Scope of application of the regulations

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;
- goodwill and other intangible assets are deducted;
- subordinated loans may be included provided that they meet the regulatory prudential requirements;
- 50% of the net fair value gains on available-for-sale equity instruments recognised in caption 140 “Valuation reserves” may be included in Tier 2 capital;
- equity investments in banks and financial companies are deducted, regardless of the portfolio to which they are allocated.

EQUITY

2.2—Bank own funds

B. Quantitative disclosure

	30/06/2015	31/12/2014
A. Common Equity Tier 1 (CET1) before application of prudential filters	**948,582**	**911,249**
including CET 1 instruments covered by the transitional measures		
B. CET1 prudential filters (+/−)		
C. CET1 including the elements to be deducted and the effects of the transitional regime (A+/−B)	**948,582**	**911,249**
D. Elements to be deducted from CET1	−207,744	−213,951
E. Transitional regime—Impacts on CET1 (+/−) including non-controlling interests subject to transitional measures	**−15,170**	**−30,193**
F. Total Common Equity Tier 1 (CET1) (C−D +/−E)	**725,668**	**667,106**
G. Additional Tier 1 (AT1) including the elements to be deducted and the effects of the transitional regime		
including AT1 instruments covered by the transitional measures		
H. Elements to be deducted from AT1		
I. Transitional regime—Impacts on AT1 (+/−), including the instruments issued by the consolidated entities and included in AT1 due to transitional measures		
L. Total Additional Tier 1 (AT1) (G−H +/− I)		
M. Tier 2 (T2) including the elements to be deducted and the effects of the transitional regime		
including T2 instruments covered by the transitional measures		
N. Elements to be deducted from T2		
O. Transitional regime—Impacts on T2 (+/−), including the instruments issued by the consolidated entities and included in T2 due to transitional measures	8,252	15,989
P. Total Tier 2 (T2) (M−N+/−O)	**8,252**	**15,989**
Q. Total own funds (F + L + P)	**733,920**	**683,095**

2.3—Capital adequacy

A. Qualitative disclosure

The ICBPI Group’s own funds exceed those provided for by the regulatory requirements.

B. Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
A. EXPOSURES				
A.1 Credit and counterparty risk				
1. Standardised method	11,445,590	9,244,328	1,938,038	1,816,836
2. IRB approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			155,043	145,347
B.2 Credit valuation adjustment risk			126	101
B.3 Regulation risk				
B.4 Market risk				
1. Standard method			1,999	1,175
2. Internal models				
3. Concentration risk				
B.5 Operational risk				
1. Basic method			112,914	112,914
2. Standardised method				
3. Advanced method				
B.6 Other calculation elements			112,914	112,914
B.7 Total prudential requirements			382,996	372,451
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			4,787,449	4,655,635
C.2 CET 1 capital /risk-weighted assets (CET1 capital ratio)			15.16%	14.33%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			15.16%	14.33%
C.4 Total own funds/risk-weighted assets (Total capital ratio)			15.33%	14.67%

SEGMENT REPORTING

Reporting by business segment includes, in order of importance, the segments that may be identified within the group's organisation and specifically:

E-money

It comprises CartaSi, Unicard and Help Line and its integrated activities are as follows:

- financial and operating services relating to the issue and acceptance of payment cards and related management services;
- payment card terminal management (POS and ATM).

Payments

It comprises an operating division of the parent, which carries out the following integrated activities:

- banking payment services and related back-office services for banks, companies and bodies;
- interbank payment systems for companies and bodies and related management services and e-banking;
- IT and computer-based services relating to payment systems.

Securities services

It comprises an operating division of the parent, which carries out the following integrated activities:

- securities custody and administration services;
- fund services;

- investment and investment-related services for qualified parties and professional customers.

Application outsourcing and innovative services

It comprises Oasi, which carries out the following integrated activities:

- IT systems for supervisory reporting and management systems;
- anti-money laundering, safety and internal control systems;
- development and provision of training courses.

Other group activities

This segment manages the activities that are not carried out by the parent's business units. Specifically:

- credit and financial activities for the relevant business segments;
- property management;
- equity investment management;
- group management and coordination;
- other activities of the consolidated companies.

A.1 Breakdown by business segment: income statement

The results of operations for the period of each of the above business segments are set out below.

2015 interim consolidated financial statements: segment reporting

H1 2015 (€'000)	E-money	Payments	Securities services	Application outsourcing	Other group activities	Consolidation adjustments	Consolidated financial statements
Net fee and commission income and revenue from services	210,315	41,319	29,919	13,780	30	−1,326	294,037
Net interest income	−2,790	757	2,445	−3	29,521	116	30,046
Net trading/hedging income	−146	—	2,722	—	502	—	3,077
Dividends from equity investments and AFS financial assets	12	—	—	—	259	—	271
Operating revenue	**207,391**	**42,076**	**35,085**	**13,777**	**30,311**	**−1,210**	**327,431**
Personnel expense	−29,477	−8,725	−9,694	−4,280	−18,870	6	−71,041
Production costs	−37,496	−5,496	−2,656	−1,825	−117	95	−47,495
ICT costs	−64,868	−13,434	−9,727	−3,107	−3,606	4,968	−89,773
General expenses	−16,405	−1,828	−575	−1,207	−9,760	7,016	−22,759
Administrative expenses	**−148,246**	**−29,483**	**−22,651**	**−10,420**	**−32,352**	**12,083**	**−231,069**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−10,670	−1,019	−845	−1,523	−1,200	−24	−15,283
Other operating income, net	654	−2,678	−5,040	118	19,568	−10,874	1,748
Net operating imp. losses and accruals	−7,065	−292	—	30	—	—	−7,328
Operating costs	**−165,327**	**−33,473**	**−28,537**	**−11,795**	**−13,984**	**1,186**	**−251,931**
Operating profit	**42,064**	**8,603**	**6,549**	**1,982**	**16,327**	**−24**	**75,500**
Net losses on equity investments and AFS financial assets							231
Other items							−5,807
Pre-tax profit for the year							**69,924**
Income taxes							−21,176
Profit attributable to non-controlling interests							−1,733
Profit attributable to the owners of the parent							**47,015**

Net interest income (expense) is the business segments' contribution to the group's net interest income resulting from the sum of realised interest income and expense recognised in the accounting system and unrealised interest calculated as part of the planning and control system, using the cash-pooling method based on internal transfer rates.

A breakdown of operating revenue arising from transactions with third party customers and other business segments of the same entity by operating segment is set out below for better disclosure purposes.

2015 interim consolidated financial statements: Operating revenue

H1 2015 (€'000)	E-money	Payments	Securities services	Application outsourcing	Other group activities	Group total
E-money		2,274	—	353	6,943	9,570
Payments	−2,229		—	201	—	−2,028
Securities services	—	—		319	—	319
Application outsourcing	10	25	—		3	38
Other group activities	−6,926	—	—	237		−6,688
Operating revenue—other operating segments	**−9,145**	**2,299**	**—**	**1,110**	**6,946**	**1,210**
Third party customers	216,535	39,777	35,085	12,667	23,366	327,431
Total operating revenue	**207,391**	**42,076**	**35,085**	**13,777**	**30,311**	**328,640**

Reconciliation between the management accounts and the interim consolidated financial statements

Segment reporting is consistent with the group planning and control system's principles and operating procedures defined by the central planning and control (P&C) department and approved by group management, whose aim is to ensure consistent management reporting among the various group operations and structures.

This system is based on the general criteria of tracing management data and reports to the general accounting records. Considering the characteristics of the parent, which is required to prepare consolidated financial statements, the group's management account income statement is presented with the general classification used in the financial statements of banking groups.

In order to improve management reporting of the group's operations and performance, as an exception to the above-mentioned general criteria of tracing management figures to those of the separate and consolidated financial statements, the P&C system sets out certain grouping rules for data that are dissimilar from those of the general accounts. The main differences in data grouping relate to the following:

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the provision of services (non-banking/financial) that are part of the operating segments' core business, is presented under Net fee and commission income and revenue from services in the management accounts;

- expense classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the retrocession of revenue from services and/or selling costs, is presented under Net fee and commission income and revenue from services in the management accounts;

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the recovery of expenses, is presented in the caption to which the expense refers in the management accounts;

- income classified in Fee and commission income (caption 40 of the consolidated financial statements), relating to items subject to IFRIC 13, which establishes the accounting treatment to be applied by entities that grant awards under customer loyalty programmes relating to the purchase of goods or services and requires that the consideration for the obligation arising from granting the award be separated from sales revenue and deferred up to when the obligation with the customers is settled, is presented under Production costs in the management accounts;

- gains and losses relating to impairment losses/reversals of impairment losses on the equity portion of the AFS and HTM portfolios and classified in Net impairment losses (captions 130b and 130c of the consolidated financial statements) are presented under Gains (losses) on equity investments and AFS financial assets in the management accounts;

- profits relating to the bond portion of the AFS portfolio and classified in Profit (loss) on sale or repurchase of AFS financial assets (caption 100b of the consolidated financial statements) are presented under Profit on securities and exchange rate gains in the management accounts;

- income and expense relating to prior year items, classified in the caption that generated them in the financial statements of banks and financial companies, are presented under Other operating income (expense) in the management accounts;

- dividends collected on equity instruments included in the trading portfolio, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Profits on securities and exchange rate gains in the management accounts;

- fees paid to directors and statutory auditors, classified in Personnel expense (caption 180a of the consolidated financial statements), are presented under General expenses in the management accounts;

- gains and losses relating to interest rate hedging derivatives are presented under Net interest income (expense) in the management accounts even when they do not formally meet the requirements for recognition as such and are, therefore, classified in Net trading income (expense) in the consolidated financial statements (caption 80);

- accruals relating to the remuneration of employees, classified in Net accruals to provisions for risks and charges (caption 190 of the consolidated financial statements), are presented under Personnel expense in the management accounts;

- consolidation entries relating to dividends distributed by non-group companies that are accounted for using the equity method, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Gains (losses) on equity investments and AFS financial assets in the management accounts;

- income and expense that, based on supporting evidence, relate to extraordinary and/or non-recurring events for the ICBPI Group are presented under Other items in the management accounts, even if they are classified in other captions in the general accounting system;

- Other administrative expenses (caption 180b of the consolidated financial statements) are classified as expenses relating to the production of offered services, ITC service costs or general expenses and presented in the related caption of the management accounts, in order that the group companies present operating costs consistently.

The group's income statement included in the management accounts is set out below, with a reconciliation of its captions to those of the interim consolidated financial statements:

Interim consolidated financial statements

(€'000)	Management accounts	Reconciliation (cons. f/s-mngmt. accounts)	Interim consolidated financial statements	Cons. financial statements caption
Management account captions				
Net fee and commission income and revenue from services	294,037	−114,793	179,244	60
Net interest income	30,046	−1,501	28,545	30
Net trading/hedging income	3,077	239	3,316	80 - 90
Dividends from equity investments and AFS financial assets	271	−250	21	70
Operating revenue	**327,431**	**−116,305**	**211,126**	**sum**
Personnel expense	−71,041	−1,628	−72,669	180a
Other administrative expenses(*)	−160,027	−23,204	−183,231	180b
Administrative expenses	**−231,069**	**−24,831**	**−255,900**	**sum**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−15,283	−5,261	−20,544	200 - 210
Other operating income, net	1,748	136,605	138,353	220
Net operating imp. losses and accruals	−7,328	3,719	−3,609	130 - 190
Operating costs	**−251,931**	**110,231**	**−141,700**	**sum**
Operating profit	**75,500**	**−6,074**	**69,426**	**sum**
Net losses on equity investments and AFS financial assets	231	259	490	100 - 240
Other items	−5,807	5,815	8	other captions
Pre-tax profit for the year	**69,924**	**—**	**69,924**	**sum**
Income taxes	−21,176	−0	−21,176	290
Profit attributable to non-controlling	−1,733	—	−1,733	330
Profit attributable to the owner of the parent	**47,015**	**—**	**47,015**	**sum**

(*) Sum of the “Production costs”, “ICT costs” and “General expenses” management account captions”

Audited consolidated financial statements of ICBPI Group for the year ended 31 December 2014

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Independent Auditors' report

To the shareholders of
Istituto Centrale delle Banche Popolari Italiane S.p.A.

1 We have audited the consolidated financial statements of the Istituto Centrale delle Banche Popolari Italiane Group as at and for the year ended 31 December 2014, comprising the statement of financial position, income statement, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements 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. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management board. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 11 April 2014 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Istituto Centrale delle Banche Popolari Italiane Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Istituto Centrale delle Banche Popolari Italiane Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

Milan, 10 April 2015

KPMG S.p.A.

Roberto Fabbri
Director of Audit

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(€'000)		31/12/2014		31/12/2013	
	ASSETS				
10.	Cash and cash equivalents		**536**		**186,512**
20.	Financial assets held for trading		**19,582**		**10,660**
40.	Available-for-sale financial assets		**2,535,267**		**2,518,063**
50.	Held-to-maturity investments		**46,013**		**91,861**
60.	Loans and receivables with banks		**610,682**		**1,043,795**
70.	Loans and receivables with customers		**3,854,967**		**3,533,355**
100.	Equity investments		**106,686**		**109,190**
120.	Property, equipment and investment property		**173,120**		**171,182**
130.	Intangible assets		**169,926**		**143,897**
	including goodwill	77,727		77,331	
140.	Tax assets		**54,233**		**71,759**
	a) current	1,793		21,298	
	b) deferred	52,440		50,461	
	including convertible into tax assets (Law no. 214/2011)	39,161		38,796	
160.	Other assets		**464,932**		**495,563**
	Total assets		**8,035,944**		**8,375,837**
	LIABILITIES				
10.	Due to banks		**2,502,500**		**2,219,943**
20.	Due to customers		**3,099,540**		**4,008,594**
30.	Securities issued		**—**		**10,025**
40.	Financial liabilities held for trading		**6,163**		**7,138**
80.	Tax liabilities		**41,065**		**48,062**
	a) current	75		7,804	
	b) deferred	40,990		40,258	
100.	Other liabilities		**1,362,733**		**1,140,571**
110.	Post-employment benefits		**22,897**		**19,471**
120.	Provisions for risks and charges		**43,529**		**46,085**
	a) pension and similar obligations	967		1,038	
	b) other provisions	42,562		45,047	
140.	Valuation reserves		**75,484**		**77,760**
170.	Reserves		**565,156**		**507,802**
180.	Share premium		**148,242**		**148,242**
190.	Share capital		**42,557**		**42,557**
200.	Treasury shares (−)		**−32**		**−32**
210.	Equity attributable to non-controlling interests (+/−)		**29,760**		**26,433**
220.	Profit for the year (+/−)		**96,350**		**73,186**
	Total liabilities and equity		**8,035,944**		**8,375,837**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(€'000)		2014		2013	
INCOME STATEMENT					
10.	Interest and similar income		**93,265**		**102,923**
20.	Interest and similar expense		**−24,416**		**−25,787**
30.	Net interest income		**68,849**		**77,136**
40.	Fee and commission income		**1,033,772**		**1,017,682**
50.	Fee and commission expense		**−673,307**		**−678,014**
60.	Net fee and commission income		**360,465**		**339,668**
70.	Dividends and similar income		**265**		**968**
80.	Net trading income		**4,999**		**4,144**
100.	Net profit on sale or repurchase of:		**3,540**		**3,739**
	b) available-for-sale financial assets	3,540		3,104	
	c) held-to-maturity investments	—		635	
120.	Total income		**438,118**		**425,655**
130.	Net impairment losses on:		**−5,973**		**−7,216**
	a) loans and receivables	−3,966		−4,133	
	b) available-for-sale financial assets	−67		−2,895	
	c) held-to-maturity investments	−1,940		—	
	d) other financial transactions	—		−188	
140.	Net financial income		**432,145**		**418,439**
180.	Administrative expenses:		**−524,313**		**−503,583**
	a) personnel expense	−140,148		−132,483	
	b) other administrative expenses	−384,165		−371,100	
190.	Net accruals to provisions for risks and charges		**−1,372**		**−2,130**
200.	Depreciation and net impairment losses on property, equipment and investment property		**−20,055**		**−20,052**
210.	Amortisation and net impairment losses on intangible assets		**−16,463**		**−12,913**
220.	Other net operating income		**288,647**		**283,108**
230.	Operating costs		**−273,556**		**−255,570**
240.	Share of losses of investees		**−1,156**		**−11,443**
270.	Net losses on sales of investments		**—**		**−1**
280.	Pre-tax profit from continuing operations		**157,433**		**151,425**
290.	Income taxes		**−57,826**		**−75,335**
300.	Post-tax profit from continuing operations		**99,607**		**76,090**
320.	Profit for the year		**99,607**		**76,090**
330.	Profit for the year attributable to non-controlling interests		**−3,257**		**−2,904**
340.	Profit for the year attributable to the owners of the parent		**96,350**		**73,186**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(€'000)		2014	2013
10.	Profit for the year	99,607	**76,090**
Items, net of tax, that will not be reclassified subsequently to profit or loss			
40.	Defined benefit plans	−3,638	**880**
Items, net of tax, that will be reclassified subsequently to profit or loss			
100.	Available-for-sale financial assets	1,265	**18,293**
130.	Other comprehensive income (expense), net of income taxes	−2,373	**19,173**
140.	Comprehensive income (10 + 130)	97,234	**95,263**
150.	Comprehensive income attributable to non-controlling interests	3,153	**2,977**
160.	Comprehensive income attributable to the owners of the parent	94,081	**92,286**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

				Changes for the year											
				Allocation of prior year profit			Equity transactions								
(€'000)	Balance at 31.12.2012	Change to opening balances	Balance at 1.1.2013	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	2013 comprehensive income	Equity attributable to the owners of the parent at 31.12.2013	Equity attributable to non-controlling interests at 31.12.2013
Share capital:															
a) ordinary shares	46,103	—	46,103	—	—	—	—	—	—	—	—	—	—	42,557	3,546
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium	148,399	—	148,399	—	—	—	—	—	—	—	—	—	—	148,242	157
Reserves:															
a) income-related	441,136	—	441,136	75,655	—	—	—	—	—	—	—	—	—	496,954	19,837
b) other	10,848	—	10,848	—	—	—	—	—	—	—	—	—	—	10,848	
Valuation reserves	58,576	—	58,576	—	—	—	—	—	—	—	—	—	19,173	77,760	−11
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	−32	—	−32	—	—	—	—	—	—	—	—	—	—	−32	—
Profit for the year	95,488	—	95,488	−75,655	−19,834	—	—	—	—	—	—	—	76,090	73,186	2,905
Equity attributable to the owners of the parent	774,250	—	774,250	—	−17,023	—	—	—	—	—	—	—	92,286	849,514	—
Equity attributable to non-controlling interests	26,267	—	26,267	—	−2,811	—	—	—	—	—	—	—	2,977	—	26,433

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

						Changes for the year					
				Allocation of prior year profit			Equity transactions				
(€'000)	Balance at 31.12.2013	Change to opening balances	Balance at 1.1.2014	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares
Share capital:											
a) ordinary shares	46,103	—	46,103	—	—	—	—	—	—	—	—
b) other shares	—	—	—	—	—	—	—	—	—	—	—
Share premium	148,399	—	148,399	—	—	—	—	—	—	—	—
Reserves:											
a) income-related	516,791	—	516,791	56,830	—	1,194	—	—	—	—	—
b) other	10,848	—	10,848	—	—	—	—	—	—	—	—
Valuation reserves	77,749	—	77,749	—	—	−7	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—
Interim dividend	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	−32	—	−32	—	—	—	—	—	—	—	—
Profit for the year	76,090	—	76,090	−56,830	−19,260	—	—	—	—	—	—
Equity attributable to the owners of the parent	849,514	—	849,514	—	−17,023	1,187	—	—	—	—	—
Equity attributable to non-controlling interests	26,433	—	26,433	—	−2,237	—	—	—	—	—	—

CONSOLIDATED STATEMENTS OF CASH FLOWS: INDIRECT METHOD

(€'000)	2014	2013
A. OPERATING ACTIVITIES		
1. Operations	**198,985**	**205,180**
—profit for the year	96,350	73,186
—net losses on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	73	1
—net impairment losses	5,906	7,216
—net impairment losses on property, equipment and investment property and intangible assets	36,518	32,965
—net accruals to provisions for risks and charges and other costs/revenue	1,372	2,130
—unpaid taxes, duties and tax assets	57,826	75,335
—other adjustments	940	14,347
2. Cash flows generated by financial assets	**497,607**	**6,260**
—financial assets held for trading	−8,995	233,409
—available-for-sale financial assets	86,909	−556,635
—loans and receivables with banks: on demand	697,113	680,797
—loans and receivables with banks: other		
—loans and receivables with customers	−325,578	−385,043
—other assets	48,157	33,732
3. Cash flows used for financial liabilities	**−846,905**	**−165,209**
—due to banks: on demand	−79,297	−942,328
—due to banks: other		
—due to customers	−909,054	907,990
—securities issued	−10,025	7
—financial liabilities held for trading	−975	−21,912
—other liabilities	152,446	−108,966
Net cash flows generated by (used in) operating activities A	**−150,313**	**46,231**
B. INVESTING ACTIVITIES		
1. Cash flows generated by		
—sales of equity investments		
—dividends from equity investments	155	1,008
—sales/repayments of HTM investments	43,908	15,736
—sales of property, equipment and investment property		1,525
—non-recurring transactions	—	—
—sales of non-controlling interests	3,593	—
2. Cash flows used to acquire		
—non-controlling interests		
—equity investments	—	−6,849
—property, equipment and investment property	−21,993	−25,140
—intangible assets	−20,889	−7,418
—subsidiaries and business units	−21,178	—
Net cash flows used in investing activities B	**−16,403**	**−21,138**
C. FINANCING ACTIVITIES	**−19,260**	**−19,834**
—issue/repurchase of treasury shares		
—issue/repurchase of equity instruments		
—dividend and other distributions	−19,260	−19,834
NET CASH FLOWS FOR THE YEAR D=A+/−B+/−C	**−185,976**	**5,259**
RECONCILIATION		
Financial statements captions		
Opening cash and cash equivalents	186,512	181,252
Net cash flows for the year	−185,976	5,259
Closing cash and cash equivalents G=E+/−D+/−F	**536**	**186,512**

Key:

(+) generated

(−) used

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A—Accounting policies

A.1—GENERAL PART

Section 1—Statement of compliance

Pursuant to Regulation (EC) no. 1606 of 19 July 2002, the Istituto Centrale delle Banche Popolari Italiane Group (ICBPI group) has prepared these consolidated financial statements as at and for the year ended 31 December 2014 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 group applied the IFRS enacted at 31 December 2014 and Bank of Italy's instructions about financial statements issued in its Measure of 22 December 2005, the related Circular no. 262 and subsequent amendments.

It did not make any departures from the IFRS.

Section 2—Basis of presentation

The consolidated financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report which comments on the group's performance, its results of operations and financial position.

The group's presentation currency is the Euro and the amounts shown in the consolidated financial statements and these notes are in thousands of Euros.

The group 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 standards relating to consolidation (IFRS 10, IFRS 11 and IFRS 12 and related revised IAS 27 and IAS 28), the amendments to IAS 32 about offsetting financial assets and financial liabilities and the amendments to IAS 39 about hedges became mandatory on 1 January 2014. Their application did not significantly affect ICBPI's consolidated financial statements as:

- the amendments to the standards covering consolidation did not require changes to be made to the consolidation scope or to the classification of jointly controlled entities and associates;

- the new disclosure requirements of IFRS 12 significantly altered the mandatory disclosures about joint arrangements and unconsolidated structured entities, neither of which the group has;

- the amendments to IAS 32, clarifying that financial assets and financial liabilities shall be offset in the statement of financial position did not affect presentation of the group's assets and liabilities given its current operations in financial instruments and related agreements;

- the amendments to IAS 39 regarding hedges are not applicable to the group.

The group 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 consolidated financial statements and the notes present corresponding prior year figures

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 group's financial position and results of operations.

Basis of presentation of the consolidated 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. Treasury shares are offset against equity. The parent has not issued equity instruments other than ordinary shares.

Basis of presentation of the notes

These notes include the information required by Bank of Italy's Circular no. 262/2005 and the additional information required by the IFRS.

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

Section 3—Basis of consolidation

The group has established the consolidation scope in accordance with IFRS 10—Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:

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

Therefore, the group consolidates all types of entities when all three control elements exist.

When an entity is directed mainly through exercise of voting rights, control exists when the investor holds more than half the voting rights.

In other cases, the assessment of control is more complex and requires the greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

In the case of the ICBPI Group, all the consolidated entities are directed mainly through voting rights and the group holds more than half of the voting rights.

The group did not have to perform special judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

The financial statements at 31 December 2014 of the parent and consolidated companies were used for consolidation purposes, after being reclassified and adjusted to comply with the consolidation requirements and the IFRS.

Investments in subsidiaries are consolidated by combining the captions of the statement of financial position and income statement on a line-by-line basis, making the following adjustments:

(a) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;

(b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

Positive differences arising from the above adjustments are recognised as goodwill in caption "130 Intangible assets" at the date of first consolidation after allocation to the subsidiary's assets and liabilities. Any negative differences are recognised in profit or loss.

Intragroup assets and liabilities, off-statement of financial position transactions, income and expense and profits and losses among the consolidated companies are eliminated.

The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until the date when the parent ceases to control the subsidiary.

Pursuant to IAS 28, the consolidated financial statements also include the results of investees, i.e., entities over which the group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement using the equity method. The group's share of the associate's profit or loss is recognised separately in the income statement.

The difference between the investment's carrying amount and the group's share of its equity is included in the investment's carrying amount.

If there is indication of impairment, the group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in profit or loss. At present, the group is not a party to joint arrangements as defined by IFRS 11 either in the form of joint operations (where the parties have rights to the assets and obligations for the liabilities) or joint ventures (the venturers have rights to the arrangement's net assets).

1. Investments in fully controlled subsidiaries

				Investment		
	Head office	**Registered office**	**Type of relationship**[(1)]	**Investor**	**Investment %**	**Voting rights available %**[(2)]
1. Oasi-Diagram S.p.A.	Milan	Milan	1	Istituto Centrale delle Banche Popolari Italiane	100.00	100.00
2. CartaSi S.p.A.	Milan	Milan	1	Istituto Centrale delle Banche Popolari Italiane	94.38	94.38
3. Help Line S.p.A.	Cividale del Friuli / Milan	Cividale del Friuli	1	Istituto Centrale delle Banche Popolari Italiane	70.00	70.00
4. Unicard S.p.A.	Milan	Milan	1	CartaSi S.p.A.	100.00	100.00

Key

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meetings

2 = dominant influence at ordinary shareholders' meetings

3 = shareholder agreements

4 = other forms of control

5 = single management as per art. 26.1 of Legislative decree no. 87/96

6 = single management as per art. 26.2 of Legislative decree no. 87/92

(2) Voting rights at ordinary shareholders' meetings, differentiating between effective and potential voting rights

The ICBPI banking group includes the following companies:

- Oasi Diagram—Outsourcing Applicativo e Servizi Innovativi S.p.A., operating company;
- Help Line S.p.A., operating company;
- CartaSi S.p.A., financial company included in the register of payment institutes as per article 114-septies of the Consolidated Banking Act;
- Unicard S.p.A., operating company, investee of CartaSi S.p.A..

As well as the above consolidated banking group companies, the group includes the following equity-accounted associates at 31 December 2014:

- HI-mtf S.p.A., in which the parent has a 25% interest, equity-accounted;
- Equens SE, in which the parent has a 20% interest, equity-accounted;
- Unione Fiduciaria S.p.A., in which the parent has a 24% interest, equity-accounted.

2. Significant judgements and assumptions applied to define the consolidation scope

As stated above and given the group's current structure, where control is principally based on voting rights held, there were no situations that would have made it necessary to make specific judgements or significant assumptions to define the consolidation scope.

This is also true for the associates, where significant influence is basically attributable to the voting rights held by the group.

3. Investments in consolidated companies with significant non-controlling interests

3.1 Non-controlling interests, their voting rights and dividends distributed to them

	Investment %	Voting rights %(1)	Dividends
1. Help Line S.p.A.	30%	30%	—

3.2 Investments with significant non-controlling interests: financial information

	Total assets	Cash and cash equivalents	Property, equipment and investment property and intangible assets	Equity	Net interest income	Total income	Operating costs	Pre-tax profit from continuing operations	Post-tax profit from continuing operations	Profit for the year(1)	Other comprehensive expense, net of income taxes(2)	Comprehensive income(3) = (1) + (2)
1. Help Line S.p.A.	28,065,411	1,040	7,383,634	8,265,177	−158,672	−158,672	984,506	1,725,834	823,367	823,367	−308,809	514,558

4. Significant restrictions

There are no significant restrictions to the exercise of voting rights for the investments in subsidiaries and associates.

5. Other information

Given the group's structure, there is no other information that needs to be disclosed.

Section 4—Events after the reporting date

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

Section 5—Other aspects

There is no other information that needs to be presented, including with respect to the Bank of Italy/Consob/IVASS document no. 6 of 8 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A—Accounting policies

A.2—KEY FINANCIAL STATEMENTS CAPTIONS AT 31 DECEMBER 2014

Accounting policies

1—Financial assets held for trading

Classification

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Recognition

Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets held for trading are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement

After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognised in caption 80 “Net trading income (expense)” of the income statement. Interest accrued on these assets is recognised in caption 10 “Interest and similar income” of the income statement, although interest and/or other income and expense on trading derivatives are recognised in caption 80 “Trading income (expense”) of the income statement.

Section 17—Other information provides information on the calculation of fair value of listed financial instruments. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

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.

2—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 100 "Net profit (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

The group tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, the group 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.

3. Held-to-maturity investments

Classification

This category includes debt instruments with fixed or determinable payments and fixed maturities that the group has the ability and intention to hold to maturity. If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the group's intentions or ability, it is reclassified to "AFS financial assets".

Recognition

HTM investments are initially recognised at cost, being the fair value of the amount traded, including any directly related costs and income.

Measurement

After initial recognition, HTM investments are subsequently measured at amortised cost using the effective interest method. Fair value gains or losses are recognised in profit or loss when the investments are derecognised.

At each reporting date, the group tests the HTM investments for impairment. The impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Impairment losses are recognised in profit or loss. When the reasons for impairment are no longer valid as a result of an event that took place subsequent to recognition of the impairment loss, it is reversed through profit or loss.

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.

4—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.

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. Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably.

Loans and receivables tested individually for impairment include positions classified as non-performing, doubtful or restructured as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively.

The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position's original effective interest rate. Estimated cash flows include guarantees securing the debtor's exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the group uses their present value, while if it is probable that they will be enforced, the group considers their realisable value net of the costs to be incurred for enforcement.

Impairment losses are recognised in caption 130 "Net impairment losses" in the income statement.

Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and may not exceed the position's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category's unrealised loss. The impairment test considers the counterparty's country risk. Collective impairment losses are recognised in profit or loss.

Derecognition

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

7—Equity investments

This caption includes equity-accounted investments as described in section 3—Basis of consolidation.

Investments in entities other than subsidiaries and associates are classified as AFS financial assets and treated accordingly (see point 2).

8—Property, equipment and investment property

Classification

This caption includes land, owner-occupied property, investment 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.

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised while other ordinary maintenance costs are expensed.

Measurement

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

The depreciable value of property and equipment 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:

- furniture and fittings: 8 years;
- owner-occupied buildings: 33 years;
- investment property: 33 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 group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to their 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.

9—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 and related useful lives.

The useful life of the group's intangible assets is three years, except for those assets related to the depositary services, which have an estimated useful life of between five to ten years depending on the contractual terms.

Their residual value is taken to be nil.

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

Derecognition

The group 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.

Impairment losses on goodwill are recognised in caption 260 "Impairment losses on goodwill" of the income statement. They are not reversed in subsequent periods.

11—Current and deferred taxes

The group calculates current and deferred taxes.

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. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset.

Current and deferred taxes are recognised in caption 290 "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 140.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 group may find itself.

12—Provisions for risks and charges

Pension and similar provisions

Internal pension plans are considered to be defined benefit plans. The group calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate. The discount rate is the average market rate at the measurement date. The present value of the group's liability at the reporting date is also adjusted by the fair value of any plan assets.

Other provisions

The group recognises provisions for risks and charges when:

- it has a present legal or constructive obligation as a result of a past event;

- it is probable that an outflow of resources will be necessary to settle the obligation;

and

- the liability can be reliably estimated.

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 and increases due to the time factor are recognised in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions and contingent liabilities are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Part A—Accounting policies

13—Liabilities and Securities issued

Classification

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the group has a contractual obligation to deliver cash or another financial asset to another party.

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit.

They also include finance lease liabilities.

Recognition

Amounts due to banks are recognised at the contract agreement date, which is usually when the group receives the funds and issues the debt instruments.

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.

They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price.

14—Financial liabilities held for trading

This caption includes derivatives held for trading with negative fair values.

All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognised in profit or loss.

The measurement and recognition criteria are identical to those used for financial assets held for trading.

16—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.

18—Other information

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.

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 group'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. Accordingly, the related obligation is subject to actuarial valuation using the projected unit credit method. This method projects future payments using historical statistics and the demographic curve and discounts these flows using a market interest rate.

The rate used to discount the post-employment benefit obligation (both funded and unfunded) varies from country to country. It is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The term of the corporate bonds is consistent with the estimated term of the post-employment benefit obligations.

Specifically, the amount recognised as a liability in caption 120.a) equals the net balance of the obligation's present value at the reporting date, the sum of any actuarial gains or losses, less any pension costs for past service not yet recognised and the current value of plan assets, if any, at the reporting date that will be used to directly extinguish the obligation.

Starting from the 2013 consolidated financial statements, the group has recognised actuarial gains and losses in the statement of comprehensive income as required by the revised IAS 19.

Before that, they had been immediately recognised in profit or loss.

Interest accrued on the net liability continues to be recognised.

Treasury shares

Repurchased treasury shares are directly offset against equity. No gain or loss on the repurchase, sale, issue or extinguishment of these shares can be recognised in profit or loss. Any amounts paid or received for these shares are recognised directly in equity.

The group has set up the specific reserve as per article 2357-ter of the Italian Civil Code.

Measurement of the fair value of financial instruments

The fair value of financial instruments is measured using the financial market prices in the case of instruments listed on active markets or by using internal measurement models for other financial instruments.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The closing date bid price and ask price are used for financial assets and financial liabilities respectively.

The fair value of financial instruments not quoted on active markets is determined using prices of recent market transactions of instruments with similar characteristics or by using valuation techniques based mainly on discounting cash flows. These techniques include all the factors that the market considers to set the price. Accordingly, the models consider the time value of money measured using the risk-free interest rate, default risks, the prepayment risk and the volatility of the financial instrument price, as well as, if applicable, foreign currency exchange rates.

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.

Valuation models based on market parameters are used for bonds and derivatives. The calculation method also considers the need to include the credit risk of both counterparties.

Specifically, bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk.

This method is also used for derivatives, being interest rate swaps (IRS), overnight interest rate swaps (OIS) and options.

A fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

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 on demand assets and liabilities, with a short term or undetermined maturity, 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 securities issued, 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.

Measurement of fair value for non-financial assets

The fair value of investment property is only calculated for disclosure in the notes. The group uses third party appraisals considering transactions at current prices in an active market for similar real estate assets in the same location and condition and that have the same lease and other contractual terms.

Determination of impairment losses on goodwill

Impairment losses on goodwill are determined using the discounted cash flow method.

Guarantees issued

Guarantees issued, credit derivatives and similar instruments as per IAS 39 and subsequent impairment losses are recognised in caption 100 “Other liabilities”.

Income statement

<u>Interest income and expense</u>

Interest income and expense and related income and expense relate to cash and cash equivalents, non-derivative financial assets and liabilities held for trading, AFS financial assets, HTM investments, 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, trading commissions on securities are recognised when the service is rendered.

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.

Business combinations

Assets and liabilities deriving from business combinations are recognised at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognised as goodwill. After initial recognition, goodwill is tested for impairment.

If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

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

The consolidated 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 financial assets not listed on active markets;
- measurement of intangible assets and equity investments;
- quantification of accruals to provisions for risks and charges;
- quantification of deferred liabilities.

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 2014.

A.3. Transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

					Income or expense if transfer had not taken place (before taxes)		Income or expense for the year (before taxes)	
Type of financial instrument(1)	**Original portfolio(2)**	**Portfolio to which transfer is made(3)**	**Carrying amount at 31/12/2014(4)**	**Fair value at 31/12/2014(5)**	**Fair value gain/loss(6)**	**Other(7)**	**Fair value gain/loss(8)**	**Other(9)**
1. Debt instruments	Financial assets held for trading	Available-for-sale financial assets	264,230	264,230	4,258		1,859	

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

No transfers among portfolios took place during the year.

In 2011, as the rare circumstances provided for by IAS 38 arose, the group reclassified Italian treasury credit certificates from the HFT portfolio to the AFS portfolio. These rare circumstances related to the international sovereign debt crisis of June 2011 and the continuously widening spread of the German bund.

A.4 Fair value disclosure

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

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 on the principal market at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

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.

The decision about which level to use is not optional as they are to be applied in hierarchical order. Highest priority is given to official prices available on active markets for the assets or liabilities to be measured (level 1) or assets and liabilities measured using techniques based on parameters observable on the market other than prices (level 2) and the lowest priority is given to assets and liabilities whose fair value is calculated using techniques that are based on unobservable inputs and which are, therefore, more discretional (level 3).

The group uses the reporting date market price for instruments listed on active markets (level 1).

The fair value of financial instruments not listed on active markets is measured using techniques mainly based on discounting cash flows. These techniques consider all the factors that the market uses to set the price which are mainly inputs observable on the market (level 2). Specifically:

- bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk;

- derivatives, including IRSs and OISs, and options are measured using the market models that mainly use market rates as their input, adjusted to reflect counterparty risk. This risk includes changes in the counterparty's credit standing and in the issuer's credit standing (own credit risk), if material;

- a fair value hierarchy has been developed for shares and an application order for the valuation methods which considers any significant transactions involving the share in a sufficiently short time period compared to the valuation period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

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 group did not have at the reporting date, nor did it trade in during the year, level 3 financial instruments, except for immaterial amounts.

Quantitative information

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

As noted above, the group does not have nor did it trade in level 3 financial instruments, except for immaterial amounts.

It measured level 2 financial instruments (mainly IRS, OISs and interest rate and currency options) using market interest rates and volatility. Given the group's limited operations in the unlisted derivatives segment, its transactions with Italian institutional counterparties and its guarantees mitigating risk, the adjustments made to the level 2 instruments to reflect counterparty risk were immaterial.

A.4.2 Measurement processes and sensitivity

As noted above, the group does not have nor did it trade in level 3 financial instruments, except for immaterial amounts.

A.4.3 Fair value measurement

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 information

The group did not avail of the exception under IFRS 13.48 to measure the net positions of groups of assets and liabilities managed on a net basis.

The group does not hold assets, the current use of which differs from their highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A—Accounting policies

Quantitative information

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

	31/12/2014			31/12/2013		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	14,272	5,309	1	8,063	2,574	23
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	2,499,446	35,821	—	2,482,633	35,430	—
4. Hedging derivatives						
5. Property, equipment and investment property						
6. Intangible assets						
Total	**2,513,718**	**41,129**	**1**	**2,490,696**	**38,004**	**23**
1. Financial liabilities held for trading	1,488	4,674	—	5,361	1,777	—
2. Financial liabilities at fair value through profit or loss						
3. Hedging derivatives						
Total	**1,488**	**4,674**	**—**	**5,361**	**1,777**	**—**

Key

L1 = level 1

L2 = level 2

L3 = level 3

The group did not transfer assets and liabilities between level 1 and level 2 during the year.

Given the group's limited operations in the unlisted derivative segment, the fact that it solely works with Italian institutional counterparties and the existence of guarantees that mitigate counterparty risk, the above fair value is not significantly influenced by adjustment factors for counterparty risk (credit value adjustments and/or debit value adjustments).

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

	Financial assets held for trading	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Hedging derivatives**	**Property, equipment and investment property**	**Intangible assets**
1. Opening balance	1	—	—	—	—	—
2. Increases						
2.1. Purchases						
2.2. Gains recognised in:						
2.2.1. Profit or loss						
—including gains on sales						
2.2.2. Equity	X	X				
2.3. Transfers from other levels						
2.4. Other increases						
3. Decreases						
3.1. Sales						
3.2. Repayments						
3.3. Losses recognised in:						
3.3.1. Profit or loss						
—including losses on sales						
3.3.2. Equity	X	X				
3.4. Transfers from other levels						
3.5. Other decreases						
4. Closing balance	**1**	**—**	**—**	**—**	**—**	**—**

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

	31/12/2014				31/12/2013			
	CA	**L1**	**L2**	**L3**	**CA**	**L1**	**L2**	**L3**
1. Held-to-maturity investments	46,013	43,212	2,440	—	91,861	84,493	1,830	
2. Loans and receivables with banks	610,682	—	610,682	—	1,043,795		1,043,795	817
3. Loans and receivables with customers	3,854,967	—	3,854,576	391	3,533,355		3,532,538	
4. Investment property	67,210	—	99,496	—	66,543		102,426	
6. Non-current assets classified as held for sale and disposal groups								
Total	**4,578,871**	**43,212**	**4,567,194**		**4,735,555**	**84,493**	**4,680,589**	**817**
1. Due to banks	2,502,500	—	2,502,500	—	2,219,943		2,219,943	
2. Due to customers	3,099,540	—	3,099,540	—	4,008,594		4,008,594	
3. Securities issued	—				10,025			10,025
4. Liabilities associated with assets held for sale								
Total	**5,602,039**	**—**	**5,602,039**		**6,238,562**		**6,228,537**	**10,025**

Key:

CA: Carrying amount

L1 = level 1

L2 = level 2

L3 = level 3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A—Accounting policies

A.5 Information on "day one profit/loss"

Pursuant to IFRS 7.28 and IAS 39.AG.76, a financial instrument shall be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. In practice, there could be a difference between the two values. In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is measured:

- using prices from observable current market transactions in the same instrument;
- using valuation techniques exclusively based on observable market date as the variable factors.

In other words, IAS 39 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using objective evidence that the price paid/collected does not represent the real market value of the financial instrument being traded.

The objective evidence shall be obtained using the most objective method available, i.e., reducing valuation discretion to the minimum.

The difference between fair value and the negotiated price, when the above conditions are met, is called the "day one profit or loss" and is immediately taken to profit or loss.

The group did not recognise transactions of this kind in 2014.

Part B—Notes to the statement of financial position

ASSETS

Section 1—Cash and cash equivalents—Caption 10

1.1 Cash and cash equivalents: breakdown

	31/12/2014	31/12/2013
a) Cash	536	926
b) Demand deposits with central banks		185,586
Total	**536**	**186,512**

Section 2—Financial assets held for trading—Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Assets						
1. Debt instruments	14,202	658	—	8,018	456	23
1.1 Structured instruments	121	—	—	—	—	—
1.2 Other instruments	14,081	658	—	8,018	456	23
2. Equity instruments	49	—	1	11	1	—
3. OEIC units	22	—	—	34	—	—
4. Financing	—	—	—	—	—	—
4.1 Reverse repurchase agreements	—	—	—	—	—	—
4.2 Other	—	—	—	—	—	—
Total A	**14,273**	**658**	**1**	**8,063**	**457**	**23**
B. Derivatives						
1. Financial derivatives:	—	4,650	—	—	2,117	—
1.1 trading	—	4,650	—	—	2,117	—
1.2 associated with fair value option	—	—	—	—	—	—
1.3 other	—	—	—	—	—	—
2 Credit derivatives:	—	—	—	—	—	—
2.1 trading	—	—	—	—	—	—
2.2 associated with fair value option	—	—	—	—	—	—
2.3 other	—	—	—	—	—	—
Total B	**—**	**4,650**	**—**	**—**	**2,117**	**—**
Total (A + B)	**14,273**	**5,308**	**1**	**8,063**	**2,574**	**23**

2.2 Financial assets held for trading: breakdown by debtor/issuer

	31/12/2014	31/12/2013
A. Assets		
1. Debt instruments		
a) Governments and central banks	322	339
b) Other government agencies	267	282
c) Banks	8,839	3,491
d) Other issuers	5,432	4,385
2. Equity instruments		
a) Banks	13	11
b) Other issuers:	37	1
—insurance companies	—	—
—financial companies	—	—
—non-financial companies	37	1
—other	—	—
3. OEIC units	22	34
4. Financing	—	—
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total A	14,932	8,543
B. Derivatives		—
a) Banks	1,787	1,364
—fair value	1,787	1,364
b) Customers	2,863	753
—fair value	2,863	753
Total B	4,650	2,117
Total (A + B)	19,582	10,660

2.3 Financial assets held for trading: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	8,499	12	34	—	8,545
B. Increases					
B1. Purchases	17,731,559	134,456	59,826	—	17,925,841
B2. Fair value gains	4,403	146	—	—	4,549
B3. Other increases	229	—	—	—	229
C. Decreases					
C1. Sales	17,629,364	134,563	59,822	—	17,823,749
C2. Repayments	99,151	—	—	—	99,151
C3. Fair value losses	—	—	3	—	3
C4. Transfers to other portfolios	—	—	—	—	—
C5. Other decreases	1,314	2	13	—	1,329
D. Closing balance	**14,861**	**49**	**22**	**—**	**14,932**

The increase in financial assets held for trading is mainly due to purchases of debt instruments and fair value gains on derivatives mainly entered into for squaring, as shown by the corresponding increase in financial liabilities held for trading.

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

4.1 Available-for-sale financial assets: breakdown by product

	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments	2,498,753	—	—	2,481,940	—	—
1.1 Structured instruments	—	—	—	—	—	—
1.2 Other instruments	2,498,753	—	—	2,481,940	—	—
2. Equity instruments	693	4,122	—	693	3,549	—
2.1 FVTPL	693	4,122	—	693	3,549	—
2.2 Cost	—		—	—	—	—
3. OEIC units	—	31,699	—	—	31,881	—
4. Financing	—	—	—	—	—	—
Total	**2,499,446**	**35,821**	**—**	**2,482,633**	**35,430**	**—**

4.2 Available-for-sale financial assets: breakdown by debtor/issuer

	31/12/2014	31/12/2013
1. Debt instruments		
a) Governments and central banks	2,498,753	2,481,940
b) Other government agencies	—	—
c) Banks	—	—
d) Other issuers	—	—
2. Equity instruments	—	—
a) Banks	845	846
b) Other issuers:	3,970	3,396
—insurance companies	—	—
—financial companies	3,578	3,144
—non-financial companies	352	211
—other	40	40
3. OEIC units	31,699	31,881
4. Financing	—	—
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**2,535,267**	**2,518,063**

OEIC units relate to the investment in a private equity fund and are made up as follows:

- 87.2% non-controlling investments

- 4.9% debt instruments

4.4 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**2,481,940**	**4,242**	**31,881**	**—**	**2,518,062**
B. Increases	**803,693**	**640**	**7,092**	**—**	**811,425**
B1. Purchases	744,743	—	7,092	—	751,835
B2. Fair value gains	999	—	—	—	999
B3. Reversals of impairment losses:	—	—	—	—	—
—recognised in profit or loss	—	—	—	—	—
—recognised in equity	—	640	—	—	640
B4. Transfers from other portfolios	—	—	—	—	—
B5. Other increases	57,951	—	—	—	57,951
C. Decreases	**786,880**	**67**	**7,274**	**—**	**794,221**
C1. Sales	—	—	—	—	—
C2. Repayments	715,700	—	7,274	—	722,974
C3. Fair value losses	—	—	—	—	—
C4. Impairment losses:	—	—	—	—	—
—recognised in profit or loss	—	66	—	—	66
—recognised in equity	—		—	—	
C5. Transfers to other portfolios	—	—	—	—	—
C6. Other decreases	71,180	1		—	71,181
D. Closing balance	**2,498,753**	**4,815**	**31,699**	**—**	**2,535,267**

"Other increases" include those arising from measuring assets at amortised cost.

"Other decreases" include accrued interest collected.

Section 5—Held-to-maturity investments—Caption 50

5.1 Held-to-maturity investments: breakdown by product

	31/12/2014				31/12/2013			
		FV				FV		
	CA	Level 1	Level 2	Level 3	CA	Level 1	Level 2	Level 3
1. Debt instruments	—	—	—	—	—	—	—	—
—structured instruments	4,939	4,939	—	—	—	—	—	—
—other instruments	41,074	38,272	2,440	—	91,861	89,872	1,989	—
2. Financing	—	—	—	—	—	—	—	—
Total	**46,013**	**43,212**	**2,440**	**—**	**91,861**	**89,872**	**1,989**	**—**

Key

FV = fair value

CA = carrying amount

The decrease is due to the repayment of matured securities.

Part B—Notes to the statement of financial position

5.2 Held-to-maturity investments: breakdown by debtor/issuer

	31/12/2014	31/12/2013
1. Debt instruments		
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	44,053	89,928
d) Other issuers	1,960	1,933
2. Financing	—	—
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**46,013**	**91,861**
Total fair value	**46,013**	**91,861**

5.4 Held-to-maturity investments: changes

	Debt instruments	Financing	Total
A. Opening balance	**91,861**		**91,861**
B. Increases	**919**	**—**	**919**
B1. Purchases	—	—	—
B2. Reversals of impairment losses	—	—	—
B3. Transfers from other portfolios	—	—	—
B4. Other increases	919	—	919
C. Decreases	**46,767**	**—**	**46,767**
C1. Sales	—	—	—
C2. Repayments	44,250	—	44,250
C3. Impairment losses	2,517	—	2,517
C4. Transfers to other portfolios	—	—	—
C5. Other decreases	—	—	—
D. Closing balance	**46,013**		**46,013**

Section 6—Loans and receivables with banks—Caption 60

6.1 Loans and receivables with banks: breakdown by product

	31/12/2014				31/12/2013			
		FV				FV		
	CA	L1	L2	L3	CA	L1	L2	L3
A. Loans and receivables with central banks	**122,975**		**122,975**		**101,307**		**101,307**	
1. Term deposits	—	X	X	X	—	X	X	X
2. Minimum reserve	122,975	X	X	X	101,307	X	X	X
3. Reverse repurchase agreements	—	X	X	X	—	X	X	X
4. Other	—	X	X	X	—	X	X	X
B. Loans and receivables with banks								
1 Financing	**487,707**		**487,707**		**942,488**		**942,488**	
1.1 Current accounts and demand deposits	307,444	X	X	X	453,609	X	X	X
1.2 Term deposits	3,803	X	X	X	96,121	X	X	X
1.3. Other financing:	172,726	X	X	X	389,171	X	X	X
—Reverse repurchase agreements	—	X	X	X	72,290	X	X	X
—Finance leases	—	X	X	X	—	X	X	X
—Other	172,726	X	X	X	316,881	X	X	X
2. Debt instruments	3,734	X	X	X	3,587	X	X	X
2.1 Structured instruments	—	X	X	X	—	X	X	X
2.2 Other instruments	3,734	X	X	X	3,587	X	X	X
Total (carrying amount)	**610,682**	**—**	**610,682**	**—**	**1,043,795**	**—**	**1,043,795**	**—**

Key

FV = fair value

CA = carrying amount

Section 7—Loans and receivables with customers—Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2014						31/12/2013					
	Carrying amount			Fair value			Carrying amount			Fair value		
		Impaired						Impaired				
	Performing	Purchased	Other	L1	L2	L3	Performing	Purchased	Other	L1	L2	L3
Financing	**3,854,576**	**—**	**391**	**—**	**3,854,576**	**391**	**3,532,538**	**—**	**817**		**3,532,538**	**817**
1. Current accounts	181,419	—	391	X	X	X	240,417	—	391	X	X	X
2. Reverse repurchase agreements	887,548	—	—	X	X	X	571,626	—	—	X	X	X
3. Loans	—	—	—	X	X	X	—	—	—	X	X	X
4. Credit cards, personal loans and salary backed loans	2,302,122	—	—	X	X	X	2,374,820	—	427	X	X	X
5. Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
6. Factoring	—	—	—	X	X	X	—	—	—	X	X	X
7. Other financing	483,488	—	—	X	X	X	345,675	—	—	X	X	X
Debt instruments	—	—	—				—	—	—			
8. Structured instruments	—	—	—	X	X	X	—	—	—	X	X	X
9. Other instruments	—	—	—	X	X	X	—	—	—	X	X	X
Total (carrying amount)	**3,854,576**		**391**	**—**	**3,854,576**	**391**	**3,532,538**		**817**	**—**	**3,532,538**	**817**

"Other financing" mainly relates to guarantee deposits.

Part B—Notes to the statement of financial position

7.2 Loans and receivables with customers: breakdown by debtor/issuer

	31/12/2014			31/12/2013		
		Impaired			Impaired	
	Performing	Purchased	Other	Performing	Purchased	Other
1. Debt instruments	—		—	—		—
a) Governments	—			—		
b) Other government agencies	—			—		
c) Other	—		—	—		
—non-financial companies	—			—		
—financial companies	—			—		
—insurance companies	—			—		
—other issuers	—			—		
2. Financing to:	**3,854,576**		**—**	**3,532,537**		**—**
a) Governments	—	—	—	—		—
b) Other government agencies	75	—	—	71		—
c) Other	3,854,501	—	—	3,532,466		—
—non-financial companies	8,381	—	—	16,602		—
—financial companies	1,396,808	—	391	962,407		391
—insurance companies	—	—	—	24,142		—
—other	2,449,313	—	—	2,529,315		427
Total	**3,854,576**		**391**	**3,532,537**		**817**

Section 10—Equity investments—caption 100

10.1 Equity investments

	Registered office	Operating office	Type of relationship	Investment: Investor	Investment: Investment %	Voting rights %
B. Associates						
1. Hi-Mtf Sim S.p.A.	Milan	Milan	1	ICBPI	25	25
2. Equens SE	Utrecht	Utrecht	1	ICBPI	20	20
3. Unione Fiduciaria	Milan	Milan	1	ICBPI	24	24

10.2 Significant equity investments: Carrying amount, fair value and dividends received

	Carrying amount	Fair value	Dividends received
A. Jointly-controlled entities			
B. Associates			
1. Hi-Mtf Sim S.p.A.	1,504	X	—
2. Equens SE	97,403	X	—
3. Unione Fiduciaria	7,779	X	155
Total	**106,686**	**—**	**—**

10.3 Significant equity investments: financial information

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenue	Net interest income	Impairment losses/ reversals of impairment losses on property, equipment and investment property and intangible assets	Pre-tax profit from continuing operations	Post-tax profit from continuing operations	Profit for the year (1)	Other comprehensive expense, net of income taxes (2)	Comprehensive income (3) = (1) + (2)
B. Associates													
1. Hi-Mtf Sim S.p.A.	—	—	6,658	—	6,271	3,036	122	58	608	386	386	−17	370
2. Equens SE*	146,008	—	547,135	—	537,804	356,594	966	30,479	13,804	9,331	9,331	−129	9,202
3. Unione Fiduciaria(*)	6,688	1,165	61,322	—	61,567	35,740	—	1,745	2,709	920	—	—	—

(*) Figures taken from the 2013 financial statements

10.5 Equity investments: changes

	2014	2013
A. Opening balance	109,190	114,102
B. Increases		
B.1 Purchases		6,850
B.2 Reversals of impairment losses		
B.3 Fair value gains	193	742
B.4 Other increases		196
C. Decreases		
C.1 Sales		
C.2 Impairment losses	—	11,692
C.3 Other decreases	2,697	1,008
D. Closing balance	106,686	109,190
E. Total fair value gains		
F. Total impairment losses		

Caption C3 Other decreases shows the effect of accounting for investments using the equity method, which includes the profit or loss for the year and the group's share of changes in the associates' valuation reserves.

10.6 Significant assumptions used for the assessment of the existence of joint control or significant influence

The ICBPI Group's consolidated and equity-accounted investments are controlled mainly through voting rights. The group holds more than half of the subsidiaries' voting rights and more than 20% of the associates'.

Accordingly, checking the existence of control over subsidiaries or the exercise of significant influence over associates did not require specific assessments or the use of significant assumptions.

10.7 Commitments for interests in jointly controlled entities

None.

10.8 Commitments for investments in associates

None.

10.9 Significant restrictions

None.

10.10 Other disclosures

None.

Section 12—Property, equipment and investment property—Caption 120

12.1 Property, equipment and investment property: breakdown of assets measured at cost

	31/12/2014	31/12/2013
1. Owned		
a) land	17,089	14,112
b) buildings	48,479	43,503
c) furniture	2,136	2,328
d) electronic systems	36,986	29,284
e) other	742	2,294
2. Under finance lease		
a) land	—	3,136
b) buildings	—	9,890
c) furniture	—	—
d) electronic systems	—	91
e) other	—	—
Total	**105,432**	**104,638**

12.2 Investment property: breakdown of assets measured at cost

	31/12/2014				31/12/2013			
		Fair value				Fair value		
	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Owned								
a) land	38,940				38,454			
b) buildings	28,749				27,534			
2. Under finance lease								
a) land	—				327			
b) buildings	—				229			
Total	**67,689**		**99,496**		**66,543**		**102,426**	

12.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**21,401**	**92,282**	**8,660**	**148,934**	**41,781**	**313,058**
A.1 Total net impairment losses	4,153	38,888	6,332	119,559	39,487	208,420
A.2 Net opening balance	17,248	53,393	2,328	29,375	2,294	104,638
B. Increases	**—**	**194**	**84**	**22,844**	**529**	**23,651**
B.1 Purchases	—	194	42	21,476	505	22,218
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	—	—	42	1,368	23	1,433
—including business combinations			42		23	65
—other changes				1,368		1,368
C. Decreases	**159**	**5,108**	**277**	**15,231**	**2,080**	**22,857**
C.1 Sales	—	—	41	55	195	290
C.2 Depreciation	—	2,611	237	15,178	518	18,544
C.3 Impairment losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.4 Fair value losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.5 Exchange rate losses	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) investment property	159	2,497	—	—		2,656
b) assets held for sale	—	—	—	—	—	—
C.7 Other decreases	—		—	—	1,367	1,367
D. Net closing balance	**17,089**	**48,479**	**2,135**	**36,986**	**742**	**105,432**
D.1 Total net impairment losses		41,500	6,569	134,737	40,006	222,811
D.2 **Gross closing balance**	**17,089**	**89,980**	**8,704**	**171,723**	**40,748**	**328,244**
E. Cost						—

12.6 Investment property: changes

	Total	
	Land	Buildings
A. Opening balance	**38,781**	**27,763**
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	159	2,497
B.7 Other increases		
C. Decreases		
C.1 Sales		
C.2 Depreciation		1,511
C.3 Fair value losses		
C.4 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	**38,940**	**28,749**
E. Fair value	**99,496**	

Investment property is covered by IAS 40 and includes property held (either owned or under finance lease) to earn rental and/or obtain appreciation of invested capital.

Investment property is measured at cost, net of depreciation.

Following the transfer of the offices to Corso Sempione, the related buildings have been reclassified from property and equipment to investment property.

The group's investment property is held by ICBPI and is listed below:

- building in via Verziere 11, Milan,
- building in via Cavallotti 14, Milan,
- building in via Zurigo 3, Milan,
- building in via Zurigo 37, Milan,
- building in Corso Europa 18, Milan,
- building in Assago.

At the reporting date, there are no:

- restrictions to the sale of investment property or the collection of lease payments;
- obligations/contractual commitments to purchase, build, develop, repair or maintain owner-occupied property.

Part B—Notes to the statement of financial position

Section 13—Intangible assets—Caption 130

13.1 Intangible assets: breakdown by asset

	31/12/2014		31/12/2013	
	Finite life	**Indefinite life**	**Finite life**	**Indefinite life**
A.1 Goodwill		77,727		77,331
A.1.1 attributable to the owners of the parent		77,727		77,331
A.1.2 attributable to non-controlling interests				
A.2 Other intangible assets				
A.2.1 Assets measured at cost:				
a) Internally generated assets				
b) Other	92,199		66,566	
A.2.2 Assets measured at fair value:				
a) Internally generated assets				
b) Other				
Total	**92,199**	**77,727**	**66,566**	**77,331**

13.2 Intangible assets: changes

		Other intangible assets: internally generated assets		Other intangible assets: other		
	Goodwill	**FIN.**	**IND.**	**FIN.**	**IND.**	**Total**
A. Opening balance	77,331			122,191		199,522
A.1 Total net impairment losses				55,625		55,625
A.2 Net opening balance	77,331	—		66,566		143,897
B. Increases						—
B.1 Purchases	—	—	—	36,285	—	36,285
B.2 Increase in internally generated assets	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains recognised in:	—	—	—	—	—	—
−equity	—	—	—	—	—	—
−profit or loss	—	—	—	—	—	—
B.5 Exchange rate gains	—	—	—	—	—	—
B.6 Other increases	396			5,810		6,206
—including business combinations	396			5,810		6,206
C. Decreases						—
C.1 Sales	—	—	—	—	—	—
C.2 Impairment losses	—	—	—	—	—	—
−Amortisation	—	—	—	16,463	—	16,463
−Impairment losses	—	—	—	—	—	—
+equity	—	—	—	—	—	—
+profit or loss	—	—	—	—	—	—
C.4 Fair value losses recognised in:	—	—	—	—	—	—
−equity	—	—	—	—	—	—
−profit or loss	—	—	—	—	—	—
C.4 Transfers to non-current assets held for sale	—	—	—	—	—	—
C.5 Exchange rate losses	—	—	—	—	—	—
C.6 Other decreases						—
—business combinations						
D. Net closing balance	77,727	—	—	92,198	—	169,925
D.1 Total net impairment losses				72,088		72,088
E. Gross closing balance	77,727			164,286		242,013
F. Cost						—

Key

FIN = finite life

IND = indefinite life

Other increases relates to the assets acquired as part of the acquisition of C-Card and Unicard, as detailed in section G—Business combinations.

Increases (caption B.1) are mainly due to the acquisition of the ICCREA customer contract relating to depository services.

Impairment test

The group tested its intangible assets with indefinite lives for impairment.

It also assessed whether there were trigger events affecting its assets with finite lives.

Goodwill relating to the payments, e-banking and euros business units and CartaSi was also tested for impairment.

The summarised figures, parameters and results of the impairment tests are set out below:

	Carrying amount	Approach	Plan	Business segment	Cost of equity (Ke)	Growth rate	Limit Ke difference(*)	Limit NR difference(*)
Payments business goodwill	12,320	Value in use	2015 business plan/budget	Payments	9.01%	1.00%	118.40%	−62.07%
E-banking business goodwill	1,418	Value in use	2015 business plan/budget	Payments	8.29%	1.00%	163.50%	−72.23%
Euros business goodwill	1,582	Value in use	2015 business plan/budget	Application outsourcing	8.29%	1.00%	139.10%	−66.25%
CartaSi goodwill	62,011	Fair value	NA	E-money	NA	NA	NA	NA
Unicard goodwill	396	NA	NA	NA	NA	NA	NA	NA
Total consolidated	**77,727**							

(*) Cost of equity (Ke)/normalised return (NR) percentage change, which matches the recoverable amount to the carrying amount in that approach.

The group did not calculate the recoverable amount of Unicard goodwill as it arose from a transaction carried out with a third party at the end of 2014.

After having identified the recoverable amount of each asset being tested for impairment, the group compared it to their carrying amount and, for the cash-generating units, to the assets allocated thereto (calculated with an approach consistent with that used for the identification of the recoverable amount).

The test showed that the recoverable amount exceeds the related carrying amount for all goodwill (payments, e-banking and Euros business units and CartaSi) recognised in the consolidated financial statements.

The group estimated the recoverable amount by:

- estimating the fair value of the e-money cash-generating unit to which the CartaSi goodwill is allocated;

- estimating the value in use of the cash-generating units to which the goodwill of the payments, e-banking and Euros business units is allocated.

Value in use was estimated using the income method, whereby the economic capital value is expressed in proportion to the future cash flows that the CGU will be able to generate. Considering the group's banking nature, the method was adjusted using a levered approach. When the specific business being tested may be associated with the need to comply with regulatory obligations involving minimum capital requirements, the group applied the dividend discount model (DDM) based on a target requirement (regulatory capital/risk weighted assets) of 10.0%, in line with the relevant target parameter provided for by the risk appetite framework of the ICBPI Group.

The group used the two-step formula when applying the income method, which is as follows:

$$W = \Sigma Rn * (1 + Ke)-n + TV (1 + Ke)-n$$

where:

- Σ Rn * (1 + Ke)−n is the sum of the discounted cash flows for each of the “n” years covered by the plan (in the DDM, Rn is the maximum distributable dividend given the plan cash flows, therefore considering the excess capital or the use of capital in each year);

- TV (1 + Ke)−n is the discounted terminal value (TV), which was calculated by discounting to infinity the NR estimated at the end of the plan period, considering the expected perpetual growth rate of the normal revenue flow equal to “g”.

The group applied the following formula to calculate the TV (using the DDM approach):

$$TV = (NR * (1 + g) - RWA * 10\% * g)/(Ke - g)$$

For the purposes of estimating the discount rate, which is the share price in the levered model, the group adopted the capital asset pricing model (CAPM) with the formula $Ke = r_f + \beta(r_m - r_f)$, where Ke is the share price, rf is the risk-free return on investments, β shows the systematic risk and the differential $(r_m - r_f)$ measures the market risk premium (R_m).

The group used market inputs and/or inputs used by the professional practice:

- the risk free rate (r_f) is based on the 10-year Italian treasury bonds (BTP). The use of a rate that has a specific risk component for the Italy country risk is in line with the businesses being tested (all based and operating in Italy). Considering the trend of the rate and its reporting date amount, the group prudently took the 2014 average into account (compared to the monthly average of the last reference period used in 2013). Based on information provided by Boomberg, the parameter was set at 2.868%;

- the market risk premium (R_m) is 5%, based on the general practice for the Italian market;

- beta (β) is equal to the average of the companies included in the reference segment(s) (as identified through Bloomberg on 7 January 2015), identified on a case by case basis in relation to the nature of the businesses being tested.

Moreover, where deemed applicable in relation to the nature of the businesses being tested, as additional elements for the calculation of the cost of equity (Ke), the group considered other specific risks (Rs).

The group calculated the cash flows:

- analytically on the basis of the figures included in the business plans set out in the tables approved by the board of directors;

- systematically, in relation to the terminal value calculated in perpetuity.

At the end of each valuation, the group carried out a sensitivity analysis in order to show:

- that the CGU’s recoverable amount exceeded its carrying amount;

- the value assigned to the underlying assumptions;

- the percentage difference between the rate used to discount cash flows, which makes the CGU’s recoverable amount equal to the carrying amount of goodwill, and the rate used to calculate value in use.

The “Limit Ke difference” and “Limit NR difference” columns of the table set out earlier show the results of the sensitivity analysis carried out to check the relationship between the change in the CGU’s value in use and in the discount rate (Ke) and normalised return (NR) that were used as a basis to calculate the terminal value.

The recoverable amount of the e-money CGU, operating through CartaSi and Help Line, was calculated as follows:

- the fair value of the CartaSi component was measured by reference to the price of a transaction between knowledgeable parties in an arm’s length transaction;

- considering its relevance for the CGU's organisation and the lack of recent transactions from which its fair value might be inferred, the Help Line component was prudently considered at the amount of its reported equity.

The resulting amount was reduced to account for the expected disposal costs, calculated on a lump-sum and prudent basis compared to the group's experience.

Part B—Notes to the statement of financial position

Section 14—Tax assets and liabilities—Caption 140 of assets and Caption 80 of liabilities

14.1 Deferred tax assets: breakdown

	31/12/2014	31/12/2013
IRAP		
Provisions		9
Substitute tax on goodwill	3,617	3,654
Amortisation/depreciation	680	535
Fair value reserve		4
IRES		
Net impairment losses on loans and receivables	12,853	12,913
Provisions	7,838	8,342
Substitute tax on goodwill	17,858	18,041
Impairment losses on intangible assets, P&E and investment property	7,305	6,107
Other	2,289	833
Fair value reserve		22

14.2 Deferred tax liabilities: breakdown

	31/12/2014	31/12/2013
IRAP		
Building revaluations	2,765	2,931
Other	1,894	1,262
Fair value reserve	2,687	2,628
IRES		
Building revaluations	15,155	16,039
Other	5,223	4,422
Fair value reserve	13,266	12,976

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

	2014	2013
1. Opening balance	**50,413**	**58,216**
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	5,728	5,453
2.2 New taxes or increases in tax rates		
2.3 Other increases	663	
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	5,346	13,256
b) impairment due to non-recoverability		
c) change 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	**51,457**	**50,413**

"Other increases"—relates to the deferred tax assets arising on the tax losses carried forward by the acquiree Unicard S.p.A., whose recoverability is supported by the following considerations:

- Unicard and, in the case of a merger, the merging company may carry forward the tax losses without time limits;

- Unicard recorded taxable profits in the last few years, allowing the partial use of the carryforward tax losses.

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

	2014	2013
1. Opening balance	**38,796**	38,749
2. Increases	903	915
3. Decreases		
3.1 Reversals	538	868
3.2 Conversions into tax assets		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other decreases		
4. Closing balance	**39,161**	**38,796**

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

	2014	2013
1. Opening balance	**24,638**	**25,354**
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	3,870	3,358
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	3,486	4,074
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.2 Other decreases		
4. Closing balance	**25,022**	**24,638**

The caption mainly relates to depreciation of revalued buildings.

14.5 Changes in deferred tax assets (recognised in equity)

	2014	2013
1. Opening balance	**48**	**1,560**
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	981	22
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	46	1,534
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	**983**	**48**

The caption mainly relates to deferred tax assets arising on the actuarial reserve that includes the actuarial gains and losses on the Italian post-employment benefits.

14.6 Changes in deferred tax liabilities (recognised in equity)

	2014	2013
1. Opening balance	**15,620**	**8,328**
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	348	7,292
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	**15,968**	**15,620**

The caption mainly relates to deferred tax assets arising on the positive fair value reserves.

Section 16—Other assets—Caption 160

16.1 Other assets: breakdown

	31/12/2014	31/12/2013
Withholding taxes paid on interest charged to customers and other tax assets	96,691	86,277
Negotiated cheques to be cleared	7,392	20,948
Matured securities and accrued interest to be collected	4,466	5,081
Commissions and other income to be charged	152,504	163,762
BIREL, transfers, SETIF, received messages to be charged, e-money	159,727	196,955
Sundry and residual items	44,153	22,539
Total	**464,932**	**495,563**

Part B—Notes to the statement of financial position

LIABILITIES

Section 1—Due to banks—Caption 10

1.1 Due to banks: breakdown by product

	31/12/2014	31/12/2013
1. Due to central banks	73,583	2,367
2. Due to banks	2,428,917	2,217,576
2.1. Current accounts and demand deposits	1,437,396	1,225,994
2.2. Term deposits	107,138	89,189
2.3. Financing	398,014	8,285
2.3.1 repurchase agreements	165,551	—
2.3.2 other	232,463	8,285
2.4 Commitments to repurchase own equity instruments	—	—
2.5 Other liabilities	486,369	894,108
Total	**2,502,500**	**2,219,944**
Fair value—level 1		
Fair value—level 2	**2,502,500**	**2,219,944**
Fair value—level 3		
Total fair value	**2,502,500**	**2,219,944**

Section 2—Due to customers—Caption 20

2.1 Due to customers: breakdown by product

	31/12/2014	31/12/2013
1. Current accounts and demand deposits	2,637,056	3,497,120
2. Term deposits	509	4
3. Financing	—	—
3.1 repurchase agreements	—	—
3.2 other	—	—
4. Commitments to repurchase own equity instruments	—	—
5. Other liabilities	461,975	511,469
Total	**3,099,540**	**4,008,593**
Fair value—level 1		
Fair value—level 2	**3,099,540**	**4,008,593**
Fair value—level 3		
Total fair value	**3,099,540**	**4,008,593**

Section 3—Securities issued—Caption 30

3.1 Securities issued: breakdown by product

	31/12/2014				31/12/2013			
		Fair value				Fair value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
A. Securities								
1. Bonds								
1.1 structured								
1.2 other					10,025	—	—	10,025
2. Other securities								
2.1 structured								
2.2 other								
Total	**—**	**—**	**—**	**—**	**10,025**	**—**	**—**	**10,025**

Section 4—Financial liabilities held for trading—Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	31/12/2014					31/12/2013				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. Financial liabilities										
1. Due to banks	467	516	—	—	—	3,215	3,319	—	—	
2. Due to customers	898	973	—	—	—	1,958	2,042	86	—	
3. Debt instruments	—	—	—	—	—	—	—	—	—	
3.1 Bonds	—	—	—	—	—	—	—	—	—	
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—		—	—	—	—	
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—		—	X
Total A	**1,364**	**1,488**	**—**	**—**		**5,173**	**5,361**	**86**	**—**	
B. Derivatives										
1. Financial derivatives										
1.1 Trading	X	—	4,674	—	X	X		1,691		X
1.2 Associated with fair value option	X	—	—	—	X	X				X
1.3 Other	X	—	—	—	X					
2. Credit derivatives		—	—	—						
2.1 Trading	X	—	—	—	X	X				X
2.2 Associated with fair value option	X	—	—	—	X	X				X
2.3 Other	X	—	—	—	X	X				X
Total B	**X**	**—**	**4,674**	**—**	**X**	**X**		**1,691**	**—**	**X**
Total (A + B)	**1,364**	**1,488**	**4,674**	**—**	**X**	**X**	**5,361**	**1,777**	**—**	**X**

Key:

FV = fair value

NA = nominal or notional amount

FV* = fair value calculated by excluding gains and losses due to changes in the issuer's credit standing compared to the issue date.

L1 = level 1

L2 = level 2

L3 = level 3

Section 8—Tax liabilities—Caption 80

See section 14 of Assets.

Section 10—Other liabilities—Caption 100

10.1 Other liabilities: breakdown

	31/12/2014	31/12/2013
Tax liabilities, withholding taxes and other amounts to be paid	18,942	11,762
Cheques, cheque truncation flows to be credited	19,163	11,979
Securities, currency and premium transactions paid for options to be credited	3,287	1,360
Due to employees	30,292	35,868
Other liabilities for expenses, commissions and interest to be paid	168,898	136,766
Prepaid debit cards	50,570	42,052
Currency differences on portfolio transactions	1,578	27,798
BIREL, transfers, payment flows to be credited	1,005,927	808,795
Sundry and residual items	64,076	64,191
Total	**1,362,733**	**1,140,572**

Section 11—Post-employment benefits—Caption 110

11.1 Post-employment benefits: changes

	2014	2013
A. Opening balance	**19,471**	**21,575**
B. Increases		
B.1 Accruals	531	479
B.2 Other increases	3,636	85
Including business combinations	261	
C. Decreases		
C.1 Payments	741	1,322
C.2 Other decreases		1,345
D. Closing balance	22,897	19,471
Total	**22,897**	**19,471**

Caption B.1 shows interest expense accrued during the year.

Caption B.2 relates to the increases arising from the acquisition of Unicard and C-Card, as well as the actuarial effect for the year.

11.2 Other disclosures

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2014

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
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	2%
Annual discount rate	Rate ranging from 1.17% to 1.38%, 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 individual group companies' liabilities due after an average period of between 15 and 21 years.

Sensitivity analysis

As required by IAS 19, the group 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%	1,574	6.96%
	0.50%	(1,440)	−6.37%
—**Employee turnover**	−0.25%	121	0.54%
	0.25%	(114)	−0.50%

Part B—Notes to the statement of financial position

Section 12—Provisions for risks and charges—Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2014	31/12/2013
1. Internal pension funds	967	1,038
2. Other provisions for risks and charges		
2.1 legal disputes	6,856	6,907
2.2 employee benefits	2,196	2,252
2.3 other	33,511	35,887
Total	**43,529**	**46,085**

12.2 Provisions for risks and charges: changes

	Total	
	Pension funds	Other provisions
A. Opening balance	**1,038**	**45,047**
B. Increases		
B.1 Accruals	—	4,653
B.2 Discounting	—	—
B.3 Changes due to variations in discount rate	—	—
B.4 Other increases	—	—
C. Decreases		
C.1 Utilisations	71	7,136
C.2 Changes due to variations in discount rate	—	—
C.3 Other decreases	—	—
D. Closing balance	**967**	**42,563**

12.3 Defined benefit internal pension plans

1. Description and related risks

The liability for defined benefit internal pension plans includes the accruals made for the group's obligation to its former employees. The estimated liability amounts to €967 thousand at the reporting date.

2. Changes in defined benefit plan liabilities (assets) and related repayment rights

The present value of the defined benefit liability at 31 December 2014 amounts to €967 thousand. The group paid benefits totalling € 71 thousand during the year and did not make any accrual.

3. Fair value of plan asset

There are no plan assets.

5. Cash flow amount, timing and uncertainty

The plan is based on the latest remuneration.

12.4 Provisions for risks and charges—other provisions

Provision for legal disputes

The legal environment in which the ICBPI Group operates exposes it to a wide range of legal disputes.

The related risks are specifically analysed in order to make the related accrual to the provision for risks and charges when the outlay is considered probable based on information available at the time of the analysis.

Provisions for risks and charges—employee benefits

The item "employee benefits" principally relates to bonuses and other incentives granted to employees.

Provisions for risks and charges—other

"Other" includes all accruals made for probable outlays mainly relating to:

- contractual costs;
- operational risks;
- non-banking invoices issued;
- pending tax litigation.

Section 15—Equity—Captions 140, 160, 170, 180, 190, 200 and 220

15.1 "Share capital" and "Treasury shares": breakdown

	31/12/2014	31/12/2013
1. Share capital	42,557	42,557
2. Share premium	148,242	148,242
3. Reserves	565,156	507,802
4. (Treasury shares)		
a) parent	(32)	(32)
b) subsidiaries		
5. Valuation reserves	75,484	77,760
6. Profit for the year	96,350	73,186
Total	**927,757**	**849,515**

15.2 Share capital—number of shares: changes

	Ordinary	Other
A. Opening balance		
—fully paid-in	14,185,790	
—not fully paid-in		
A.1 Treasury shares (−)	75,191	
A.2 Outstanding shares: opening balance	**14,110,599**	
B. Increases	**—**	
B.1 New issues	—	
—against consideration:	—	
—business combinations	—	
—bond conversions	—	
—exercise of warrants	—	
—other	—	
—bonus issues:	—	
—to employees	—	
—to directors	—	
—other	—	
B.2 Sale of treasury shares	—	
B.3 Other increases	—	
C. Decreases	**—**	
C.1 Cancellations	—	
C.2 Repurchases of treasury shares	—	
C.3 Disposals of equity investments	—	
C.4 Other decreases	—	
D. Outstanding shares: closing balance	**14,110,599**	
D.1 Treasury shares (+)	75,191	
D.2 Closing balance	14,185,790	
—fully paid-in	14,185,790	
—not fully paid-in		

The outstanding and fully paid-in shares number 14,185,790, while treasury shares in portfolio amount to 75,191.

Section 16—Equity attributable to non-controlling interests—Caption 210

16.1 Caption 210 "Equity attributable to non-controlling interests"

	31/12/2014	31/12/2013
Consolidated investments with significant non-controlling interests		
Help Line	2,480	2,326
Other equity investments	27,280	24,108
Total	**29,760**	**26,433**

Other disclosures

1. Guarantees and commitments

	31/12/2014	31/12/2013
1) Financial guarantees issued	1,385	1,277
a) Banks	1,385	1,277
b) Customers	—	—
2) Commercial guarantees issued	1,075	473
a) Banks	83	83
b) Customers	992	389
3) Irrevocable commitments to disburse funds	158,287	29,492
a) Banks	107,637	10,233
i) certain use	107,637	10,233
ii) uncertain use	—	—
b) Customers	50,650	19,259
i) certain use	10,650	19,259
ii) uncertain use	40,000	—
4) Commitments underlying credit derivatives: protection sales	—	—
5) Assets pledged as collateral for third party commitments	—	—
6) Other commitments	—	—
Total	**160,747**	**31,241**

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2014	31/12/2013
1. Financial assets held for trading	—	—
2. Financial assets at fair value through profit or loss	—	—
3. Available-for-sale financial assets	70,193	66,153
4. Held-to-maturity investments	—	—
5. Loans and receivables with banks	—	—
6. Loans and receivables with customers	—	—
7. Property, equipment and investment property	—	—

5. Management and trading on behalf of third parties

	31/12/2014	31/12/2013
1. Execution of customer orders		
a) Purchases		
1. settled	28,044,701	20,868,805
2. unsettled	—	
b) sales	—	
1. settled	29,693,122	17,264,083
2. unsettled	—	
2. Asset management		
a) individual	—	
b) collective	—	
3. Securities custody and administration		
a) third party securities held as part of depository bank services (excluding asset management)	41,675,870	31,081,911
1. securities issued by the consolidated entities	—	—

2. other securities	41,675,870	31,081,911
b) third party securities on deposit (excluding asset management): other	80,246,446	48,523,217
1. securities issued by the consolidated entities	15,916	11,290
2. other securities	80,230,530	48,511,927
c) third party securities deposited with third parties	110,109,350	79,390,269
d) securities owned by the bank deposited with third parties	2,546,480	2,525,185
4. Order collection and transmission		
a) Purchases		
1. settled	868,903	554,209
2. unsettled	—	—
b) Sales	—	—
1. settled	1,049,324	645,443
2. unsettled	—	
5. Placement of secured and unsecured securities	**—**	
a) Placement of unsecured securities	1,463,843	3,431,036
b) Placement of secured securities	10,840	2,659

Part C—Notes to the income statement

Section 1—Interest—Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	2014	2013
1. Financial assets held for trading	342	—	—	342	3,564
2. Financial assets at fair value through profit or loss	—	—	—		—
3. Available-for-sale financial assets	57,951	—	—	57,951	60,896
4. Held-to-maturity investments	919	—	—	919	1,341
5. Loans and receivables with banks	196	2,233	53	2,483	3,487
6. Loans and receivables with customers	—	4,238	26,960	31,198	33,292
7. Hedging derivatives	—	—	—	—	—
8. Other assets	—	—	373	373	343
Total	**59,408**	**6,471**	**27,386**	**93,265**	**102,923**

Part C—Notes to the income statement

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	2014	2013
1. Due to central banks	1	—	—	1	1
2. Due to banks	21,539	—	41	21,580	22,387
3. Due to customers	2,563	—	—	2,563	2,259
4. Securities issued	—	81	—	81	223
5. Financial liabilities held for trading	56	—	—	56	138
6. Financial liabilities at fair value through profit or loss	—	—	—	—	—
7. Other liabilities and provisions	—	—	135	135	779
8. Hedging derivatives	—	—	—	—	—
Total	**24,159**	**81**	**176**	**24,416**	**25,787**

Section 2—Fees and commissions—Captions 40 and 50

2.1 Fee and commission income: breakdown

	2014	2013
a) guarantees issued	37	159
b) credit derivatives	—	—
c) management, brokerage and consultancy services:	11,789	10,901
1. trading in financial instruments	11,789	10,901
2. foreign currency transactions	—	—
3. asset management	—	—
3.1. individual	—	—
3.2. collective	—	—
4. securities custody and administration	3,340	7,084
5. depository services	38,692	28,530
6. securities placement	4,917	10,385
7. order collection and transmission	1,371	1,345
8. consultancy services	105	96
8.1. concerning investments	—	—
8.2 concerning financial structure	105	96
9. distribution of third party services	—	—
9.1. asset management	—	—
9.1.1. individual	—	—
9.1.2. collective	—	—
9.2. insurance products	—	—
9.3. other products	—	—
d) collection and payment services	895,822	898,911
e) servicing services for securitisations	—	—
f) services for factoring transactions	—	—
g) tax collection services	—	—
h) management of multilateral trading systems	—	—
i) keeping and management of current accounts	—	—
j) other services	77,698	60,271
Total	**1,033,772**	**1,017,682**

2.2 Fee and commission expense: breakdown

	2014	2013
a) guarantees received	37	45
b) credit derivatives	—	—
c) management and brokerage services:	—	—
1. trading in financial instruments	436	659
2. foreign currency transactions	1	3
3. asset management:	—	—
3.1 own portfolio	—	—
3.2 third party portfolios	—	—
4. securities custody and administration	4,854	4,433
5. placement of financial instruments	4,542	9,918
6. securities settlement	2,003	1,986
7. off-premises distribution of financial instruments, products and services	—	—
d) collection and payment services	658,781	658,712
e) other services	2,654	2,258
Total	**673,307**	**678,014**

Section 3—Dividends and similar income—Item 70

3.1 Dividends and similar income: breakdown

	2014		2013	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	4	—	34	
B. Available-for-sale financial assets	261	—	934	
C. Financial assets at fair value through profit or loss	—	—	—	
D. Equity investments	—	—	—	
Total	**265**	**—**	**968**	

Section 4—Net trading income (expense)—Caption 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income [(A+B)] (C+D)]
1. Financial assets held for trading					
1.1 Debt instruments	666	4,855	718	380	4,423
1.2 Equity instruments	3	199	1	51	150
1.3 OEIC units	—	2	—	4	−2
1.4 Financing	—	—	—	—	
1.5 Other	—	—	—	—	
2. Financial liabilities held for trading					
2.1 Debt instruments	7	—	8	—	−1
2.2 Liabilities	—	—	—	—	
2.3 Other	—	—	—	—	
3. Other financial assets and liabilities: net exchange rate losses	X	X	X	X	−237
4. Derivatives					
4.1. Financial derivatives:					
—On debt instruments and interest rates	—	—	—	—	0
—On equity instruments and equity indexes	1,198	13,804	1,099	13,236	668
—On currencies and gold	—	—	—	—	—
—Other	—	—	—	—	
4.2 Credit derivatives	—	—	—	—	
Total	**1,874**	**18,859**	**1,827**	**13,671**	**4,999**

Section 6—Gain (loss) from sales/repurchases—Caption 100

6.1 Net gain from sales or repurchases: breakdown

	2014			2013		
	Gain	Loss	Net gain	Gain	Loss	Net gain
Financial assets						
1. Loans and receivables with banks	—	—	—	—	—	—
2. Loans and receivables with customers	—	—	—	—	—	—
3. Available-for-sale financial assets	—	—	—	—	—	—
3.1 Debt instruments	—	—	—	—	—	—
3.2 Equity instruments	3,540	—	3,540	3,104	—	3,104
3.3 OEIC units	—	—	—	—	—	—
3.4 Financing	—	—	—	—	—	—
4. Held-to-maturity investments	—	—	—	635	—	635
Total assets	**3,540**	**—**	**3,540**	**3,739**	**—**	**3,739**
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Securities issued	—	—	—	—	—	—
Total liabilities	**—**	**—**	**—**	**—**	**—**	**—**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part C—Notes to the income statement

Section 8—Net impairment losses—Caption 130

8.1 Net impairment losses on loans and receivables: breakdown

	Impairment losses(1)			Reversals of impairment losses(2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2014 (3)=(1)−(2)	2013 (3)=(1)−(2)
A. Loans and receivables with banks									
—Financing	—	—	74					74	37
—Debt instruments	—	—	—					—	—
B. Loans and receivables with customers	—	—	—					—	—
Impaired loans acquired	—	—	—					—	—
—Financing	—	—	X			X	X	X	X
—Debt instruments	—	—	X			X	X	X	X
Other	—	—	—					—	—
—Financing	—	—	3,892					3,892	4,096
—Debt instruments	—	—	—					—	—
C. Total	**—**	**—**	**3,966**	**—**	**—**	**—**	**—**	**3,966**	**4,133**

Key

A = from interest

B = other reversals

Collective impairment losses mainly relate to revolving credit cards and credit risks taken on.

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses(1)		Reversals of impairment losses(2)			
	Individual		Individual			
	Derecognition	Other	A	B	2014	2013
A. Debt instruments						
B. Equity instruments		67			67	
C. OEIC units						2,895
D. Financing to banks						
E. Financing to customers						
F. **Total**	**—**	**67**	**—**	**—**	**67**	**2,895**

Key

A = from interest

B = other reversals

8.3 Net impairment losses on held-to-maturity investments: breakdown

	Impairment losses(1)			Reversals of impairment losses(2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2014	2013
A. Debt instruments		1,940						1,940	
B. Financing to banks									
C. Financing to customers									
D. Total	**—**	**1,940**	**—**	**—**	**—**	**—**	**—**	**1,940**	**—**

Key

A = from interest

B = other reversals

8.4 Net impairment losses on other financial transactions: breakdown

	Impairment losses(1)			Reversals of impairment losses(2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2014	2013
A. Guarantees issued									
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other								—	−188
C. Total	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**−188**

Key

A = from interest

B = other reversals

Section 11—Administrative expenses—Caption 180

11.1 Personnel expense: breakdown

	2014	2013
1) Employees		
a) wages and salaries	96,232	92,310
b) social security charges	25,053	22,651
c) post-employment benefits	796	818
d) pension costs	241	366
e) accrual for post-employment benefits	533	—
f) accrual for pension and similar provisions:		
—defined contribution plans	—	—
—defined benefit plans	—	—
g) payments to external supplementary pension funds		
—defined contribution plans	7,316	7,042
—defined benefit plans	—	—
h) costs of share-based payment plans	—	—
i) other employee benefits	5,084	4,894
2) Other personnel	942	951
3) Directors and statutory auditors	3,952	3,439
4) Retired personnel	—	12
Total	**140,148**	**132,483**

11.2 Average number of employees per category:

	2014	2013
a) managers	61	62
b) junior managers	583	548
c) other employees	1,071	1,071

Part C—Notes to the income statement

11.5 Other administrative expenses: breakdown

	2014	2013
—data processing	90,650	87,017
—post office, valuables transportation and couriers	26,304	25,372
—external services	19,721	6,048
—interbank network traffic	14,822	7,993
—IT connections and automation costs	2,847	2,677
—access to markets	2,322	2,080
—professional services	8,693	6,446
—agents' commissions	1,418	972
—bank draft books	311	36
—maintenance and lease	37,227	36,095
—building running costs, leases, heating and lighting	6,257	5,534
—stationery and printed matter	1,081	821
—insurance	2,329	3,760
—telegraph, telephone and telex	5,055	5,304
—card processing	37,662	36,338
—membership fees	1,306	786
—surveillance and cleaning	928	785
—other	63,964	66,417
—taxes and duties	61,269	76,619
Total	**384,165**	**371,100**

The fees paid in 2014 to the independent auditors engaged for the legally required audit pursuant to Legislative decree no. 39 of 27 January 2010 are detailed below:

	Service provider	€'000
Audit of the parent's financial statements	KPMG S.p.A.	254
Audit of the subsidiaries' financial statements	KPMG S.p.A.	360
Total		**614**

In addition to the audit of the separate and consolidated financial statements, the above fees covered the review of the interim financial report at 30 June and the procedures required of the independent auditors by tax legislation.

Section 12—Net accruals to provisions for risks and charges—Caption 190

12.1 Net accruals to provisions for risks and charges: breakdown

	2014	2013
Accruals to provisions	1,372	2,130
Total	**1,372**	**2,130**

Section 13—Depreciation and net impairment losses on property, equipment and investment property—Caption 200

13.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

13.1.1 attributable to the banking group

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Property, equipment and investment property				
A.1 Owned				
—Property and equipment	18,202			**18,202**
—Investment property	1,492			**1,492**
A.2 Under finance lease				
—Property and equipment	91			**91**
—Investment property	270			**270**
Total	**20,055**	**—**	**—**	**20,055**

Section 14—Amortisation and net impairment losses on intangible assets—Caption 210

14.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Intangible assets				—
A.1 Owned				—
—Generated internally				—
—Other	16,463	—		**16,463**
A.2 Acquired under finance lease				—
Total	**16,463**	**—**	**—**	**16,463**

Section 15—Other operating expense and income—Caption 220

15.1 Other operating expense: breakdown

	2014	2013
Transfer of revenue from services	21,524	17,364
Other costs	22,038	8,580
Total	**43,562**	**25,944**

15.2 Other operating income: breakdown

	2014	2013
Lease income	1,471	1,777
Services	233,050	196,930
Recoveries of stamp duties from customers and post office expenses	74,699	78,300
Other income	22,990	32,044
Total	**332,210**	**309,051**

Section 16—Share of profits (losses) of investees—Caption 240

16.1. Share of losses of investees: breakdown

	2014	2013
1) Jointly-controlled entities		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income		
B. Costs		
1. Fair value losses		
2. Impairment losses		

3. Losses on sales		
4. Other costs		
Net profits (losses)	**—**	**—**
2) Associates		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income	348	249
B. Costs		
1. Fair value losses		11,692
2. Impairment losses		
3. Losses on sales		
4. Other costs	1,504	
Net losses	**−1,156**	**−11,443**
Total	**−1,156**	**−11,443**

Section 19—Gains (losses) on sales of investments—Caption 270

19.1. Net losses on sales of investments: breakdown

	2014	2013
A. Property		
—Gains on sales		
—Losses on sales		
B. Other assets		
—Gains on sales	—	
—Losses on sales	—	1
Net losses	**—**	**1**

Section 20—Income taxes—Caption 290

20.1 Income taxes: breakdown

	2014	2013
1. Current taxes	−58,861	−71,836
2. Change in current taxes from previous years (+/−)	1,037	3,589
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 (+/−)	381	−7,803
5. Change in deferred tax liabilities (+/−)	−383	716
6. Tax expense for the year (−) (−1+/−2+3+3bis+/−4+/−5)	−57,826	−75,335

20.2 Reconciliation between the theoretical and effective tax expense

	2014	2013
Reconciliation between the theoretical and effective tax rate		
Theoretical tax rate	33.07%	41.57%
Tax exempt income and other decreases	−9.10%	−5.81%
Undeductible costs	12.80%	14.05%
Effective tax rate	36.71%	49.81%

Section 22—Profit (loss) for the year attributable to non-controlling interests—Caption 330

22.1 Caption 330 "Profit for the year attributable to non-controlling interests"

	2014	2013
Consolidated investments with significant non-controlling interests		
Help Line	247	210
Other equity investments	3,011	2,694
Total	**3,258**	**2,904**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part D—Breakdown of comprehensive income

Breakdown of comprehensive income

		Gross amount	Income tax	Net amount
10.	Profit for the year	X	X	99,607
Items that will not be reclassified subsequently to profit or loss				
20	Property, equipment and investment property			
30	Intangible assets			
40.	Defined benefit plans	−5,083	1,445	−3,638
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) unrealised 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)	1,639	−374	1,265
	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)			
	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 expense**	**−3,444**	**1,070**	**−2,373**
140	**Comprehensive income (10 + 130)**	**−3,444**	**1,070**	**97,234**
150	Comprehensive income attributable to non-controlling interests	X	X	3,155
160	**Comprehensive income attributable to the owners of the parent**	**X**	**X**	**94,079**

Part E—Risks and related hedging policies

Introduction

The ICBPI Group’s governance model sets out the internal control guidelines to be applied to its organisation, in a regulated and methodological manner so that it can carry out strategic, management and technical-operational guidance and control activities effectively and efficiently.

The group’s internal controls form a system designed to provide reasonable security about attainment of the parent and group’s efficiency and effectiveness objectives for its operations, the reliability of financial statements disclosures and compliance with the ruling laws and regulations.

In order to ensure that the above objectives are pursued, the parent has introduced:

- formalised procedures to coordinate the group companies and the parent in all areas;
- mechanisms to integrate the accounting systems and ensure the reliability of the consolidation entries;
- regular information flows to check attainment of the group's strategic objectives and compliance with the law;
- well-defined duties and responsibilities of the various units in charge of risk monitoring inside the group and appropriate coordination mechanisms;
- procedures that ensure the centralised measurement, management and control of all the risks faced by the group at consolidated level;
- information systems to monitor cash flows and transactions within the group.

The internal controls are organised on different levels:

- line controls, aimed at ensuring correct operating practices; these are hierarchical type controls performed by the same production unit which are usually part of the same procedures or performed as back office activities;
- risk management controls, designed to define risk measurement methods, check compliance with their assigned limits by the various operating units and check consistency of each production unit's operations with their risk/return objectives;
- compliance controls, to monitor risks of non-compliance with external and internal regulations;
- internal audit procedures, designed to identify irregularities, violations of procedures, internal and external regulations and to assess the overall working of the internal controls.

Non-operational, independent units carry out the risk management, compliance and internal audit activities.

Responsibility for the internal controls lies with the board of directors that establishes the guidelines and regularly checks their adequacy and effective working. In order to ensure the board of directors carries out its duties properly, it has set up an internal control committee, with three members, at least one of whom is a non-executive independent director. This committee assists the board of directors to perform its internal controls, providing proactive assistance and advice. The group audit unit reports directly to the internal control committee and the board of statutory auditors. It performs the third level controls and also monitors/supervises the entire internal controls system. The compliance unit is supervised by the managing director and is part of the parent, acts as coordinator for all the group companies pursuant to the current supervisory regulations. It reports directly to the parent's board of directors while the risk management unit, which is supervised by the managing director and is part of the parent, acts as coordinator for risk management controls for all group companies and reports directly to the parent's board of directors. As part of the internal controls, the parent has a risk policy, approved by its board of directors, which sets out the principles, aims and methods to manage (methodology and tools) the main risks to which the ICBPI Group is exposed. It also has a risk appetite framework (RAF), which reconciles its strategic planning and risk management as it defines the level and type of risk acceptable to the group when pursuing its strategic objectives. The gap analysis between the parent's framework and the legislative requirements introduced by the fifteenth update to Bank of Italy's Circular no. 263, which introduced and reiterated the concept of the risk appetite framework, illustrating its importance as a support tool for senior management and the board of directors when taking strategic decisions, showed the need to fine-tune and develop the framework. These changes were made in 2014 to the framework which was already in place in 2012 and became mandatory in 2013. Specifically, the changes related to:

- introduction/updating of the parameters for the risks already included in the risk appetite framework;
- introduction of parameters for excessive financial leverage risk in line with the new risk categories presented by Bank of Italy in Circular no. 285/2013;
- inclusion of new risk categories, such as strategic risk, and the implementation of second level parameters for the individual group companies;
- utilisation of the stress test to check the adequacy of and any necessary changes to the defined thresholds (limits/triggers/targets) for the RAF parameters.

Given the recent changes in the regulations, which emphasise the central role played by risk management in strategic planning, the group also defined the operating methods, roles and responsibilities of the units involved in identifying, assessing and monitoring the most important transactions. This led to definition of a framework which allows the correct assessment of the consistency of the important transactions and projects with the group's risk appetite defined by the board of directors. Risk assessment based on the most important transactions consists of an assessment of the consistency of the most important transactions' risk profile with the group's risk appetite (the RAF). The risk profile of these transactions and projects considers the risk appetite policies approved by the parent's board of directors in its risk policy as well as the regulations and rules issued by the regulators for supervised intermediaries. The parent analysed the activities performed, which are mainly related to the providing of products and services to banks and major corporate customers, and identified operational risk as the main risk faced by the group. In order to handle this risk and comply with the own funds requirement, the parent designed an operational risk framework, which is a specific process that identifies risk factors, assesses the level of exposure to risks and the effectiveness of the actions taken to control and monitor these risks.

At group level, capital available for allocation is the sum of Tier 1 and Tier 2 (as well as Tier 3 for the part eligible to cover market risks) held to cover the group from total risk exposure in line with the capitalisation objectives of such Tier 1 capital and the total capital ratio. This capital is earmarked to cover all the risks identified by each group company and at group level.

Section 1—Banking group risks

1.1 Credit risk

QUALITATIVE DISCLOSURE

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.

Lending is not the ICBPI group's core business but it is an important part of its operations and mainly affects the treasury and finance unit, the securities services department and some business units of the parent, ICBPI, and the subsidiary CartaSi.

In fact, the group's core business is not to grant financing but it does grant credit facilities, mainly to third parties that, due to the products/services provided to them and the operating/financial rules thereof, require credit facilities in the form of cash (credit facilities) or commitments (endorsement credits).

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Part E—Risks and related hedging policies

With respect to the first level controls, the head of the treasury and finance unit and the head of the securities services department check and monitor that the lending transactions performed by the treasury and finance unit comply with the maximum operating limits and/or caps. As part of the second level controls, the risk management unit checks compliance with the operating limits and large exposures.

The risk management unit also assesses the following elements about the adequacy of the lending process:

- the correct monitoring of trends of individual impaired positions;
- the consistency of classifications;
- the adequacy of accruals;
- the adequacy and tracing of the recovery process;
- the correct classification of non-recoverability of impaired positions;
- the existence of updated appraisals of the guarantees;
- the recording of all the information needed to assess the loans in the automated procedures;
- an estimate of the time needed to recover the impaired positions and the discount rates used.

With respect to the activities performed by CartaSi, credit risk relates to:

- issuing through banks: amounts due from cardholders, for transactions after the fifth day that the “F” block has been implemented for default;
- acquiring: amounts due from merchants arising as a result of operating irregularities for transactions challenged by the cardholders and amounts subject to charge-backs for whatsoever reason that can be claimed from merchants;
- direct issuing: when the cardholder defaults.

In order to strengthen controls over credit risk, relevant information about the credit exposure (amount of credit facilities, use of credit facilities, overruns, any non-performing positions) is collected in a structured and organic manner by the various IT procedures.

ICBPI does not operate in innovative financial products such as credit derivatives.

Also because of the limited number of exposures normally taken on by the group, its credit risk measurement methods and the related controls over credit risk trends are simple and lean; it does not use scoring systems or external and/or internal ratings.

Credit risk management policies

Organisational aspects

The group’s organisational structure ensures the proper monitoring and management of risks. With specific respect to credit risk, the board of directors has the sole powers to make policies that affect the group’s operations. It approves the strategies and risk management policies and the group’s organisational structure for internal controls. The proxy system provided for by an internal policy approved by the board of directors attributes specific powers to some bodies and units for decisions about credit. As required by the internal regulations, credit risk is management and monitored by the:

- board of directors;
- general manager;
- credit committee;

- credit and branches unit.

Management, measurement and control systems

Credit management

The parent is a "second level" bank, whose core business is the providing of products and services mainly in the sector of payment systems and administrative services for the custody, administration and settlement of securities.

Its lending policies are regulated by a specific regulation and it provides credit to:

- banks;
- stock brokerage companies;
- financial companies included in the lists covered by the Consolidated Banking Act;
- large corporate customers;
- OEICs;
- fund management companies.

ICBPI only provides credit facilities to retail customers who are group employees and employees of the former ICBPI (Equens) group in the form of current account overdrafts and personal loans. It does not provide loans.

The credit facilities offered by ICBPI, diversified by type of customer, include:

- operating treasury facilities;
- intermediation caps in the Target 2 and E-Mid settlement system;
- syndicate loans;
- endorsement credits and other commitments for guarantees issued (sureties, letters of patronage);
- cash credit facilities;
- personal loans.

The lending approval procedure starts after receipt of a formal application by the customer to the commercial service and/or the relevant unit which is sent to the credit office. This stage includes the correct identification of the risk and an assessment of the customer's reliability, i.e., its ability to meet its financial commitments arising from the receipt and subsequent use of the financing.

During this preliminary investigation stage, the group analyses the following aspects:

- formal (e.g., deeds of incorporation and by-laws);
- qualitative (e.g., reports and information from the credit information centre);
- substantial (e.g., analyses and reclassifications of financial statements);
- merit (e.g., compliance with large exposure limits and limits to activities at risk perfomed with related parties and parties related to them).

Customers do not have to make specific applications for operating limits and/or intermediation caps. The preliminary investigation is initiated by the treasury and finance unit or the commercial unit.

In order to monitor counterparties that operate in the retail intermediation services sector, the group has introduced specific operating limits to monitor and check these parties' operations.In certain cases, it asks for guarantees to mitigate any risks it takes on.

The group grants banks that provide issuing and acquiring services for the ICBPI payment cards with appropriate overdrafts on the accounts held for these activities in order to monitor its exposure to them.

All the applications for credit and allocations of operating limits are reviewed by the credit office, together with the service manager and then approved by the credit committee. If no obstacles are identified, the credit committee expresses its assessment of the application, including about the guarantee acquired or to be acquired for the board of directors to take its decision.

A proxies structure, approved by the board of directors, allows the authorised parties to take decisions within set limits. Guarantees requested by ICBPI may include:

- collateral, including pledged securities (government bonds, Euro bonds, ECB eligible bonds) and/or current account deposits;
- contractual guarantees (e.g., financial guarantee contracts);
- endorsement guarantees (sureties, letters of patronage, stand-by letters);

After the credit facility is provided, risks are checked and monitored as follows:

- periodic assessments of the customers and reviews of their positions;
- checks of overruns;
- checks of information from Bank of Italy's credit information centre;
- identification of indications that the risk is more serious;
- periodic checks of the adequacy of the credit facilities used within the group and the banking sector compared to equity for the mutual fund sector (to check the legal limit imposed by Bank of Italy's regulation).

The credit office and the securities services department regularly check (at least once a year) the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

Management of overruns

The credit office checks and analyses any overruns every day and informs the relevant units of all positions with overruns (current accounts in Euro and foreign currency with and without credit facilities). The units firstly check the accounting entries and, if necessary, make the relevant adjustments. They analyse the reasons for the overruns and invite the customers to immediately rectify their positions if this is appropriate. They also inform the credit office and the risk management unit of their actions.

Positions with particular difficulties, not covered by the existing ad personam proxies, are communicated to general management so that it can authorise adoption of measures to suspend the facility and/or contract or to commence the procedure to reclassify the position by implementing the process to allow the relevant bodies that granted the credit to take a decision.

All overruns of more than €1,000 are communicated to the board of directors. Positions that are past due or overdue (by more than 90/180) days are communicated to the credit information centre as per the Bank of Italy regulation.

Operating limits

The treasury and finance unit manager supervises and checks that all the financial transactions carried out by their unit comply with the operating limits and/or approved caps. The risk management unit monitors compliance with the operating limits granted to the banks on a daily basis as a second level control. These limits are granted on the basis of standard parameters and vary depending on the nature of the instrument and its implicit volatility as well as the duration or residual life of the transaction.

The group has an application which performs the centralised check of the existing operating limits each day and issues general alerts when the threshold is exceeded.

Some operating limits were exceeded in 2014 due to the increase in value of OTC options agreed with three counterparties. Moreover, one counterparty exceeded the operating limit due to the total value of its repos.

Risk concentration limits

The risk management unit monitors compliance with the risk concentration limits (large exposures) on a daily basis, assisted by the level 1 controls already performed by the relevant units.

This monitoring activity covers all the group companies' exposures and identified two overruns of the large exposure limits, both in March 2014, one due to technical reasons, which were resolved, and the other due to the delayed recording of forward hedges of large amounts.

Enactment of EU regulation no. 575 (CRR) and Bank of Italy circular no. 285/2013 led to discontinuation of the exemption of exposures of more than one day from the calculation starting from 1 January 2014, unless the exposure is in one of the non-principal currencies (e.g., Swedish krona, Brazilian real, etc.).

Limits to exposures with related parties

Regulations covering the limits to risky transactions with related parties and parties related to them introduced exposure limits for the group and ICBPI (considering consolidated and separate regulatory capital) vis-à-vis "Company personnel", "Investors exercising control or significant influence, "Other investors" and "Parties subject to control or significant influence". These limits are applicable, inter alia, to 13 banks (either groups or individual banks), which have investments in group companies or are represented on the related boards of directors.

Controls over the risky transactions take place daily together with the controls over large exposures, including positions with all the group companies. Any excesses of the regulatory limits generate alerts for the various units involved.

In addition to the controls over exposures to the individual related parties, the group also calculates the overall exposure to all the related parties and the parties related to them each day (this procedure was introduced in 2013) as a percentage of the consolidated regulatory capital. This is part of the RAF.

The group did not exceed the exposure limits for related party transactions for this type of exposure in 2014.

CartaSi credit management

With respect to CartaSi, which operates in the e-money sector, its credit risk is tied to its operating methods on the market:

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. —Acquiring: CartaSi credits the amount due to the merchant's bank usually on the day after the transaction. The company 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).

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 credit 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 risk management unit reports on compliance with these values to the risk committee and identifies any irregularities or critical issues arising from controls of the first and second level limits and CartaSi's board of directors.

The group 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 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.

Credit risk mitigation techniques

In order to mitigate credit risk, the relevant bodies may decide to tie the granting of credit facilities to the receipt of suitable guarantees, based on the results of the related credit facility application investigation. These guarantees may be collateral, such as securities and/or cash deposits, contractual guarantees or endorsement guarantees.

The credit office and the securities services department regularly check at least once a year the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

The acquired guarantees do not have specific limits that could affect their legal validity.

There were no significant changes in the management of guarantees compared to the previous year.

Impaired financial assets

The credit committee regularly reviews all potentially irregular positions and decides on the recovery activities to be taken as well as changes in the position's status, based on the relevant parameters. These decisions are reviewed by the board of directors.

Classification of assets by debtor quality complies with the categories established by Bank of Italy.

With respect to impaired positions, impairment losses are recognised after the individual measurement of each position.

With respect to CartaSi, 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.

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 group includes country risk as part of credit risk and it is not a significant risk given that:

- most of ICBPI's exposures are with parties that offer settlement and custody services, such as Clearstream and Euroclear, or international banks (e.g., Barclays, BNP Paribas), that can reasonably be assumed to be very independent economically from the country where their head office is;

- 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. Once again, it is reasonable to assume that they are very independent of the countries where their head office is in economical terms;

- the exposures are mostly with parties based in countries with high ratings;

• the capital requirement for credit risk is calculated without using the counterparty rating parameter but solely the rating of the counterparty's country of residence. Therefore, the capital requirement includes the country risk component.

Both for country and issuer risk, the risk management unit checks that the securities in portfolio have the characteristics indicated in the financial regulation once a month and prepares a quarterly report for the manager of the relevant department and the managing director.

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 IMPAIRMED AND PERFORMING LOANS: CARRYING AMOUNT, IMPAIRMENT LOSSES, PERFORMANCE, BUSINESS AND GEOGRAPHICAL DISTRIBUTION

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

	BANKING GROUP					INSURANCE GROUP		
	Non-performing loans	Substandard loans	Restructured loans	Unimpaired past due loans	Other assets	Impaired	Other assets	Total
1. Financial assets held for trading	—	—	—	—	19,511	—	—	**19,511**
2. Available-for-sale financial assets	—	—	—	—	2,498,753	—	—	**2,498,753**
3. Held-to-maturity investments	—	—	—	—	46,013	—	—	**46,013**
4. Loans and receivables with banks	—	—	—	—	610,682	—	—	**610,682**
5. Loans and receivables with customers	391	—	—	—	3,854,576	—	—	**3,854,967**
6. Financial assets at fair value through profit or loss	—	—	—	—	—	—	—	—
7. Financial assets held for sale	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	—	—
Total at 31/12/2014	**391**	—	—	—	**7,029,535**	—	—	**7,029,925**
Total at 31/12/2013	**817**	—	—	—	**7,160,749**	—	—	**7,161,566**

The non-performing exposures mainly related to CartaSi and its cardholders.

Part E—Risks and related hedging policies

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

	Impaired assets			Performing			
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	Total (carrying amount)
A. Banking group							
1. Financial assets held for trading	—	—	—	—	—	19,511	19,511
2. Available-for-sale financial assets	—	—	—	2,498,753	—	2,498,753	2,498,753
3. Held-to-maturity investments	—	—	—	46,013	—	46,013	46,013
4. Loans and receivables with banks	—	—	—	610,682	—	610,682	610,682
5. Loans and receivables with customers	8,926	8,535	391	3,863,265	8,689	3,854,576	3,854,967
6. Financial assets at fair value through profit or loss	—	—	—	—	—	—	—
7. Financial assets held for sale	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	
Total A	**8,926**	**8,535**	**391**	**7,018,712**	**8,689**	**7,029,535**	**7,029,925**
B. Other consolidated companies							
1. Financial assets held for trading							
2. Available-for-sale financial assets							
3. Held-to-maturity investments							
4. Loans and receivables with banks							
5. Loans and receivables with customers							
6. Financial assets at fair value through profit or loss							
7. Financial assets held for sale							
8. Hedging derivatives							
Total B	—	—	—	—	—	—	—
Total at 31/12/2013	**8,926**	**8,535**	**391**	**7,018,712**	**8,689**	**7,029,535**	**7,029,925**
Total at 31/12/2012	**10,083**	**9,266**	**817**	**7,170,613**	**9,865**	**7,160,748**	**7,161,565**

A.1.3 Banking group—Loans and receivables with banks on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount	Individual impairment	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	—	—	—	—
b) Substandard loans	—	—	—	—
c) Restructured loans	—	—	—	—
d) Past due loans	—	—	—	—
e) Other assets	663,574	—	—	663,574
TOTAL A	**663,574**	**—**	**—**	**663,574**
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	—	—	—	—
b) Other	38,251	—	—	38,251
TOTAL B	38,251	—	—	38,251
TOTAL A + B	**701,825**	**—**	**—**	**701,825**

A.1.6 Banking group—Loans and receivables with customers on and off-statement of financial position: gross amounts and carrying amounts

	Exposure	Individual impairment	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	8,927	1,748	6,787	392
b) Substandard loans	—	—	—	—
c) Restructured loans	—	—	—	—
d) Past due loans	—	—	—	—
e) Other assets	6,369,999	—	8,689	6,361,311
TOTAL A	**6,378,926**	**1,748**	**15,476**	**6,361,702**
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired				
b) Other	87,018	—	—	87,018
TOTAL B	**87,018**	**—**	**—**	**87,018**
TOTAL A + B	**6,465,944**	**1,748**	**15,476**	**6,448,720**

The non-performing exposures mainly related to CartaSi and its cardholders

Part E—Risks and related hedging policies

A.1.7 Banking group—On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Gross opening balance	**10,083**			
—including: positions transferred but not derecognised				
B. Increases				
B.1 transfers from performing loans	3,513			
B.2 transfers from other impaired loan categories				
B.3 other increases	88			
C. Decreases				
C.1 transfers to performing loans				
C.2 derecognitions	3,913			
C.3 collections	773			
C.4 losses on sales				
C.5 transfers to other impaired loan categories				
C.6 other decreases	71			
D. Gross closing balance	**8,926**	**—**	**—**	**—**
—including: positions transferred but not derecognised				

A.1.8 Banking group—On-statement of financial position loans and receivables with customers: changes in impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Opening balance	**9,266**			
—including: positions transferred but not derecognised				
B. Increases				
B.1. impairment losses	2,987			
B.1.bis losses on sales				
B.2 transfers from other impaired loan categories				
B.3 other increases				
C. Decreases				
C.1. fair value gains				
C.2. reversals of impairment losses due to collection	3,717			
C.2. bis gains on sales				
C.3. derecognitions				
C.4 transfers to other impaired loan categories				
C.5. other decreases				
D. Closing balance	**8,535**			
—including: positions transferred but not derecognised				

A.2 CLASSIFICATION OF EXPOSURES USING EXTERNAL AND INTERNAL RATINGS

A.2.1 Banking group—Breakdown of credit exposure on and off-statement of financial position by external rating classes

	External rating class							
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On-statement of financial position	—	—	—	—	—	—	6,022,230	6,022,230
B. Derivatives	—	—	—	—	—	—	—	—
B.1 Financial derivatives	—	—	—	—	—	—	4,650	4,650
B.2 Credit derivatives	—	—	—	—	—	—	—	—
C. Guarantees issued	—	—	—	—	—	—	103,675	103,675
D. Commitments to disburse funds	—	—	—	—	—	—	118,159	118,159
E. Other	—	—	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**—**	**6,248,714**	**6,248,714**

A.2.2 Banking group—Breakdown of credit exposure on and off-statement of financial position by internal rating classes

	External rating class						
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total
A. On-statement of financial position						5,990,510	5,990,510
B. Derivatives							
B.1 Financial derivatives						4,650	4,650
B.2 Credit derivatives						—	—
C. Guarantees issued						103,675	103,675
D. Commitments to disburse funds						118,159	118,159
E. Other						—	—
Total						**6,216,994**	**6,216,994**

A.3 BREAKDOWN OF GUARANTEED EXPOSURE BY TYPE OF GUARANTEE

A.3.2 Banking group—Guaranteed loans and receivables with customers

		Collateral(1)				Personal guarantees(2)									
						Credit derivatives					Endorsement credits				
							Other derivatives								
	Net amount	Mortgaged property	Property under finance lease	Securities	Other collateral	CLN	Government and central banks	Other gov. agencies	Banks	Other	Government and central banks	Other gov. agencies	Banks	Other	Total (1+2)
1. Guaranteed loans:															
1.1. fully guaranteed	888,080	—	—	—	888,158	—	—	—	—	—	—	—	—	16	**888,174**
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2. partly guaranteed	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Off-statement of financial position guaranteed loans:															
2.1. fully guaranteed	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2. partly guaranteed	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Part E—Risks and related hedging policies

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Banking group—Breakdown of loans and receivables with customers on and off-statement of financial position by business segment (carrying amount)

	Governments			Other government agencies			Financial companies		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position	—	—	—	—	—	—	391	1,491	—
A.1 Non-performing loans									
A.2 Substandard loans	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—
A.5 Other	2,499,118	—	—	343	—	—	2,940,817	—	—
TOTAL A	**2,499,118**	**—**	**—**	**343**	**—**	**—**	**2,941,208**	**1,491**	**—**
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans									
B.2 Substandard loans	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—
B.4 Other	82,998	—	—	168	—	—	104,169	—	—
TOTAL B	**82,998**	**—**	**—**	**168**	**—**	**—**	**104,169**	**—**	**—**
TOTAL (A + B) at 31/12/2014	**2,582,116**	**—**	**—**	**510**	**—**	**—**	**3,045,377**	**1,491**	**—**
TOTAL (A + B) at 31/12/2013	**2,482,776**	**—**	**—**	**521**	**—**	**—**	**2,384,447**	**1,491**	**—**

	Insurance companies			Non-financial companies			Other		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position	—	—	—	—	257	—	—	—	6,787
A.1 Non-performing loans									
A.2 Substandard loans	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—
A.5 Other	305	—	—	11,705	—	—	909,024	—	8,689
TOTAL A	**305**	**—**	**—**	**11,705**	**257**	**—**	**909,024**	**—**	**15,476**
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans									
B.2 Substandard loans	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—
B.4 Other	—	—	—	898	—	—	—	—	—
TOTAL B	**—**	**—**	**—**	**898**	**—**	**—**	**—**	**—**	**—**
TOTAL (A + B) at 31/12/2014	**305**	**—**	**—**	**12,603**	**257**	**—**	**909,024**	**—**	**15,476**
TOTAL (A + B) at 31/12/2013	**24,463**	**—**	**—**	**19,589**	**257**	**—**	**1,253,899**	**—**	**17,383**

B.2 Banking group—Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position	391	8,535	—	—	—	—	—	—	—	—
A.1 Non-performing loans										
A.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—	—
A.5 Other	6,204,121	8,689	101,195	—	55,995	—	—	—	—	—
TOTAL	**6,204,511**	**17,224**	**101,195**	**—**	**55,995**	**—**	**—**	**—**	**—**	**—**
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans										
B.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	188,233	—	—	—	—	—	—	—	—	—
TOTAL	**188,233**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31/12/2014	**6,392,744**	**17,224**	**101,195**	**—**	**55,995**	**—**	**—**	**—**	**—**	**—**
Total at 31/12/2013	**6,008,413**	**19,131**	**89,901**	**—**	**67,358**	**—**	**—**	**—**	**21**	**—**

B.3 Banking group—Breakdown of loans and receivables with banks on and off-statement of financial position by geographical segment (carrying amount)

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position	—	—	—	—	—	—	—	—	—	—
A.1 Non-performing loans										
A.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—	—
A.5 Other	545,176	—	106,491	—	5,945	—	2,322	—	3,641	—
TOTAL	**545,176**	**—**	**106,491**	**—**	**5,945**	**—**	**2,322**	**—**	**3,641**	**—**
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans										
B.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	38,065	—	186	—	—	—	—	—	—	—
TOTAL	**38,065**	**—**	**186**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31/12/2014	**583,241**	**—**	**106,677**	**—**	**5,945**	**—**	**2,322**	**—**	**3,641**	**—**
Total at 31/12/2013	**1,018,278**	**—**	**96,528**	**—**	**16,455**	**—**	**8,264**	**—**	**2,193**	**—**

B.4 Large exposures

	31/12/2014	31/12/2013
a) Carrying amount	4,249,869	3,896,429
b) Weighted amount	285,905	354,589
c) Number	11	10

Part E—Risks and related hedging policies

C. SECURITISATIONS

The group has not undertaken this type of transaction.

D. DISCLOSURE ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

D.1 Consolidated structured entities

Nothing to report.

D.2 Structured entities not consolidated for accounting purposes

Nothing to report.

D.2.1 Structured entities consolidated for supervisory purposes

Nothing to report.

D.2.2 Other structured entities

QUALITATIVE DISCLOSURE

The group has a stake in Fondo Italiano d'investimenti, principally held to meet its investment requirements. The directors hold that the group is not involved in this structured entity except for the fact that it holds an interest therein.

QUANTITATIVE INFORMATION

	Recognised assets	Total assets (A)	Recognised liabilities	Total liabilities (B)	Carrying amount (C = B−A)	Maximum exposure at risk to loss (D)	Difference between exposure at risk to loss and carrying amount (E = D−C)
2. OEIC units	Available-for-sale financial assets	31,699	—	—	31,699	100,000	68,301

E. TRANSFERS

The group has not performed any transfers.

F. BANKING GROUP—CREDIT RISK MEASUREMENT MODELS

The group does not have state-of-the-art tools to measure credit risk given its profile.

1.2 BANKING GROUP—MARKET RISKS

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (regulatory trading book), currencies and commodities, due to fluctuations in market factors or the issuer's situation. This risk is applicable to ICBPI as it manages financial instruments on the group's behalf. Activities that generate market risk are performed by the treasury and finance unit and the securities services department. Specifically, the treasury and finance unit performs investment and treasury transactions on EU and non-EU markets, it manages the AFT banking book and also manages day-to-day liquidity. The securities services department acts as a market marker and trades in the financial instruments requested by customers.

The finance regulation governs these activities and defines the operating limits for the subcomponents of market risk, such as currency risk, interest rate risk on the trading portfolio, issuer risk and counterparty risk. In addition, the regulation sets operating limits for the various activities for the amounts involved, VaR, the stop loss as well as the criteria and methods to monitor positions.

The governance model in place to manage and monitor risks is based on the segregation between the management processes and the risk control processes on the one hand and, on the other, development of processes to manage and monitor risks in line with the group's hierarchical structure and by assigning proxies.

The treasury and finance unit and the securities services department report to the liquidity and finance committee, which analyses the group's positions and defines financial policies.

The first level controls are carried out by the treasury and finance unit and the securities services department for the activities related to them, while the second level controls are performed by the risk management unit. This unit monitors market risk on a daily basis using the VaR of the positions in securities and foreign currency. It also performs second level controls on compliance with assigned limits.

The risk management unit also checks and processes ex post the data related to the group's total risk positions each day and prepares the reports necessary to check the limits set by the finance regulation. It also performs specific tests (back testing and stress testing) to check the level of existing risk scenarios or future scenarios for the current portfolio. If the VaR limits are exceeded, the risk management unit manager promptly informs the relevant unit, its manager and the managing director. The risk management unit also informs the treasury and finance service unit and/or the securities services unit manager of situations that are close to exceeding their limits. The unit ensures that sufficient information about transactions involving derivatives is provided in its reports.

It monitors positions in securities and foreign currency using VaR with a confidence interval of 99% and a time horizon of 10 days, calculated using a parametric model. This test is performed on the entire portfolio, separating the HFT portfolio from the HTM portfolio and the AFS portfolio, which are monitored directly by the board of directors.

The VaR, defined to obtain a reasonable estimate of potential losses in normal market conditions, is not designed to, nor does it, include an analysis of extreme events. Stress tests are used to check the impact of extreme conditions on the portfolio and violations of the assumptions underlying the model used by identifying the remaining risk and providing information complementary to VaR.

Back testing is performed to check the accuracy of the VaR retrospectively, checking the consistency between the number of days on which the ex-post losses exceed the VaR and the probability that these events will occur expected by the calculation model, using a confidence level adopted to estimate VaR. As VaR is calculated over a time horizon of 10 days with a confidence level of 99%, the expected probability that a loss is greater or the same as VaR in a 10 day interval is 1%.

Basis risk

The basis risk is defined as the risk of losses caused by unmatched variations in the spot and future price that are similar but not identical. This risk is especially pertinent to banks that calculate their capital requirements using standard methods by offsetting positions in one or more equities included in an equity index with one or more future positions/other derivatives linked to this index or that offset opposing positions in futures on equity indexes that do not have the same expiry date, composition or both.

The group is not exposed to this risk as it does not use futures/derivatives to hedge positions exposed to market risk and, therefore, these instruments are not included in the calculation of the capital requirement for market risk using the standard method. The group's operations in banking book derivatives is limited to trading in OTC options which, as per its internal regulations, does not generate positions. The risk positions for other financial instruments are hedged by specular hedges.

1.2.1 INTEREST RATE AND PRICE RISK—REGULATORY TRADING BOOK

QUALITATIVE DISCLOSURE

General aspects about interest rate risk

This risk is inherent in the group's core banking business as it is part of the process of change over time, space and form of financial resources and in the financial assets trading business.

The objectives and strategies underlying trading activities in place to manage the securities portfolio are designed to maximise profitability and exploit investment opportunities as part of an approach to contain risks. This leads the group to have a bonds portfolio with a short duration.

Like in previous years, interest rate risk is modest given the natural matching of the assets and liabilities arising from ICBPI's operations.

The trading portfolio includes financial instruments subject to regulatory capital requirements for market risk, as defined in the supervisory communication regulations.

Interest rate risk management processes and measurement methods

The parent's risk management unit performs stress tests on the interest rate risk, assuming parallel movements in the interest rate curve and analysing the related effects.

General aspects about price risk

Price risk is the risk of fluctuations in the prices of financial instruments due to variations in market variables or specific factors of the issuers or counterparties. It can be general, due to a change in the price of an equity instrument caused by fluctuations in the reference market, or specific, caused by a change in the price of a specific equity instrument compared to its reference market following changes in expectations about the financial soundness or future profitability of the issuer.

Management and measurement of price risk

Like for the other risks, the group's strategy adopted to manage price risk is prudent.

This risk is monitored through specific reports and by calculating the VaR (which is performed daily by the risk management unit).

Part E—Risks and related hedging policies

QUANTITATIVE DISCLOSURE

1. Regulatory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and derivatives

Currency: Euro

	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	3,628	1,284	257	86	5,866	1,894	330	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Liabilities	—	—	—	—	—	—	—	—
2.1 Repurchase agreements	—	—	—	—	—	—		—
2.2 Other liabilities	74	—	—	—	335	280	261	—
3. Financial derivatives	—	—	—	—	—	—	—	—
3.1 With underlying security	—	—	—	—	—	—		—
—Options	—	—	—	—	—	—	—	—
+ long positions	—	7	3	4	—	—	—	—
+ short positions	—	7	3	4	—	—	—	—
—Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security	—	—	—	—	—	—	—	—
—Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	185,125	1,478	—	—	—	—	—
+ short positions		522,850	1,478	771	—	—	—	—

Currency: other

	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	651	71	—	42	27	251	246	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Liabilities								
2.1 Repurchase agreements	—	—	—	—	—	—	—	—
2.2 Other liabilities	1	48	—	—	256	3	204	—
3. Financial derivatives								
3.1 With underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security	—	—	—	—	—	—	—	—
—Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions								
—Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	548,014	1,497	824	—	—	—	—
+ short positions	—	208,464	1,497	—	—	—	—	—

1.2.2 INTEREST RATE AND PRICE RISKS—BANKING BOOK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of interest rate risk

The banking book's interest rate risk is the risk of losses in its value due to potential changes in interest rates.

The main source of this type of risk is the repricing risk, i.e., the risk arising from the mismatch of maturity dates and repricing of assets and liabilities, the main aspects of which are:

- yield curve risk, the risk arising from the group's exposure to changes in the slope and shape of the return curve;
- basis risk, the risk arising from the mismatching of changes in interest rates paid and received on different instruments that may have similar repricing characteristics.

This risk relates solely to the parent for its banking book.

The group's funding and lending have historically mainly being obtained or granted through current accounts or with short-term maturities (nearly all within three months). As most of the liquidity in current accounts is that in the giro accounts, which are used for operating purposes and not for funding and/or lending transactions, the group's actual exposure to this risk is rather limited.

Part E—Risks and related hedging policies

The risk management unit monitors this risk daily to assess its impact using a method based on the guidance set out in Annex C of Title III, Chapter 1 of Bank of Italy Circular no. 285, which assesses the absorption in terms of internal capital of a variation of 200 bp on the return curve on the banking book, weighing the various exposures depending on their residual life and adopting an internal method to classify current accounts, as required by the above-mentioned supervisory regulations.

With respect to CartaSi and its business, positions are concentrated in the "within one month" category with minimum exposure. Moreover, the mismatching due to the issuing and acquiring activities solely relates to the settlement date and not to the value date, which is the same for credit and debit movements.

General aspects, management and measurement of price risk

The banking book's price risk mainly refers to the equity investments held for the long term and financial instruments, mostly Italian government bonds, which are not included in the trading book as they are also held for investment purposes.

The board of directors is the sole body responsible for the related internal controls for the latter instruments.

B. Fair value hedges

Not applicable.

C. Cash flow hedges

The group's hedging strategies are generic and may also refer to the interest rate risk applicable to the on-demand items.

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of assets and liabilities

Currency: Euro

	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	359,198	315,439	863,229	862,698	144,201	3,735	—	—
1.2 Financing to banks	264,929	229,187	—	25,040	—	—	—	—
1.3 Financing to customers								
—current accounts	1,616,911	—	—	—	391	—	—	—
—Other financing								
—with early repayment option	—	—	—	—	—	—	—	—
—other	1,073,030	960,142	60,681	77,698	37,984	1,130	23	—
2. Liabilities								
2.1 Due to customers	—	—	—	—	—	—	—	—
—current accounts	2,259,550	—	—	—	—	—	—	—
—other payables	—							
—with early repayment option	—	—	—	—	—	—	—	—
—other	35,506	18,847	—	—	—	—	—	—
2.2 Due to banks	—							
—current accounts	1,579,679	281,275	—	—	—	—	—	—
—other payables	421,045	165,551	—	—	—	—	—	—
2.3 Debt instruments	—							
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
2.4 Other liabilities	—							
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	445	84,592	55,259	4,987	6,385	16,151	1	—
+ short positions	633	83,951	55,259	4,987	6,608	16,245	113	—
3.2 Without underlying security	—	—	—	—	—	—	—	—
—Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
4. Other off-statement of financial position transactions								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—

Currency: other

	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
1.2 Financing to banks	83,987	3,717	86	—	—	—	—	—
1.3 Financing to customers								
—current accounts	1,761	—	—	—	—	—	—	—
—other financing								
—with early repayment option	—	—	—	—	—	—	—	—
—other	25,216	—	—	—	—	—	—	—
2. Liabilities								
2.1 Due to customers	—	—	—	—	—	—	—	—
—current accounts	384,040	—	—	—	—	—	—	—
—other payables								
—with early repayment option	—	—	—	—	—	—	—	—
—other	9,582	—	—	—	—	—	—	—
2.2 Due to banks								
—current accounts	53,763	—	—	—	—	—	—	—
—other payables	757	405	24	—	—	—	—	—
2.3 Debt instruments								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
2.4 Other liabilities								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying security								
—Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions								
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security								
—Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions								
+ long positions								
+ short positions	—	—	—	—	—	—	—	—
Other derivatives	—	—	—	—	—	—	—	—
4. Other off-statement of financial position transactions	—	—	—	—	—	—	—	34,428
+ long positions								
+ short positions	—	34,428	—	—	—	—	—	—

Part E—Risks and related hedging policies

1.2.3 CURRENCY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of currency risk

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.

Currency risk nearly entirely arises on foreign currency trading activities carried out through trading in market instruments. The risk management unit monitors this risk constantly by calculating the VaR.

The group's exposure to currency risk, calculated using the net foreign currency positions and a method in line with the supervisory regulations, is negligible.

B. Currency hedges

The trading book is completely hedged with spot forex positions.

The risk management unit checks that the VaR on existing positions is always within the limits set by the finance regulation every day.

Transfer risk

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 group is potentially exposed to this risk due to its credit exposures in foreign currencies and Euro credit exposures of parties based in countries with a legal tender that is not the Euro.

In both cases, these exposures mostly relate to the parent, as the other group companies' exposures are only in Euros and the counterparties (cardholders and merchants) for CartaSi are parties with tax residence in Italy, for which it is presumed that they have liquidity in Euros.

A detailed analysis of these exposures shows that most of them are with operators, such as Euroclear, Clearstream and BNP Paribas that operate as multi-currency settlement houses. Therefore, it can be assumed that they are able to convert currencies except in extreme conditions of their illiquidity.

Therefore, the group's transfer risk is very modest, especially if compared to the entire credit risk (of which it can be considered to be an additional component). The amount and composition of exposures potentially exposed to transfer risk are monitored every six months to identify any changes.

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	Yen	Pound sterling	Swiss franc	Canadian dollar	Other currencies
A. Financial assets						
A.1 Debt instruments	1,289	9	—	—	—	152
A.2 Equity instruments	1	—	—	—	—	20,868
A.3 Financing to banks	45,742	3,787	6,297	8,964	2,133	1,156
A.4 Financing to customers	20,036	2,222	1,689	1,521	354	—
A.5 Other financial assets	—	—	—	—	—	17
B. Other assets	13	14	—	22	13	—
C. Financial liabilities	—	—	—	—	—	—
C.1 Due to banks	38,439	3,302	137	3,273	4,495	5,819
C.2 Due to customers	204,569	60,591	59,407	21,801	15,784	32,361
C.3 Debt instruments	—	—	—	—	—	—
C.4 Other financial liabilities	—	—	—	—	—	—
D. Other liabilities	—	—	—	—	—	—
E. Financial derivatives	—	—	—	—	—	—
—Options	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—
—Other derivatives	—	—	—	—	—	—
+ Long positions	286,611	130,892	67,119	29,304	19,049	17,359
+ short positions	103,843	74,046	15,512	13,723	1,279	1,558
Total assets	**353,692**	**136,925**	**75,105**	**39,810**	**21,549**	**39,552**
Total liabilities	**346,852**	**137,939**	**75,057**	**38,797**	**21,558**	**39,738**
Difference	**6,840**	**−1,014**	**48**	**1,013**	**−9**	**−186**

1.2.4 DERIVATIVES

The group’s operations in derivatives and foreign currency mainly relate to matching trades performed on behalf of its customers.

ICBPI does not have innovative or complex financial instruments. It only uses overnight interest rate swaps to hedge interest rate risk on medium to long-term bank deposits.

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: notional amounts at the reporting date and average amounts

	31/12/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates				
a) Options	—	—	—	—
b) Swaps	—	—	—	
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Other	—	—	—	—
2. Equity instruments and share indexes	—	—	—	—
a) Options	6,225	—	34	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Other	—	—	—	—
3. Currencies and gold	—	—	—	—
a) Options	—	—	—	—
b) Swaps	62,150	—	57,958	—
c) Forwards	136,354	—	225,909	—
d) Futures	—	—	—	—
e) Other	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlying assets	—	—	—	—
Total	**204,729**	**—**	**283,901**	**—**

A.3 Financial derivatives: gross positive fair value—breakdown by product

	Positive fair value			
	31/12/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options	3,112	—	17	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	586	—	1,551	—
f) Futures	—	—	—	—
g) Other	952	—	550	—
B. Banking book—hedging		—	—	
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
C. Banking book—other derivatives		—	—	
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
Total	**4,650**	**—**	**2,118**	**—**

Part E—Risks and related hedging policies

A.4 Financial derivatives: gross negative fair value—breakdown by product

	Negative fair value			
	31/12/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options	3,112	—	17	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	1,376	—	1,328	—
f) Futures	—	—	—	—
g) Other	186	—	347	—
B. Banking book—hedging				
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures		—	—	—
g) Other	—	—	—	—
C. Banking book—other derivatives				
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—		—
f) Futures		—		—
g) Other		—		—
Total	**4,674**	**—**	**1,692**	**—**

A.5 OTC financial derivatives—regulatory trading book: notional amounts, gross positive and negative fair value by counterparty—contracts not included in netting agreements

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
—notional amount	—	—	—	—	—	—	—
—positive fair value	—	—	—	—	—	—	—
—negative fair value	—	—	—	—	—	—	—
—future exposure	—	—	—	—	—	—	—
2) Equity instruments and share indexes							
—notional amount	—	—	3,112	2,519	—	—	—
—positive fair value	—	—	593	593	—	—	—
—negative fair value	—	—	2,519	180	—	—	—
—future exposure	—	—	12	—	—	—	—
3) Currencies and gold							
—notional amount	—	—	173,146	344	—	—	—
—positive fair value	—	—	1,194	9	—	—	—
—negative fair value	—	—	1,553	254	—	—	—
—future exposure	—	—	1,753	—	—	—	—
4) Other assets							
—notional amount	—	—	—	—	—	—	—
—positive fair value	—	—	—	—	—	—	—
—negative fair value	—	—	—	—	—	—	—
—future exposure	—	—	—	—	—	—	—
Total	**—**	**—**	**183,882**	**3,899**	**—**	**—**	**—**

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	From 1 to 5 years	After 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt instruments and interest rates	—	—	—	—
A.2 Financial derivatives on equity instruments and share indexes	6,225	—	—	6,225
A.3 Financial derivatives on currencies and gold	198,504	—	—	198,504
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book				
B.1 Financial derivatives on debt instruments and interest rates	—	—	—	—
B.2 Financial derivatives on equity instruments and share indexes	—	—	—	—
B.3 Financial derivatives on currencies and gold	—	—	—	—
B.4 Financial derivatives on other assets	—	—	—	—
Total at 31/12/2014	**204,729**	**—**	**—**	**204,729**
Total at 31/12/2013	**283,900**	**—**	**—**	**283,900**

1.3 Banking group—LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the group 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 that manages, as a bank, its liquidity and the liquidity requirements of various group companies. With specific regard to CartaSi's requirements, it 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 group's general liquidity risk management policy is characterised by modest risk appetite and prudently privileges a balance between assets and liabilities as part of its strategy to increase profitability. Deadlines and amounts of its cash flows allow it to limit liquidity risk with the balanced return of funds, notwithstanding the fact that the group is very capable of financing itself in very short periods (one to three days).

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.

The parent has regular and ongoing access to credit when the market is stable and liquidity flow are normal, as it has banking counterparties that have approved operating credit facilities which it can use.

Therefore, the group is not significantly exposed to liquidity risk. Its liabilities mainly consist of current accounts with banks or customers set up to be used as part of its core business rather than for funding purposes. An analysis of its due dates does not show any critical issues, given the nature of the underlying transactions. Moreover, with respect to its positions other than current accounts, there are no critical issues relating to acceleration clauses or clauses requiring additional guarantees if the group companies are downgraded.

The related Liquidity policy and contingency funding plan, approved by the parent's board of directors, sets the guidelines for liquidity management (liquidity policy) and the rules to be adopted in a liquidity crisis (contingency funding plan). It incorporates the most recent regulatory updates (Bank of Italy Circular no. 285/2013) and the principles of the group's risk policy, thus integrating and completing the rules defined in the finance regulation.

The liquidity policy defines the actions to be performed daily to ensure a balance between cash inflows and outflows by monitoring existing and future financial positions. It also includes a vast range of indicators to facilitate the monitoring of the group's liquidity profile and to promptly identify any deterioration caused by internal factors or systemic factors.

The contingency funding plan (CFP) assesses the actions to be taken if there is a drastic reduction in liquidity and the group has certain lending commitments (e-money service and lending transactions that cannot easily be converted into liquidity) caused by either sector-wide liquidity crises or specific liquidity crises. It specifically describes what happens when a normal operating situation deteriorates into an operating stress or crisis situation, based on trends in quantitative and/or qualitative indicators (internal or sector) that are monitored daily. The plan also presents how to manage stress or crisis situations and specifies how the relevant units are to react and their responsibilities.

The contingency funding plan is designed to ease the potential impact of drastic reductions in liquidity and defines the possible strategies to be taken to manage the crisis. It identifies how to find sources of funding and the actions to be taken to manage situations caused by the market or internally so as to define and describe the actions to be taken to resolve the emergency situation promptly and effectively. The plan also sets out the criteria to identify the status of the crisis and defines the roles and responsibilities of the people involved so that they can immediately take the appropriate measures and ensure that the company bodies are informed. Moreover, the plan describes what happens when a normal operating situation deteriorates into an operating stress or crisis situation, based on trends in quantitative and/or qualitative indicators (internal or sector) that are monitored daily and the processes to manage the stress or crisis situation. It specifies which units are to be involved and what actions they are to take, as well as their responsibilities.

Liquidity risk is assessed by monitoring the accumulated balance of the daily situation each day, which is the most critical on the day before the debit of CartaSi transactions (made on the 15th of each month or if the 15th is a holiday, the next business day), considering the group's typical modus operandi. This process was introduced in May 2012 to allow the timely intervention when a cardholder's liquidity position worsens. The results of this process are included in the weekly preparation of the relevant indicator. Once a day, the risk management unit performs a simulation based on the same stress situations applied to the weekly monitoring. It calculates the run-off ratios for the different on demand items related to the "critical" category using the compound interest method and recalculates the accumulated balance in a stress situation, being the sum of the balance in a non-stress situation and outflows required in a stress situation.

Once a week, the risk management unit checks the net accumulated balance of the positions falling due (using the closing positions every Tuesday evening), including the group companies' expected cash flows, applying the method indicated by Bank of Italy. The net accumulated balance of the positions falling due is calculating considering the inflows and outflows expected during the different "due" categories (11, which go from one day to four months). The schedule also includes data about forecast unrecorded flows or future flows the exact amount of which are not known, such as those related to CartaSi's issuing and acquiring activities. The risk management unit then sends Bank of Italy a liquidity report once a week.

The treasury and finance unit monitors and checks cash flows and estimates their trends during a business day. The intraday liquidity risk relates to the time mismatch between incoming and outgoing payment flows (the latter have different daily cut-offs). In order to mitigate these risks, the regulators require that banks have an appropriate intraday reserve (consisting of eligible, readily convertible into cash securities) to cover their obligations (specific risk) or the sudden illiquidity of markets or bankruptcy of a counterparty in the settlement system (sector risk). Accordingly, the parent has securities (CCT Italian treasury credit certificates and eligible bank bonds) as its intraday reserve for an amount deemed suitable to cover its specific operating needs based on an estimate of the intraday cash outflows.

The treasury and finance unit also closely monitors the group's liquidity held in an account with the Italian central bank so as to cover its commitments arising from target movements.

The TIT system

The liquidity risk governance and management tools used by the group include the TIT system (internal transfer of funds system), introduced to comply with the provisions of Bank of Italy Circular no. 263 (title V, chapter 2, section IV). As the group's only bank, ICBPI S.p.A. has used this system since 2012.

LCR/NSFR

In 2010, the group introduced the assessment and analysis procedures to make its monitoring of liquidity consistent with the requirements of the Basel Committee specified in the "International framework for liquidity risk measurement, standards and monitoring" as well as the additional guidance and regulations issued by the control bodies and authorities (e.g., the CRR Regulation and the CRD IV Directive issued by the European Commission to implement the Basel Committee's indications at EU level).

These requirements introduced, inter alia, two ratios to measure liquidity, the LCR (liquidity coverage ratio) and NSFR (net stable funding ratio). They are used to monitor short-term liquidity (one month) and structural liquidity (one year), respectively. Starting from 31 December 2011 and as part of the QIS (quantitative impact study), the group has sent Bank of Italy half yearly reports showing the results of its calculation of the LCR using its financial reporting data.

The group's liquidity position remained within the risk limits set by its current liquidity policy in 2014 and, indeed, the regulatory ratio established by Basel 3 (LCR) was complied with, being better than the established values. At year end, the amount of the reserves of eligible liquid assets with the various central banks amounted to €3,128 billion, of which €2,643 billion available immediately (net of haircuts) and not used.

Liquidity and risk appetite framework

Liquidity is one of the factors included in the risk appetite framework (RAF) and is considered to be one of the most important for the group. Its inclusion is justified by the importance in managing liquidity in the current market situation and given the specific nature of the cash inflows and outflows generated by the group's business.

The RAF defines the following two liquidity parameters, both obtained from the weekly monitoring of liquidity in accordance with Bank of Italy's instructions:

- number of expected overruns compared to the materiality threshold (the threshold, in terms of net cash flows, over which an expected overrun is considered material to calculate the parameter);

- expected minimum cash horizon (days left until the nearest overrun limit above the materiality threshold).

These parameters are checked once a quarter by combining the weekly monitoring results and the following appropriate levels are defined for each one:

- risk target, the optimum risk level for the group;

- risk trigger, a warning that a threshold is about to be exceeded which requires corrective actions to be taken to avoid this;

- risk limit, the maximum risk level that the group intends to accept considering, inter alia, the market situation and existing regulatory constraints.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part E—Risks and related hedging policies

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
a.1 Government bonds	—	—	—	—	—	—	934,500	1,467,450	192	—
a.2 Other debt instruments	5	—	281	101	10,575	335	180	41,802	12,782	—
a.3 OEIC units	31,720	—	—	—	—	—	—	—	—	—
a.4 Financing to banks customers										
	479,839	—	106,211	—	—	—	—	—	—	122,975
	2,670,843	500,015	14	387,609	72,549		77,712	38,375	1,152	—
Liabilities										
b.1 Deposits and current accounts										
with banks	1,685,763	—	—	90,339	—	—	—	16,375	—	—
with customers	2,518,728	—	—	—	—	—	—	509	—	—
b.2 Debt instruments	—	—	—	—	—	—	—	—	—	—
b.3 Other liabilities	630,458		—	—	—	—	—	379	571	—
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal	—	184,082	228	4,174	71,347	57,366	5,004	6,811	15,431	—
long positions	—	521,101	149	4,176	30,030	57,366	5,775	7,287	15,613	—
short positions	—	—	—	—	—	—	—	—	—	—
C.2 Financial derivatives without exchange of principal long										
positions short positions	—	—	—	—	—	—	—	—	—	—
C.3 Deposits and financing to be received	—	—	—	—	—	—	—	—	—	—
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds long positions										
short positions	—	—	—	—	—	—	—	—	—	—
c.5 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
c.6 Financial guarantees received										
c.7 Credit derivatives with exchange of principle	—	—	—	—	—	—	—	—	—	—
long positions	—	—	—	—	—	—	—	—	—	—
short positions										
c.8 Credit derivatives without exchange of principle										
long positions										
short positions										

Currency: other

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 2 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
a.1 Government bonds	—	—	—	71	—	—	—	—	9	—
a.2 Other debt instruments	—	—	—	—	—	—	—	—	492	—
a.3 OEIC units	—	—	—	—	—	—	50	587	—	—
a.4 Financing to banks	83,987	—	42	3,673	—	86	—	—	—	—
customers	26,977	—	—	—	—	—			—	—
Liabilities										
b.1 Deposits and current accounts with banks										
With customers	53,763	—	165	92	148	24	—	—	—	—
b.2 Debt instruments	384,040	—	—	—	—	—	—	—	—	—
b.3 Other liabilities	11,230	—	—	—	58	—	—	311	183	—
Off-statement of financial position transactions										
c.1 Financial derivatives with exchange of principal										
long positions	—	440,363	20,861	4,200	30,492	1,497	824	—	—	—
short positions	—	100,626	21,043	4,200	72,543	1,497	—	—	—	—
c.2 Financial derivatives without exchange of principal										
long positions	952	—	—	—	—	—	—	—	—	—
short positions	186	—	—	—	—	—	—	—	—	—
c.3 Deposits and financing to be received	—	34,428	—	—	—	—	—	—	—	—
long positions	—	34,428	—	—	—	—	—	—	—	—
short positions										
c.4 Irrevocable commitments to disburse funds										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
c.5 Financial guarantees issued										
c.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
c.7 Credit derivatives with exchange of principle	—	—	—	—	—	—	—	—	—	—
long positions										
short positions										
c.8 Credit derivatives without exchange of principle										
long positions										
short positions										

2. On-statement of financial position committed assets

	Committed		Uncommitted			
	CA	FV	CA	FV	Total at 31/12/2014	Total at 31/12/2013
1. Cash and cash equivalents	—	X	536	X	536	186,512
2. Debt instruments	1,042,414	1,042,052	1,520,948	1,520,948	2,563,362	2,585,885
3. Equity instruments	—	—	4,865	2,671	4,865	4,254
4. Financing	343,739	X	4,118,175	X	4,461,914	4,573,566
5. Other financial assets	—	X	146,421	X	146,421	143,955
6. Non-financial assets	—	X	858,847	X	858,847	881,668
Total	**343,739**		**6,649,792**	**1,523,619**	**8,035,944**	**8,375,839**

Key

FV= fair value

CA = carrying amount

Part E—Risks and related hedging policies

3. Off-statement of financial position committed group assets

	Committed	Uncommitted	Total at 31/12/2014	Total at 31/12/2013
1. Financial assets	—	874,785	874,785	642,782
—Securities				
—Other	—	—	—	
2. Non-financial assets	—	—	—	
Total	**—**	**874,785**	**874,785**	**642,782**

1.4 Banking group—OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of operational risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors. This risk includes losses caused by fraud, human error, business discontinuity, system breakdowns, contractual defaults and natural disasters. It also comprises legal risk (which includes money laundering risk) but not strategic or reputational risk.

Operational risk is characterised by cause-effect relationships whereby if one or more trigger events occur, this leads to a detrimental event which is directly linked to an economic loss. Therefore, an operating loss is the result of negative economic effects created by operating events, recorded by the group and that affect its profit or loss.

Operational risks include a wide range of risks that can adversely affect the services offered by the group, 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 main characteristic of these risks is that they are inherent to the group's business and are, therefore, unavoidable and omnipresent. This implies that, unlike credit and market risk, they are not taken on as part of a strategic decision but are identified, estimated and monitored to contain their impact and decrease their frequency. In order to measure the group's exposure to operational risks and the effects of any mitigating actions, the group has to combine the qualitative and quantitative information.

The group manages its operational risks through specific insurance policies and through:

- a suitable internal organisation with defined duties and responsibilities, ensuring the segregation of duties between the control and operating units;
- adoption of first level controls for each process in order to:

  monitor their correct performance;

  promptly identify any irregularities and, if necessary, introduction of timely remedial actions;

  identify technical-organisational defects and ensure their timely analysis and correction;

- introduction of a code of ethics for employees;
- internal regulations;
- a risk control self-assessment (RCSA);
- a loss data collection (LDC) process;
- specific monitoring tools for CartaSi's e-money business operational risks;

- specific computer risk controls.

The main procedures for ensuring that the operational risk is managed correctly by the risk management unit are listed below:

- definition and updating of the operational risk management methods;
- second level controls over operational risk management;
- collection and analysis of operating loss data by type of event and business segment;
- definition of specific risk indicators and escalation proposals;
- performance and coordination of the RCSA;
- assistance with identification of operational risks inherent in new services/products during the design stage;
- appointment of an internal reference person to design and monitor the information safety management system;
- preparation of periodic reports or reports on specific events to general management, the control bodies and the internal audit and compliance units;
- annual valuation of the assessment framework for operational risks related to retail payment systems, carried out with the payment unit as per the Italian central bank's instructions in the relevant regulations.

The group 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 operational risk policy sets out the general risk governance principles, the aims, methods and tools adopted. It also describes the processes and methods used and specifies the activities to manage operational risks:

- classification of assets in the regulatory business lines;
- collection and filing of loss data;
- assessment of exposure to operational risks;
- reporting;
- formalisation and assignment of responsibilities.

The operational risk policy also sets out the operational risk governance framework with precise instructions about its fundamental elements:

- identification;
- measurement;
- monitoring and reporting;
- management.

The operational risk framework includes the governance, identification and information system stages and is structured to adopt identification and assessment methods in line with market best practices. Its structure is also in line with the regulations for adoption of the TSA (traditional standardised approach).

As part of this operational risk management (ORM) framework, the risk control self-assessment (RCSA) process is used for the ex ante identification of operational risks to collect information and subjective estimates about operational risks.

The RCSA process was formalised in the group's publication of its regulation, which specify the activities, roles and methods used.

The RCSA is part of the ongoing monitoring of operational risks. It is designed to ensure ongoing awareness of risks managed or to be managed and is performed not only annually but also when there are significant variations in the group's organisation or business. The model to assess the effects of operating events on the group's reputation is made of the RCSA method.

The assessment identifies activities potentially exposed to losses triggered by operational risk events. In particular, the following factors are considered:

- description and objectives of the reference process or business segment;
- primary applications used, suppliers and outsourcers;
- internal and external regulations;
- description and classification of risks using a model that identifies the risk event (event type), the possible risk factors (risk drivers) and potential types of losses (loss type);
- assessment of the expected risk in terms of its impact and how often the event may happen in 12 months, which considers the effectiveness of the existing controls and any scheduled operating changes that could affect the expected risk profile;
- assessment of the worst impact should an event occur in a difficult market situation (infrequent events);
- assessment of the overall level and effectiveness of the existing controls;
- overall assessment of the expected riskiness of the process on four increasing levels (1-low; 2-medium/low; 3-medium/high; 4-high) and any effects on the group's reputation of identified operational risk events.

With respect to operational risks from level 3-medium/high up, the manager of the relevant unit is required to immediately activate an assessment and plan the controls necessary to return the risk to the acceptable level.

Planning and development of the controls are subjected to follow-up processes through their inclusion in a tableau de bord and are monitored by the control units (risk management, compliance and internal audit), which check all the actions taken to improve the internal controls. The findings of the monitoring process are assembled once a quarter and communicated regularly to the general management, the board of statutory auditors, the internal controls committee and the board of directors to provide a complete picture of the main critical issues the group is exposed to and the status of the remedial actions taken or to be implemented.

The group is fully conscious that, as well as affecting its results, loss-generating events may significantly damage its reputation and standing. Therefore, it has a management system in place to minimise the effects which relies on a method to identify, measure and mitigate them in qualitative and quantitative terms. This system identifies the risk of both actual losses and potential risk.

The loss data collection process is a key part of the operational risks management system because it both guarantees an understanding of the most significant loss factors over time and provides statistics useful to better analyse identified risks. Moreover, the identification and measurement of potentially risky activities allows the group to monitor and identify over time the most risky factors and to intervene to remove the reasons and/or strengthen its controls.

The LDC process is based on the LDC method approved as part of the operational risk policy and its objective is to estimate the value of an economic effect generated by an operating event, caused by one or more risk factors. The information is the result of a relationship between different factors: the event, the risk factor and the effect. An analysis of this relationship is essential to correctly forecast the losses generated by operational risks and to measure the risks.

Losses used for the loss data collection are those that directly affect the group's profit or loss and are not due to commercial policies or the offsetting of costs and revenues. The general principles underlying the LDC are:

- the range of loss events to be assessed (in terms of processes, business lines and companies);
- the accuracy of the information;
- the timeliness and continuity of the data collection.

Injurious events are identified by the reference unit manager promptly when they take place. Accordingly and in order to allow a complete analysis of the operational risks, the loss data collection also includes negative events that took place but did not lead to actual losses ("near losses").

The operating details and methods to collect loss data are set out in the Loss data collection—management methods and processes for the ICBPI group, which is an integral part of the Operational risk management policy.

A fundamental operational risk mitigation tool is the business continuity and disaster recovery plan, which is revised annually as required by the supervisory instructions about internal controls. Bank of Italy extended the concept of business continuity to all critical "business processes", not just the technological component but all the factors (human resources, logistics, essential services, etc.) that assist the mitigation of operational risks in new crisis situations.

Business continuity includes all those measures designed to reduce to an acceptable level the damage caused by accidents or catastrophes that could directly or indirectly affect the group while the disaster recovery plan sets out the technical and organisational methods to resolve events that cause the unavailability of data processing centres. It is designed to ensure that the important IT procedures can continue to be performed at alternative sites.

Part F—EQUITY

Section 1—Equity

A. QUALITATIVE DISCLOSURE

The figure available for allocation purposes is the regulatory capital. Under this approach, the supervisory regulations represent the minimum restriction. Specifically, the group's equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main capital management tool against unexpected losses arising from the various risks (credit, market and operational) taken on by banks. Equity availability is therefore an indispensable tool supporting the group's development plans.

In accordance with internal procedures, the relevant departments regularly monitor the group'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 ICBPI Group should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, the group forecasts the related effects on equity and their suitability.

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

Part F—EQUITY

B. QUANTITATIVE DISCLOSURE

B.1 Equity: breakdown by type of entity

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	46,387				46,387
Share premium	148,410				148,410
Reserves					
—income-related	576,921				576,921
a) legal					—
b) statutory					—
c) treasury shares					—
d) other	10,848				10,848
—other					—
Equity instruments					—
(Treasury shares)	−32				−32
Valuation reserves					—
—Available-for-sale financial assets	34,016				34,016
—Property, equipment and investment property					—
—Intangible assets					—
—Hedges of investments in foreign operations					—
—Cash flow hedges					—
—Exchange rate gains (losses)					—
—Non-current assets held for sale					—
—Net actuarial losses on defined benefit pension plans	−4,862				−4,862
—Share of valuation reserves of equity- accounted investees					—
—Special revaluation laws	46,222				46,222
Profit for the year	99,607				99,607
Equity	**957,517**	**—**	**—**	**—**	**957,517**

B.2 Fair value reserves (AFS financial assets): breakdown

	Banking group		Insurance companies		Other companies		Eliminations and consolidation adjustments		Total	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	31,979								31,979	—
2. Equity instruments	2,037								2,037	—
3. OEIC units									—	—
4. Financing									—	—
31/12/2014	**34,016**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**34,016**	**—**
31/12/2013	**32,802**	**−52**	**—**	**—**	**—**	**—**	**—**	**—**	**32,802**	**−52**

B.3 Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**31,311**	**1,440**	**—**	
2. Increases				
2.1 Fair value gains	—	597	—	
2.2 Reclassification of fair value losses to profit or loss:	—	—	—	
due to impairment	—	—	—	
on sale	—	—	—	
2.3 Other increases	667	—	—	
3. Decreases				
3.1 Fair value losses	—	—	—	
3.2 impairment losses	—	—	—	
3.3 Reclassification of fair value gains to profit or loss:	—	—	—	
on sale				
3.4 Other decreases	—	—	—	
4. Closing balance	**31,979**	**2,037**	**—**	

B.4 Actuarial reserves: changes

The actuarial reserve solely refers to the Italian post-employment benefits vested before 1 January 2006. As there are no plan assets, the reserve only includes the actuarial gains or losses on the liability, which changed as follows:

			Reserve	
	Gross actuarial losses	Income taxes	Total	including attributable to the owners of the parent
Opening balance	**−1,557**	**333**	**−1,224**	**−1,136**
Actuarial gains	—	—	—	—
Actuarial losses	−5,084	1,445	3,639	−3,500
Closing balance	**−6,640**	**1,778**	**−4,863**	**−4,636**

Section 2—Own funds and ratios

2.2—BANK OWN FUNDS

A. QUALITATIVE DISCLOSURE

As of 1 January 2014, banking groups are required to comply with the new minimum capital requirements in relation to risk-weighted assets. The requirements will be progressively increased up to the levels established for 2019, when the transitory regime will end. A capital conservation buffer will be gradually phased in between 1 January 2016 to the end of 2018 in order to reach the target level of 2.5% in 2019.

The banks' total regulatory capital is the sum of the following:

Tier 1 capital, comprising common equity Tier 1 and additional Tier 1.

Tier 2.

Part F—EQUITY

B. QUANTITATIVE DISCLOSURE

	31/12/2014	31/12/2013
A. Common Equity Tier 1 (CET1) before application of prudential filters	861,129	824,138*
including CET 1 instruments covered by the transitional measures		
B. CET1 prudential filters (+/−)		
C. CET1 including the elements to be deducted and the effects of the transitional regime (A+/−B)	861,129	824,138*
D. Elements to be deducted from CET1	−213,951	−190,780*
E. Transitional regime—Impacts on CET1 (+/−) including non-controlling interests subject to transitional measures	−30,193	−62,807*
F. Total Common Equity Tier 1 (Common Equity Tier 1—CET1) (C−D +/− E)	616,986	570,552*
G. Additional Tier 1 (AT1) gross of elements to be deducted and the effects of the transitional regime		
including AT1 instruments covered by the transitional measures		
H. Elements to be deducted from AT1		
I. Transitional regime—Impacts on AT1 (+/−), including the instruments issued by the consolidated entities and included in AT1 due to transitional measures		
L. Total Additional Tier 1 (AT1) (G−H +/− I)		
M. Tier 2 (T2) including the elements to be deducted and the effects of the transitional regime		
including T2 instruments covered by the transitional measures		
N. Elements to be deducted from T2		
O. Transitional regime—Impacts on T2 (+/−), including the instruments issued by the consolidated entities and included in T2 due to transitional measures	15,989	16,376*
P. Total Tier 2 (T2) (M−N+/−O)	15,989	16,376*
Q. Total own funds (F + L + P)	632,975	586,927*

* The 2013 figures were calculated under the then effective Basel II regulations and, therefore, are not comparable with those of the current year to which the new Basel III regulations have been applied.

Up until the independent auditors issue their audit report on the 2014 financial statements, own funds at 31 December 2014 will not include the portion of profit allocated to reserves accrued in the second half of the year.

2.3 CAPITAL ADEQUACY

A. QUALITATIVE DISCLOSURE

The ICBPI Group's own funds exceed those provided for by the regulatory requirements.

B. QUANTITATIVE DISCLOSURE

	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
A. EXPOSURES				
A.1 Credit and counterparty risk				*
1. Standardised method	9,244,328	9,208,848	1,816,836	1,384,249
2. IRB approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				*
B.1 Credit and counterparty risk			145,347	110,740
B.2 Credit valuation adjustment risk			101	
B.3 Regulation risk				
B.4 Market risk				*
1. Standard method				
2. Internal models			1,175	896
3. Concentration risk				
B.5 Operational risk				*
1. Basic method			112,914	66,164
2. Standardised method				*
3. Advanced method				*
B.6 Other calculation elements			112,914	66,164
B.7 Total prudential requirements			372,451	243,963
C. EXPOSURES AND CAPITAL RATIOS				*
C.1 Risk-weighted assets			4,655,635	3,049,541*
C.2 CET 1 capital /risk-weighted assets (CET1 capital ratio)			13.25%	18.71%*
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			13.25%	18.71%*
C.3 Total own funds/risk-weighted assets (Total capital ratio)			13.60%	19.25%

* the 2013 figures were calculated under the then effective Basel II regulations and, therefore, are not comparable with those of the current year to which the new Basel III regulations have been applied.

Part G—BUSINESS COMBINATIONS

Section 1—Transactions carried out during the year

The following business units were acquired during the year:

- "Transfer Agent, Settlement e Reporting" business unit from Symphonia Sgr
- "Back Office Collective Clienti" business unit from Anima Sgr.

These business units comprise assets, liabilities and contracts with the selling fund management companies' pension funds or pension funds to which the sellers provided services. Given the nature of the assets and liabilities comprising the business units, there was no need to change their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part G—BUSINESS COMBINATIONS

C-Card acquisition

As mentioned in the directors' report, on 30 April 2014, CartaSi acquired the entire share capital of C-Card.

As the transaction is a business combination from a reporting perspective, it has been accounted for in accordance with IFRS 3.

It had the following effects on the consolidated financial statements:

- the difference between the transaction date fair value of the investee's net assets (including profit or loss for the period) and the carrying amount of the investment in C-Card S.p.A. was fully allocated to intangible assets with finite lives, i.e., customer relationships acquired in the business combination. The useful life of the asset is five years and its carrying amount at the reporting date is €3,631 thousand;

- the profit or loss of C-Card have been consolidated as from 30 April 2014.

Unicard acquisition

As mentioned in the directors' report, on 4 November 2014, CartaSi acquired the entire share capital of Unicard S.p.A.

As the transaction is a business combination from a reporting perspective, it has been accounted for in accordance with IFRS 3.

It had the following effects on the consolidated financial statements:

- the difference between the transaction date fair value of the investee's net assets (including profit or loss for the period) and the carrying amount of the investment in Unicard (€396 thousand) was fully allocated to goodwill;

- the profit or loss of Unicard have been consolidated as from 4 April 2014.

ICCREA business unit acquisition

The group acquired the depository service business unit from ICCREA during the year. This led to the recognition of intangible assets of €21,603 thousand, being the difference between the total consideration paid and the fair value of the acquired assets/liabilities. The business unit comprises assets, liabilities and depository service contracts with the funds for which ICCREA acted as the depository bank.

The intangible asset recognised as a result of the transaction is the consideration paid to take over the depository service contracts and, also considering the contractual guarantees, it has been attributed a useful life of ten years.

Given the nature of the assets and liabilities comprising the business units, there was no need to change their carrying amounts.

Part H—RELATED PARTY TRANSACTIONS

1. Fees of key management personnel

The fees paid by the ICBPI Group to its directors and key management personnel as defined in part 2, are set out below.

	2014
Directors	3,340
Other key management personnel and members of supervisory committees	9,242
Total	**12,582**

2. 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 ICBPI Group identified the following related parties:

- associates, i.e. those companies over which the parent directly or indirectly exercises significant influence, as defined by IAS 28;

- key management personnel and members of supervisory bodies, as well as their close family members and companies over which they exercise control or significant influence;

- pension funds for the group employees and their related parties;

- companies that exercise significant influence over ICBPI.

The effects of transactions carried out with the related parties identified above are summarised in the following table.

The effects and balances of transactions with subsidiaries are not included as they are eliminated upon consolidation. The other related party transactions are part of the ordinary banking activities and are usually carried out on an arm's length basis.

RELATED PARTY TRANSACTIONS

(€'000)	Total	Other related parties	Directors, managers and members of supervisory bodies
120. Property, equipment and investment property	173,120	520	
130. Intangible assets	169,926	1,384	
160. Other assets	464,932	2,691	
10. Due to banks	2,502,500	16,831	
20. Due to customers	3,099,540	—	1,032
100. Other liabilities	1,362,733	24,946	
10. Interest and similar income	93,265	1	1
20. Interest and similar expense	24,416	5	
40. Fee and commission income	1,033,772	2,538	
50. Fee and commission expense	673,307	10,091	
180. Administrative expenses	524,313	82,534	12,582
220. Other net operating income	288,647	3,119	

The transactions are 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.

Part I—SHARE-BASED PAYMENTS

None.

Part L—SEGMENT REPORTING

Segment reporting complies with IFRS 8, which did not lead to substantial changes in the identification of the operating segments and reporting to management when introduced, compared to the previous requirements of IAS 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part L—SEGMENT REPORTING

Segment reporting is consistent with the group's organisational and industrial structure in 2014, in line with its business plan and as required by its regulation.

Reporting by geographical segments is not included as the group operates only in Italy and the breakdown of assets, liabilities, revenue and costs by geographical segment was meaningless.

Reporting by business segment includes, in order of importance, the segments that may be identified within the group's organisation and specifically:

E-money

It comprises CartaSi, Unicard and Help Line and its integrated activities are as follows:

- financial and operating services relating to the issue and acceptance of payment cards and related management services;
- payment card terminal management (POS and ATM).

Payments

It comprises an operating division of the parent, which carries out the following integrated activities:

- banking payment services and related back-office services for banks, companies and bodies;
- interbank payment systems for companies and bodies and related management services and e-banking;
- IT and computer-based services relating to payment systems.

Securities services

It comprises an operating division of the parent, which carries out the following integrated activities:

- securities custody and administration services;
- fund services;
- investment and investment-related services for qualified parties and professional customers.

Application outsourcing and innovative services

It comprises Oasi, which carries out the following integrated activities:

- IT systems for supervisory reporting and management systems;
- anti-money laundering, safety and internal control systems;
- development and provision of training courses.

Other group activities

This segment manages the activities that are not carried out by the parent's business units. Specifically:

- credit and financial activities for the relevant business segments;
- property management;
- equity investment management;

- group management and coordination;
- other activities of the consolidated companies.

A.1 Breakdown by business segment: income statement

The results of operations for 2014 of each of the above business segments are set out below.

2014 CONSOLIDATED FINANCIAL STATEMENTS: SEGMENT REPORTING

(€'000)	E-money	Payments	Securities services	Application outsourcing	Other group activities	Consolidation adjustments	Consolidated financial statements
Net fee and commission income and revenue from services	438,214	83,702	49,794	26,697	93	−3,466	595,034
Net interest income (expense)	−8,256	3,318	7,402	−17	67,503	−44	69,907
Net trading/hedging income (expense)	−442	—	5,241	—	206	—	5,004
Dividends from equity investments and AFS financial assets	11	—	—	—	405	—	416
Operating revenue	**429,527**	**87,020**	**62,437**	**26,681**	**68,206**	**−3,509**	**670,361**
Personnel expense	−55,970	−13,001	−17,233	−7,941	−40,237	68	−134,313
Production costs	−80,848	−10,947	−3,897	−4,601	−213	288	−100,219
ICT costs	−127,030	−25,096	−17,188	−4,599	−8,462	11,853	−170,521
General expenses	−33,624	−8,383	−5,999	−2,538	−22,934	13,613	−59,864
Administrative expenses	**−297,472**	**−57,427**	**−44,316**	**−19,679**	**−71,845**	**25,822**	**−464,917**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−19,412	−1,601	−933	−3,331	−2,472	−68	−27,817
Other operating income (expense), net	552	−10,186	−9,619	188	46,828	−22,453	5,309
Net operating imp. losses and accruals	−12,926	−2,317	−200	−15	155	—	−15,302
Operating costs	**−329,258**	**−71,531**	**−55,068**	**−22,838**	**−27,334**	**3,301**	**−502,727**
Operating profit	**100,269**	**15,489**	**7,369**	**3,843**	**40,872**	**−208**	**167,634**
Net gains on equity investments and AFS financial assets							221
Other items							−10,634
Pre-tax profit for the year							**157,222**
Income taxes							−57,615
Profit attributable to non-controlling interests							−3,257
Profit attributable to the owners of the parent							**96,350**

Net interest income (expense) is the business segments' contribution to the group's net interest income resulting from the sum of realised interest income and expense recognised in the accounting system and unrealised interest calculated as part of the planning and control system, using the cash-pooling method based on internal transfer rates.

A breakdown of operating revenue arising from transactions with third party customers and other business segments of the same entity by operating segment is set out below for better disclosure purposes.

2014 CONSOLIDATED FINANCIAL STATEMENTS: OPERATING REVENUE

(€'000)	E-money	Payments	Securities services	Application outsourcing	Other group activities	Group total
E-money		3,867	—	1,040	13,581	18,488
Payment	−3,762		—	192	—	−3,570
Securities services	—	—		1,010	—	1,010
Application outsourcing	—	51	—		10	61
Other group activities	−13,524	—	—	1,045		−12,480
Operating revenue—other operating segments	**−17,286**	**3,917**	**—**	**3,287**	**13,591**	**3,509**
Third party customers	446,813	83,102	62,437	23,394	54,615	670,361
Total operating revenue	**429,527**	**87,020**	**62,437**	**26,681**	**68,206**	**673,871**

Reconciliation between the management accounts and the consolidated financial statements

Segment reporting is consistent with the group planning and control system's principles and operating procedures defined by the central planning and control (P&C) department and approved by group management, whose aim is to ensure consistent management reporting among the various group operations and structures.

This system is based on the general criteria of tracing management data and reports to the general accounting records. Considering the characteristics of the parent, which is required to prepare consolidated financial statements, the group's management account income statement is presented with the general classification used in the financial statements of banking groups.

In order to improve management reporting of the group's operations and performance, as an exception to the above-mentioned general criteria of tracing management figures to those of the separate and consolidated financial statements, the P&C system sets out certain grouping rules for data that are dissimilar from those of the general accounts. The main differences in data grouping relate to the following:

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the provision of services (non-banking/financial) that are part of the operating segments' core business, is presented under Net fee and commission income and revenue from services in the management accounts;

- expense classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to royalties and/or selling costs, is presented under Net fee and commission income and revenue from services in the management accounts;

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the recovery of expenses, is presented in the caption to which the expense refers in the management accounts;

- income classified in Fee and commission income (caption 40 of the consolidated financial statements), relating to items subject to IFRIC 13, which establishes the accounting treatment to be applied by entities that grant awards under customer loyalty programmes relating to the purchase of goods or services and requires that the consideration for the obligation arising from granting the award be separated from sales revenue and deferred up to when the obligation with the customers is settled, is presented under Production costs in the management accounts;

- gains and losses relating to impairment losses/reversals of impairment losses on the equity portion of the AFS and HTM portfolios and classified in Net impairment losses (captions 130b and 130c of the consolidated financial statements) are presented under Gains (losses) on equity investments and AFS financial assets in the management accounts;

- profits relating to the bond portion of the AFS portfolio and classified in Profit (loss) on sale or repurchase of AFS financial assets (caption 100b of the consolidated financial statements) are presented under Profit on securities and exchange rate gains in the management accounts;

- income and expense relating to prior year items, classified in the caption that generated them in the financial statements of banks and financial companies, are presented under Other operating income (expense) in the management accounts;

- dividends collected on equity instruments included in the trading portfolio, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Profits on securities and exchange rate gains in the management accounts;

- fees paid to directors and statutory auditors, classified in Personnel expense (caption 180a of the consolidated financial statements), are presented under General expenses in the management accounts;

- gains and losses relating to interest rate hedging derivatives are presented under Net interest income (expense) in the management accounts even when they do not formally meet the requirements for recognition as such and are, therefore, classified in Net trading income (expense) in the consolidated financial statements (caption 80);

- accruals relating to the remuneration of employees, classified in Net accruals to provisions for risks and charges (caption 190 of the Consolidated financial statements), are presented under Personnel expense in the management accounts;

- consolidation entries relating to dividends distributed by non-group companies that are accounted for using the equity method, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Gains (losses) on equity investments and AFS financial assets in the management accounts;

- income and expense that, based on supporting evidence, relate to extraordinary and/or non-recurring events for the ICBPI Group are presented under Other items in the management accounts, even if they are classified in other captions in the general accounting system;

- Other administrative expenses (caption 180b of the consolidated financial statements) are classified as expenses relating to the production of offered services, ITC service costs or general expenses and presented in the related caption of the management accounts, in order that the group companies present operating costs consistently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part L—SEGMENT REPORTING

The group's income statement included in the management accounts is set out below, with a reconciliation of its captions to those of the consolidated financial statements:

ICBPI Group

(€'000)	Management accounts	Reconciliation (cons. f/s—mngmt. accounts)	Consolidated financial statements	Cons. financial statements caption
Management account captions				
Net fee and commission income and revenue from services	595,034	−234,569	360,465	60
Net interest income (expense)	69,907	−1,058	68,849	30
Net trading/hedging income	5,004	−5	4,999	80 - 90
Dividends from equity investments and AFS financial assets	416	−151	265	70
Operating revenue	**670,361**	**−235,783**	**434,578**	**sum**
Personnel expense	−134,313	−5,835	−140,148	180a
Other administrative expenses(*)	−330,604	−53,561	−384,165	180b
Administrative expenses	**−464,917**	**−59,396**	**−524,313**	**sum**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−27,890	−8,628	−36,518	200 - 210
Other operating income	5,309	283,338	288,647	220
Net operating imp. losses and accruals	−15,302	7,957	−7,345	130 - 190
Operating costs	**−502,801**	**223,272**	**−279,529**	**sum**
Operating profit	**167,561**	**−12,512**	**155,049**	**sum**
Net losses on equity investments and AFS financial assets	221	2,163	2,384	100 - 240
Other items	−10,560	10,560	—	other captions
Pre-tax profit for the year	**157,222**	**—**	**157,433**	**sum**
Income taxes	−57,615	−211	−57,826	290
Profit attributable to non-controlling interests	−3,257	—	−3,257	330
Profit attributable to the owner of the parent	**96,350**	**—**	**96,350**	**sum**

(*) Sum of the "Production costs", "ICT costs" and "General expenses" management account captions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Part L—SEGMENT REPORTING (Continued)

A.2 Breakdown by business segment: statement of financial position

	E-money		Payments		Application outsourcing		Securities services		Other group activities	
(€'000)	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/
ASSETS										
Loans and receivables with banks	29,672	138,993	—	—	1,902	352	17,599	105,905	568,042	88
Loans and receivables with customers	2,447,155	2,528,185	203,561	11,555	—	—	952,880	106,355	1,688,800	2,16
Financial assets	2,622	2,048	—	—	—	—	17,673	8,836	2,580,567	2,60
Equity investments	3,500	—	—	—	—	—	1,250	1,250	489,586	49

	E-money		Payments		Application outsourcing		Securities services		Other group activities	
(€'000)	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/
LIABILITIES										
Due to banks	1,951,168	2,079,852	—	—	—	—	28,563	31,886	1,960,199	1,38
Due to customers	25,381	22,849	689,515	289,344	—	—	2,283,518	2,726,100	107,659	1,05

Audited consolidated financial statements of ICBPI Group
for the year ended 31 December 2013

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Independent Auditors' report

To the shareholders of
Istituto Centrale delle Banche Popolari Italiane S.p.A.

1 We have audited the consolidated financial statements of the Istituto Centrale delle Banche Popolari Italiane Group as at and for the year ended 31 December 2013, comprising the statement of financial position, income statement, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements 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. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management board. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 11 April 2013 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Istituto Centrale delle Banche Popolari Italiane Group as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Istituto Centrale delle Banche Popolari Italiane Group as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

Milan, 11 April 2014

KPMG S.p.A.

Roberto Fabbri
Director of Audit

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(€'000)		31/12/2013		31/12/2012	
ASSETS					
10.	**Cash and cash equivalents**		**186,512**		**181,252**
20.	**Financial assets held for trading**		**10,660**		**244,070**
40.	**Available-for-sale financial assets**		**2,518,063**		**1,930,284**
50.	**Held-to-maturity investments**		**91,861**		**107,597**
60.	**Loans and receivables with banks**		**1,043,795**		**1,724,592**
70.	**Loans and receivables with customers**		**3,533,355**		**3,152,445**
100.	**Equity investments**		**109,190**		**114,102**
120.	**Property, equipment and investment property**		**171,182**		**167,619**
130.	**Intangible assets**		**143,897**		**149,392**
	including goodwill	77,331		77,331	
140.	**Tax assets**		**71,759**		**61,300**
	a) current	21,298		1,524	
	b) deferred	50,461		59,776	
160.	**Other assets**		**495,563**		**539,942**
	Total assets		**8,375,837**		**8,372,595**
LIABILITIES					
10.	**Due to banks**		**2,219,943**		**3,162,271**
20.	**Due to customers**		**4,008,594**		**3,100,604**
30.	**Securities issued**		**10,025**		**10,018**
40.	**Financial liabilities held for trading**		**7,138**		**29,050**
80.	**Tax liabilities**		**48,062**		**48,663**
	a) current	7,804		14,981	
	b) deferred	40,258		33,682	
100.	**Other liabilities**		**1,140,571**		**1,145,623**
110.	**Post-employment benefits**		**19,471**		**21,575**
120.	**Provisions for risks and charges**		**46,085**		**54,273**
	a) pension and similar obligations	1,038		1,178	
	b) other provisions	45,047		53,095	
140.	**Valuation reserves**		**77,760**		**58,668**
170.	**Reserves**		**507,802**		**433,765**(*)
180.	**Share premium**		**148,242**		**148,242**(*)
190.	**Share capital**		**42,557**		**42,557**
200.	**Treasury shares (−)**		**−32**		**−32**
210.	**Equity attributable to non-controlling interests (+/−)**		**26,433**		**26,267**
220.	**Profit for the year (+/−)**		**73,186**		**91,051**(*)
	Total liabilities and equity		**8,375,837**		**8,372,595**

(*) Restated figures following the retrospective application of IAS 19.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(€'000)			2013		2012
INCOME STATEMENT					
10.	**Interest and similar income**		**102,923**		**121,127**
20.	**Interest and similar expense**		**−25,787**		**−34,125**
30.	**Net interest income**		**77,136**		**87,002**
40.	**Fee and commission income**		**1,017,682**		**978,884**
50.	**Fee and commission expense**		**−678,014**		**−621,803**
60.	**Net fee and commission income**		**339,668**		**357,081**
70.	**Dividends and similar income**		**968**		**188**
80.	**Net trading income**		**4,144**		**9,570**
100.	**Net profit on sale or repurchase of:**		**3,739**		**115**
	b) available-for-sale financial assets		3,104		115
	c) held-to-maturity investments		635		—
120.	**Total income**		**425,655**		**453,956**
130.	**Net impairment losses on:**		**−7,216**		**−6,730**
	a) loans and receivables	−4,133		−2,777	
	b) available-for-sale financial assets	−2,895		−3,953	
	d) other financial transactions	−188		—	
140.	**Net financial income**		**418,439**		**447,226**
180.	**Administrative expenses:**		**−503,583**		**−512,126**(*)
	a) personnel expense	−132,483		−129,028	
	b) other administrative expenses	−371,100		−383,098	
190.	**Net accruals to provisions for risks and charges**		**−2,130**		**−11,415**
200.	**Depreciation and net impairment losses on property, equipment and investment property**		**−20,052**		**−19,426**
210.	**Amortisation and net impairment losses on intangible assets**		**−12,913**		**−14,327**
220.	**Other net operating income**		**283,108**		**272,806**
230.	**Operating costs**		**−255,570**		**−284,488**
240.	**Share of losses of investees**		**−11,443**		**−6,940**
270.	**Net gains (losses) on sales of investments**		**−1**		**4**
280.	**Pre-tax profit from continuing operations**		**151,425**		**155,802**
290.	**Income taxes**		**−75,335**		**−60,314**(*)
300.	**Post-tax profit from continuing operations**		**76,090**		**95,488**
320.	**Profit for the year**		**76,090**		**95,488**
330.	**Profit for the year attributable to non-controlling interests**		**−2,904**		**−4,437**(*)
340.	**Profit for the year attributable to the owners of the parent**		**73,186**		**91,051**(*)

(*) Restated figures following the retrospective application of IAS 19.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of comprehensive income

(€'000)	2013	2012
Profit for the year	76,090	95,488(*)
Items, net of tax, that will not be reclassified subsequently to profit or loss		
40. Defined benefit plans	880	−982(*)
Items, net of tax, that will be reclassified subsequently to profit or loss		
100. Available-for-sale financial assets	18,293	38,712
130. Other comprehensive income, net of income taxes	**19,173**	**37,730**
140. Comprehensive income (captions 140 + 130)	**95,263**	**133,218**
150. Comprehensive income attributable to non-controlling interests	2,977	4,376
160. Comprehensive income attributable to the owners of the parent	**92,286**	**128,842(*)**

(*) Restated figures following the retrospective application of IAS 19.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity for the year ended 31 December 2012

						Changes for the year									
				Allocation of prior year profit			Equity transactions								
(€'000)	Balance at 31.12.2011	Change to opening balances	Balance at 1.1.2012	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	2012 comprehensive income	Equity attributable to the owners of the parent at 31.12.2012	Equity attributable to non-controlling interests at 31.12.2012
Share capital:															
a) ordinary shares	47,246	—	47,246	—	—	−1,142	—	—	—	—	—	—	—	42,557	3,546
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Share premium	148,692	—	148,692	—	—	−293	—	—	—	—	—	—	—	148,242	157
Reserves:															
a) income-related	380,523	1,122	381,645	64,424	—	−4,933	—	—	—				—	422,917	18,219
b) other	10,848	—	10,848	—	—	—	—	—	—	—	—	—	—	10,848	
Valuation reserves	21,967	−1,122	20,845	—	—	—	—	—	—	—	—	—	37,730	58,668	−92
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Treasury shares	−32	—	−32	—	—	—	—	—	—	—	—	—	—	−32	
Profit for the year	81,225	—	81,225	−64,424	−16,801	—	—	—	—	—	—	—	95,488	91,051	4,437
Equity attributable to the owners of the parent	659,796	—	659,796	—	−14,186	−201	—	—	—	—	—	—	128,842	774,250	
Equity attributable to non-controlling interests	30,672	—	30,672	—	−2,615	−6,166	—	—	—	—	—	—	4,376		26,267

The "Change to opening balances" column shows the effects of the retrospective application of the new IAS 19—Employee benefits.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity for the year ended 31 December 2013

(€'000)	Balance at 31.12.2012	Change to opening balances	Balance at 1.1.2013	Allocation of prior year profit		Changes for the year						
							Equity transactions					
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivativ treasur share
Share capital:											
a) ordinary shares	46,103	—	46,103	—	—	—	—	—	—	—	
b) other shares	—	—	—	—	—	—	—	—	—	—	
Share premium	148,399	—	148,399	—	—	—	—	—	—	—	
Reserves:	—		—								
a) income-related	441,136	—	441,136	75,655	—	—	—	—	—		
b) other	10,848	—	10,848	—	—	—	—	—	—	—	
Valuation reserves	58,576	—	58,576	—	—	—	—	—	—	—	
Equity instruments	—	—	—	—	—	—	—	—	—	—	
Treasury shares	−32	—	−32	—	—	—	—	—	—	—	
Profit for the year	95,488	—	95,488	−75,655	−19,834	—	—	—	—	—	
Equity attributable to the owners of the parent	774,250	—	774,250	—	−17,023	—	—	—	—	—	
Equity attributable to non-controlling interests	26,267	—	26,267	—	−2,811	—	—	—	—	—	

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows: indirect method

(€'000)	Amount 2013	Amount 2012
A. OPERATING ACTIVITIES		
1. Operations	**205,180**	**201,639**
—profit for the year	73,186	90,118
—net gains (losses) on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	1	−3,305
—net impairment losses	7,216	2,777
—net impairment losses on property, equipment and investment property and intangible assets	32,965	33,753
—net accruals to provisions for risks and charges and other costs/revenue	2,130	11,415
—unpaid taxes and duties	75,335	59,941
—other adjustments	14,347	6,940
2. Cash flows generated by (used for) financial assets	**6,260**	**−1,667,721**
—financial assets held for trading	233,409	34,491
—available-for-sale financial assets	−556,635	−769,316
—loans and receivables with banks	680,797	−627,715
—loans and receivables with customers	−385,043	−263,786
—other assets	33,732	−41,395
3. Cash flows generated by (used for) financial liabilities	**−165,209**	**1,159,928**
—due to banks	−942,328	333,623
—due to customers	907,990	809,457
—securities issued	7	−14
—financial liabilities held for trading	−21,912	6,837
—other liabilities	−108,966	10,025
Net cash flows generated by (used in) operating activities A	**46,231**	**−306,154**
B. INVESTING ACTIVITIES		
1. Cash flows generated by		
—dividends from equity investments	1,008	3,887
—sales of equity investments	—	750
—repayments of HTM investments	15,736	27,903
—sales of property, equipment and investment property	1,525	—
2. Cash flows used to acquire		
—non-controlling interests		−10,178
—equity investments	−6,849	—
—property, equipment and investment property	−25,140	−17,661
—intangible assets	−7,418	−55,923
—subsidiaries and business units		−14,898
Net cash flows used in investing activities B	**−21,138**	**−66,120**
C. FINANCING ACTIVITIES	**−19,834**	**−16,801**
—issue/repurchase of treasury shares		
—issue/repurchase of equity instruments		
—dividend and other distributions	−19,834	−16,801
NET CASH FLOWS FOR THE YEAR D=A+/−B+/−C	**5,259**	**−389,075**
RECONCILIATION		
Financial statements captions		
Opening cash and cash equivalents	181,253	570,327
Net cash flows for the year	5,259	−389,075
Closing cash and cash equivalents G=E+/−D+/−F	**186,512**	**181,252**

Key:

(+) generated

(−) used

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A—ACCOUNTING POLICIES

A.1—GENERAL PART

Section 1—Statement of compliance

Pursuant to Regulation (EC) no. 1606 of 19 July 2002, the Istituto Centrale delle Banche Popolari Italiane Group (ICBPI group) has prepared these consolidated financial statements as at and for the year ended 31 December 2013 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 group applied the IFRS enacted at 31 December 2013 and Bank of Italy's instructions about financial statements issued in its Measure of 22 December 2005, the related Circular no. 262 and subsequent amendments.

It did not make any departures from the IFRS.

Section 2—Basis of presentation

The consolidated financial statements at 31 December 2013 comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report which comments on the group's performance, its results of operations and financial position.

The group's presentation currency is the Euro and the amounts shown in the consolidated financial statements and these notes are in thousands of Euros. The group 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.

The group 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 consolidated financial statements and the notes present corresponding prior year figures.

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 group's financial position and results of operations.

The consolidated financial statements reflect the amendments to IAS 19 and IFRS 13 which became mandatory on 1 January 2013. Specifically:

- Regulation (EC) no. 475/2012 endorsed the amendments to IAS 19—Employee benefits, as approved by the IASB on 16 June 2011, introduced to facilitate the understandability and comparison of financial statements, especially as regards defined benefit plans. The most important change relates to the elimination of the different accounting treatments accepted to recognise defined benefit plans and the concurrent introduction of a single method for the immediate recognition of actuarial gains and losses generated by the actuarial valuation of an entity's obligation in the statement of comprehensive income. The main effect of adapting to this new method for the group is the recognition of these actuarial gains and losses in the statement of comprehensive income and, hence, in equity, rather than in profit or loss. Accordingly, the change did not significantly affect the group's equity. For comparative purposes, the actuarial gains and losses previously recognised in "Personnel expense" were reclassified, net of the related tax (included in "Income taxes"), to the equity caption "Valuation reserves". In particular:
    - the different treatment of actuarial gains in the comparative income statement for the year ended 31 December 2012 led to a higher profit for that year compared to the originally published profit of €981 thousand (including €933 thousand attributable to the owners of the parent), comprising personnel expense of €1,354 thousand and income taxes of €372 thousand;
    - the different treatment of actuarial gains and losses in the comparative statement of financial position as at 31 December 2012 led to the recognition of a larger income-related reserve by €1,027 thousand, a smaller valuation reserve by €1,950 thousand and a higher profit for the year by

€933 thousand (for the portion attributable to the owners of the parent and compared to the originally published amounts).

- Regulation (EC) no. 1255/2012 endorsed IFRS 13—Fair value measurement. This new standard does not extend the scope of application of fair value measurement, but provides guidance about how to measure the fair value of financial instruments and non-financial assets and liabilities already required or allowed by other standards. Therefore, the rules for fair value measurement are contained in one standard rather than many standards with differing treatments. Specifically, the new standard introduced a specification for the measurement of non-performance risk when determining the fair value of unlisted, unsecured derivatives. Given the group's limited operations in the unlisted derivatives segment, the fact that it works solely with Italian institutional counterparties and that it has guarantees in place to mitigate counterparty risk, the impact of the new specifications of IFRS 13 were not significant.

The amendments to IAS 32 about the tax effects of distributions to holders of equity instruments and offsetting financial assets and financial liabilities did not affect the group as they are not applicable to its consolidated financial statements.

Basis of presentation of the consolidated 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. Treasury shares are offset against equity. The parent has not issued equity instruments other than ordinary shares.

Statement of cash flows

This statement shows the cash flows for the year using the indirect method.

Basis of presentation of the notes

These notes include the information required by Bank of Italy's Circular no. 262/2005 and the additional information required by the IFRS.

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

KPMG audits the consolidated financial statements.

Section 3—Basis of consolidation

The consolidation scope includes ICBPI, its directly and indirectly controlled subsidiaries and associates.

The financial statements at 31 December 2013 of the parent and consolidated companies were used for consolidation purposes, after being reclassified and adjusted to comply with the consolidation requirements and the IFRS.

Subsidiaries

Control is presumed to exist when the parent:

1) owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;

2) owns half or less of the voting power of an entity when there is:

   a) power over more than half of the voting rights by virtue of an agreement with other investors:

   b) power to govern the financial and operating policies of the entity under a statute or an agreement;

c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or

d) power to cast the majority of votes at meetings of the board of directors and control of the entity is by that board.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.

Investments in subsidiaries are consolidated by combining the captions of the statement of financial position and income statement on a line-by-line basis, making the following adjustments:

(a) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;

(b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

Positive differences arising from the above adjustments are recognised as goodwill in caption "130 Intangible assets" at the date of first consolidation after allocation to the subsidiary's assets and liabilities. Any negative differences are recognised in profit or loss.

Intragroup assets and liabilities, off-statement of financial position transactions, income and expense and profits and losses among the consolidated companies are eliminated.

The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until the date when the parent ceases to control the subsidiary.

Associates

Investments over which the group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies, are measured using the equity method.

Under this method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. Its share of the investee's profit or loss is recognised in a specific caption of the income statement.

The difference between the investment's carrying amount and the group's share of its equity is included in the investment's carrying amount.

If there is indication of impairment, the group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in profit or loss.

At 31 December 2013, the banking group included:

Istituto Centrale delle Banche Popolari Italiane S.p.A., parent, included in the banks register.

1. Investments in subsidiaries that are fully controlled or jointly controlled (consolidated on a proportionate basis)

			Investment		
	Registered office	**Type of relationship**[1]	**Investor**	**Investment %**	**Voting rights available %**[2]
A. Company					
A.1 Fully consolidated					
1. Oasi-Diagram S.p.A.	Milan	1	Istituto Centrale delle Banche Popolari Italiane	100.00	100.00
2. CartaSi S.p.A.	Milan	1	Istituto Centrale delle Banche Popolari Italiane	94.88	94.88
3. Help Line S.p.A.	San Giovanni al Natisone	1	Istituto Centrale delle Banche Popolari Italiane	70.00	70.00

Key

(1) Type of relationship:

1 = majority of voting rights

2 = dominant influence at shareholders' meetings

3 = shareholder agreements

4 = other forms of control

5 = single management as per art. 26.1 of Legislative decree no. 87/96

6 = single management as per art. 87 of Legislative decree no. 87/92

7 = joint control

(2) Voting rights at ordinary shareholders' meetings, differentiating between effective and potential voting rights

- Oasi Diagram—Outsourcing Applicativo e Servizi Innovativi S.p.A., operating company.
- Help Line S.p.A., operating company.
- CartaSi S.p.A., financial company included in the register of payment institutes as per article 14-septies of the Consolidated Banking Act.

As well as the above consolidated banking group companies, the group includes the following companies at 31 December 2013:

- HI-mtf S.p.A., in which the parent has a 25% interest, equity-accounted;
- Equens SE, in which the parent has a 20% interest, equity-accounted;
- Unione Fiduciaria S.p.A., in which the parent has a 24% interest, equity-accounted.

Section 4—Events after the reporting date

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

Section 5—Other aspects

There is no other information that needs to be presented, including with respect to the Bank of Italy/Consob/IVASS document no. 6 of 8 March 2013.

A.2—KEY FINANCIAL STATEMENTS CAPTIONS

1—Financial assets held for trading

Classification:

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Recognition

Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets held for trading are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement

After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognised in caption 80 "Net trading income (expense)" of the income statement. Interest accrued on these assets is recognised in caption 10 "Interest and similar income" of the income statement, although interest and/or other income and expense on trading derivatives are recognised in caption 80 "Trading income (expense)" of the income statement.

Section 17—Other information provides information on the calculation of fair value of financial instruments. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

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.

2—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 100 "Net profit (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

The group tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, the group 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 the 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.

3—Held-to-maturity investments

Classification

This category includes debt instruments with fixed or determinable payments and fixed maturities that the group has the ability and intention to hold to maturity. If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the group's intentions or ability, it is reclassified to "AFS financial assets".

Recognition

HTM investments are initially recognised at cost, being the fair value of the amount traded, including any directly related costs and income.

Measurement

After initial recognition, HTM investments are subsequently measured at amortised cost using the effective interest method. Fair value gains or losses are recognised in profit or loss when the investments are derecognised. At each reporting date, the group tests the HTM investments for impairment. The impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Impairment losses are recognised in profit or loss. When the reasons for impairment are no longer valid as a result of an event that took place subsequent to recognition of the impairment loss, it is reversed through profit or loss.

Derecognition

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

4—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.

Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably.

Loans and receivables tested individually for impairment include positions classified as non-performing, doubtful or restructured as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively.

The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position’s original effective interest rate.

Estimated cash flows include guarantees securing the debtor’s exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the group uses their present value, while if it is probable that they will be enforced, the group considers their realisable value net of the costs to be incurred for enforcement.

Impairment losses are recognised in caption 130 “Net impairment losses” of the income statement.

Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and may not exceed the position’s amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category’s unrealised loss. The impairment test considers the counterparty’s country risk. Collective impairment losses are recognised in profit or loss.

Derecognition

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

5—Financial assets at fair value through profit or loss

None.

6—Hedges

None.

7—Equity investments

This caption includes equity-accounted investments as described in section 3—Basis of consolidation.

Investments in entities other than subsidiaries and associates are classified as AFS financial assets and treated accordingly (see point 2).

8—Property, equipment and investment property

Classification

This caption includes land, owner-occupied property, investment 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.

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised while other ordinary maintenance costs are expensed.

Measurement

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

The depreciable value of property and equipment 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:

- furniture and fittings: 8 years;
- owner-occupied buildings: 33 years;
- investment property: 33 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.

Part A—ACCOUNTING POLICIES

The group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to their 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.

9—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 and related useful lives.

The useful life of the group's intangible assets is three years, except for those assets related to the depositary services, which have an estimated useful life of ten years depending on the contractual terms.

Their residual value is taken to be nil.

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

Derecognition

The group 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.

Impairment losses on goodwill are recognised in caption 260 "Impairment losses on goodwill" of the income statement. They are not reversed in subsequent periods.

10—Non-current assets held for sale

None.

11—Current and deferred taxes

The group estimates current and deferred taxes.

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. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset.

Current and deferred taxes are recognised in caption 290 "Income taxes" of the income statement unless they relate to actuarial gains or losses on defined benefit plans and gains or losses on AFS financial assets, 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 140.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. The income tax expense is calculated on the basis of an estimate of the current tax expense, deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

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 group may find itself.

12—Provisions for risks and charges

Pension and similar provisions

Internal pension plans are considered to be defined benefit plans. The group calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate.

The rate used to discount the post-employment benefit obligation (both funded and unfunded) varies from country to country. It is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The term of the corporate bonds is consistent with the estimated term of the post-employment benefit obligations.

Specifically, the amount recognised as a liability in caption 120.a) equals the net balance of the obligation's present value at the reporting date, the sum of any actuarial gains or losses, less any pension costs for past service not yet recognised and the current value of plan assets, if any, at the reporting date that will be used to directly extinguish the obligation.

Starting from the 2013 interim financial statements, the group has recognised actuarial gains and losses in the statement of comprehensive income as required by the revised IAS 19.

Before that, they had been recognised immediately in profit or loss.

Interest accrued on the net liability continues to be recognised.

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 group'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, as described in the paragraph on pension and similar provisions.

Other provisions

The group recognises provisions for risks and charges when:

- it has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation; and
- the liability can be reliably estimated.

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 and increases due to the time factor are recognised in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

13—Liabilities and Securities issued

Classification

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the group has a contractual obligation to deliver cash or another financial asset to another party.

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit.

They also include finance lease liabilities.

Recognition

Amounts due to banks are recognised at the contract agreement date, which is usually when the group receives the funds and issues the debt instruments.

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.

They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price.

14—Financial liabilities held for trading

This caption includes derivatives held for trading with negative fair values.

All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognised in profit or loss.

The measurement and recognition criteria are identical to those used for financial assets held for trading.

15—Financial liabilities at fair value through profit or loss

None.

16—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.

17—Insurance assets and liabilities

None.

18—Other information

Treasury shares

Repurchased treasury shares are directly offset against equity. No gain or loss on the repurchase, sale, issue or extinguishment of these shares can be recognised in profit or loss. Any amounts paid or received for these shares are recognised directly in equity.

The group has set up the specific reserve as per article 2357-ter of the Italian Civil Code.

Measurement of the fair value of financial instruments

The fair value of financial instruments is determined using the financial market prices in the case of instruments listed on active markets or by using internal measurement models for other financial instruments.

More information is available in section A.4 Fair value disclosure.

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 on demand assets and liabilities, with a short term or undetermined maturity, 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 securities issued, 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.

Determination of fair value for non-financial assets

The fair value of investment property is only calculated for disclosure in the notes. The group uses third party appraisals that are usually based on criteria similar to the direct synthetic estimate method, considering transactions at current prices in an active market for similar real estate assets in the same location and condition and that have the same lease and other contractual terms.

Determination of impairment losses on goodwill

Impairment losses on goodwill are usually determined using the discounted cash flow method.

Guarantees issued

Guarantees issued, credit derivatives and similar instruments as per IAS 39 and subsequent impairment losses are recognised in caption 100 “Other liabilities”.

Income statement

<u>Interest income and expense</u>

Interest income and expense and related income and expense relate to cash and cash equivalents, non-derivative financial assets and liabilities held for trading, AFS financial assets, HTM investments, 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.

<u>Fee and commission income and expense</u>

They are recognised on an accruals basis.

Specifically, trading commissions on securities are recognised when the service is rendered.

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

<u>Dividends</u>

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

<u>Other income and costs</u>

They are recognised on an accruals basis.

<u>Business combinations</u>

Assets and liabilities deriving from business combinations are recognised at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognised as goodwill. After initial recognition, goodwill is tested for impairment.

If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

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

The consolidated 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 financial assets not listed on active markets;
- measurement of intangible assets and equity investments;
- quantification of accruals to provisions for risks and charges;
- quantification of deferred liabilities;

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 2013.

A.3. Transfers between portfolios of financial assets

A.3.1 Portfolio transfers

A.3.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

					Income or expense if transfer had not taken place (before taxes)		Income or expense for the year (before taxes)	
Type of financial instrument (1)	**Original portfolio (2)**	**Portfolio to which transfer is made (3)**	**Carrying amount at 31/12/2013 (4)**	**Fair value at 31/12/2013 (5)**	**Fair value gain/loss (6)**	**Other (7)**	**Fair value gain/loss (8)**	**Other (9)**
1. Debt instruments	Financial assets held for trading	Available-for-sale financial assets	285,676	285,676	8,535		1,469	

A.3.2. Reclassified financial assets: effects on comprehensive income before transfer

In 2011, as the rare circumstances provided for by IAS 38 arose, the group reclassified Italian treasury credit certificates from the HFT portfolio to the AFS portfolio.

These rare circumstances related to the international sovereign debt crisis of June 2011 and the continuously widening spread of the German bund.

A.3.3. Transfer of HFT financial assets

No transfers among portfolios took place during the year.

A.3.4 Effective interest rate and expected future cash flows from reclassified assets

The effective interest rate (IRR) of the transferred portfolio was 1.63%.

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 on the principal market at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

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.

The decision about which level to use is not optional as they are to be applied in hierarchical order. Highest priority is given to official prices available on active markets for the assets or liabilities to be measured (level 1) or assets and liabilities measured using techniques based on parameters observable on the market other than prices (level 2) and the lowest priority is given to assets and liabilities whose fair value is calculated using techniques that are based on unobservable inputs and which are, therefore, more discretional (level 3).

The group uses the reporting date market price for instruments listed on active markets (level 1).

The fair value of financial instruments not listed on active markets is measured using techniques mainly based on discounting cash flows. These techniques consider all the factors that the market uses to set the price which are mainly inputs observable on the market (level 2). Specifically:

- bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk;

- derivatives, including overnight interest rate swaps (OIS) and options are measured using the market models that mainly use market rates as their input, adjusted to reflect counterparty risk. This risk includes changes in the counterparty's credit standing and in the issuer's credit standing (own credit risk), if material

- a fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

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 group did not have at the reporting date, nor did it trade in during the year, level 3 financial instruments, except for immaterial amounts.

Quantitative information

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

As noted above, the group does not have nor did it trade in level 3 financial instruments, except for immaterial amounts.

It measured level 2 financial instruments (mainly IRS, OISs and interest rate and currency options) using market interest rates and volatility. Given the group's limited operations in the unlisted derivatives segment, its transactions with Italian institutional counterparties and its guarantees mitigating risk, the adjustments made to the level 2 instruments to reflect counterparty risk were immaterial.

Based on the above, application of IFRS 13 did not significantly affect the measurement techniques used.

A.4.2 Measurement processes and sensitivity

As noted above, the group does not have nor did it trade in level 3 financial instruments, except for immaterial amounts.

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 information

The group did not avail of the exception under IFRS 13.48 to measure the net positions of groups of assets and liabilities managed on a net basis.

The group does not hold assets, the current use of which differs from their highest and best use.

Quantitative information

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

	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	8,063	2,574	23	214,383	29,664	23
2. Financial assets at fair value through profit or loss	—	—	—	—	—	—
3. Available-for-sale financial assets	2,482,633	35,430	—	1,896,064	34,220	—
4. Hedging derivatives	—	—	—	—	—	—
5. Property, equipment and investment property	—	—	—	—	—	—
6. Intangible assets	—	—	—	—	—	—
Total	**2,490,696**	**38,004**	**23**	**2,110,447**	**62,383**	**23**
1. Financial liabilities held for trading	5,361	1,777	—	1,366	27,683	—
2. Financial liabilities at fair value through profit or loss	—	—	—	—	—	—
3. Hedging derivatives	—	—	—	—	—	—
Total	**5,361**	**1,777**	**—**	**1,366**	**27,683**	**—**

Key

L1 = level 1

L2 = level 2

L3 = level 3

The group did not transfer assets and liabilities between level 1 and level 2 during the year.

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

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	23	—	—	—	—	—
2. Increases	—					
2.1. Purchases						
2.2. Gains recognised in:						
2.2.1. Profit or loss	—					
—including gains on sales	—					
2.2.2 Equity						
2.3. Transfers from other levels						
2.4. Other increases						
3. Decreases						
3.1. Sales						
3.2. Repayments						
3.3. Losses recognised in:						
3.3.1. Income statement						
—including losses on sales						
3.3.2. Equity						
3.4. Transfers from other levels						
3.5. Other decreases						
4. Closing balance	**23**	**—**	**—**	**—**	**—**	**—**

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

	31/12/2013				31/12/2012			
	CA	**L1**	**L2**	**L3**	**CA**	**L1**	**L2**	**L3**
1. Held-to-maturity investments	91,861	84,493	1,830	—	107,597	100,634	1,713	—
2. Loans and receivables with banks	1,043,795	—	1,043,795	—	1,724,592	—	1,724,592	—
3. Loans and receivables with customers	3,533,355	—	3,532,538	817	3,152,445	—	3,151,739	706
4. Equity investments	109,190				114,102			
5. Investment property	66,543		102,426		30,116		114,542	
6. Non-current assets classified as held for sale and disposal groups								
Total	4,844,745	84,493	4,680,589	817	5,128,852	100,634	4,992,586	706
1. Due to banks	2,219,943		2,219,943	10,025	3,162,271		3,162,271	10,018
2. Due to customers	4,008,594		4,008,594		3,100,604		3,100,604	
3. Securities issued	10,025				10,018			
4. Liabilities associated with assets held for sale								
Total	6,238,562	—	6,228,537	10,025	6,272,893	—	6,262,875	10,018

Key:

CA: Carrying amount

L1 = level 1

L2 = level 2

L3 = level 3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A—ACCOUNTING POLICIES

A.5 Information on “day one profit/loss”

Pursuant to IFRS 7.28 and IAS 39.AG.76, a financial instrument shall be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. In practice, there could be a difference between the two values. In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is measured:

- using prices from observable current market transactions in the same instrument;

- using valuation techniques exclusively based on observable market date as the variable factors.

In other words, IAS 39 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using objective evidence that the price paid/collected does not represent the real market value of the financial instrument being traded.

The objective evidence shall be obtained using the most objective method available, i.e., reducing valuation discretion to the minimum.

The difference between fair value and the negotiated price, when the above conditions are met, is called the “day one profit or loss” and is immediately taken to profit or loss.

The group did not recognise transactions of this kind in 2013.

Part B—Notes to the statement of financial position

ASSETS

Section 1—Cash and cash equivalents—Caption 10

1.1 Cash and cash equivalents: breakdown

	31/12/2013	31/12/2012
a) Cash	926	1,363
b) Demand deposits with central banks	185,586	179,888
Total	**186,512**	**181,252**

Section 2—Financial assets held for trading—Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	8,018	456	23	212,599	1,491	23
1.1 Structured instruments	—	—	—	—	—	—
1.2 Other instruments	8,018	456	23	212,599	1,491	23
2. Equity instruments	11	1	0	1,774	544	—
3. OEIC units	34	—	—	10	—	—
4. Financing	—	—	—	—	—	—
4.1 Reverse repurchase agreements	—	—	—	—	—	—
4.2 Other	—	—	—	—	—	—
Total A	**8,063**	**457**	**23**	**214,383**	**2,035**	**23**
B. Derivatives						
1. Financial derivatives:	—	2,117	—	—	27,629	—
1.1 trading	—	2,117	—	—	27,629	—
1.2 associated with fair value option	—	—	—	—	—	—
1.3 other	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
2.1 trading	—	—	—	—	—	—
2.2 associated with fair value option	—	—	—	—	—	—
2.3 other	—	—	—	—	—	—
Total B	**—**	**2,117**	**—**	**—**	**27,629**	**—**
Total (A + B)	**8,063**	**2,574**	**23**	**214,383**	**29,664**	**23**

2.2 Financial assets held for trading: breakdown by debtor/issuer

	31/12/2013	31/12/2012
A. Assets		
1. Debt instruments		
a) Governments and central banks	339	164,092
b) Other government agencies	282	64
c) Banks	3,491	46,966
d) Other issuers	4,385	2,991
2. Equity instruments		**—**
a) Banks	11	1,771
b) Other issuers:	1	547
—insurance companies	—	—
—financial companies	—	3
—non-financial companies	1	544
—other	—	—
3. OEIC units	**34**	**10**
4. Financing	**—**	**—**
a) Government and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total A	**8,543**	**216,441**
B. Derivatives	**—**	**—**
a) Banks	1,364	26,208
—fair value	1,364	26,208
b) Customers	753	1,421
—fair value	753	1,421
Total B	**2,117**	**27,630**
Total (A + B)	**10,660**	**244,070**

2.3 Financial assets held for trading: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**214,114**	**2,317**	**10**	**—**	**216,442**
B. Increases					
B1. Purchases	22,609,465	113,942	2,774	—	22,726,181
B2. Fair value gains	2,859	334	—	—	3,193
B3. Other increases	5,542	1,306	—	—	6,848
C. Decreases					
C1. Sales	22,795,300	116,705	2,750	—	22,914,756
C2. Repayments	26,273	—	—	—	26,273
C3. Fair value losses	—	—	—	—	—
C4. Transfers to other portfolios	—	—	—	—	—
C5. Other decreases	1,908	1,183	—	—	3,091
D. Closing balance	**8,499**	**12**	**34**	**—**	**8,544**

The decrease in the trading portfolio is mainly attributable to the sale of government bonds that the group held at the end of the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part B—Notes to the statement of financial position

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

4.1 Available-for-sale financial assets: breakdown by product

	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	2,481,940	—	—	1,895,371	—	—
1.1 Structured instruments	—	—	—	—	—	—
1.2 Other instruments	2,481,940	—	—	1,895,371	—	—
2. Equity instruments	693	3,549	—	693	10,101	—
2.1 FVTPL	693	3,549	—	693	10,101	
2.2 Cost	—	—	—	—		
3. OEIC units	—	31,881	—	—	24,118	—
4. Financing	—	—	—	—	—	—
Total	**2,482,633**	**35,430**	**—**	**1,896,064**	**34,219**	**—**

The increase in AFS financial assets mainly relates to purchases of government bonds.

4.2 Available-for-sale financial assets: breakdown by debtor/issuer

	31/12/2013	31/12/2012
1. Debt instruments		
a) Governments and central banks	2,481,940	1,895,371
b) Other government agencies	—	—
c) Banks	—	—
d) Other issuers	—	—
2. Equity instruments		
a) Banks	846	847
b) Other issuers:	3,396	9,949
—insurance companies	—	—
—financial companies	3,144	2,802
—non-financial companies	211	7,107
—other	40	40
3. OEIC units	**31,881**	**24,118**
4. Financing		
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**2,518,063**	**1,930,284**

OEIC units relate to the Fondo Italiano di Investimento, whose total assets mainly comprise:

- 4.56% controlling investments
- 64.48% non-controlling investments
- 12.92% debt instruments
- 11.23% OEIC units

4.4 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**1,895,371**	**10,795**	**24,118**	**—**	**1,930,283**
B. Increases	**914,870**	**3,651**	**10,650**	**—**	**929,172**
B1. Purchases	827,400	—	10,650	—	**838,050**
B2. Fair value gains	26,572	—	—	—	**26,572**
B3. Reversals of impairment losses:	—	—	—	—	**—**
—recognised in profit or loss	—	—	—	—	—
—recognised in equity	—	547	—	—	**547**
B4. Transfers from other portfolios	—	—	—	—	**—**
B5. Other increases	60,898	3,104	—	—	**64,002**
C. Decreases	**328,301**	**10,204**	**2,887**	**—**	**341,392**
C1. Sales	—	10,000	—	—	**10,000**
C2. Repayments	265,000	—	—	—	**265,000**
C3. Fair value losses	—	—	—	—	**—**
C4. Impairment losses:	—	—	—	—	**—**
—recognised in profit or loss	—	8	2,887	—	**2,895**
—recognised in equity	—	—	—	—	**—**
C5. Transfers to other portfolios	—	—	—	—	**—**
C6. Other decreases	63,301	196	—	—	**63,497**
D. Closing balance	**2,481,940**	**4,243**	**31,881**	**—**	**2,518,063**

"Other increases" include those arising from measuring assets at amortised cost.

"Other decreases" include accrued interest collected.

Section 5—Held-to-maturity investments—Caption 50

5.1 Held-to-maturity investments: breakdown by product

	31/12/2013				31/12/2012			
		FV				FV		
	CA	L1	L2	L3	CA	L1	L2	L3
1. Debt instruments	—	—	—	—	—	—	—	—
—structured instruments	—	—	—	—	—	—	—	—
—other	91,861	89,872	1,989	—	107,597	100,634	1,713	—
2. Financing	—	—	—	—	—	—	—	—
Total	**91,861**	**89,872**	**1,989**	**—**	**107,597**	**100,634**	**1,713**	**—**

Key

FV = fair value

CA = carrying amount

The decrease is due to the repayment of matured securities.

5.2 Held-to-maturity investments: breakdown by debtor/issuer

	31/12/2013	31/12/2012
1. Debt instruments		
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	89,928	104,329
d) Other issuers	1,933	3,268
2. Financing	—	—
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**91,861**	**107,597**
Total FV	**91,861**	**107,597**

5.4 Held-to-maturity investments: changes

	Debt instruments	Financing	Total
A. Opening balance	**107,597**		**107,597**
B. Increases	**1,975**	—	**1,975**
B1. Purchases	—	—	—
B2. Reversals of impairment losses	—	—	—
B3. Transfers from other portfolios	—	—	—
B4. Other increases	1,975	—	1,975
C. Decreases	**17,711**	—	**17,711**
C1. Sales	—	—	—
C2. Repayments	17,000	—	17,000
C3. Impairment losses	—	—	—
C4. Transfers to other portfolios	—	—	—
C5. Other decreases	711	—	711
D. Closing balance	**91,861**		**91,861**

Part B—Notes to the statement of financial position

Section 6—Loans and receivables with banks—Caption 60

6.1 Loans and receivables with banks: breakdown by product

	31/12/2013				31/12/2012			
		FV				FV		
	CA	L1	L2	L3	CA	L1	L2	L3
A. Loans and receivables with central banks	101,307		101,307		96,158		96,158	
1. Term deposits	—	X	X	X	—	X	X	X
2. Minimum reserve	101,307	X	X	X	96,158	X	X	X
3. Reverse repurchase agreements	—	X	X	X	—	X	X	X
4. Other	—	X	X	X	—	X	X	X
B. Loans and receivables with banks	942,488		942,488		1,628,434		1,628,434	
1 Financing								
1.1 Current accounts and demand deposits	453,609	X	X	X	1,231,453	X	X	X
1.2 Term deposits	96,121	X	X	X	94,940	X	X	X
1.3. Other financing	389,171	X	X	X	298,584	X	X	X
—Reverse repurchase agreements	72,290	X	X	X	—	X	X	X
—Finance leases	—	X	X	X	—	X	X	X
—Other	316,881	X	X	X	298,584	X	X	X
2. Debt instruments	3,587	X	X	X	3,457	X	X	X
2.1 Structured	—	X	X	X	—	X	X	X
2.2 Other	3,587	X	X	X	3,457	X	X	X
Total (carrying amount)	**1,043,795**	**—**	**1,043,795**	**—**	**1,724,592**	**—**	**1,724,592**	**—**

Key

FV = fair value

CA = carrying amount

Section 7—Loans and receivables with customers—Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2013						31/12/2012					
	Carrying amount			Fair value			Carrying amount			Fair value		
		Impaired		L1	L2	L3		Impaired		L1	L2	L3
	Performing	Purchased	Other				Performing	Purchased	Other			
Financing	**3,532,538**	**—**	**817**		**3,532,538**	**817**	**3,151,739**	**—**	**706**		**3,151,739**	**706**
1. Current accounts	240,417	—	391	X	X	X	295,592		391	X	X	X
2 Reverse repurchase agreements	571,626	—	—	X	X	X	81,774			X	X	X
3. Loans	—	—	—	X	X	X				X	X	X
4. Credit cards, personal loans and salary-backed loans	2,374,820	—	427	X	X	X	2,375,186		315	X	X	X
5. Finance leases	—	—	—	X	X	X				X	X	X
6. Factoring	—	—	—	X	X	X				X	X	X
7. Other financing	345,675	—	—	X	X	X	399,187		—	X	X	X
Debt instruments	—	—	—				—	—	—			
8 Structured	—	—	—	X	X	X				X	X	X
9 Other	—	—	—	X	X	X				X	X	X
Total (carrying amount)	**3,532,538**		**817**	**—**	**3,532,538**	**817**	**3,151,739**		**706**	**—**	**3,151,739**	**706**

"Other financing" mainly relates to guarantee deposits.

7.2 Loans and receivables with customers: breakdown by debtor/issuer

	31/12/2013			31/12/2012		
		Impaired			Impaired	
	Performing	Purchased	Other	Performing	Purchased	Other
1. Debt instruments	—		—	—		—
a) Governments	—					
b) Other government agencies	—					
c) Other	—		—			
—non-financial companies	—					
—financial companies	—					
—insurance	—					
—other issuers	—					
2. Financing to:	**3,532,537**		**—**	**3,151,739**		**706**
a) Governments	—		—	—		—
b) Other government agencies	71		—	—		—
c) Other	3,532,467		—	3,151,739		706
—non-financial companies	16,602		—	12,545		—
—financial companies	962,407		391	707,859		391
—insurance	24,142		—	10,807		—
—other	2,529,315		427	2,420,528		315
Total	**3,532,537**		**817**	**3,151,739**		**706**

Section 10—Equity investments—caption 100

10.1 Investments in equity-accounted jointly-controlled entities and associates

	Registered office	Type of relationship	Investment		Voting rights %
			Investor	Investment %	
A. Entities					
1. Hi.Mtf Sim S.p.A.	Milan	1	ICBPI	25	25
2. Equens SE	Utrecht	1	ICBPI	20	20
3. Unione Fiduciaria	Milan	1	ICBPI	24	24

(1) Significant influence

(2) Joint control

10.2 Investments in jointly-controlled entities and associates: financial information

	Total assets	Total revenue	Profit	Equity	Consolidated financial statements	Fair value		
						L1	L2	L3
A. Equity-accounted investees								
A.1 jointly-controlled entities						X	X	X
A.2 associates								
1. Hi.Mtf Sim S.p.A.	5,874	2,813	440	5,199	1,407	X	X	X
2. Equens SE(*)	553,874	357,404	21,347	340,563	100,100	X	100,100	X
3.Unione Fiduciaria(*)	51,997	29,317	835	31,659	7,683	X		
Total	**611,745**	**389,533**	**22,622**	**377,421**	**109,190**			

* The "Total assets", "Total revenue", "Profit" and "Equity" columns are taken from the 2012 financial statements.

Part B—Notes to the statement of financial position

10.3 Equity investments: changes

	2013	2012
A. Opening balance	114,102	130,259
B. Increases		
B.1 Purchases	6,850	
B.2 Reversals of impairment losses		
B.3 Fair value gains	742	149
B.4 Other increases	196	
C. Decreases		
C.1 Sales		750
C.2 Impairment losses	11,692	11,274
C.3 Other decreases	1,008	4,282
D. Closing balance	**109,190**	**114,102**
E. Total fair value gains		
F. Total impairment losses		

The increases principally relate to the acquisition of an additional stake in Unione Fiduciaria, which brought the group's investment therein to 24%.

The impairment losses relate to the investment in Equens SE.

In testing the investment in Equens SE for impairment, the group calculated its recoverable amount by reference to the investee's value in use estimated using the DCF approach. Under this approach, in addition to the original components of the investee's original plan for the period and net financial position (debt), the group considered the following:

- the business plan forecasts updated to account for the recent business plan proposed by Equens SE's board of directors and the recommendations of its supervisory board about the additional guidelines of the proposal;
- a discount rate (WACC—Weighted Average Cost of Capital) equal to 8.3%;
- a perpetual growth rate (g) of 1.6%, equal to the estimated growth rate of the Eurozone;
- a time horizon in perpetuity for the calculation of the terminal value.

The result of the application of this analytical method led to a value in use (and, hence, a recoverable amount) of the group's investment in Equens SE of €100.1 million.

Section 12—Property, equipment and investment property—Caption 120

12.1 Property and equipment: breakdown of assets measured at cost

	31/12/2013	31/12/2012
1. Owned		
a) land	14,112	35,118
b) buildings	43,503	56,407
c) furniture	2,328	2,221
d) electronic systems	29,284	27,174
e) other	2,294	1,674
2. Under finance lease		
a) land	3,136	3,462
b) buildings	9,890	10,534
c) furniture	—	—
d) electronic systems	91	912
e) other	—	—
Total A	**104,639**	**137,503**

12.2 Investment property: breakdown of assets measured at cost

	31/12/2013				31/12/2012			
		FV				FV		
	CA	L1	L2	L3	CA	L1	L2	L3
1. Owned								
a) land	38,454				17,448			
b) buildings	27,534				12,668			
2. Under finance lease								
a) land	326			—	—			
b) buildings	229				—			
Total	**66,543**		**102,426**		**30,116**		**114,542**	

12.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**38,580**	**89,131**	**5,503**	**187,314**	**16,939**	**337,467**
A.1 Total net impairment losses	—	22,187	3,282	159,228	15,266	199,963
A.2 Net opening balance	38,580	66,944	2,221	28,086	1,673	137,504
B. Increases	**—**	**5,537**	**360**	**17,793**	**790**	**24,480**
B.1 Purchases	—	5,537	360	17,793	790	24,480
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						—
—other changes						—
C. Decreases	**21,332**	**19,085**	**252**	**16,504**	**170**	**57,343**
C.1 Sales	—	—	—	690	—	690
C.2 Depreciation	—	2,602	252	15,731	126	18,711
C.3 Impairment losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.4 Fair value losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.5 Exchange rate losses	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) investment property	21,332	16,483	—	—	—	37,815
b) assets held for sale	—	—	—	—	—	—
C.7 Other increases						
—business combinations	—	—	—	83	44	127
D. Net closing balance	**17,248**	**53,396**	**2,328**	**29,375**	**2,293**	**104,641**
D.1 Total net impairment losses		24,789	3,534	174,959	15,392	218,674
D.2 Gross closing balance	**17,248**	**78,186**	**5,862**	**204,333**	**17,685**	**323,316**
E. Cost	—	—	—	—	—	—

12.6 Investment property: changes

	Total	
	Land	**Buildings**
A. Opening balance	17,448	12,668
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	21,333	16,484
B.7 Other increases		
C. Decreases		
C.1 Sales		
C.2 Depreciation		1,389
C.3 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 increases		
D. Closing balance	**38,781**	**27,763**
E. Fair value	**102,426**	

Investment property is covered by IAS 40 and includes property held (either owned or under finance lease) to earn rental and/or obtain appreciation of invested capital.

Investment property is measured at cost, net of depreciation.

Following the transfer of the offices to Corso Sempione, the related buildings have been reclassified from property and equipment to investment property.

The group's investment property granted under operating leases is held by ICBPI and is listed below:

- building in via Verziere 11, Milan,
- building in via Cavallotti 14, Milan,
- building in via Zurigo 3, Milan,
- building in via Zurigo 37, Milan,
- building in Corso Europa 18, Milan,

Investment property is measured at cost, net of depreciation. Its fair value set out above is based on an external appraisal.

At the reporting date, there are no:

- restrictions to the sale of investment property or the collection of lease payments;
- obligations/contractual commitments to purchase, build, develop, repair or maintain owner-occupied property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part B—Notes to the statement of financial position

Section 13—Intangible assets—Caption 130

13.1 Intangible assets: breakdown by asset

	31/12/2013		31/12/2012	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**77,331**		**77,331**
A.1.1 attributable to the owners of the parent		77,331		77,331
A.1.2 attributable to non-controlling interests				
A.2 Other intangible assets				
A.2.1 Assets measured at cost:				
a) Internally generated assets				
b) Other	66,566		72,061	
A.2.2 Assets measured at fair value:				
a) Internally generated assets				
b) Other				
Total	**66,566**	**77,331**	**72,061**	**77,331**

13.2 Intangible assets: changes

		Other intangible assets: internally generated assets		Other intangible assets: other		
	Goodwill	FIN.	IND.	FIN.	IND.	Total
A. Opening balance	**77,331**			**114,773**		**192,104**
A.1 Total net impairment losses				42,712		42,712
A.2 Net opening balance	**77,331**			**72,061**		**149,392**
B. Increases						**—**
B.1 Purchases	—	—	—	7,418	—	7,418
B.2 Increase in internally generated assets	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains recognised in:	—	—	—	—	—	—
− equity	—	—	—	—	—	—
− profit or loss	—	—	—	—	—	—
B.5 Exchange rate gains	—	—	—	—	—	—
B.6 Other increases	—	—	—	—	—	—
C. Decreases						**—**
C.1 Sales	—	—	—	—	—	—
C.2 Impairment losses	—	—	—	—	—	—
—Amortisation	—	—	—	12,913	—	12,913
—Fair value losses	—	—	—	—	—	—
+ equity	—	—	—	—	—	—
+ profit or loss	—	—	—	—	—	—
C.3 Fair value losses	—	—	—	—	—	—
− equity	—	—	—	—	—	—
− profit or loss	—	—	—	—	—	—
C.4 Transfers to non-current assets held for sale	—	—	—	—	—	—
C.5 Exchange rate losses	—	—	—	—	—	—
C.6 Other decreases						—
D. Net closing balance	**77,331**	**—**	**—**	**66,566**	**—**	**143,897**
D.1 Total net impairment losses				55,625		55,625
E. Gross closing balance	**77,331**	**—**	**—**	**122,191**	**—**	**199,522**
F. Cost	—	—	—	—	—	—

Key

FIN = finite life

IND = indefinite life

Impairment test

The group tested its intangible assets with indefinite lives for impairment.

It also assessed whether there were trigger events affecting its assets with finite lives.

Goodwill relating to the payments, e-banking and euros business units and CartaSi was also tested for impairment.

The summarised figures, parameters and results of the impairment tests are set out below:

	Carrying amount	Approach	Plan	Business segment	Cost of equity (Ke)	Growth rate	Limit Ke difference(*)	Limit NR difference(*)
Payments business goodwill	12,320	Value in use	2014 business plan/2015 budget	Payments	9.81%	1.00%	157.70%	−72.21%
E- banking business goodwill	1,418	Value in use	2014 business plan/2015 budget	Payments	8.99%	1.00%	219.90%	−85.01%
Euros business goodwill	1,582	Value in use	2014 business plan/2015 budget	Application outsourcing	8.99%	1.00%	56.00%	−45.39%
CartaSi goodwill	62,011	Fair value	NA	E-money	NA	NA	NA	NA
Total consolidated	**77,331**							

(*) Cost of equity (Ke)/normalised return (NR) percentage change, which matches the recoverable amount to the carrying amount in that approach.

After having identified the recoverable amount of each asset being tested for impairment, the group compared it to their carrying amount and, for the cash-generating units, to the assets allocated thereto (calculated with an approach consistent with that used for the identification of the recoverable amount).

The test showed that the recoverable amount exceeds the related carrying amount for all goodwill (payments, e-banking and Euros business units and CartaSi) recognised in the consolidated financial statements.

The group estimated the recoverable amount by:

- estimating the fair value of the e-money cash-generating unit to which the CartaSi goodwill is allocated;
- estimating the value in use of the cash-generating units to which the goodwill of the payments, e-banking and Euros business units is allocated.

Value in use was estimated using the income method, whereby the economic capital value is expressed in proportion to the future cash flows that the CGU will be able to generate. Considering the group's banking nature, the method was adjusted using a levered approach. When the specific business being tested may be associated with the need to comply with regulatory obligations involving minimum capital requirements, the group applied the dividend discount model (DDM) based on a target requirement (regulatory capital/risk weighted assets) of 10.0%, in line with the relevant target parameter provided for by the risk appetite framework of the ICBPI Group.

The group used the two-step formula when applying the income method, which is as follows:

$$W = \Sigma\ Rn * (1 + Ke) - n + TV\ (1 + Ke) - n$$

where:

- Σ Rn * (1 + Ke) − n is the sum of the discounted cash flows for each of the “n” years covered by the plan (in the DDM, Rn is the maximum distributable dividend given the plan cash flows, therefore considering the excess capital or the use of capital in each year);
- TV (1 + Ke) − n is the discounted terminal value (TV), which was calculated by discounting to infinity the NR estimated at the end of the plan period, considering the expected perpetual growth rate of the normal revenue flow equal to “g”.

The group applied the following formula to calculate the TV (using the DDM approach):

$$TV = (NR * (1 + g) - RWA * 10\% * g)/(Ke - g)$$

For the purposes of estimating the discount rate, which is the share price in the levered model, the group adopted the capital asset pricing model (CAPM) with the formula $Ke = r + \beta(r_m - r_f)$, where Ke is the share price, r_f is the risk-free return on investments, β shows the systematic risk and the differential $(r_m - r_f)$ measures the market risk premium (R_m).

The group used market inputs and/or inputs used by the professional practice:

- the risk free rate (r_f) is based on the 10-year Italian treasury bonds (BTP). The use of a rate that has a specific risk component for the Italy country risk is in line with the businesses being tested (all based and operating in Italy). Based on information provided by Boomberg (January 2014 average), the parameter was set at 3.88%;
- the market risk premium (R_m) is 5%, based on the general practice for the Italian market;
- beta (β) is equal to the average of the companies included in the reference segment(s) (as identified through Bloomberg on 27 January 2014), identified on a case by case basis in relation to the nature of the business being tested.

Moreover, where deemed applicable in relation to the nature of the businesses being tested, as additional elements for the calculation of the cost of equity (Ke), the group considered other specific risks (R_s).

The group calculated the cash flows:

- analytically on the basis of the figures included in the business plans set out in the tables approved by the board of directors;
- systematically, in relation to the terminal value calculated in perpetuity.

At the end of each valuation, the group carried out a sensitivity analysis in order to show:

- that the CGU’s recoverable amount exceeded its carrying amount;
- the value assigned to the underlying assumptions;
- the percentage difference between the rate used to discount cash flows, which makes the CGU’s recoverable amount equal to the carrying amount of goodwill, and the rate used to calculate value in use.

The “Limit Ke difference” and “Limit NR difference” columns of the table set out earlier show the results of the sensitivity analysis carried out to check the relationship between the change in the CGU’s value in use and in the discount rate (Ke) and normalised return (NR) that were used as a basis to calculate the terminal value.

The recoverable amount of the e-money CGU, operating through CartaSi and Help Line, was calculated as follows:

- the fair value of the CartaSi component was measured by reference to the price of a transaction between knowledgeable parties in an arm’s length transaction;

- considering its relevance for the CGU's organisation and the lack of recent transactions from which its fair value might be inferred, the Help Line component was prudently considered at the amount of its reported equity.

The resulting amount was reduced to account for the expected disposal costs, calculated on a lump-sum and prudent basis compared to the group's experience.

The resulting recoverable amount is more than 30% higher than the e-money CGU's carrying amount, including goodwill and equities of the company included therein.

Part B—Notes to the statement of financial position

Section 14—Tax assets and liabilities—Caption 140 of assets and Caption 80 of liabilities

14.1 Deferred tax assets: breakdown

	31/12/2013	31/12/2012
IRAP		
Net impairment losses on loans and receivables		
Provisions	9	152
Substitute tax on goodwill	3,654	3,691
Amortisation/depreciation	535	468
Other		232
Fair value reserve	4	263
IRES		
Net impairment losses on loans and receivables	12,913	13,552
Provisions	8,342	13,975
Substitute tax on goodwill	18,041	18,225
Impairment losses on intangible assets, property, equipment and investment property	6,107	3,853
Other	833	4,067
Fair value reserve	22	1,297

14.2 Deferred tax liabilities: breakdown

	31/12/2013	31/12/2012
IRAP		
Building revaluations	2,931	2,840
Other	1,262	1,709
Fair value reserve	2,628	1,400
IRES		
Building revaluations	16,039	15,710
Other	4,422	5,111
Fair value reserve	12,976	6,912

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

	2013	2012
1. Opening balance	**58,216**	**53,973**
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	5,453	11,712
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	13,256	6,819
b) impairment due to non-recoverability		
c) change in accounting policies		
d) other		650
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	**50,413**	**58,216**

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

	2013	2012
1. Opening balance	**25,354**	**23,385**
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	3,358	2,510
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	4,074	541
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.2 Other decreases		
4. Closing balance	**24,638**	**25,354**

14.5 Changes in deferred tax assets (recognised in equity)

	2013	2012
1. Opening balance	**1,560**	**12,601**
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	22	
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	1,534	11,041
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	**48**	**1,560**

Part B—Notes to the statement of financial position

14.6 Changes in deferred tax liabilities (recognised in equity)

	2013	2012
1. Opening balance	**8,328**	**1,315**
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	7,292	7,015
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		2
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**15,620**	**8,328**

The caption relates to deferred tax assets arising from the impairment losses recognised on AFS securities.

Section 16—Other assets—Caption 160

16.1 Other assets: breakdown

	31/12/2013	31/12/2012
Withholding taxes paid on interest charged to customers and other tax assets	86,277	101,956
Negotiated cheques to be cleared	20,948	10,741
Matured securities and accrued interest to be collected	5,081	7,234
Commissions and other income to be charged	163,762	144,046
BIREL, transfers, SETIF, received messages to be charged, e-money	196,955	258,943
Sundry and residual items	22,539	17,022
Total	**495,563**	**539,942**

LIABILITIES

Section 1—Due to banks—Caption 10

1.1 Due to banks: breakdown by product

	31/12/2013	31/12/2012
1. Due to central banks	2,367	252,521
2. Due to banks	2,217,576	2,909,750
2.1 Current accounts and demand deposits	1,225,994	2,346,846
2.2 Term deposits	89,189	104,676
2.3 Financing	218,285	215,522
2.3.1 repurchase agreements	—	—
2.3.2 other	218,285	215,522
2.4 Commitments to repurchase own equity instruments	—	—
2.5 Other liabilities	684,108	242,706
Total	**2,219,943**	**3,162,271**
Fair value—level 1		
Fair value—level 2	**2,219,943**	**3,162,271**
Fair value—level 3		
Total fair value	**2,219,943**	**3,162,271**

1.5 Finance lease liabilities

31 December 2013			
Lease payment	Interest	Principal	Lease liability
1,728	94	1,634	4,285
1,728	94	1,634	4,285

The above figures relate to the building in Via Chianesi 110, Rome, whose lease ends in 2014.

The lease agreements provide for a regular Euribor-indexed lease payment and that the leased asset is charged as a guarantee.

Section 2—Due to customers—Caption 20

2.1 Due to customers: breakdown by product

	31/12/2013	31/12/2012
1. Current accounts and demand deposits	3,497,120	1,970,976
2. Term deposits	4	—
3. Financing	—	708,808
3.1 repurchase agreements	—	708,808
3.2 other	—	—
4. Commitments to repurchase own equity instruments	—	—
5. Other liabilities	511,470	420,820
Total	**4,008,594**	**3,100,604**
Fair value—level 1		
Fair value—level 2	**4,008,594**	**3,100,604**
Fair value—level 3		
Total fair value	**4,008,594**	**3,100,604**

Section 3—Securities issued—Caption 30

3.1 Securities issued: breakdown by product

	31/12/2013				31/12/2012			
		Fair value				Fair value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
A. Securities								
1. Bonds								
1.1 structured								
1.2 other	10,025	—	—	10,025	10,018	—	—	10,018
2. Other securities								
2.1 structured								
2.2 other								
Total	**10,025**	**—**	**—**	**10,025**	**10,018**	**—**	**—**	**10,018**

Key

L1 = level 1

L2 = level 2

L3 = level 3

Securities issued comprise the bonds maturing in May 2014.

Section 4—Financial liabilities held for trading—Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	Banking group					Banking group				
	31/12/2013					31/12/2012				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. Financial liabilities										
1. Due to banks	3,215	3,318	—	—	—	1,313	1,366	—	—	
2. Due to customers	1,958	2,042	86	—	—	39	—	38	—	
3. Debt instruments	—	—	—	—	—	—	—	—	—	
3.1 Bonds	—	—	—	—	—	—	—	—	—	
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—		—	—	—	—	
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—		—	X	—	—		—	X
Total A	**5,173**	**5,360**	**86**	**—**		**1,352**	**1,366**	**38**	**—**	
B. Derivatives										
Financial derivatives										
1.1 Trading	X	—	1,691	—	X	X		27,646	X	X
1.2 Associated with fair value option	X	—	—	—	X	X			X	X
1.3 Other	X	—	—	—	X	X			X	X
2. Credit derivatives		—	—	—						
2.1 Trading	X	—	—	—	X	X				X
2.2 Associated with fair value option	X	—	—	—	X	X				X
2.3 Other	X	—	—	—	X	X				X
Total B	**X**	**—**	**1,691**	**—**	**X**	**X**	**—**	**27,646**	**—**	**X**
Total (A + B)	**5,173**	**5,360**	**1,777**	**—**	**X**	**1,352**	**1,366**	**27,684**	**—**	**X**

Key:

FV = fair value

NA = nominal or notional amount

FV* = fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date.

L1 = level 1

L2 = level 2

L3 = level 3

Section 8—Tax liabilities—Caption 80

See section 14 of Assets.

Section 10—Other liabilities—Caption 100

10.1 Other liabilities: breakdown

	31/12/2013	31/12/2012
Tax liabilities, withholding taxes and other amounts to be paid	11,762	34,997
Cheques, cheque truncation flows to be credited	11,979	17,993
Securities, currency and premium transactions paid for options to be credited	1,360	8,887
Due to employees	35,868	40,259
Other liabilities for expenses, commissions and interest to be paid	136,766	106,300
Prepaid debit cards	42,052	37,621
Currency differences on portfolio transactions	27,798	45,654
BIREL, transfers, payment flows to be credited	808,795	796,334
Sundry and residual items	64,191	57,578
Total	**1,140,571**	**1,145,623**

Section 11—Post-employment benefits—Caption 110

11.1 Post-employment benefits: changes

	2013	2012
A. Opening balance	**21,575**	**20,736**
B. Increases		
B.1 Accruals	479	3,948
B.2 Other increases	85	657
C. Decreases		
C.1 Payments	1,322	2,948
C.2 Other increases	1,345	819
D. Closing balance	**19,471**	**21,575**
Total	**19,471**	**21,575**

Caption B.1 shows interest expense accrued during the year.

Caption B.2 shows the increases arising from the acquisition of the Symphonia and Anima business units.

Caption C.2 relates to the actuarial effect for the year.

Part B—Notes to the statement of financial position

11.2 Other disclosures

Actuarial valuation method

The actuarial valuation of the Italian post-employment benefits vested up to 31 December 2006 is based on the projected unit credit method. Starting from 2012, in accordance with the amendments to IAS 19, actuarial gains and losses are recognised in equity.

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 2013

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 2012-2013 observation period
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	2%
Annual discount rate	2.69%, 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 group 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%	1,293	6.64%
	0.50%	(1,184)	−6.08%
—Employee turnover	−0.50%	(7)	−0.04%
	0.50%	7	0.04%

Section 12—Provisions for risks and charges—Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2013	31/12/2012
1. Internal pension funds	1,038	1,178
2. Other provisions for risks and charges	45,047	53,095
Total	**46,085**	**54,273**

During 2013, Cartasi was served two tax assessment reports for IRES and IRAP, respectively, of a significant amount. They concern the tax treatment of Visa shares in the 2004 financial statements following the Visa Group's restructuring, whereby a non-transferable share of a nominal amount of €10 was assigned to all members. Also supported by the opinions of authoritative tax consultants, the group believed that it had valid reasons in fact and in law to appeal against the assessments before the court. The risk that the group loses the case is possible only and, accordingly, no accrual has been recognised.

Since 2004 is prior to the group's acquisition of CartaSi, the risk is partially covered by the existing contractual guarantees provided by the selling banks.

12.2 Provisions for risks and charges: changes

	Total	
	Pension funds	**Other provisions**
A. Opening balance	**1,178**	**53,095**
B. Increases		
B.1 Accruals	—	9,899
B.2 Discounting	—	63
B.3 Changes due to variations in discount rate	—	—
B.4 Other increases	—	45
C. Decreases	**—**	
C.1 Utilisations	86	18,055
C.2 Changes due to variations in discount rate	55	—
C.3 Other decreases	—	—
D. Closing balance	**1,038**	**45,047**

12.3 Defined benefit internal pension plans

1. Description and related risks

The liability for defined benefit internal pension plans includes the accruals made for the group's obligation to its former employees. The estimated liability amounts to €1,038 thousand at the reporting date. The group performed the actuarial calculation with the assistance of a professional actuary. The plan is based on a single remuneration (one-off remuneration)/on the last remuneration/on the post-employment medical plans.

2. Changes in defined benefit plan liabilities (assets) and related repayment rights

The present value of the defined benefit liability at 31 December 2012 amounted to €1,178 thousand. The group paid benefits totalling € 86 thousand during the year.

It did not make any accrual.

The other changes reflect actuarial gains or losses.

12.4 Provisions for risks and charges—other provisions

The other provisions mainly relate to claims/litigation with respect to which an outlay of resources by the group is deemed probable.

The decrease is mainly related to the utilisation of the provisions recognised at 31 December 2012 to pay the related costs and the release of accruals relating to litigation settled during the year.

Section 15—Equity—Captions 140, 160, 170, 180, 190, 200 and 220

15.1 "Share capital" and "Treasury shares": breakdown

	31/12/2013	31/12/2012
1. Share capital	42,557	42,557
2. Share premium	148,242	148,242
3. Reserves	507,802	433,765(*)
4. (Treasury shares)		
a) parent	(32)	(32)
b) subsidiaries		
5. Valuation reserves	77,760	58,668(*)
6. Profit for the year	73,186	91,051(*)
Total	**849,515**	**774,251**

(*) Restated figures following the retrospective application of IAS 19.

15.2 Share capital—number of shares: changes

	Ordinary	Other
A. Opening balance		
—fully paid-in	14,185,790	
—not fully paid-in	—	
A.1 Treasury shares (−)	75,191	
A.2 Outstanding shares: opening balance	**14,110,599**	
B. Increases	—	
B.1 New issues	—	
—against consideration:	—	
—business combinations	—	
—bond conversions	—	
—exercise of warrants	—	
—other	—	
—bonus issues:	—	
—to employees	—	
—to directors	—	
—other	—	
B.2 Sale of treasury shares	—	
B.3 Other increases	—	
C. Decreases	**—**	
C.1 Cancellations	—	
C.2 Repurchases of treasury shares	—	
C3 Disposals of equity investments	—	
C.4 Other decreases	—	
D. Outstanding shares: closing balance	**14,110,599**	
D.1 Treasury shares (+)	75,191	
D.2 Closing balance	14,185,790	
—fully paid-in	14,185,790	
—not fully paid-in		

The outstanding and fully paid-in shares number 14,185,790, while treasury shares in portfolio amount to 75,191.

Section 16—Equity attributable to non-controlling interests—Caption 210

16.1 Equity instruments: breakdown and changes

	31/12/2013	31/12/2012
1. Share capital	3,546	3,546
2. Share premium	157	157
3. Reserves	19,837	18,124
4. (Treasury shares)	—	—
5. Valuation reserves	−11	51
6. Equity instruments	—	—
7.Profit for the year attributable to non-controlling interests	2,904	4,389
Total	**26,433**	**26,267**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part B—Notes to the statement of financial position

Other disclosures

1. Guarantees and commitments

	31/12/2013	31/12/2012
1) Financial guarantees issued	1,277	1,249
a) Banks	1,277	1,249
b) Customers	—	—
2) Commercial guarantees issued	473	312
a) Banks	83	90
b) Customers	389	222
3) Irrevocable commitments to disburse funds	29,492	119,261
a) Banks	10,233	18,896
i) certain use	10,233	18,896
ii) uncertain use	—	—
b) Customers	19,259	100,364
i) certain use	19,259	100,364
ii) uncertain use	—	—
4) Commitments underlying credit derivatives: protection sales	—	—
5) Assets pledged as collateral for third party commitments	—	—
6) Other commitments	—	—
Total	**31,241**	**120,822**

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2013	31/12/2012
1. Financial assets held for trading	—	—
2. Financial assets at fair value through profit or loss	—	—
3. Available-for-sale financial assets	66,153	77,250
4. Held-to-maturity investments	—	—
5. Loans and receivables with banks	—	—
6. Loans and receivables with customers	—	—
7. Property, equipment and investment property	—	—

5. Management and trading on behalf of third parties

	31/12/2013	31/12/2012
1. Execution of customer orders		
a) Purchases		
1. settled	20,868,805	21,927,044
2. unsettled		
b) sales		
1. settled	17,264,083	19,840,254
2. unsettled		
2. Asset management		
a) individual		
b) collective		
3. Securities custody and administration		
a) third party securities held as part of depository services (excluding asset management)	31,081,911	27,542,536
1. securities issued by the reporting entity	—	—
2. other securities	31,081,911	27,542,536
b) third party securities on deposit (excluding asset management): other	48,523,217	29,494,153
1. securities issued by the reporting entity	11,290	388
2. other securities	48,511,927	29,493,765
c) third party securities deposited with third parties	79,390,269	56,971,306
d) securities owned by the bank deposited with third parties	2,525,185	2,292,113

4. Order collection and transmission

a) Purchases	—	
1. settled	554,209	993,501
2. unsettled	—	
b) sales	—	
1. settled	645,443	1,053,992
2. unsettled		
5. Placement of secured and unsecured securities		
a) Placement of unsecured securities	3,431,036	1,793,808
b) Placement of secured securities	2,659	1,244

Section 1—Interest—Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	2013	2012
1. Financial assets held for trading	3,564	—	—	3,564	8,476
2. Financial assets at fair value through profit or loss				—	
3. Available-for-sale financial assets	60,896	—	—	60,896	63,302
4. Held-to-maturity investments	1,341	—	—	1,341	2,315
5. Loans and receivables with banks	142	3,150	195	3,487	7,434
6. Loans and receivables with customers	—	3,341	29,951	33,292	39,251
7. Hedging derivatives	—	—	—	—	—
8. Other assets	—	—	343	343	349
Total	**65,944**	**6,491**	**30,489**	**102,923**	**121,127**

Part C—Notes to the income statement

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	2013	2012
1. Due to central banks	1	—	—	1	2,069
2. Due to banks	22,376	—	11	22,387	25,371
3. Due to customers	2,255	—	4	2,259	5,166
4. Securities issued	—	223	—	223	304
5. Financial liabilities held for trading	138	—	—	138	—
6. Financial liabilities at fair value through profit or loss	—	—	—	—	—
7. Other liabilities and provisions	—	—	779	779	1,215
8. Hedging derivatives	—	—	—	—	—
Total	**24,770**	**223**	**794**	**25,787**	**34,125**

Section 2—Fees and commissions—Captions 40 and 50

2.1 Fee and commission income: breakdown

	2013	2012
a) guarantees issued	159	167
b) credit derivatives	—	—
c) management, brokerage and consultancy services:	—	—
1. trading in financial instruments	10,901	11,383
2. foreign currency transactions	—	—
3. asset management	—	—
3.1. individual	—	—
3.2. collective	—	—
4. securities custody and administration	7,084	4,359
5. depository services	28,530	15,960
6. securities placement	10,385	6,109
7. order collection and transmission	1,345	1,577
8. consultancy services	96	—
8.1. concerning investments	—	101
8.2 concerning financial structure	96	—
9. distribution of third party services	—	—
9.1. asset management	—	—
9.1.1. individual	—	—
9.1.2. collective	—	—
9.2. insurance products	—	—
9.3. other products	—	—
d) collection and payment services	898,911	874,137
e) servicing services for securitisations	—	—
f) services for factoring transactions	—	—
g) tax collection services	—	—
h) management of multilateral trading systems	—	—
i) keeping and management of current accounts	—	—
j) other services	60,271	65,091
Total	**1,017,682**	**978,884**

2.2 Fee and commission expense: breakdown

	2013	2012
a) guarantees received	45	36
b) credit derivatives	—	—
c) management and brokerage services:		—
1. trading in financial instruments	659	774
2. foreign currency transactions	3	—
3. asset management:	—	—
3.1 own portfolio	—	—
3.2 third party portfolios	—	—
4. securities custody and administration	4,433	3,001
5. placement of financial instruments	9,918	5,734
6. securities settlement	1,986	2,177
7. off-premises distribution of financial instruments, products and services	—	—
d) collection and payment services	658,712	607,571
e) other services	2,258	2,510
Total	**678,014**	**621,803**

Section 3—Dividends and similar income—Item 70

3.1 Dividends and similar income: breakdown

	2013		2012	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	34	—	8	
B. Available-for-sale financial assets	934	—	180	
C. Financial assets at fair value through profit or loss	—	—	—	
D. Equity investments	—	—	—	
Total	**968**	**—**	**188**	

Part C—Notes to the income statement

Section 4—Net trading income (expense)—Caption 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt instruments	70	5,779	89	2,938	2,822
1.2 Equity instruments	1	847	1	554	293
1.3 OEIC units	—	3	—	5	−2
1.4 Financing					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt instruments	23	—	3	—	20
2.2 Liabilities					
2.3 Other					
3. Other financial assets and liabilities: net exchange rate gains	X	X	X	X	756
4. Derivatives					
4.1. Financial derivatives:					
—On debt instruments and interest rates	—	—	—	—	—
—On equity instruments and equity indexes	285	5,927	277	5,680	255
—On currencies and gold	—	—	—	—	—
—Other					
4.2 Credit derivatives					
Total	**379**	**12,556**	**370**	**9,177**	**4,144**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part C—Notes to the income statement

Section 6—Gain (loss) from sales/repurchases—Caption 100

6.1 Net gain from sales or repurchases: breakdown

	2013			2012		
	Gain	**Loss**	**Net gain**	**Gain**	**Loss**	**Net gain**
Financial assets						
1. Loans and receivables with banks	—	—	—	—	—	—
2. Loans and receivables with customers	—	—	—	—	—	—
3. Available-for-sale financial assets	—	—	—	—	—	—
3.1 Debt instruments	—	—	—	115	—	115
3.2 Equity instruments	3,104	—	3,104	—	—	—
3.3 OEIC units	—	—	—	—	—	—
3.4 Financing	—	—	—	—	—	—
4. Held-to-maturity investments	635	—	635	—	—	—
Total assets	**3,739**	**—**	**3,739**	**115**	**—**	**115**
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Securities issued	—	—	—	—	—	—
Total liabilities	**—**	**—**	**—**	**—**	**—**	**—**

Section 8—Net impairment losses—Caption 130

8.1 Net impairment losses on loans and receivables: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2013 (3)=(1) - (2)	2012 (3)=(1) - (2)
A. Loans and receivables with banks			37					**37**	
—Financing									
—Debt instruments									
B. Loans and receivables with customers									
Impaired loans acquired			4,096					**4,096**	**2,777**
—Financing									
—Debt instruments Other									
—Financing									
—Debt instruments									
C. Total	**—**	**—**	**4,133**	**—**	**—**	**—**	**—**	**4,133**	**2,777**

Key

A = from interest

B = other reversals

Collective impairment losses mainly relate to revolving credit cards and credit risks taken on.

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses (1)		Reversals of impairment losses (2)			
	Individual		Individual			
	Derecognition	Other	A	B	2013	2012
A. Debt instruments						
B. Equity instruments						
C. OEIC units		2,895			2,895	3,953
D. Financing to banks						
E. Financing to customers						
F. Total	**—**	**2,895**	**—**	**—**	**2,895**	**3,953**

Key

A = from interest

B = other reversals

8.4 Net impairment losses on other financial transactions: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2013	2012
A. Guarantees issued									
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other		−188						−188	810
E. Total	**—**	**−188**	**—**	**—**	**—**	**—**	**—**	**−188**	**810**

Key

A = from interest

B = other reversals

Section 11—Administrative expenses—Caption 180

11.1 Personnel expense: breakdown

	2013	2012
1) Employees		
a) wages and salaries	92,409	87,521
b) social security charges	22,651	22,642
c) post-employment benefits	2,597	2,646(*)
d) pension costs	366	347
e) accrual for post-employment benefits		
f) accrual for pension and similar provisions:	—	
—defined contribution plans	299	315
—defined benefit plans	—	—
g) payments to external supplementary pension funds	—	—
—defined contribution plans	4,962	4,434
—defined benefit plans	—	—
h) costs of share-based payment plans		
i) other employee benefits	—	—
2) Other personnel	4,980	5,010
3) Directors and statutory auditors	942	2,179
4) Retired personnel	3,350	3,931
	−73	3
Total	**132,483**	**129,028(*)**

(*) Restated figures following the retrospective application of IAS 19. The related impacts are disclosed in part A of these notes.

11.2 Average number of employees per category:

	2013	2012
a) managers	62	63
b) junior managers	548	520
c) other employees	1,071	1,052

11.5 Other administrative expenses: breakdown

	2013	2012
—data processing	43,959	42,328
—post office, valuables transportation and couriers	25,372	26,866
—external services	6,048	6,211
—interbank network traffic	7,993	7,059
—IT connections and automation costs	2,677	2,467
—access to markets	2,080	2,080
—professional services	6,446	9,900
—agents' commissions	972	1,231
—bank draft books	36	215
—maintenance and lease	36,095	31,714
—building running costs, leases, heating and lighting	5,534	3,558
—stationery and printed matter	821	933
—insurance	3,760	2,874
—telegraph, telephone and telex	5,304	5,861
—card processing	109,372	105,290
—membership fees	786	682
—surveillance and cleaning	785	794
—other	36,441	46,130
—taxes and duties	76,619	86,905
Total	**371,100**	**383,098**

The fees paid in 2013 to the independent auditors engaged for the legally required audit pursuant to Legislative decree no. 39 of 27 January 2010 are detailed below:

	Service provider	€'000
Audit of the parent's financial statements	KPMG S.p.A.	187
Audit of the subsidiaries' financial statements	KPMG S.p.A.	320
Total		**507**

In addition to the audit of the separate and consolidated financial statements, the above fees covered the review of the interim financial report at 30 June and the procedures required of the independent auditors by tax legislation.

Section 12—Net accruals to provisions for risks and charges—Caption 190

12.1 Net accruals to provisions for risks and charges: breakdown

	2013	2012
Accruals to provisions	2,130	11,415
Total	**2,130**	**11,415**

Section 13—Depreciation and net impairment losses on property, equipment and investment property—Caption 200

13.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

13.1.1 attributable to the banking group

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Property, equipment and investment property				—
A.1 Owned				—
—Property and equipment	17,415	—		**17,415**
—Investment property	1,380			**1,380**
A.2 Under finance lease				—
—Property and equipment	1,247			**1,247**
—Investment property	10			**10**
Total	**20,052**	**—**	**—**	**20,052**

Section 14—Amortisation and net impairment losses on intangible assets—Caption 210

14.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Intangible assets				
A.1 Owned				
—Generated internally				
—Other				
A.2 Under finance lease	12,913	—		**12,913**
				—
Total	**12,913**	**—**	**—**	**12,913**

Section 15—Other operating expense and income—Caption 220

15.1 Other operating expense: breakdown

	2013	2012
Transfer of revenue from services	17,364	18,234
Lease payments	—	—
Other costs	8,580	8,251
Total	**25,944**	**26,485**

15.2 Other operating income: breakdown

	2013	2012
Lease income	1,777	2,166
Services	196,930	184,956
Recoveries of stamp duties from customers and post office expenses	78,300	78,976
Other income	32,044	33,193
Total	**309,051**	**299,291**

Part C—Notes to the income statement

Section 16—Share of profits (losses) of investees—Caption 240

16.1. Share of losses of investees: breakdown

	2013	2012
1) Jointly-controlled entities		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income		
B. Costs		
1. Fair value losses		
2. Impairment losses		
3. Losses on sales		
4. Other costs		
Net profits (losses)	**—**	**—**
2) Associates		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income	249	447
B. Costs		
1. Fair value losses	11,692	7,387
2. Impairment losses		
3. Losses on sales		
4. Other costs		
Net losses	**−11,443**	**−6,940**
Total	**−11,443**	**−6,940**

Section 19—Gains (losses) on sales of investments—Caption 270

19.1. Net gains (losses) on sales of investments: breakdown

	2013	2012
A. Property		
—Gains on sales		
—Losses on sales		
B. Other		
—Gains on sales	—	4
—Losses on sales	1	—
Net gains (losses)	**1**	**4**

Section 20—Income taxes—Caption 290

20.1 Income taxes: breakdown

	2013	2012
1. Current taxes	−71,836	−68,065(*)
2. Change in current taxes from previous years (+/−)	3,589	5,835
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 (+/−)	−7,803	4,067
5. Change in deferred tax liabilities (+/−)	716	−2,151
6. Tax expense for the year (−) (−1+/−2+3+3bis+/−4+/−5)	−75,335	−60,314

(*) Restated figures following the retrospective application of IAS 19. The related impacts are disclosed in part A of these notes.

Current taxes include the additional IRES for 2013.

20.2 Reconciliation between the theoretical and effective tax expense

	2013	2012
Reconciliation between the theoretical and effective tax rate		
Theoretical tax rate	41.57%	33.07%
Tax exempt income and other decreases	14.05%	−6.71%
Undeductible costs	−5.81%	12.51%
Effective tax rate	49.81%	38.88%

Section 22—Profit (loss) for the year attributable to non-controlling interests—Caption 330

22.1 Caption 340 "Profit for the year attributable to non-controlling interests"

	2013	2012
Help Line	210	676
CartaSi	2,694	3,713
Total	**2,904**	**4,389**(*)

(*) Restated figures following the retrospective application of IAS 19. The related impacts are disclosed in part A of these notes.

Part D—Breakdown of comprehensive income

Breakdown of comprehensive income

		Gross amount	Income tax	Net amount
10.	Profit for the year	X	X	76,090
	Items that will not be reclassified subsequently to profit or loss			
20.	Property, equipment and investment property			
30.	Intangible assets			
40.	Defined benefit plans	1,345	−465	880
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	27,119	−8,826	18,293
	a) fair value gains (losses)			
	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)			
	b) reclassification to profit or loss:			
	c) other changes			
120.	Portion 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**	**28,464**	**−9,291**	**19,173**
140.	**Comprehensive income (captions 10 + 110)**	**28,464**	**−9,291**	**95,263**
150.	Comprehensive income attributable to non-controlling interests	2,977		2,977
160.	**Comprehensive income attributable to the owners of the parent**	**25,487**	**−9,291**	**92,286**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part E—Risks and related hedging policies

Introduction

The ICBPI Group's governance model sets out the internal control guidelines to be applied to its organisation, in a regulated and methodological manner so that it can carry out strategic, management and technical-operational guidance and control activities effectively and efficiently.

The group's internal controls form a system comprising rules, procedures and organisational structures designed to ensure compliance with the ruling laws and regulations:

- efficient and effective internal processes;
- protection of assets and against losses;
- reliable and complete accounting and management data;
- compliance of operations with the law, supervisory regulations and internal policies, plans, regulations and procedures.

The internal controls are organised on different levels:

- <u>line controls,</u> aimed at ensuring correct operating practices; these are hierarchical type controls performed by the same production unit which are usually part of the same procedures or performed as back office activities;
- <u>risk management controls,</u> designed to define risk measurement methods, check compliance with their assigned limits by the various operating units and check consistency of each production unit's operations with their risk/return objectives;
- <u>compliance controls,</u> to monitor risks of non-compliance with external and internal regulations;
- <u>internal audit procedures,</u> designed to identify irregularities, violations of procedures, internal and external regulations and to assess the overall working of the internal controls.

Non-operational, independent units carry out the risk management, compliance and internal audit activities.

Responsibility for the internal controls lies with the board of directors that establishes the guidelines and regularly checks their adequacy and effective working. In order to ensure the board of directors carries out its duties properly, it has set up an internal control committee, with three members, at least one of whom is a non-executive independent director. This committee assists the board of directors to perform its internal controls, providing proactive assistance and advice. The group audit unit reports directly to the internal control committee and the board of statutory auditors. It performs the third level controls and also monitors/supervises the entire internal controls system. The compliance unit closely monitors reputation risk while the risk management unit (which is also centralised at the parent and works on behalf of the entire group) carries out second level controls over various risks, excluding the reputation risk.

As part of the internal controls, the parent has a risk policy, approved by its board of directors, which sets out the principles, aims and methods to manage (methodology and tools) the main risks to which the ICBPI Group is exposed. It also has a risk appetite framework (RAF), which reconciles its strategic planning and risk management as it defines the level and type of risk acceptable to the group when pursuing its strategic objectives.

The parent analysed the activities performed, which are mainly related to the providing of products and services to banks and major corporate customers, and identified operational risk as the main risk faced by the group. In order to handle this risk and comply with the capital requirement, the parent designed an operational risk framework, which is a specific process that identifies risk factors, assesses the level of exposure to risks and the effectiveness of the actions taken to control and monitor these risks.

At group level, capital available for allocation is the sum of Tier 1 and Tier 2 (as well as Tier 3 for the part eligible to cover market risks) held to cover the group from total risk exposure in line with the capitalisation objectives of such Tier 1 capital and the total capital ratio. This capital is earmarked to cover all the risks identified by each group company and at group level.

SECTION 1—BANKING GROUP RISKS

1.1 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.

Lending is not the ICBPI group's core business but it is an important part of its operations and mainly affects the treasury and finance unit, the securities services department and some business units of the parent, ICBPI, and the subsidiary CartaSi.

In fact, the group's core business is not to grant financing but it does grant credit facilities, mainly to third parties that, due to the products/services provided to them and the operating/financial rules thereof, require credit facilities in the form of cash (credit facilities) or commitments (endorsement credits).

With respect to the first level controls, the head of the treasury and finance unit and the head of the securities services department check and monitor that the lending transactions performed by the treasury and finance unit comply with the maximum operating limits and/or caps. As part of the second level controls, the risk management unit checks compliance with the operating limits and large exposures.

With respect to the activities performed by CartaSi, credit risk relates to:

- issuing through banks: amounts due from cardholders, for transactions after the fifth day that the "F" block has been implemented for default;
- acquiring: amounts due from merchants arising as a result of operating irregularities for transactions challenged by the cardholders andamounts subject to charge-backs for whatsoever reason that can be claimed from merchants;
- direct issuing: when the cardholder defaults.

In order to strengthen controls over credit risk, relevant information about the credit exposure (amount of credit facilities, use of credit facilities, overruns, any non-performing positions) is collected in a structured and organic manner by the various IT procedures).

ICBPI does not operate in innovative financial products such as credit derivatives.

Also because of the limited number of exposures normally taken on by the group, its credit risk measurement methods and the related controls over credit risk trends are simple and lean; it does not use scoring systems or external and/or internal ratings.

2. Credit risk management policies

2.1 Organisational aspects

The group's organisational structure ensures the proper monitoring and management of risks. With specific respect to credit risk, the board of directors has the sole powers to make policies that affect the group's operations. It approves the strategies and risk management policies and the group's organisational structure for internal controls. The proxy system provided for by an internal policy approved by the board of directors attributes specific powers to some bodies and units for decisions about credit. As required by the internal regulations, credit risk is management and monitored by the:

- board of directors;
- general manager;
- credit committee;
- credit and branches unit.

2.2 Management, measuring and control systems

2.2.1 Credit management

The parent is a "second level" bank and its lending policies are regulated by a specific regulation; it provides credit to:

- banks;
- stock brokerage companies;
- financial companies included in the lists covered by the Consolidated Banking Act;
- large corporate customers;
- OEICs;
- fund management companies.

ICBPI only provides credit facilities to retail customers who are group employees and employees of the former ICBPI (Equens) Group in the form of current account overdrafts and personal loans. It does not provide loans.

The credit facilities offered by ICBPI, diversified by type of customer, include:

- operating treasury facilities;
- intermediation caps in the Target 2 and E-Mid settlement system;
- syndicate loans;
- endorsement credits and other commitments for guarantees issued (sureties, letters of patronage);
- cash credit facilities;
- personal loans.

In order to monitor counterparties that operate in the retail intermediation services sector, the group has introduced specific operating limits to monitor and check these parties' operations.In certain cases, it asks for guarantees to mitigate any risks it takes on.

All the applications for credit and allocations of operating limits are reviewed by the credit office, together with the service manager and then approved by the credit committee. If no obstacles are identified, the credit committee expresses its assessment of the application, including about the guarantee acquired or to be acquired for the board of directors to take its decision.

After the credit facility is provided, risks are checked and monitored as follows:

- periodic assessments of the customers and reviews of their positions;
- checks of overruns;
- checks of information from Bank of Italy's credit information centre;
- identification of indications that the risk is more serious;
- periodic checks of the adequacy of the credit facilities used within the group and the banking sector compared to equity for the mutual fund sector (to check the legal limit imposed by Bank of Italy's regulation).

2.2.2 Management of overruns

The credit office checks and analyses any overruns every day and informs the relevant units of all positions with overruns (current accounts in Euro and foreign currency with and without credit facilities). The units firstly check the accounting entries and, if necessary, make the relevant adjustments. They analyse the reasons for the overruns and invite the customers to immediately rectify their positions if this is appropriate. They also inform the credit office and the risk management unit of their actions.

Positions with particular difficulties, not covered by the existing ad personam proxies, are communicated to general management so that it can authorise adoption of measures to suspend the facility and/or contract or to commence the procedure to reclassify the position by implementing the process to allow the relevant bodies that granted the credit to take a decision.

All overruns of more than €1,000 are communicated to the board of directors. Positions that are past due or overdue (by more than 90/180) days are communicated to the credit information centre as per the Bank of Italy regulation.

2.2.3 Operating limits

The risk management unit monitors compliance with the operating limits granted to the banks on a daily basis as a second level control. These limits are granted on the basis of standard parameters and vary depending on the nature of the instrument and its implicit volatility as well as the duration or residual life of the transaction.

2.2.4 Risk concentration limits

The risk management unit monitors compliance with the risk concentration limits (large exposures as per the Bank of Italy Circular no. 263, Title V, Chapter 1) on a daily basis, assisting the level 1 controls already performed by the relevant units.

2.2.5 CartaSi credit management

CartaSi is exposed to credit risk solely in relation to its issue of credit cards as part of its direct issuing business. Cards are issued after a strict investigation of the potential customers, used to calculate CartaSi's exposure to each one. Settlement with the banks takes place through the parent by offsetting value dates.

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.

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 constantly monitors credit risk trends and their effect on the risk policy and set range. It implements suitable escalation measures when these limits are exceeded. These measures are described in the "CartaSi S.p.A. risk quantification limits" document.

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 credit:

- 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 and the results 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 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.

2.3 Credit risk mitigation techniques

In order to mitigate credit risk, the relevant bodies may decide to tie the granting of credit facilities to the receipt of suitable guarantees, based on the results of the related credit facility application investigation. These guarantees may be collateral, such as securities and/or cash deposits, contractual guarantees or endorsement guarantees.

The credit office and the securities services department regularly check at least once a year the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

The acquired guarantees do not have specific limits that could affect their legal validity.

There were no significant changes in the management of guarantees compared to the previous year.

Part E—Risks and related hedging policies

2.4 Impaired financial assets

The credit committee regularly reviews all potentially irregular positions and decides on the recovery activities to be taken as well as changes in the position's status, based on the relevant parameters. These decisions are reviewed by the board of directors.

Classification of assets by debtor quality complies with the categories established by Bank of Italy.

With respect to impaired positions, impairment losses are recognised after the individual measurement of each position.

With respect to CartaSi, 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.

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING LOANS: CARRYING AMOUNT, IMPAIRMENT LOSSES, PERFORMANCE AND BREAKDOWN BY BUSINESS AND GEOGRAPHICAL SEGMENT

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

	BANKING GROUP					INSURANCE GROUP		
	Non-performing loans	Substandard loans	Restructured loans	Unimpaired past due loans	Other assets	Impaired	Other assets	Total
1. Financial assets held for trading	—	—	—	—	10,615	—	—	10,615
2. Available-for-sale financial assets	—	—	—	—	2,481,940	—	—	2,481,940
3. Held-to-maturity investments	—	—	—	—	91,861	—	—	91,861
4. Loans and receivables with banks	—	—	—	—	1,043,795	—	—	1,043,795
5. Loans and receivables with customers	817	—	—	—	3,532,538	—	—	3,533,355
6. Financial assets at fair value through profit or loss	—	—	—	—	—	—	—	—
7. Financial assets held for sale	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	—	—
Total at 31/12/2013	**817**	**—**	**—**	**—**	**7,160,749**	**—**	**—**	**7,161,566**
Total at 31/12/2012	**706**	**—**	**—**	**—**	**7,121,042**	**—**	**—**	**7,121,747**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

	Impaired assets			Performing			
	Gross amount	Individual impairment	Net amount	Gross amount	Collective impairment	Net amount	Total (carrying amount)
A. Banking group							
1. Financial assets held for trading	—	—	—	10,615	—	10,615	10,615
2. Available-for-sale financial assets	—	—	—	2,481,940	—	2,481,940	2,481,940
3. Held-to-maturity investments	—	—	—	91,861	—	91,861	91,861
4. Loans and receivables with banks	—	—	—	1,043,795	—	1,043,795	1,043,795
5. Loans and receivables with customers	10,083	9,266	817	3,542,402	9,865	3,532,537	3,533,354
6. Financial assets at fair value through profit or loss	—	—	—	—	—	—	—
7. Financial assets held for sale	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	
Total A	**10,083**	**9,266**	**817**	**7,170,613**	**9,865**	**7,160,748**	**7,161,565**
B. Other consolidated companies							
1. Financial assets held for trading							
2. Available-for-sale financial assets							
3. Held-to-maturity investments							
4. Loans and receivables with banks							
5. Loans and receivables with customers							
6. Financial assets at fair value through profit or loss							
7. Financial assets held for sale							
8. Hedging derivatives							
Total B	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31/12/2013	**10,083**	**9,266**	**817**	**7,170,613**	**9,865**	**7,160,748**	**7,161,565**
Total at 31/12/2012	**12,516**	**11,810**	**706**	**7,132,349**	**11,307**	**7,121,042**	**7,121,747**

A.1.3 Banking group—Loans and receivables with banks on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount	Individual impairment	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	—	—	—	—
b) Substandard loans	—	—	—	—
c) Restructured loans	—	—	—	—
d) Past due loans	—	—	—	—
e) Other assets	1,137,214	—	—	1,137,214
TOTAL A	**1,137,214**	**—**	**—**	**1,137,214**
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	—	—	—	—
b) Other	4,504	—	—	**4,504**
TOTAL B	4,504	—	—	**4,504**
TOTAL A + B	**1,141,718**	**—**	**—**	**1,141,718**

A.1.6 Banking group—Loans and receivables with customers on and off-statement of financial position: gross amounts and carrying amounts

	Exposure	Individual impairment	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	10,083	1,748	7,518	817
b) Substandard loans	—	—	—	—
c) Restructured loans	—	—	—	—
d) Past due loans	—	—	—	—
e) Other assets	6,031,282	—	9,865	6,021,418
TOTAL A	**6,041,365**	**1,748**	**17,383**	**6,022,236**
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	—	—	—	—
b) Other	1,674	—	—	1,674
TOTAL B	**1,674**	**—**	**—**	**1,674**
TOTAL A + B	**6,043,039**	**1,748**	**17,383**	**6,023,910**

The non-performing exposures mainly related to CartaSi and its cardholders.

A.1.7 Banking group—On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Gross opening balance	**12,515**			
—including: positions transferred but not derecognised				
B. Increases				
B.1 transfers from performing loans	3,445			
B.2 transfers from other impaired loan categories				
B.3 other increases	70			
C. Decreases				
C.1 transfers to performing loans	—			
C.2 derecognitions	5,093			
C.3 collections	825			
C.4 losses on sales				
C.5 transfers to other impaired loan categories				
C.6 other decreases	29			
D. Gross closing balance	**10,0823**	**—**	**—**	**—**
—including: positions transferred but not derecognised				

Part E—Risks and related hedging policies

A.1.8 Banking group—On-statement of financial position loans and receivables with customers: changes in impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Opening balance	**11,810**			
—including: positions transferred but not derecognised				
B. Increases				
B.1. impairment losses	2,542			
B.1. bis losses on sales				
B.2 transfers from other impaired loan categories				
B.3. other increases				
C. Decreases				
C.1. fair value gains				
C.2. reversals of impairment losses due to collection				
C.2. bis gains on sales	5,086			
C.3. derecognitions				
C.4 transfers to other impaired loan categories				
C.5. other decreases				
D. Closing balance	**9,266**			
—including: positions transferred but not derecognised				

A.2 Classification of exposures using external and internal ratings

A.2.1 Banking group—Breakdown of credit exposure on and off-statement of financial position by external rating classes

	External rating class							
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On-statement of financial position							5,881,909	5,881,909
B. Derivatives							—	—
B.1 Financial derivatives							2,118	2,118
B.2 Credit derivatives							—	—
C. Guarantees issued							143,534	143,534
D. Commitments to disburse funds							2,311	2,311
E. Other							—	—
Total							**6,029,872**	**6,029,872**

A.2.2 Breakdown of credit exposure on and off-statement of financial position by internal rating classes

	External rating class						
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total
A. On-statement of financial position							
B. Derivatives							
B.1 Financial derivatives						2,118	**2,118**
B.2 Credit derivatives						—	**—**
C. Guarantees issued						143,534	**143,534**
D. Commitments to disburse funds						2,311	**2,311**
E. Other						—	**—**
Total						**147,962**	**147,962**

A.3 BREAKDOWN OF GUARANTEED EXPOSURE BY TYPE OF GUARANTEE

A.3.2 Banking group—Guaranteed loans and receivables with customers

		Collateral(1)				Personal guarantees(2)									
						Credit derivatives									
							Other derivatives				Endorsement credits				
	Net amount	Mortgaged property	Property under finance lease	Securities	Other collateral	CLN	Government and central banks	Other government agencies	Banks	Other	Government and central banks	Other government agencies	Banks	Other	Total (1+2)
1.1. Guaranteed loans:															
1.1. fully guaranteed	223,213	—		—	283,472	—	—	—	—	—	—	—	—	—	283,472
—including: impaired	—	—		—	—	—	—	—	—	—	—	—	—	—	—
1.2. partly guaranteed	—	—		—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—		—	—	—	—	—	—	—	—	—	—	—	—
2. Off-statement of financial position guaranteed loans:															
2.1. fully guaranteed	—	—		—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—		—	—	—	—	—	—	—	—	—	—	—	—
2.2. partly guaranteed	—	—		—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—		—	—	—	—	—	—	—	—	—	—	—	—

B.B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

***B.1** Banking group—Breakdown of loans and receivables with customers on and off-statement of financial position by business segment (carrying amount)*

	Governments			Other government agencies			Financial companies		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position									
A.1 Non-performing loans	—	—	—	—	—	—	391	1,491	—
A.2 Substandard loans	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—
A.5 Other	2,482,437	—	—	353	—	—	2,241,424	—	—
TOTAL A	**2,482,437**	**—**	**—**	**353**	**—**	**—**	**2,241,815**	**1,491**	**—**
B. Off-statement of financial position									
B.1 Non-performing loans	—	—	—	—	—	—	—	—	—
B.2 Substandard loans	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—
B.4 Other	339	—	—	168	—	—	142,632	—	—
TOTAL B	**339**	**—**	**—**	**168**	**—**	**—**	**142,632**	**—**	**—**
TOTAL (A + B) AT 31/12/2013	**2,482,776**	**—**	**—**	**521**	**—**	**—**	**2,384,447**	**1,491**	**—**
TOTAL (A + B) AT 31/12/2012	**2,136,249**	**—**	**—**	**232**	**—**	**—**	**1,959,802**	**1,491**	**—**

	Insurance companies			Non-financial companies			Other		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position									
A.1 Non-performing loans	—	—	—	—	257	—	427	—	7,518
A.2 Substandard loans	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—
A.5 Other	24,396	—	—	19,335	—	—	1,253,472	—	9,865
TOTAL A	**24,396**	**—**	**—**	**19,335**	**257**	**—**	**1,253,899**	**—**	**17,383**
B. Off-statement of financial position									
B.1 Non-performing loans	—	—	—	—	—	—	—	—	—
B.2 Substandard loans	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—
B.4 Other	67	—	—	254	—	—	—	—	—
TOTAL B	**67**	**—**	**—**	**254**	**—**	**—**	**—**	**—**	**—**
TOTAL (A + B) AT 31/12/2013	**24,463**	**—**	**—**	**19,589**	**257**	**—**	**1,253,899**	**—**	**17,383**
TOTAL (A + B) AT 31/12/2012	**10,821**	**—**	**—**	**14,485**	**257**	**—**	**1,330,403**	**—**	**10,062**

B.2 Banking group—Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net amount	**Total impairment**	**Net amount**	**Total impairment**	**Net amount**	**Total impairment**	**Net amount**	**Total impairment**	**Net amount**	**Total impairment**
A. On-statement of financial position										
A.1 Non-performing loans	817	9,266	—	—	—	—	—	—	—	—
A.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—	—
A.5 Other	5,864,136	9,865	89,901	—	67,358	—	—	—	21	—
TOTAL	**5,864,954**	**19,131**	**89,901**	**—**	**67,358**	**—**	**—**	**—**	**21**	**—**
B. Off-statement of financial position										
B.1 Non-performing loans	—	—	—	—	—	—	—	—	—	—
B.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	143,459	—	—	—	—	—	—	—	—	—
TOTAL	**143,459**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL (A + B) AT 31/12/2013	**6,008,413**	**19,131**	**89,901**	**—**	**67,358**	**—**	**—**	**—**	**21**	**—**
TOTAL (A + B) AT 31/12/2012	**5,147,214**	**23,117**	**76,433**	**—**	**73,141**	**—**	**209**	**—**	**—**	**—**

Part E—Risks and related hedging policies

B.3 Banking group—Breakdown of loans and receivables with banks on and off-statement of financial position by geographical segment (carrying amount)

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	—	—	—	—	—	—	—	—	—	—
A.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—	—
A.5 Other	1,014,583	—	95,719	—	16,455	—	8,264	—	2,193	—
TOTAL	**1,014,583**	**—**	**95,719**	**—**	**16,455**	**—**	**8,264**	**—**	**2,193**	**—**
B. Off-statement of financial position										
B.1 Non-performing loans	—	—	—	—	—	—	—	—	—	—
B.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	3,695	—	809	—	—	—	—	—	—	—
TOTAL	**3,695**	**—**	**809**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL (A + B) AT 31/12/2013	**1,018,278**	**—**	**96,528**	**—**	**16,455**	**—**	**8,264**	**—**	**2,193**	**—**
TOTAL (A + B) AT 31/12/2012	**1,419,415**	**—**	**427,854**	**—**	**24,042**	**—**	**22,919**	**—**	**10,779**	**—**

B.4 Large exposures

	31/12/2013	31/12/2012
a) Carrying amount	3,896,429	5,056,623
b) Weighted amount	346,589	915,066
c) Number	10	17

C. SECURITISATIONS AND TRANSFERS OF ASSETS

The group has not undertaken these types of transaction.

D. CREDIT RISK MEASUREMENT MODELS

The group does not have state-of-the-art tools to measure credit risk given its profile.

SECTION 2—MARKET RISKS

QUALITATIVE DISCLOSURE

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (regulatory trading book), currencies and commodities, due to fluctuations in market factors or the issuer's situation. This risk is applicable to ICBPI as it manages financial instruments on the group's behalf. Activities that generate market risk are performed by the treasury and finance unit and the securities services department. Specifically, the treasury and finance unit performs investment and treasury transactions on EU and non-EU markets, it manages the AFT banking book and also manages day-to-day liquidity. The securities services department acts as a market marker and trades in the financial instruments requested by customers.

The finance regulation governs these activities and defines the operating limits for the subcomponents of market risk, such as currency risk, interest rate risk on the trading portfolio, issuer risk and counterparty risk. In addition, the regulation sets operating limits for the various activities for the amounts involved, VaR, the stop loss as well as the criteria and methods to monitor positions.

The governance model in place to manage and monitor risks is based on the segregation between the management processes and the risk control processes on the one hand and, on the other, development of processes to manage and monitor risks in line with the group's hierarchical structure and by assigning proxies.

The treasury and finance unit and the securities services department report to the liquidity and finance committee, which analyses the group's positions and defines financial policies.

The first level controls are carried out by the treasury and finance unit and the securities services department for the activities related to them, while the second level controls are performed by the risk management unit. This unit monitors market risk on a daily basis using the VaR of the positions in securities and foreign currency. It also performs second level controls on compliance with assigned limits.

The treasury and finance unit monitors positions in securities and foreign currency using VaR with a confidence interval of 99% and a time horizon of 10 days, calculated using a parametric model.

The VaR, defined to obtain a reasonable estimate of potential losses in normal market conditions, is not designed to, nor does it, include an analysis of extreme events. Stress tests are used to check the impact of extreme conditions on the portfolio and violations of the assumptions underlying the model used by identifying the remaining risk and providing information complementary to VaR.

In order to progressively improve controls over risks, VaR as calculated above is back tested, which is performed to check the accuracy of the VaR retrospectively, checking the consistency between the number of days on which the ex-post losses exceed the VaR and the probability that these events will occur expected by the calculation model, using a confidence level adopted to estimate VaR. As VaR is calculated over a time horizon of 10 days with a confidence level of 99%, the expected probability that a loss is greater or the same as VaR in a 10 day interval is 1%.

Part E—Risks and related hedging policies

QUANTITATIVE DISCLOSURE

1. Regulatory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and derivatives

Currency: Euro	On demand 31/12/2013	Up to 3 months 31/12/2013	From 3 to to 6 months 31/12/2013	From 6 months to 1 year 31/12/2013	From 1 to 5 years 31/12/2013	From 5 to 10 years 31/12/2013	After 10 years 31/12/2013	Open term 31/12/2013
1. Assets								
1.1 Debt instruments	—	—	—	—	—	—	—	—
—with early repayment option	—	—	—	—	—	—	—	—
—other	1,759	638	288	580	3,493	837	341	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Liabilities	—	—	—	—	—	—		—
2.1 Repurchase agreements	—	—	—	—	—	—	—	—
2.2 Other liabilities	1,510	979	—	937	660	1,009	1	—
3. Financial derivatives	—	—	—	—	—	—	—	—
3.1 With underlying security	—	—	—	—	—	—		—
—Options	—	—	—	—	—	—		—
+ long positions	—	17	—	—	—	—	—	—
+ short positions	—	17	—	—	—	—	—	—
—Other derivatives	—	—	—	—	—	—		—
+ long positions	10,423	29,042	16,062	43	1,048	729	151	—
+ short positions	9,982	29,231	16,212	223	1,102	558	178	—
3.2 Without underlying security	—	—	—	—	—	—		—
—Options	—	—	—	—	—	—		—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives	—	—	—	—	—	—		—
+ long positions	—	200,389	2,069	—	—	—	—	—
+ short positions	—	396,636	1,715	—	—	—	—	—

Currency: other	On demand 31/12/201 3	Up to 3 months 31/12/201 3	From 3 to 6 months 31/12/201 3	From 6 months to 1 year 31/12/201 3	From 1 to 5 years 31/12/201 3	From 5 to 10 years 31/12/201 3	After 10 years 31/12/201 3	Open term 31/12/201 3
1. Assets								
1.1 Debt instruments								
—with early repayment option	—	—	—	—	—	—	—	—
other	—	—	7	—	261	38	61	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Liabilities								
2.1 Repurchase agreements	—	—	—	—	—	—	—	—
2.2 Other liabilities	9	—	—	—	—	39	203	—
3. Financial derivatives								
3.1 With underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	82	452	—	—	—	123	320	—
+ short positions	73	527	—	—	25	155	195	—
3.2 Without underlying security	—	—	—	—	—	—		—
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	442,418	1,704	—	—	—	—	—
+ short positions	—	246,461	2,064	—	—	—	—	—

2.1 INTEREST RATE AND PRICE RISK—REGULATORY TRADING BOOK

A1. General issues of interest rate risk

This risk arises on ICBPI's core banking business as it is inherent to the transformation of financial resources over time, space and form for both the trading of financial assets carried out by the treasury and finance unit and the market making and brokerage and primary market services provided by the securities services department.

The objectives and strategies underlying trading activities in place to manage the securities portfolio are designed to maximise profitability and exploit investment opportunities as part of an approach to contain risks. This leads the group to have a bonds portfolio with a short duration.

Like in previous years, interest rate risk is modest given the natural matching of the assets and liabilities arising from ICBPI's operations.

The trading portfolio includes financial instruments subject to regulatory capital requirements for market risk, as defined in the supervisory communication regulations.

B1. Interest rate risk management processes and measurement methods

The parent's risk management unit performs stress tests on the interest rate risk, assuming parallel movements in the interest rate curve and analysing the related effects.

A2. General aspects about price risk

Price risk is the risk of fluctuations in the prices of financial instruments due to variations in market variables or specific factors of the issuers or counterparties. It can be general, due to a change in the price of an equity instrument caused by fluctuations in the reference market, or specific, caused by a change in the price of a specific equity instrument compared to its reference market following changes in expectations about the financial soundness or future profitability of the issuer.

B2. Management and measurement of price risk

Like for the other risks, the group's strategy adopted to manage price risk is prudent.

This risk is monitored through specific reports and by calculating the VaR (which is performed daily by the risk management unit.

2.2 INTEREST RATE AND PRICE RISK—BANKING BOOK

A1. General aspects, management and measurement of interest rate risk

The banking book's interest rate risk is the risk of losses in its value due to potential changes in interest rates.

The main source of this type of risk is the repricing risk, i.e., the risk arising from the mismatch of maturity dates and repricing of assets and liabilities, the main aspects of which are:

- yield curve risk, the risk arising from the group's exposure to changes in the slope and shape of the return curve;

- basis risk, the risk arising from the mismatching of changes in interest rates paid and received on different instruments that may have similar repricing characteristics.

This risk relates solely to the parent for its banking book.

The parent's funding and lending have historically mainly being obtained or granted through current accounts or with short-term maturities (nearly all within three months). As most of the liquidity in current accounts is that in the giro accounts, which are used for operating purposes and not for funding and/or lending transactions, the parent's actual exposure to this risk is rather limited.

The risk management unit monitors this risk daily to assess its impact using a method based on the guidance set out in Annex C of Title III, Chapter 1 of Bank of Italy Circular no. 263, which assesses the absorption in terms of internal capital of a variation of 200 bp on the return curve on the banking book, weighing the various exposures depending on their residual life and adopting an internal method to classify current accounts, as required by the above-mentioned supervisory regulations.

With respect to CartaSi and its business, positions are concentrated in the "within one month" category with minimum exposure. Moreover, the mismatching due to the issuing and acquiring activities solely relates to the settlement date and not to the value date, which is the same for credit and debit movements.

A2. General aspects, management and measurement of price risk

The banking book’s price risk mainly refers to the equity investments held for the long term and financial instruments, mostly Italian government bonds, which are not included in the trading book as they are also held for investment purposes.

The board of directors is the sole body responsible for the related internal controls for the latter instruments.

B1. Fair value hedges

Not applicable.

B2. Cash flow hedges

The group’s hedging strategies are generic and may also refer to the interest rate risk applicable to the on-demand items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part E—Risks and related hedging policies

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency: Euro	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	366,887	774,055	320,771	97,230	1,014,858	3,587	—	—
1.2 Financing to banks	435,849	421,611	—	362	—	—	—	—
1.3 Financing to customers								
—current accounts	1,498,311	—	—	—	391	—	—	—
—Other financing								
—with early repayment option	—	—	—	—	—	—	—	—
—other	1,146,297	649,750	65,153	83,107	39,723	887	13	—
2. Liabilities								
2.1 Due to customers	—	—	—	—	—	—	—	—
—current accounts	3,146,360	—	—	—	—	—	—	—
—**other payables**								
—with early repayment option	—	—	—	—	—	—	—	—
—other	110,271	—	—	—	—	—	—	—
2.2 Due to banks								
—current accounts	1,164,633	—	—	—	—	—	—	—
—other payables	993,825	322	—	—	—	—	—	—
2.3 Debt instruments								
—with early repayment option	—	—	—	—	—	—	—	—
—other	10,025	—	—	—	—	—	—	—
2.4 Other liabilities								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying security								
—**Options**								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—**Other derivatives**								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security								
—**Options**								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—**Other derivatives**								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
4. Other off-statement of financial position transactions								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—

Currency: other	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
1.2 Financing to banks	86,266	96,121	—	—	—	—	—	—
1.3 Financing to customers								
—current accounts	17,790	—	—	—	—	—	—	—
—Other financing								
—with early repayment option	—	—	—	—	—	—	—	—
—other	31,934	—	—	—	—	—	—	—
2. Liabilities								
2.1 Due to customers	—	—	—	—	—	—	—	—
—current accounts	350,761	—	—	—	—	—	—	—
—other payables								
—with early repayment option	—	—	—	—	—	—	—	—
—other	12,897	—	—	—	—	—	—	—
2.2 Due to banks								
—current accounts	49,651	—	—	—	—	—	—	—
—other payables	4,670	2,535	21	—	—	—	—	—
2.3 Debt instruments								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
2.4 Other liabilities								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
4. Other off-statement of financial position transactions								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—

2.3 CURRENCY RISK

A. General aspects, management and measurement of currency risk

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.

Currency risk nearly entirely arises on foreign currency trading activities carried out through trading in market instruments. The risk management unit monitors this risk constantly by calculating the VaR.

The group’s exposure to currency risk, calculated using the net foreign currency positions and a method in line with the supervisory regulations, is negligible.

Part E—Risks and related hedging policies

B. Currency hedges

The trading book is completely hedged with spot forex positions.

The risk management unit checks that the VaR on existing positions is always within the limits set by the finance regulation every day.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
Assets	**US dollar**	**Yen**	**Pound sterling**	**Swiss franc**	**Canadian dollar**	**Other currencies**
A. Financial assets						
A.1 Debt instruments	360	—	13	—	—	153
A.2 Equity instruments	18	—	—	—	—	57,622
A.3 Financing to banks	66,753	16,251	3,009	31,459	7,292	2,140
A.4 Financing to customers	34,784	6,578	3,544	1,469	1,208	—
A.5 Other financial assets	—	—	—	—	—	29
B. Other assets	110	2	30	27	13	—
C. Financial liabilities	—	—	—	—	—	—
C.1 Due to banks	33,226	311	3,064	1,968	6,100	12,463
C.2 Due to customers	185,593	22,526	60,578	32,641	10,726	53,291
C.3 Debt instruments	—	—	—	—	—	—
C.4 Other financial liabilities	—	—	—	—	—	—
D. Other liabilities	—	—	—	—	—	—
E. Financial derivatives	—	—	—	—	—	—
—Options	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—
—Other derivatives	—	—	—	—	—	—
+ long positions	250,993	30,069	108,607	9,735	25,272	19,447
+ short positions	129,316	29,817	51,294	7,788	16,956	13,354
Total assets	**353,018**	**52,901**	**115,203**	**42,689**	**33,785**	**73,391**
Total liabilities	**348,135**	**52,654**	**114,937**	**42,397**	**33,782**	**79,108**
Difference	**4,883**	**247**	**266**	**292**	**3**	**283**

2.4 DERIVATIVES

The group's operations in derivatives and foreign currency mainly relate to matching trades performed on behalf of its customers.

ICBPI does not have innovative or complex financial instruments. It only uses overnight interest rate swaps to hedge interest rate risk on medium to long-term bank deposits.

A.1 Regulatory trading book: notional amounts at the reporting date and average amounts

	31/12/2013		31/12/2012	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt instruments and interest rates				
a) Options	—	—	112,516	—
b) Swaps	—	—		
c) Forwards	—	—	249	—
d) Futures	—	—	—	—
e) Other	—	—	—	—
2. Equity instruments and share indexes	—	—		—
a) Options	34	—	5,061	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Other	—	—	—	—
3. Currencies and gold	—	—		—
a) Options	—	—	—	—
b) Swaps	57,958	—	37,143	—
c) Forwards	225,909	—	720,848	—
d) Futures	—	—	—	—
e) Other	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlying assets	—	—	—	—
Total	**283,901**	**—**	**875,817**	**—**

A.3 Financial derivatives: gross positive fair value—breakdown by product

	Positive fair value			
	31/12/2013		31/12/2012	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
A. Regulatory trading book	—	—	—	—
a) Options	17	—	74	—
b) Interest rate swaps	—	—	20,998	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	1,551	—	5,860	—
f) Futures	—	—	—	—
g) Other	550	—	4	—
B. Banking book—hedging	—	—		
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
C. Banking book—other derivatives	—	—		
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
Total	**2,118**	**—**	**26,936**	**—**

A.4 Financial derivatives: gross negative fair value—breakdown by product

	Negative fair value			
	31/12/2013		31/12/2012	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
A. Regulatory trading book				
a) Options	17	—	62	—
b) Interest rate swaps	—	—	20,716	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	1,328	—	5,826	—
f) Futures	—	—	—	—
g) Other	347	—	110	—
B. Banking book—hedging	—	—		
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
C. Banking book—other derivatives	—	—		
a) Options	—	—	—	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
Total	**1,692**	**—**	**26,714**	**—**

Part E—Risks and related hedging policies

A.5 OTC financial derivatives—regulatory trading book: notional amounts, gross positive and negative fair value by counterparty—contracts not included in netting agreements

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
—notional amount	—	—	—	—	—	—	—
—positive fair value	—	—	—	—	—	—	—
—negative fair value	—	—	—	—	—	—	—
—future exposure	—	—	—	—	—	—	—
2) Equity instruments and share indexes							
—notional amount	—	—	17	17	—	—	—
—positive fair value	—	—	—	17	—	—	—
—negative fair value	—	—	17	—	—	—	—
—future exposure	—	—	—	1	—	—	—
3) Currencies and gold							
—notional amount	—	—	223,483	60,384	—	—	—
—positive fair value	—	—	1,365	736	—	—	—
—negative fair value	—	—	1,657	17	—	—	—
—future exposure	—	—	2,235	579	—	—	—
4) Other assets							
—notional amount	—	—	—	—	—	—	—
—positive fair value	—	—	—	—	—	—	—
—negative fair value	—	—	—	—	—	—	—
—future exposure	—	—	—	—	—	—	—
Total	**—**	**—**	**228,774**	**61,751**	**—**	**—**	**—**

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	From 1 to 5 years	After 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt instruments and interest rates	—	—	—	—
A.2 Financial derivatives on equity instruments and share indexes	34	—	—	34
A.3 Financial derivatives on currencies and gold	283,866	—	—	283,866
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book				
B.1 Financial derivatives on debt instruments and interest rates	—	—	—	—
B.2 Financial derivatives on equity instruments and share indexes	—	—	—	—
B.3 Financial derivatives on currencies and gold	—	—	—	—
B.4 Financial derivatives on other assets	—	—	—	—
Total at 31/12/2013	**283,900**	**—**	**—**	**283,900**
Total at 31/12/2012	**817,950**	**—**	**57,867**	**875,817**

SECTION 3—LIQUIDITY RISK

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the group 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 mainly borne by the parent that manages, as a bank, its liquidity and the liquidity requirements of various group companies. With specific regard to CartaSi's requirements, it 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 group's general liquidity risk management policy is characterised by modest risk appetite and prudently privileges a balance between assets and liabilities as part of its strategy to increase profitability. Deadlines and amounts of its cash flows allow it to limit liquidity risk with the balanced return of funds, notwithstanding the fact that the group is very capable of financing itself in very short periods (one to three days).

The parent has regular and ongoing access to credit when the market is stable and liquidity flow are normal, as it has banking counterparties that have approved operating credit facilities which it can use.

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.

The related Liquidity policy and contingency funding plan, approved by the parent's board of directors, sets the guidelines for liquidity management (liquidity policy) and the rules to be adopted in a liquidity crisis (contingency funding plan). It incorporates the most recent regulatory updates (Bank of Italy Circular no. 263/2013, Title V, Chapter II) and the principles of the group's risk policy, thus integrating and completing the rules defined in the finance regulation.

The liquidity policy analyses the factors that can cause a decrease in cash inflows and an increase in cash outflows separately to ensure a balance between cash inflows and outflows. It identifies the best operating solutions to ensure a balanced risk/return ratio in normal operating conditions.

The contingency funding plan (CFP) assesses the actions to be taken if there is a drastic reduction in liquidity and the group has certain lending commitments (e-money service and lending transactions that cannot easily be converted into liquidity) caused by either sector-wide liquidity crises or specific liquidity crises. It specifically describes what happens when a normal operating situation deteriorates into an operating stress or crisis situation, based on trends in quantitative and/or qualitative indicators (internal or sector) that are monitored daily. The plan also presents how to manage stress or crisis situations and specifies how the relevant units are to react and their responsibilities.

Liquidity risk is assessed using the guidance set out in Annex D to Title III of Bank of Italy Circular no. 263/06, which requires the creation of a maturity ladder to calculate mismatches and the net financial position (debt) for each time category. It also provides for the determination of indicators to calculate the parent's liquidity position at different dates.

Once a week, the risk management unit checks the net accumulated balance of the positions falling due (using the closing positions every Tuesday evening), including the group companies' expected cash flows, applying the method indicated by Bank of Italy. The net accumulated balance of the positions falling due is calculating considering the inflows and outflows expected during the different "due" categories (11, which go from one day to four months). The schedule also includes data about forecast unrecorded flows or future flows the exact amount of which are not known, such as those related to CartaSi's issuing and acquiring activities. The risk management unit then sends Bank of Italy a liquidity report once a week.

In order to have an exact understanding of the liquidity position and more frequently than required for the related communications to Bank of Italy, the group monitors the accumulated balance of the most critical daily situation each day (projection to the day before the debiting of the CartaSi transactions, which is on the 15th of each month). This means that it would be able to intervene promptly should the liquidity position worsen.

The treasury and finance unit monitors and checks cash flows and estimates their trends during a business day. The intraday liquidity risk relates to the time mismatch between incoming and outgoing payment flows (the latter have different daily cut-offs). In order to mitigate these risks, the regulators require that banks have an appropriate intraday reserve (consisting of eligible, readily convertible into cash securities) to cover their obligations (specific risk) or the sudden illiquidity of markets or bankruptcy of a counterparty in the settlement system (sector risk). Accordingly, the parent has securities (CCT Italian treasury credit certificates and eligible bank bonds) as its intraday reserve for an amount deemed suitable to cover its specific operating needs based on an estimate of the intraday cash outflows.

The treasury and finance unit also closely monitors the group's liquidity held in an account with the Italian central bank so as to cover its commitments arising from target movements.

A1. The TIT system

The liquidity risk governance and management tools used by the group include the TIT system (internal transfer of funds system), introduced to comply with the provisions of Bank of Italy Circular no. 263 (title V, chapter 2, section IV). As the group's only bank, ICBPI S.p.A. has used this system since 2012.

A2. LCR/NSFR

In 2010, the group also introduced the assessment and analysis procedures to make its monitoring of liquidity consistent with the requirements of the Basel Committee specified in the "International framework for liquidity risk measurement, standards and monitoring" as well as the additional guidance and regulations issued by the control bodies and authorities (e.g., the CRR Regulation and the CRD IV Directive issued by the European Commission to implement the Basel Committee's indications at EU level).

These requirements introduced, inter alia, two ratios to measure liquidity, the LCR (liquidity coverage ratio) and NSFR (net stable funding ratio). They are used to monitor short-term liquidity (one month) and structural liquidity (one year), respectively. The risk management unit regularly calculates the two ratios in line with the above-mentioned framework issued by the Basel Committee (using the last day of the month) based on the management accounts data. It informs Bank of Italy of its calculations every six months.

A3. Liquidity and risk appetite framework

Liquidity is one of the factors included in the risk appetite framework (RAF) and is considered to be one of the most important for the group. Its inclusion is justified by the importance in managing liquidity in the current market situation and given the specific nature of the cash inflows and outflows generated by the group's business.

The RAF defines the following two liquidity parameters, both obtained from the weekly monitoring of liquidity in accordance with Bank of Italy's instructions:

- number of expected overruns compared to the materiality threshold (the threshold, in terms of net cash flows, over which an expected overrun is considered material to calculate the parameter);

- expected minimum cash horizon (days left until the nearest overrun limit above the materiality threshold).

Part E—Risks and related hedging policies

These parameters are checked once a quarter by combining the weekly monitoring results and the following appropriate levels are defined for each one:

- risk target, the optimum risk level for the group;
- risk trigger, a warning that a threshold is about to be exceeded which requires corrective actions to be taken to avoid this;
- risk limit, the maximum risk level that the group intends to accept considering, inter alia, the market situation and existing regulatory constraints.

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity

Currency: Euro	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	—	—	—	—	75,250	95,505	482,500	1,688,002	246	—
A.2 Other debt instruments	—	—	—	14,000	12,863	18,052	547	47,816	11,617	—
3. OEIC units	31,897	—	—	—	—	—	—	—	—	—
A.4 Financing										
—to banks	544,830	—	286,960	24,108	—	—	362	—	—	101,307
—to customers	2,569,434	7	571,460	23	78,090	65,160	83,118	39,723	900	—
Liabilities										
B.1 Deposits and current accounts										
—with banks	1,783,747	—	—	70,904	—	—	322	15,725	—	—
—with customers	3,387,428	—	—	—	—	—	—	4	—	—
B.2 Debt instruments	—	—	—	—	—	10,025	—	—	—	—
B.3 Other liabilities	567,472	—	835	—	755	100	1,160	1,157	1,203	—
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
long positions	—	110,588	12,080	20,265	86,330	17,544	442	3,883	7,464	—
short positions	—	305,066	4,640	27,166	32,181	17,870	101	4,369	7,487	—
C.2 Financial derivatives without exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.3 Deposits and financing to be received										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.5 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Financial derivatives with exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.8 Financial derivatives without exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—

Currency: other	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	—	—	—	—	—	—	—	41	—	—
A.2 Other debt instruments	—	—	—	—	—	7	—	202	81	—
A.3 OEIC units	18	—	—	—	—	—	—	—	—	—
A.4 Financing										
—to banks	86,266	54,769	12,259	8,478	20,595	—	—	—	—	—
—to customers	49,724	—	—	—	—	—	—	—	—	—
Liabilities										
B.1 Deposits and current accounts										
—with banks	53,728	2,265	—	89	181	21	—	—	—	—
—with customers	350,761	—	—	—	—	—	—	—	—	—
B.2 Debt instruments	—	—	—	—	—	—	—	—	—	—
B.3 Other liabilities	15,089	—	—	—	—	—	—	13	339	—
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
long positions	—	282,968	9,913	30,406	62,734	1,704	73	9	395	—
short positions	—	89,076	16,952	23,574	117,003	1,339	73	24	293	—
C.2 Financial derivatives without exchange of principal										
long positions	550	—	—	—	—	—	—	—	—	—
short positions	347	—	—	—	—	—	—	—	—	—
C.3 Deposits and financing to be received										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.5 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Financial derivatives with exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.8 Financial derivatives without exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—

2. On-statement of financial position committed assets

	Committed		Uncommitted		
	CA	FV	CA	FV	Total at 31/12/2013
1. Cash and cash equivalents		X	186,512	X	186,512
2. Debt instruments	665,987	660,449	1,919,898	1,919,898	2,585,885
3. Equity instruments			4,254	4,254	4,254
4. Financing	208,645	X	4,364,918	X	4,573,566
5. Other financial assets		X	143,955	X	143,955
6. Non-financial assets		X	881,668	X	881,668
Total at 31/12/2013	**208,645**		**7,501,205**	**1,924,152**	**8,375,837**

Key

FV= fair value

CA = carrying amount

Part E—Risks and related hedging policies

3. Off-statement of financial position committed group assets

	Committed	Uncommitted	Total 31/12/2013
1. Financial assets			
—Securities	—	642,782	642,782
—Other			
2. Non-financial assets			
Total at 31/12/2013	**—**	**642,782**	**642,782**

SECTION 4—OPERATIONAL RISKS

A. General aspects, management and measurement of operational risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors. This risk includes losses caused by fraud, human error, business discontinuity, system breakdowns, contractual defaults and natural disasters. It also comprises legal risk (which includes money laundering risk) but not strategic or reputational risk.

Operational risk is characterised by cause-effect relationships whereby if one or more trigger events occur, this leads to a detrimental event which is directly linked to an economic loss. Therefore, an operating loss is the result of negative economic effects created by operating events, recorded by the group and that affect its profit or loss.

Operational risks include a wide range of risks that can adversely affect the services offered by the group, 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 main characteristic of these risks is that they are inherent to the group’s business and are, therefore, unavoidable and omnipresent. This implies that, unlike credit and market risk, they are not taken on as part of a strategic decision but are identified, estimated and monitored to contain their impact and decrease their frequency. In order to measure the group’s exposure to operational risks and the effects of any mitigating actions, the group has to combine the qualitative and quantitative information.

The group manages its operational risks through specific insurance policies and through:

- a suitable internal organisation with defined duties and responsibilities, ensuring the segregation of duties between the control and operating units;
- adoption of first level controls for each process to:
    - monitor their correct performance;
    - promptly identify any irregularities and, if necessary, introduction of timely remedial actions;
    - identify technical-organisational defects and ensure their timely analysis and correction;
- introduction of a code of ethics for employees;
- internal regulations;
- a risk control self-assessment (RCSA);
- a loss data collection (LDC) process;
- specific monitoring tools for CartaSi’s e-money business operational risks;
- specific computer risk controls.

The Bank of Italy regulations for calculation of the capital requirements to cover operational risk provide for three different approaches, whose complexity depending on the size of the risk-taking entity:

- Basic method (BIA—Basic Indicator Approach) which multiplies the "relevant indicator" (total income) by a factor of 15%. If the relevant indicator is negative or zero in any given year at year end, it is not considered in the calculation of the total capital requirements. ICBPI currently uses this method.

- Standardised method (TSA—Traditional Standardised Approach), which multiplies the average total income of the last three years of each of the business lines provided for by the New Capital Agreement by different fixed factors. This approach also, and especially, requires the creation of an integrated framework to identify, manage and measure operational risks and that banks meet a number of very stringent organisational requirements.

- Advanced method (AMA—Advanced Measurement Approach), which is a stricter version of the organisational model to identify, manage and measure operational risk used by the standardised approach. It also allows banks to use their internal models to calculate regulatory capital.

The group 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 operational risk policy sets out the general risk governance principles, the aims, methods and tools adopted. It also describes the processes and methods used and, pursuant to Bank of Italy Circular no. 263, specifies the activities to manage operational risks:

- classification of assets in the regulatory business lines;

- collection and filing of loss data;

- assessment of exposure to operational risks;

- reporting;

- formalisation and assignment of responsibilities.

The operational risk policy also sets out the operational risk governance framework with precise instructions about its fundamental elements:

- identification;

- measurement;

- monitoring and reporting;

- management.

The operational risk framework includes the governance, identification and information system stages and is structured to adopt identification and assessment methods in line with market best practices. Its structure is also in line with the regulations for adoption of the TSA (traditional standardised approach).

As part of this operational risk management (ORM) framework, the risk control self-assessment (RCSA) process is used for the ex ante identification of operational risks to collect information and subjective estimates about operational risks.

The RCSA process was formalised in the group's publication of its regulation, which specify the activities, roles and methods used.

The RCSA is part of the ongoing monitoring of operational risks. It is designed to ensure ongoing awareness of risks managed or to be managed and is performed not only annually but also when there are significant variations in the group's organisation or business. The model to assess the effects of operating events on the group's reputation is made of the RCSA method.

The assessment identifies activities potentially exposed to losses triggered by operational risk events. In particular, the following factors are considered:

- description and objectives of the reference process or business segment;
- primary applications used, suppliers and outsourcers;
- internal and external regulations;
- description and classification of risks using a model that identifies the risk event (event type), the possible risk factors (risk drivers) and potential types of losses (loss type);
- assessment of the expected risk in terms of its impact and how often the event may happen in 12 months, which considers the effectiveness of the existing controls and any scheduled operating changes that could affect the expected risk profile;
- assessment of the worst impact should an event occur in a difficult market situation (infrequent events);
- assessment of the overall level and effectiveness of the existing controls;
- overall assessment of the expected riskiness of the process on four increasing levels (1-low; 2-medium/low; 3-medium/high; 4-high) and any effects on the group's reputation of identified operational risk events.

With respect to operational risks from level 3-medium/high up, the manager of the relevant unit is required to immediately activate an assessment and plan the controls necessary to return the risk to the acceptable level.

Planning and development of the controls are subjected to follow-up processes through their inclusion in a tableau de bord and are monitored by the control units (risk management, compliance and internal audit), which check all the actions taken to improve the internal controls. The findings of the monitoring process are assembled once a quarter and communicated regularly to the general management, the board of statutory auditors, the internal controls committee and the board of directors to provide a complete picture of the main critical issues the group is exposed to and the status of the remedial actions taken or to be implemented.

The group is fully conscious that, as well as affecting its results, loss-generating events may significantly damage its reputation and standing. Therefore, it has a management system in place to minimise the effects which relies on a method to identify, measure and mitigate them in qualitative and quantitative terms. This system identifies the risk of both actual losses and potential risk.

The loss data collection process is a key part of the operational risks management system because it both guarantees an understanding of the most significant loss factors over time and provides statistics useful to better analyse identified risks. Moreover, the identification and measurement of potentially risky activities allows the group to monitor and identify over time the most risky factors and to intervene to remove the reasons and/or strengthen its controls.

The LDC process is based on the LDC method approved as part of the operational risk policy and its objective is to estimate the value of an economic effect generated by an operating event, caused by one or more risk factors. The information is the result of a relationship between different factors: the event, the risk factor and the effect. An analysis of this relationship is essential to correctly forecast the losses generated by operational risks and to measure the risks.

Losses used for the loss data collection are those that directly affect the group's profit or loss and are not due to commercial policies or the offsetting of costs and revenues. The general principles underlying the LDC are:

- the range of loss events to be assessed (in terms of processes, business lines and companies);
- the accuracy of the information;
- the timeliness and continuity of the data collection.

Part E—Risks and related hedging policies

Injurious events are identified by the reference unit manager promptly when they take place. Accordingly and in order to allow a complete analysis of the operational risks, the loss data collection also includes negative events that took place but did not lead to actual losses (“near losses”).

The operating details and methods to collect loss data are set out in the Loss data collection—management methods and processes for the ICBPI group, which is an integral part of the Operational risk management policy.

A fundamental operational risk mitigation tool is the business continuity and disaster recovery plan, which is revised annually as required by the supervisory instructions about internal controls. Bank of Italy extended the concept of business continuity to all critical “business processes”, not just the technological component but all the factors (human resources, logistics, essential services, etc.) that assist the mitigation of operational risks in new crisis situations.

Business continuity includes all those measures designed to reduce to an acceptable level the damage caused by accidents or catastrophes that could directly or indirectly affect the group while the disaster recovery plan sets out the technical and organisational methods to resolve events that cause the unavailability of data processing centres. It is designed to ensure that the important IT procedures can continue to be performed at alternative sites.

Part F—Equity

Section 1—Equity

A. Qualitative disclosure

The figure available for allocation purposes is the regulatory capital. Under this approach, the supervisory regulations represent the minimum restriction. Specifically, the groups equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main capital management tool against unexpected losses arising from the various risks (credit, market and operational) taken on by banks. Equity availability is therefore an indispensable tool supporting the groups development plans.

In accordance with internal procedures, the relevant departments regularly monitor the groups 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 ICBPI Group should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, the group forecasts the related effects on equity and their suitability.

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

B. Quantitative disclosure

B.1 Equity: breakdown by type of entity

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	46,104				46,104
Share premium	148,399				148,399
Reserves					
—income-related	516,790				516,790
a) legal					—
b) statutory					—
c) treasury shares					—
d) other	10,848				10,848
—other					—
Equity instruments					—
(Treasury shares)	−32				−32
Valuation reserves					—
—Available-for-sale financial assets	32,749				32,749
—Property, equipment and investment property					—
—Intangible assets					—
—Hedges of investments in foreign operations					—
—Cash flow hedges					—
—Exchange rate gains (losses)					—
—Non-current assets held for sale					—
—Net actuarial losses on defined benefit pension plans	−1,224				−1,224
—Share of valuation reserves of equity-accounted investees					0
—Special revaluation laws	46,223				46,223
Profit for the year	76,091				76,091
Equity	**875,948**	**—**	**—**	**—**	**875,948**

B.2 Fair value reserves (AFS financial assets): breakdown

	Banking group		Insurance companies		Other companies		Eliminations and consolidation adjustments		Total	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	31,362	−52							31,362	−52
2. Equity instruments	1,440								1,440	—
3. OEIC units									—	—
4. Financing									—	—
31/12/2013	**32,802**	**−52**	**—**	**—**	**—**	**—**	**—**	**—**	**32,802**	**−52**
31/12/2012	**17,613**	**−3,156**	**—**	**—**	**—**	**—**	**—**	**—**	**17,613**	**−3,156**

Part F—Equity

B.3 Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**13,526**	**931**	**—**	
2. Increases				
2.1 Fair value gains	—	509	—	
2.2 Reclassification of fair value losses to profit or loss:	—	—	—	
due to impairment	—	—	—	
on sale	—	—	—	
2.3 Other increases	17,785	—	—	
3. Decreases				
3.1 Fair value losses	—	—	—	
3.2 impairment losses	—	—	—	
3.3 Reclassification of fair value gains to profit or loss:				
on sale	—	—	—	
3.4 Other decreases	—	—	—	
4. Closing balance	**31,311**	**1,440**	**—**	

B.4 Actuarial reserves: changes

The actuarial reserve solely refers to the Italian post-employment benefits vested before 1 January 2006. As there are no plan assets, the reserve only includes the actuarial gains or losses on the liability, which changed as follows:

			Reserve	
	Gross actuarial losses	Income taxes	Total	including attributable to the owners of the parent
Opening balance	**2,902**	**798**	**2,104**	**1,961**
Actuarial gains	—	—	—	—
Actuarial losses	1,345	465	880	825
Closing balance	**1,557**	**333**	**1,224**	**1,136**

SECTION 2—REGULATORY CAPITAL AND RATIOS

2.1—Scope of application of the regulations

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;
- goodwill and other intangible assets are deducted;
- subordinated loans may be included provided that they meet the regulatory prudential requirements;
- 50% of the net fair value gains on available-for-sale equity instruments recognised in caption 140 "Valuation reserves" may be included in Tier 2 capital;
- equity investments in banks and financial companies are deducted, regardless of the portfolio to which they are allocated.

2.2—Bank regulatory capital

A. Qualitative disclosure

1. Tier 1 capital

It comprises:

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

negative elements: goodwill and other intangible assets; items to be deducted from Tier 1 capital: 50% of equity investments and subordinated instruments in banks and financial companies, regardless of the portfolio to which they are allocated (held for trading, AFS, etc).

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 ICBPI Group does not hold financial instruments that may be included in Tier 3 capital.

B. Quantitative disclosure

	31/12/2013	31/12/2012
A. Tier 1 capital before application of prudential filters	**587,136**	**514,800**
B. Tier 1 prudential filters:		
B.1 Positive IFRS prudential filters (+)		
B.2 Negative IFRS prudential filters (−)		
C. Tier 1 capital including application of prudential filters (A + B)	587,136	514,800
D. Elements to be deducted from Tier 1 capital	31,403	29,395
E. Total Tier 1 capital (C−D)	**555,732**	**485,406**
F. Tier 2 capital before application of prudential filters	**78,974**	**62,679**
G. Tier 2 prudential filters:	−16,376	−7,229
G.1 Positive IFRS prudential filters (+)		
G.2 Negative IFRS prudential filters (−)	16,376	7,229
H. Tier 2 capital including application of prudential filters (F+G)	**62,598**	**55,451**
I. Elements to be deducted from Tier 2 capital	31,403	29,395
L. Total Tier 2 capital (H−I)	**31,195**	**26,056**
M. Elements to be deducted from Tier 1 and Tier 2 capital		
N. Regulatory capital (E+L−M)	**586,927**	**511,462**
O. Tier 3 capital		
P. Regulatory capital including Tier 3 (N+O)	**586,927**	**511,462**

2.3 Capital adequacy

A. Qualitative disclosure

The ICBPI Groups own funds exceed those provided for by the regulatory requirements.

B. Quantitative disclosure

	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
A. EXPOSURES				
A.1 Credit and counterparty risk				
1. Standardised method	9,208,848	9,392,758	1,384,249	1,575,320
2. IRB approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			110,740	126,026
B.2 Market risk				
1. Standard method			896	6,322
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic method			66,164	65,750
2. Standardised method				
3. Advanced method				
B.4 Other prudential requirements				
B.5 Other calculation elements			66,164	65,750
B.6 Total prudential requirements			243,963	263,847
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets				
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			3,049,541	3,298,091
C.3 Regulatory capital including Tier 3			18.22%	14.72%
Risk-weighted assets (Total capital ratio)			19.25%	15.51%

Part G—Business combinations

SECTION 1—TRANSACTIONS CARRIED OUT DURING THE YEAR

The following business units were acquired during the year:

- “Fund accounting e Transfer Agent” business unit from Symphonia Sgr;

- “Back Office Collective Clienti” business unit from Anima Sgr.

These business units comprise assets, liabilities and contracts with the selling fund management companies pension funds or pension funds to which the sellers provided services. Given the nature of the assets and liabilities comprising the business units, there was no need to change their carrying amounts.

Part H—Related party transactions

1. Fees of key management personnel

The fees paid by the ICBPI Group to its directors and key management personnel as defined in part 2 are set out below.

	2013
Directors	3,144
Other key management personnel and members of supervisory committees	9,147
Total	**12,291**

Part H—Related party transactions

2. Related party transactions

The aim of IAS 24 (Related party transactions) is to ensure that an entitys 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 ICBPI Group identified the following related parties:

- associates, i.e., those companies over which the parent directly or indirectly exercises significant influence, as defined by IAS 28;
- key management personnel and members of supervisory bodies, as well as their close family members and companies over which they exercise control or significant influence;
- pension funds for the group employees and their related parties;
- companies that exercise significant influence over ICBPI.

The effects of transactions carried out with the related parties identified above are summarised in the following table.

The effects and balances of transactions with subsidiaries are not included as they are eliminated upon consolidation. The other related party transactions are part of the ordinary banking activities and are usually carried out on an arms length basis.

RELATED PARTY TRANSACTIONS

(€000)	Total	Other related parties	Directors, managers and members of supervisory bodies
60. Loans and receivables with banks	1,043,795	297	
10. Due to banks	2,219,943	26,971	
20. Due to customers	4,008,594		941
10. Interest and similar income	102,923	13	5
20. Interest and similar expense	25,787	2	
180. Administrative expenses	503,583	—	12,291

The transactions are 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.

Part I—Share-based payments

None.

Part L—Segment reporting

Segment reporting complies with IFRS 8, which did not lead to substantial changes in the identification of the operating segments and reporting to management when introduced, compared to the previous requirements of IAS 14.

Segment reporting is consistent with the groups organisational and industrial structure in 2013, in line with its business plan and as required by its regulation.

Reporting by geographical segments is not included as the group operates only in Italy and the breakdown of assets, liabilities, revenue and costs by geographical segment was meaningless.

Reporting by business segment includes, in order of importance, the segments that may be identified within the groups organisation and specifically:

E-money

It comprises CartaSi and Help Line and its integrated activities are as follows:

- financial and operating services relating to the issue and acceptance of payment cards and related management services;
- payment card terminal management (POS and ATM).

Payments

It comprises an operating division of the parent, which carries out the following integrated activities:

- banking payment services and related back-office services for banks, companies and bodies;
- interbank payment systems for companies and bodies and related management services and e-banking;
- IT and computer-based services relating to payment systems.

Securities services

It comprises an operating division of the parent, which carries out the following integrated activities:

- securities custody and administration services;
- fund services;
- investment and investment-related services for qualified parties and professional customers.

Application outsourcing and innovative services:

It comprises Oasi which carries out the following development and management activities:

- IT systems for supervisory reporting and management systems;
- anti-money laundering, safety and internal control systems;
- development and provision of training courses.

Other group activities

This segment manages the activities that are not carried out by the parents business units. Specifically:

- credit and financial activities for the relevant business segments;
- property management;
- equity investment management;
- group management and coordination;
- other activities of the consolidated companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part L—Segment reporting

A.1 Breakdown by business segment: income statement

The results of operations for 2013 of each of the above business segments are set out below.

2013 consolidated financial statements: segment reporting

(€000)	E-money	Payments	Application outsourcing	Securities services	Other group activities	Consolidation adjustments	Consolidated financial statements
Net fee and commission income and revenue from services	428,466	84,830	22,633	42,202	67	−3,227	574,972
Net interest income (expense)	−8,960	4,577	−22	7,735	74,005	225	77,560
Net trading/hedging income	316	—	—	3,819	25	—	4,160
Dividends from equity investments and AFS financial assets	9	—	—	—	2,088	—	2,097
Operating revenue	**419,831**	**89,406**	**22,611**	**53,757**	**76,185**	**−3,002**	**658,789**
Personnel expense	−56,237	−12,593	−7,101	−16,143	−39,015	34	−131,054
Production costs	−83,208	−8,876	−3,322	−3,339	−281	102	−98,924
ICT costs	−127,952	−26,010	−3,264	−15,601	−7,856	10,454	−170,229
General expenses	−33,799	−9,033	−2,312	−5,553	−24,932	13,778	−61,851
Administrative expenses	**−301,195**	**−56,512**	**−15,999**	**−40,636**	**−72,084**	**24,369**	**−462,057**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−18,249	−788	−2,907	−830	−2,571	−29	−25,375
Other operating income (expense), net	9,136	−9,784	−170	−9,799	44,075	−20,881	12,577
Net operating imp. losses and accruals	−14,095	−149	7	—	−1,282	—	−15,520
Operating costs	**−324,404**	**−67,233**	**−19,069**	**−51,266**	**−31,862**	**3,458**	**−490,376**
Operating profit	**95,427**	**22,173**	**3,542**	**2,491**	**44,323**	**456**	**168,413**
Net losses on equity investments and AFS financial assets							−11,763
Other items							−5,225
Pre-tax profit for the year							151,425
Income taxes							−75,335
Profit attributable to non-controlling interests							−2,904
Profit attributable to the owners of the parent							**73,186**

Net interest income (expense) is the business segments contribution to the groups net interest income resulting from the sum of realised interest income and expense recognised in the accounting system and unrealised interest calculated as part of the planning and control system, using the cash-pooling method based on internal transfer rates.

A breakdown of operating revenue arising from transactions with third party customers and other business segments of the same entity by operating segment is set out below for better disclosure purposes.

2013 consolidated financial statements: operating revenue

(€000)	E-money	Payments	Application outsourcing	Securities services	Other group activities	Group total
E-money		2,759	964	—	12,240	15,963
Payments	−2,645		—	—	—	−2,645
Application outsourcing	—	51		—	2	53
Securities services	—	—	399		—	399
Other group activities	−12,185	—	1,416	—		−10,768
Operating revenue—other operating segments	**−14,830**	**2,809**	**2,780**	**—**	**12,242**	**3,002**
Third party customers	434,660	86,597	19,832	53,757	63,943	658,789
Total operating revenue	**419,831**	**89,406**	**22,611**	**53,757**	**76,185**	**661,791**

Reconciliation between the management accounts and the consolidated financial statements

Segment reporting is consistent with the group planning and control systems principles and operating procedures defined by the central planning and control (P&C) department and approved by group management, whose aim is to ensure consistent management reporting among the various group operations and structures.

This system is based on the general criteria of tracing management data and reports to the general accounting records. Considering the characteristics of the parent, which is required to prepare consolidated financial statements, the groups management account income statement is presented with the general classification used in the financial statements of banking groups.

In order to improve management reporting of the groups operations and performance, as an exception to the above-mentioned general criteria of tracing management figures to those of the separate and consolidated financial statements, the P&C system sets out certain grouping rules for data that are dissimilar from those of the general accounts. The main differences in data grouping relate to the following:

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the provision of services (non-banking/financial) that are part of the operating segments core business, is presented under Net fee and commission income and revenue from services in the management accounts;

- expense classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to royalties and/or selling costs, is presented under Net fee and commission income and revenue from services in the management accounts;

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the recovery of expenses, is presented in the caption to which the expense refers in the management accounts;

- income classified in Fee and commission income (caption 40 of the consolidated financial statements), relating to items subject to IFRIC 13, which establishes the accounting treatment to be applied by entities that grant awards under customer loyalty programmes relating to the purchase of goods or services and requires that the consideration for the obligation arising from granting the award be separated from sales revenue and deferred up to when the obligation with the customers is settled, is presented under Production costs in the management accounts;

- gains and losses relating to impairment losses/reversals of impairment losses on equity investments and classified in Net impairment losses (caption 130b of the consolidated financial statements) are presented under Gains (losses) on equity investments and AFS financial assets in the management accounts;

- profits relating to the bond portion of the AFS portfolio and classified in Profit (loss) on sale or repurchase of AFS financial assets (caption 100b of the consolidated financial statements) are presented under Net trading/hedging income (expense);

- dividends collected on equity instruments included in the trading portfolio, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Net hedging income (expense) in the management accounts;

- income and expense relating to prior year items, classified in the caption that generated them in the financial statements of banks and financial companies, are presented under Other operating income (expense) in the management accounts;

- amortisation of intangible assets relating to customer contracts, classified in Amortisation and net impairment losses on intangible assets (caption 210 of the consolidated financial statements), are presented under Other items in the management accounts;

- fees paid to directors and statutory auditors, classified in Personnel expense (caption 180a of the consolidated financial statements), are presented under General expenses in the management accounts;

- gains and losses relating to interest rate hedging derivatives are presented under Net interest income (expense) in the management accounts even when they do not formally meet the requirements for recognition as such and are, therefore, classified in Net trading income (expense) in the consolidated financial statements (caption 80);

- expense relating to accruals for fraudulent payment transactions, classified in Other operating income/expense (caption 220 of the consolidated financial statements), is presented under Net operating impairment losses and accruals in the management accounts;

- income and expense relating to extraordinary and/or non-recurring events for the ICBPI Group are presented under Other items in the management accounts, even if they are classified in other captions in the general accounting system;

- Other administrative expenses (caption 180b of the consolidated financial statements) are classified as expenses relating to the production of offered services, ITC service costs or general expenses and presented in the related caption of the management accounts.

Part L—Segment reporting

The groups income statement included in the management accounts is set out below, with a reconciliation of its captions to those of the consolidated financial statements:

ICBPI Group

(€000)	Management accounts	Reconciliation (cons. f/s-mngmt. accounts)	Consolidated financial statements	Cons. financial statements caption
Management account captions				
Net fee and commission income and revenue from services	574,972	−235,303	339,669	60
Net interest income	77,560	−423	77,137	30
Net trading/hedging income	4,160	−17	4,144	80 - 90
Dividends from equity investments and AFS financial assets	2,097	−1,129	968	70
Operating revenue	**658,789**	**−236,872**	**421,917**	**sum**
Personnel expense	−131,054	−1,428	−132,483	180a
Other administrative expenses(*)	−331,003	−40,097	−371,100	180b
Administrative expenses	**−462,057**	**−41,525**	**−503,582**	**sum**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−25,375	−7,590	−32,965	200 - 210
Other operating income, net	12,577	270,529	283,107	220
Net operating imp. losses and accruals	−15,520	6,175	−9,345	130 - 190
Operating costs	**−490,376**	**227,589**	**−262,786**	**sum**
Operating profit	**168,413**	**−9,283**	**159,130**	**sum**
Net losses on equity investments and AFS financial assets	−11,763	4,059	−7,705	100 - 240
Other items	−5,225	5,224	−1	other captions
Pre-tax profit for the year	**151,425**	**—**	**151,425**	**sum**
Income taxes	−75,335	—	−75,335	290
Profit attributable to non-controlling interests	−2,904	—	−2,904	330
Profit attributable to the owner of the parent	**73,186**	**—**	**73,186**	**sum**

(*) Sum of the “Production costs”, “ICT costs” and “General expenses” management account captions”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Part L—Segment reporting (Continued)

A.2 Breakdown by business segment: statement of financial position

	E-money		Payments		Application outsourcing		Securities services		Other group activ	
(€000)	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/1
Assets										
Loans and receivables with banks	138,993	59,469	—	—	352	2,064	105,905	14,361	880,936	1,6
Loans and receivables with customers	2,528,185	2,532,107	11,555	14,310	—	—	106,355	171,791	2,162,946	1,5
Financial assets	2,048	1,501	—	—	—	—	8,836	216,442	2,609,701	2,0
Equity investments	—	—	—	—	—	—	1,250	1,250	497,663	5

	E-money		Payments		Application outsourcing		Securities services		Other group activ	
(€000)	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/1
Liabilities										
Due to banks	2,079,852	1,991,165	—	—	—	—	31,886	3,331	1,383,889	2,3
Due to customers	22,849	21,336	289,344	687,298	—	—	2,726,100	1,590,673	1,052,692	8

Audited consolidated financial statements of ICBPI Group for the year ended 31 December 2012

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Independent Auditors' report

To the shareholders of
Istituto Centrale delle Banche Popolari Italiane S.p.A.

1 We have audited the consolidated financial statements of the Istituto Centrale delle Banche Popolari Italiane Group as at and for the year ended 31 December 2012, comprising the statement of financial position, income statement, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements 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. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management board. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 11 April 2012 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Istituto Centrale delle Banche Popolari Italiane Group as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Istituto Centrale delle Banche Popolari Italiane Group as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

Milan, 11 April 2013

KPMG S.p.A.

Roberto Spiller
Director of Audit

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(€'000)		31/12/2012		31/12/2011	
	ASSETS				
10.	**Cash and cash equivalents**		**181,252**		**570,327**
20.	**Financial assets held for trading**		**244,070**		**264,174**
40.	**Available-for-sale financial assets**		**1,930,284**		**1,122,243**
50.	**Held-to-maturity investments**		**107,597**		**135,500**
60.	**Loans and receivables with banks**		**1,724,592**		**1,102,244**
70.	**Loans and receivables with customers**		**3,152,445**		**2,920,791**
100.	**Equity investments**		**114,102**		**130,259**
120.	**Property, equipment and investment property**		**167,619**		**164,072**
130.	**Intangible assets**		**149,392**		**107,782**
	including goodwill	77,331		77,331	
140.	**Tax assets**		**61,300**		**66,654**
	a) current	1,524		80	
	b) deferred	59,776		66,574	
150.	**Non-current assets held for sale and disposal groups**		**—**		**4,070**
160.	**Other assets**		**539,942**		**486,989**
	Total assets		**8,372,595**		**7,075,105**
	LIABILITIES				
10.	**Due to banks**		**3,162,271**		**2,828,648**
20.	**Due to customers**		**3,100,604**		**2,340,773**
30.	**Securities issued**		**10,018**		**10,032**
40.	**Financial liabilities held for trading**		**29,050**		**22,213**
80.	**Tax liabilities**		**48,663**		**39,794**
	a) current	14,981		15,094	
	b) deferred	33,682		24,700	
100.	**Other liabilities**		**1,145,623**		**1,075,425**
110.	**Post-employment benefits**		**21,575**		**20,736**
120.	**Provisions for risks and charges**		**54,273**		**47,016**
	a) pension and similar obligations	1,178		1,183	
	b) other provisions	53,095		45,833	
140.	**Valuation reserves**		**60,628**		**21,903**
170.	**Reserves**		**432,738**		**370,023**
180.	**Share premium**		**148,242**		**148,242**
190.	**Share capital**		**42,557**		**42,557**
200.	**Treasury shares (−)**		**−32**		**−32**
210.	**Equity attributable to non-controlling interests (+/−)**		**26,267**		**30,672**
220.	**Profit for the year (+/−)**		**90,118**		**77,103**
	Total liabilities and equity		**8,372,595**		**7,075,105**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(€'000)		2012		2011	
INCOME STATEMENT					
10.	**Interest and similar income**		**121,127**		**81,143**
20.	**Interest and similar expense**		**−34,125**		**−59,758**
30.	**Net interest income**		**87,002**		**21,385**
40.	**Fee and commission income**		**978,884**		**998,569**
50.	**Fee and commission expense**		**−621,803**		**−612,514**
60.	**Net fee and commission income**		**357,081**		**386,055**
70.	**Dividends and similar income**		**188**		**200**
80.	**Net trading income**		**9,570**		**9,667**
100.	**Net profit on sale or repurchase of:**		**115**		**87**
	b) available-for-sale financial assets	115		87	
120.	**Total income**		**453,956**		**417,394**
130.	**Net impairment losses on:**		**−6,730**		**−7,747**
	a) loans and receivables	−2,777		−6,303	
	b) available-for-sale financial assets	−3,953		—	
	c) held-to-maturity investments	—		−634	
	d) other financial transactions	—		−810	
140.	**Net financial income**		**447,226**		**409,647**
180.	**Administrative expenses:**		**−513,480**		**−494,592**
	a) personnel expense	−130,382		−126,101	
	b) other administrative expenses	−383,098		−368,491	
190.	**Net accruals to provisions for risks and charges**		**−11,415**		**−13,029**
200.	**Depreciation and net impairment losses on property, equipment and investment property**		**−19,426**		**−20,020**
210.	**Amortisation and net impairment losses on intangible assets**		**−14,327**		**−7,197**
220.	**Other net operating income**		**272,806**		**253,862**
230.	**Operating costs**		**−285,842**		**−280,976**
240.	**Share of profits (losses) of investees**		**−6,940**		**511**
260.	**Impairment losses on goodwill**		**—**		**−59**
270.	**Net gains (losses) on sales of investments**		**4**		**−107**
280.	**Pre-tax profit from continuing operations**		**154,448**		**129,016**
290.	**Income taxes**		**−59,941**		**−47,724**
300.	**Post-tax profit from continuing operations**		**94,507**		**81,292**
310.	**Post-tax loss from discontinued operations**		**—**		**−67**
320.	**Profit for the year**		**94,507**		**81,225**
330.	**Profit for the year attributable to non-controlling interests**		**−4,389**		**−4,122**
340.	**Profit for the year attributable to the owners of the parent**		**90,118**		**77,103**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of comprehensive income

(€'000)		2012	2011
10.	Profit for the year	**94,507**	**81,225**
Other comprehensive income (expense), net of income taxes			
20.	Available-for-sale financial assets	**38,712**	**−24,625**
30.	Property, equipment and investment property		**−298**
110.	Total other comprehensive income (expense), net of income taxes	**38,712**	**−24,923**
120.	**Comprehensive income (captions 10 + 110)**	**133,219**	**56,302**
130.	Comprehensive income attributable to non-controlling interests	**4,376**	**4,160**
140.	**Comprehensive income attributable to the owners of the parent**	**128,843**	**52,142**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity for the year ended 31 December 2011

(€'000)	Equity attributable to the owners of the parent at 01.01.11	Equity attributable to non-controlling interests at 01.01.11	Allocation of prior year profit: Reserves attributable to the owners of the parent	Allocation of prior year profit: Dividends and other allocations attributable to the owners of the parent	Allocation of prior year profit: Reserves attributable to non-controlling interests	Allocation of prior year profit: Dividends attributable to non-controlling interests	Changes for the year: Changes in reserves attributable to the owners of the parent	Changes for the year: Changes in reserves attributable to non-controlling interests	Changes for the year: Equity transactions: Issue of new shares	Changes for the year: Profit for 2011	Changes for the year: Profit for 2011 attributable to non-controlling interests	Changes for the year: 2011 comprehensive income	Changes for the year: 2011 comprehensive income attributable to non-controlling interests	Equity at 31.12.11	Equity attributable to non-controlling interests at 31.12.11
Share capital:															
a) ordinary shares	42,500	5,043						−355	58					42,558	4,688
b) other shares	—	—												—	—
Share premium	148,242	264						186						148,242	450
Reserves:															
a) income-related	274,673	4,903	80,735		10,768		3,824	5,677	−58					−359,174	21,348
b) other	10,848	—												10,848	—
Valuation reserves:															
a) fair value reserve	347	22										−24,662	38	−24,315	60
b) hedging reserve	—	—												—	—
c) other	46,516	4										−298		46,218	4
Equity instruments	—	—												—	—
Treasury shares	−32	—												−32	—
Profit for the year	94,766	12,472	−80,735	−14,031	−10,768	−1,704				77,103	4,122			77,103	4,122
Equity	617,860	22,708	—	−14,031	—	−1,704	3,824	5,508	—	77,103	4,122	−24,960	38	659,796	30,672

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity for the year ended 31 December 2012

			Allocation of prior year profit				Changes for th				
									Equity transactions		
(€'000)	Equity attributable to the owners of the parent at 01.01.12	Equity attributable to non-controlling interests at 01.01.12	Reserves attributable to the owners of the parent	Dividends and other allocations attributable to the owners of the parent	Reserves attributable to non-controlling interests	Dividends attributable to non-controlling interests	Changes in reserves attributable to the owners of the parent	Changes in reserves attributable to non-controlling interests	Issue of new shares	Profit for 2012	at c
Share capital:											
a) ordinary shares	42,557	4,688						−1,142			
b) other shares	—	—									
Share premium	148,242	450						−293			
Reserves:	—										
a) income-related	359,175	21,348	62,917		1,507		−201	−4,731	—		
b) other	10,848	—									
Valuation reserves:											
a) fair value reserve	−24,315	60									
b) hedging reserve	—	—									
c) other	46,218	4									
Equity instruments	—	—									
Treasury shares	−32	—									
Profit for the year	77,103	4,122	−62,917	−14,186	−1,507	−2,615					
Equity	659,796	30,672	—	−14,186	—	−2,615	−201	−6,166	—	—	

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

(€'000)	Amount 2012	Amount 2011
A. OPERATING ACTIVITIES		
1. Operations	**201,639**	**165,429**
—profit for the year	90,118	77,103
—net gains (losses) on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	−3,305	1,102
—net impairment losses	2,777	7,747
—net impairment losses on property, equipment and investment property and intangible assets	33,753	27,276
—net accruals to provisions for risks and charges and other costs/revenue	11,415	13,029
—unpaid taxes and duties	59,941	47,724
—other adjustments	6,940	−8,552
2. Cash flows generated by (used for) financial assets	**−1,667,721**	**314,396**
—financial assets held for trading	34,491	−77,307
—available-for-sale financial assets	−769,316	−637,915
—loans and receivables with banks	−627,715	750,350
—loans and receivables with customers	−263,786	247,645
—other assets	−41,395	31,623
3. Cash flows generated by financial liabilities	**1,159,928**	**69,465**
—due to banks	333,623	−490,562
—due to customers	809,457	509,723
—securities issued	−14	
—financial liabilities held for trading	6,837	6,230
—other liabilities	10,025	44,074
Net cash flows generated by (used in) operating activities A	**−306,154**	**549,290**
B. INVESTING ACTIVITIES		
1. Cash flows generated by		
—sales of equity investments		
—dividends from equity investments	3,887	5,540
—sales of equity investments	750	
—repayments of HTM investments	27,903	26,454
—sales of property, equipment and investment property		2,535
—non-recurring transactions		3,730
—sales of non-controlling interests		10,736
2. Cash flows used to acquire		
—non-controlling interests	−10,178	
—property, equipment and investment property	−17,661	−14,576
—intangible assets	−55,923	−3,074
—non-recurring transactions	−14,898	
Net cash flows generated by (used in) investing activities B	**−66,120**	**31,345**
C. FINANCING ACTIVITIES	**−16,801**	**−15,735**
—issue/repurchase of treasury shares		
—issue/repurchase of equity instruments		
—dividend and other distributions	−16,801	−15,735
NET CASH FLOWS FOR THE YEAR D=A+/−B+/−C	**−389,075**	**564,900**
RECONCILIATION		
Financial statements captions		
Opening cash and cash equivalents	570,327	5,427
Net cash flows for the year	−389,075	564,900
Closing cash and cash equivalents G=E+/−D+/−F	**181,252**	**570,327**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

Part A—Accounting policies

A.1—GENERAL PART

Section 1—Statement of compliance

Pursuant to Regulation (EC) no. 1606 of 19 July 2002, the Istituto Centrale delle Banche Popolari Italiane Group (ICBPI group) has prepared these consolidated financial statements as at and for the year ended 31 December 2012 in line with the Instructions for the preparation of separate and consolidated financial statements of banks and financial companies heading banking groups issued by Bank of Italy in its Circular no. 262/05.

These instructions are binding for the financial statements layout and accounting treatment.

Section 2—Basis of presentation

The consolidated financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report which comments on the group's performance, its results of operations and financial position.

The group's presentation currency is the Euro and the amounts shown in the consolidated financial statements and these notes are in thousands of Euros. The group 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.

The group 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.

It did not make any departures from the IFRS.

The consolidated financial statements and the notes present corresponding prior year figures. 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 group's financial position and results of operations.

Basis of presentation of the consolidated 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. Treasury shares are offset against equity. The parent has not issued equity instruments other than ordinary shares.

Statement of cash flows

This statement shows the cash flows for the year using the indirect method.

Basis of presentation of the notes

These notes include the information required by Bank of Italy's Circular no. 262/2005 and the additional information required by the IFRS.

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

Section 3—Basis of consolidation

The financial statements at 31 December 2012 of the parent and consolidated companies were used for consolidation purposes, after being reclassified and adjusted to comply with the consolidation requirements and the IFRS.

Subsidiaries

Control is presumed to exist when the parent:

1) owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;

2) owns half or less of the voting power of an entity when there is:

   a) power over more than half of the voting rights by virtue of an agreement with other investors;

   b) power to govern the financial and operating policies of the entity under a statute or an agreement;

   c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or

   d) power to cast the majority of votes at meetings of the board of directors and control of the entity is by that board.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.

Investments in subsidiaries are consolidated by combining the captions of the statement of financial position and income statement on a line-by-line basis, making the following adjustments:

(a) the carrying amount of the parent's investments and share of the subsidiaries' profit or loss are eliminated;

(b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

Positive differences arising from the above adjustments are recognised as goodwill in caption "130 Intangible assets" at the date of first consolidation after allocation to the subsidiary's assets and liabilities. Any negative differences are recognised in profit or loss.

Intragroup assets and liabilities, off-statement of financial position transactions, income and expense and profits and losses among the consolidated companies are eliminated.

The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until the date when the parent ceases to control the subsidiary.

Investments in jointly controlled entities are consolidated on a proportionate basis. This entails the line-by-line combination of the parent's share of the jointly controlled entity's assets, liabilities, income and expenses.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Associates

Investments over which the group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies, are measured using the equity method.

Under this method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. Its share of the investee's profit or loss is recognised in a specific caption of the income statement.

At 31 December 2012, the group included:

- Istituto Centrale delle Banche Popolari Italiane S.p.A., parent, included in the banks register.

1. Investments in subsidiaries that are fully controlled or jointly controlled (consolidated on a proportionate basis)

			Investment		
	Registered office	Type of relationship(1)	Investor	Investment %	Voting rights available %(2)
A. Company					
A.1 Fully consolidated					
1. Oasi-Diagram S.p.A.	Milan	1	Istituto Centrale delle Banche Popolari Italiane	100.00	100.00
3. CartaSi S.p.A.	Milan	1	Istituto Centrale delle Banche Popolari Italiane	94.88	94.88
4. Help Line S.p.A.	San Giovanni al Natisone	1	Istituto Centrale delle Banche Popolari Italiane	70.00	70.00

Key

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meetings

2 = dominant influence at ordinary shareholders' meetings

3 = shareholder agreements

4 = other forms of control

5 = single management as per art. 26.1 of Legislative decree no. 87/96

6 = single management as per art. 26.2 of Legislative decree no. 87/92

7 = joint control

(2) Voting rights at ordinary shareholders' meetings, differentiating between effective and potential voting rights

- Oasi Diagram—Outsourcing Applicativo e Servizi Innovativi S.p.A., operating company;

- CartaSi S.p.A., financial company included in the register of payment institutes as per article 14-septies of the Consolidated Banking Act;

- Help Line S.p.A., operating company.

As well as the above consolidated banking group companies, the group includes the following companies at 31 December 2012:

- HI-mtf S.p.A., in which the parent has a 25% interest, equity-accounted;

- Equens SE, in which the parent has a 20% interest, equity-accounted;

Section 4—Events after the reporting date

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

Section 5—Other aspects

There is no significant information that needs to be presented. Pursuant to IAS 10, the parent has authorised publication of its financial statements at 31 December 2012 within the time period established by current regulations.

List of the main IFRS endorsed by the European Community

IAS/IFRS	NAME OF STANDARD	ENDORSED BY
IAS 1	Presentation of financial statements	Reg. nos. 1274/08, 53/09, 70/09, 494/09, 243/10, 149/11,475/12, 1254/12, 1255/12
IAS 2	Inventories	Reg. nos. 1126/08, 1255/12
IAS 7	Statement of cash flows	Reg. nos. 1126/08, 1274/09, 70/09, 494/09, 243/10,1254/12
IAS 8	Accounting policies, changes in accounting estimates and errors	Reg. nos. 1126/08, 1274/08, 70/09, 1255/12
IAS 10	Events after the reporting period	Reg. nos. 1126/08, 1274/08, 70/09, 1142/09, 1255/12
IAS 11	Construction contracts	Reg. nos. 1126/08, 1274/08
IAS 12	Income taxes	Reg. nos. 1126/08, 1274/08, 495/09, 475/12, 1254/12,1255/12
IAS 16	Property, plant and equipment	Reg. nos. 1126/08, 1274/08, 70/09, 495/09, 1255/12
IAS 17	Leases	Reg. nos. 1126/08, 243/10, 1255/12
IAS 18	Revenue	Reg. nos. 1126/08, 69/09, 1254/12, 1255/12
IAS 19	Employee benefits	Reg. nos. 1126/08, 1274/08, 70/09, 475/12, 1255/12
IAS 20	Accounting for government grants and disclosure of government assistance	Reg. nos. 1126/08, 1274/08, 70/09, 475/12, 1255/12
IAS 21	The effect of changes in foreign exchange rates	Reg. nos. 1126/08, 1274/08, 69/09, 494/09, 149/11, 475/12, 1254/12, 1255/12
IAS 23	Borrowing costs	Reg. nos. 1260/08, 70/09
IAS 24	Related party disclosures	Reg. nos. 632/10, 475/12, 1254/12
IAS 26	Accounting and reporting by retirement benefit plans	Reg. no. 1126/08
IAS 27(*)	Separate financial statements	Reg. no. 1254/12
IAS 28(*)	Investments in associates and joint ventures	Reg. no. 1254/12
IAS 29	Financial reporting in hyperinflationary economies	Reg. nos. 1126/08, 1274/08, 70/09
IAS 31(**)	Interests in joint ventures	Reg. nos. 1126/08, 70/09, 494/09, 149/11, 1255/12
IAS 32	Financial instruments: presentation	Reg. nos. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 1293/09, 149/11, 475/12, 1254/12, 1255/12, 1256/12
IAS 33	Earnings per shares	Reg. nos. 1126/08, 1274/08, 495/09, 475/12, 1254/12, 1255/12
IAS 34	Interim financial reporting	Reg. nos. 1126/08, 1274/08, 70/09, 495/09, 149/11, 475/12, 1255/12
IAS 36	Impairment of assets	Reg. nos. 1126/08, 1274/08, 69/09, 70/09, 495/09, 243/10, 1254/12, 1255/12
IAS 37	Provisions, contingent liabilities and contingent assets	Reg. nos. 1126/08, 1274/08, 495/09
IAS 38	Intangible assets	Reg. nos. 1126/08, 1274/08, 70/09, 495/09, 243/10, 1254/12, 1255/12
IAS 39	Financial instruments: recognition and measurement	Reg. nos. 1126/08, 1274/08, 53/2009, 70/09, 494/09, 495/09, 824/09, 839/09, 1171/09, 243/10, 149/11, 1254/12, 1255/12
IAS 40	Investment property	Reg. nos. 1126/08, 1274/08, 70/09, 1255/12
IAS 41	Agriculture	Reg. nos. 1126/08, 1274/08, 70/09, 1255/12
IFRS 1	First-time adoption of international financial reporting standards	Reg. nos. 1126/08, 1164/09, 550/10, 574/10, 662/10, 149/11, 475/12, 1254/12, 1255/12
IFRS 2	Share-based payment	Reg. nos. 1126/08, 1261/08, 495/09, 243/10, 244/10, 1254/12, 1255/12
IFRS 3	Business combinations	Reg. nos. 495/09, 149/11, 1254/12, 1255/12
IFRS 4	Insurance contracts	Reg. nos. 1126/08, 1274/08, 1165/09, 1255/12
IFRS 5	Non-current assets held for sale and discontinued operations	Reg. nos. 1126/08, 1274/08, 70/09, 494/09, 1142/09, 243/10, 475/12, 1254/12, 1255/12
IFRS 6	Exploration for and evaluation of mineral resources	Reg. no. 1126/08

IFRS 7................................	Financial instruments: disclosures	Reg. nos. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 824/09, 1165/09, 574/10, 149/11, 1205/11, 475/12, 1254/12, 1255/12, 1256/12
IFRS 8................................	Operating segments	Reg. nos. 1126/08, 1274/08, 243/10, 632/10, 475/12
IFRS 10...............................	Consolidated financial statements	Reg. no. 1254/12
IFRS 11...............................	Joint arrangements	Reg. no. 1254/12
IFRS 12...............................	Disclosure of interests in other entities	Reg. no. 1254/12
IFRS 13...............................	Fair value measurement	Reg. no. 1255/12

NOTES TO THE FINANCIAL STATEMENTS

Part A—Accounting policies

SIC/IFRIC	INTERPRETATION NAME	ENDORSED BY
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	Reg. nos. 1126/08, 1274/08
IFRIC 2	Members' shares in co-operative entities and similar instruments	Reg. nos. 1126/08, 53/09, 1255/12
IFRIC 4	Determining whether an arrangement contains a lease	Reg. nos. 1126/08, 70/09, 1255/12
IFRIC 5	Rights to issues arising from decommissioning, restoration and environmental rehabilitation funds	Reg. nos. 1126/08, 1254/12
IFRIC 6	Liabilities arising from participating in a specific market—waste electrical and electronic equipment	Reg. no. 1126/08
IFRIC 7	Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies	Reg. nos. 1126/08, 1274/08
IFRIC 9	Reassessment of embedded derivatives	Reg. nos. 1126/08, 495/09, 1171/09, 243/10, 1254/12
IFRIC 10	Interim financial reporting and mpairment	Reg. nos. 1126/08, 1274/08
IFRIC 12	Service concession arrangements	Reg. no. 254/09
IFRIC 13	Customer loyalty programmes	Reg. nos. 1262/08, 149/11, 1255/12
IFRIC 14	Prepayments of a minimum funding requirement	Reg. nos. 1263/08, 1274/08, 633/12, 475/12
IFRIC 15	Agreements for the construction of real estate	Reg. no. 636/08
IFRIC 16	Hedges of a net investment in a foreign operation	Reg. nos. 460/09, 243/10, 1254/12
IFRIC 17	Distributions of non-cash assets to owners	Reg. nos. 1142/09, 1254/12, 1255/12
IFRIC 18	Transfers of assets from customers	Reg. no. 1164/09
IFRIC 19	Extinguishing financial liabilities with equity instruments	Reg. nos. 662/10, 1255/12
IFRIC 20	Stripping costs in the production phase of a surface mine	Reg. no. 1255/12
SIC 7	Introduction of the Euro	Reg. nos. 1126/08, 1274/08, 494/09
SIC 10	Government assistance—no specific relation to operating activities	Reg. nos. 1126/08, 1274/08
SIC 12(**)	Consolidation—special purpose entities	Reg. no. 1126/08
SIC 13	Jointly controlled entities—Non-monetary contributions by venturers	Reg. nos. 1126/08, 1274/08
SIC 15	Operating leases—incentives	Reg. nos. 1126/08, 1274/08
SIC 21(***)	Income taxes—recovery of revalued non-depreciable assets	Reg. no. 1126/08
SIC 25	Income taxes—changes in the tax status of an enterprise or its shareholders	Reg. nos. 1126/08, 1274/08
SIC 27	Evaluating the substance of transactions in the legal form of a lease	Reg. no. 1126/08
SIC 29	Service concession arrangements: disclosures	Reg. nos. 1126/08, 1274/08, 70/09
SIC 31	Revenue—Barter transactions involving advertising services	Reg. no. 1126/08
SIC 32	Intangible assets—Web site costs	Reg. nos. 1126/08, 1274/08

(*) The currently applicable version of the standards is applicable until the date of first-time adoption of IFRS 10, IFRS 11 and IFRS 12.

(**) Standards applicable until the date of first-time adoption of IFRS 10, IFRS 11 and IFRS 12; after this date, they are repealed.

(***) This interpretation was repealed on 1 January 2013, when application of IAS 12, as amended by Regulation (EC) no. 1255/12, became mandatory.

NOTES TO THE FINANCIAL STATEMENTS

Part A—Accounting policies

A.2—KEY FINANCIAL STATEMENTS CAPTIONS AT 31 DECEMBER 2012

1—Financial assets held for trading

Classification

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive *fair* value and under liabilities when they have a negative fair value.

Recognition

Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets held for trading are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement

After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognised in caption 80 "Net trading income (expense)" of the income statement. Interest accrued on these assets is recognised in caption 10 "Interest and similar income" of the income statement.

Section 17—Other information provides information on the calculation of fair value of listed securities. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

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.

2—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 100 "Net profit (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

The group tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, the group 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 the 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.

3—Held-to-maturity investments

Classification

This category includes debt instruments with fixed or determinable payments and fixed maturities that the group has the ability and intention to hold to maturity. If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the group's intentions or ability, it is reclassified to "AFS financial assets".

Recognition

HTM investments are initially recognised at cost, being the fair value of the amount traded, including any directly related costs and income. If recognition in this category is due to the reclassification of AFS financial assets pursuant to the 2008 amendment to IAS 19, the fair value of the asset at the reclassification date is taken to be its new amortised cost.

Measurement

After initial recognition, HTM investments are subsequently measured at amortised cost using the effective interest method. Fair value gains or losses are recognised in profit or loss when the investments are derecognised. At each reporting date, the group tests the HTM investments for impairment. The impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Impairment losses are recognised in profit or loss. When the reasons for impairment are no longer valid as a result of an event that took place subsequent to recognition of the impairment loss, it is reversed through profit or loss.

Derecognition

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

4—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 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.

Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably.

Loans and receivables tested individually for impairment include positions classified as non-performing, doubtful or restructured as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively.

The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position's original effective interest rate.

Estimated cash flows include guarantees securing the debtor's exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the group uses their present value, while if it is probable that they will be enforced, the group considers their realisable value net of the costs to be incurred for enforcement.

Impairment losses are recognised in caption 130 "Net impairment losses" of the income statement.

Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and may not exceed the position's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category's unrealised loss. The impairment test considers the counterparty's country risk. Collective impairment losses are recognised in profit or loss.

Derecognition

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

7—Equity investments

Equity investments are recognised and measured in accordance with IAS 27—Consolidated and separate financial statements, IAS 28—Investments in associates and IAS 31—Interests in joint ventures. The other equity investments (i.e., not in subsidiaries, associates and joint ventures) are classified as available-for-sale financial assets and treated accordingly (see section 2).

8—Property, equipment and investment property

Classification

This caption includes land, owner-occupied property, investment 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.

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised while other ordinary maintenance costs are expensed.

Measurement

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

The depreciable value of property and equipment 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:

- furniture, ordinary office equipment, fittings, plant and sundry equipment: 8 years;
- owner-occupied buildings: 33 years;
- investment property: 33 years.

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 group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to their 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.

9—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 and related useful lives. The useful life of the group's intangible assets is three years, except for those assets related to the depositary services, which have an estimated useful life of ten years depending on the contractual terms.

Their residual value is taken to be nil.

Derecognition

The group 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.

Impairment losses on goodwill are recognised in caption 260 “Impairment losses on goodwill” of the income statement. They are not reversed in subsequent periods.

10—Non-current assets held for sale

This caption includes non-current assets or groups of assets and directly associated liabilities, whose sale within the current period is highly probable.

11—Current and deferred taxes

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. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset.

Current and deferred taxes are recognised in caption 290 “Income taxes” of the income statement unless they relate to gains or losses on AFS financial assets, 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 140.b) for deductible temporary differences 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 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 group may find itself.

12—Provisions for risks and charges

Pension and similar provisions

Internal pension plans are considered to be defined benefit plans. The group calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate.

The rate used to discount the post-employment benefit obligation (both funded and unfunded) varies from country to country. It is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The term of the corporate bonds is consistent with the estimated term of the post-employment benefit obligations.

Specifically, the amount recognised as a liability in caption 120.a) equals the net balance of the obligation's present value at the reporting date, the sum of any actuarial gains or losses, less any pension costs for past service not yet recognised and the current value of plan assets, if any, at the reporting date that will be used to directly extinguish the obligation.

The actuarial gains and losses are recognised immediately in profit or loss.

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 group'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.

Other provisions

The group recognises provisions for risks and charges when:

- it has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation;

  and

- the liability can be reliably estimated.

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 and increases due to the time factor are recognised in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

13—Liabilities and Securities issued

Classification

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the group has a contractual obligation to deliver cash or another financial asset to another party.

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds.

They also include finance lease liabilities.

Recognition

Amounts due to banks are recognised at the contract agreement date, which is usually when the group receives the funds and issues the debt instruments.

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.

They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price.

14—Financial liabilities held for trading

This caption includes derivatives held for trading with negative fair values.

All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognised in profit or loss.

The measurement and recognition criteria are identical to those used for financial assets held for trading.

16—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.

18—Other information

Treasury shares

Repurchased treasury shares are directly offset against equity. No gain or loss on the repurchase, sale, issue or extinguishment of these shares can be recognised in profit or loss. Any amounts paid or received for these shares are recognised directly in equity.

The group has set up the specific reserve as per article 2357-ter of the Italian Civil Code.

Measurement of the fair value of financial instruments

The fair value of financial instruments is determined using the financial market prices in the case of instruments listed on active markets or by using internal measurement models for other financial instruments

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The closing date bid price and ask price are used for financial assets and financial liabilities respectively.

The fair value of financial instruments not quoted on active markets is determined using prices of recent market transactions of instruments with similar characteristics or by using valuation techniques based mainly on discounting cash flows. These techniques include all the factors that the market considers to set the price. Accordingly, the models consider the time value of money measured using the risk-free interest rate, default risks, the prepayment risk and the volatility of the financial instrument price, as well as, if applicable, foreign currency exchange rates.

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.

Valuation models based on market parameters are used for bonds and derivatives. The calculation method also considers the need to include the counterparty credit risk.

Specifically, bonds are measured by discounting the expected future cash flows of the contractual plan using market rates.

This method is also used for derivatives, being interest rate swaps (IRS) and overnight interest rate swaps (OIS).

A fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

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 on demand assets and liabilities, with a short term or undetermined maturity, 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 securities issued, 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.

Determination of fair value for non-financial assets

The fair value of investment property is only calculated for disclosure in the notes. The group uses third party appraisals considering transactions at current prices in an active market for similar real estate assets in the same location and condition and that have the same lease and other contractual terms.

Determination of impairment losses on available-for-sale financial assets

Immaterial equity investments (not included in the consolidation scope) are classified as available-for-sale (AFS) and measured at fair value (with any fair value gains or losses recognised in equity and subsequently in profit or loss when the equity investment is sold) at each reporting date. Section 2—Available-for-sale financial assets provides information about the impairment rules.

The fair value of equity investments quoted on an active market is equal to the current value of the shares.

The group tests equity investments carried at cost (as fair value cannot be determined reliably) pursuant to IAS 36. It checks whether there is indication of impairment (an asset is impaired when its carrying amount exceeds its recoverable amount) and if there is, it estimates the asset's recoverable amount (which is the higher of fair value less costs to sell and value in use). If the carrying amount exceeds the recoverable amount, the difference is recognised as an expense in the income statement, while the group recognises the equity investment at its recoverable amount, which becomes its new carrying amount.

Determination of impairment losses on goodwill

Impairment losses on goodwill are determined using the discounted cash flow method.

Guarantees issued

Guarantees issued, credit derivatives and similar instruments as per IAS 39 and subsequent impairment losses are recognised in caption 100 "Other liabilities".

Income statement

<u>Interest income and expense</u>

Interest income and expense and related income and expense relate to cash and cash equivalents, financial assets and liabilities held for trading and measured at fair value, AFS financial assets, HTM investments, 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.

<u>Fee and commission income and expense</u>

They are recognised on an accruals basis.

Specifically, trading commissions on securities are recognised when the service is rendered.

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

<u>Dividends</u>

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

<u>Other income and costs</u>

They are recognised on an accruals basis.

Income from trading in bank drafts is recognised when the right attached thereto expires.

The group was not required to make estimates that could present a high risk of adjustments to the carrying amounts of assets and liabilities within the next reporting period.

Business combinations

Assets and liabilities deriving from business combinations are recognised at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognised as goodwill. After initial recognition, goodwill is tested for impairment.

If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

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

The consolidated 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 financial assets not listed on active markets;
- measurement of intangible assets and equity investments;
- quantification of accruals to provisions for risks and charges;
- quantification of deferred liabilities;

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 2012.

A.3 FAIR VALUE

A.3.1 Portfolio transfers

No transfers among portfolios took place during the year.

A.3.2 Fair value hierarchy

The fair value hierarchy is composed of the following levels:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities:
- 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

A.3.2.1 Accounting portfolios: breakdown by fair value level

	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading	214,383	29,664	23	244,201	19,952	21
Available-for-sale financial assets	1,896,064	34,070	150	1,101,482	20,611	150
Total	**2,110,446**	**63,734**	**173**	**1,345,683**	**40,563**	**171**
Financial liabilities held for trading	1,366	27,684	—	2,551	19,661	—
Total	**1,366**	**27,684**	**—**	**2,551**	**19,661**	**—**

A.3.2.2 Changes in financial assets at level 3-fair value

	FINANCIAL ASSETS			
	HFT	FVTPL	AFS	hedging
1. Opening balance	21	—	150	
2. Increases				
2.1 Purchases				
2.2 Gains recognised in:				
2.2.1. Profit or loss	**2**			
—including gains on sales	2			
2.2.2. Equity				
2.3 Transfers from other levels				
2.4 Other increases				
3. Decreases				
3.1 Sales				
3.2 Repayments				
3.3 Losses recognised in:				
3.3.1 Income statement				
—including losses on sales				
3.3.2 Equity				
3.4 Transfers to other levels				
3.5 Other decreases				
4. Closing balance	**23**	**—**	**150**	

NOTES TO THE FINANCIAL STATEMENTS

Part A—Accounting policies

A.3.3 Information on "day one profit/loss"

Pursuant to IFRS 7.28 and IAS 39.AG.76, a financial instrument shall be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. In practice, there could be a difference between the two values. In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is measured:

- using prices from observable current market transactions in the same instrument;

- using valuation techniques exclusively based on observable market date as the variable factors.

In other words, IAS 39 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using objective evidence that the price paid/collected does not represent the real market value of the financial instrument being traded.

The objective evidence shall be obtained using the most objective method available, i.e., reducing valuation discretion to the minimum.

The difference between fair value and the negotiated price, when the above conditions are met, is called the "day one profit or loss" and is immediately taken to profit or loss.

The group did not recognise transactions of this kind in 2012.

Part B—Notes to the statement of financial position

ASSETS

Section 1—Cash and cash equivalents—Caption 10

1.1 Cash and cash equivalents: breakdown

	31/12/2012	31/12/2011
a) Cash	1,363	1,664
b) Demand deposits with central banks	179,889	568,663
Total	**181,252**	**570,327**

Section 2—Financial assets held for trading—Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	212,599	1,491	23	243,284	290	21
1.1 Structured instruments	—	—	—	—	—	—
1.2 Other instruments	212,599	1,491	23	243,284	290	21
2. Equity instruments	1,774	544	—	894	—	—
3. OEIC units	10	—	—	23	—	—
4. Financing	—	—	—	—	—	—
4.1 Reverse repurchase agreements	—	—	—	—	—	—
4.2 Other	—	—	—	—	—	—
Total A	**214,383**	**2,035**	**23**	**244,201**	**290**	**21**
B. Derivatives						
1. Financial derivatives:	—	27,629	—	—	19,662	—
1.1 trading	—	27,629	—	—	19,662	—
1.2 associated with fair value option	—	—	—	—	—	—
1.3 other	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
2.1 trading	—	—	—	—	—	—
2.2 associated with fair value option	—	—	—	—	—	—
2.3 other	—	—	—	—	—	—
Total B	**—**	**27,629**	**—**	**—**	**19,662**	**—**
Total (A + B)	**214,383**	**29,664**	**23**	**244,201**	**19,952**	**21**

2.2 Financial assets held for trading: breakdown by debtor/issuer

	31/12/2012	31/12/2011
A. Assets		
1. Debt instruments		
a) Governments and central banks	164,092	173,731
b) Other government agencies	64	11
c) Banks	47,052	68,978
d) Other issuers	2,905	876
2. Equity instruments	**—**	**—**
a) Banks	1,771	27
b) Other issuers:	547	867
—insurance companies	—	—
—financial companies	3	—
—non-financial companies	544	867
—other	—	—
3. OEIC units	**10**	**23**
4. Financing	**—**	**—**
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total A	**216,441**	**244,512**
B. Derivatives	**—**	
a) Banks	26,208	18,894
—fair value	26,208	18,894
b) Customers	1,421	768
—fair value	1,421	768
Total B	**27,629**	**19,662**
Total (A + B)	**244,070**	**264,174**

Derivatives mainly relate to matched interest rate swaps held for trading.

Part B—Notes to the statement of financial position

2.3 Financial assets held for trading: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**243,596**	**894**	**23**	**—**	**244,512**
B. Increases	3,346,290	65,890	7,961	—	3,420,141
B1. Purchases	3,243,812	64,087	7,961	—	3,315,860
B2. Fair value gains	7,180	—	—	—	7,180
B3. Other increases	95,298	1,803	—	—	97,101
C. Decreases	3,375,772	64,467	7,974	—	3,448,212
C1. Sales	3,227,176	63,877	7,935	—	3,298,989
C2. Repayments	52,639	—	—	—	52,639
C3. Fair value losses	72	323	38	—	432
C4. Transfers to other portfolios	—	—	—	—	—
—Available-for-sale financial assets	—	—	—	—	—
—Held-to-maturity investments	—	—	—	—	—
C5. Other decreases	95,884	267	1	—	96,152
D. Closing balance	**214,114**	**2,317**	**10**	**—**	**216,441**

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

4.1 Available-for-sale financial assets: breakdown by product

	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	1,895,371	—	—	1,100,790	—	—
1.1 Structured instruments	—	—	—	—	—	—
1.2 Other instruments	1,895,371	—	—	1,100,790	—	—
2. Equity instruments	693	9,951	150	693	9,632	150
2.1 FVTPL	693	8,601	—	693	9,632	150
2.2 Cost	—	1,350	150	—	—	—
3. OEIC units	—	24,118	—	—	10,979	—
4. Financing	—	—	—	—	—	—
Total	**1,896,064**	**34,069**	**150**	**1,101,483**	**20,611**	**150**

The increase in AFS financial assets mainly relates to purchases of government bonds.

NOTES TO THE FINANCIAL STATEMENTS

Part B—Notes to the statement of financial position

4.2 Available-for-sale financial assets: breakdown by debtor/issuer

	31/12/2012	31/12/2011
1. Debt instruments		
a) Governments and central banks	1,895,371	1,093,298
b) Other government agencies	—	—
c) Banks	—	7,490
d) Other issuers	—	—
2. Equity instruments		
a) Banks	847	848
b) Other issuers:	9,949	9,627
—insurance companies	—	—
—financial companies	2,802	2,481
—non-financial companies	7,107	7,146
—other	40	—
3. OEIC units	**24,118**	**10,979**
4. Financing		
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**1,930,284**	**1,122,243**

4.4 Available-for-sale financial assets: changes

	Debt instruments	Equity instruments	OEIC units	Financing	Total
A. Opening balance	**1,100,789**	**10,475**	**10,979**	—	**1,122,243**
B. Increases	**1,835,166**	**423**	**17,093**	—	**1,852,681**
B1. Purchases	1,714,013	—	15,169	—	**1,729,181**
B2. Fair value gains	57,667	423	—	—	**58,090**
B3. Reversals of impairment losses	—	—	—	—	—
—recognised in profit or loss		—			—
—recognised in equity					—
B4. Transfers from other portfolios	—	—	—	—	—
—financial assets held for trading	—	—	—	—	—
—held-to-maturity investments	—	—	—	—	—
B5. Other increases	63,486	—	1,924	—	**65,410**
C. Decreases	**1,040,583**	**103**	**3,954**	—	**1,044,640**
C1. Sales	457,936	—	—	—	**457,936**
C2. Repayments	563,000	—	—	—	**563,000**
C3. Fair value losses	—	—	—	—	—
C4. Impairment losses:	—	—	—	—	—
—recognised in profit or loss	—	—	—	—	—
—recognised in equity	—	—	—	—	—
C5. Transfers to other portfolios	—	—	—	—	—
C6. Other decreases	19,647	103	3,954	—	**23,704**
D. Closing balance	**1,895,371**	**10,795**	**24,118**	—	**1,930,284**

Section 5—Held-to-maturity investments—Caption 50

5.1 Held-to-maturity investments: breakdown by product

	31/12/2012				31/12/2011			
		FV				FV		
	CA	L1	L2	L3	CA	L1	L2	L3
1. Debt instruments	—				—			
—structured instruments	—				—			
—other instruments	107,597	100,634	1,713	—	135,500	114,622	1,181	—
2. Financing	—				—			
Total	**107,597**	**100,634**	**1,713**	—	**135,500**	**114,622**	**1,181**	—

The decrease is due to the repayment of matured securities.

5.2 Held-to-maturity investments: breakdown by debtor/issuer

	31/12/2012	31/12/2011
1. Debt instruments		
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	104,329	131,832
d) Other issuers	3,268	3,667
2. Financing	—	—
a) Governments and central banks	—	—
b) Other government agencies	—	—
c) Banks	—	—
d) Other	—	—
Total	**107,597**	**135,500**
Total FV	**107,597**	**135,500**

5.4 Held-to-maturity investments: changes

	Debt instruments	Financing	Total
A. Opening balance	**135,500**	**—**	**135,500**
B. Increases	2,314	—	2,314
B1. Purchases	—	—	—
B2. Reversals of impairment losses	—	—	—
B3. Transfers from other portfolios	—	—	—
B4. Other increases	2,314	—	2,314
C. Decreases	**30,217**	**—**	**30,217**
C1. Sales	—	—	—
C2. Repayments	28,500	—	28,500
C3. Impairment losses	—	—	—
C4. Transfers to other portfolios	—	—	—
C5. Other decreases	1,717	—	1,717
D. Closing balance	**107,597**		**107,597**

NOTES TO THE FINANCIAL STATEMENTS

Part B—Notes to the statement of financial position

Section 6—Loans and receivables with banks—Caption 60

6.1 Loans and receivables with banks: breakdown by product

	31/12/2012	31/12/2011
A. Loans and receivables with central banks	96,158	216,060
1. Term deposits	—	—
2. Minimum reserve	96,158	216,060
3. Reverse repurchase agreements	—	—
4. Other	—	—
B. Loans and receivables with banks	1,628,435	886,184
1. Current accounts and demand deposits	1,231,453	404,526
2. Term deposits	94,940	103,499
3. Other financing:	298,584	374,831
3.1 Reverse repurchase agreements	—	—
3.2 Finance leases	—	—
3.3 Other	298,584	374,831
4. Debt instruments	3,457	3,327
4.1 Structured instruments	—	—
4.2 Other instruments	3,457	3,327
Total (carrying amount)	**1,724,592**	**1,102,244**
Total (fair value)	**1,724,592**	**1,102,244**

The increase is principally due to the joint current accounts.

The caption "Other financing" is mainly related to exposures arising from the e-money business as a result of the merger of Key Client into Cartasi.

Section 7—Loans and receivables with customers—Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2012			31/12/2011		
		Impaired			Impaired	
	Performing	Purchased	Other	Performing	Purchased	Other
1. Current accounts	295,592		391	103,010		399
2. Reverse repurchase agreements	81,774		—	—		—
3. Loans	—		—	—		—
4. Credit cards, personal loans and salary-backed loans	2,375,186		315	2,573,901		388
5. Finance leases	—		—	—		—
6. Factoring	—		—	—		—
7. Other financing	399,187		—	243,093		—
8. Debt instruments	—		—	—		—
8.1 Structured instruments	—		—	—		—
8.2 Other instruments	—		—	—		—
Total (carrying amount)	**3,151,739**		**706**	**2,920,004**		**787**
Total (fair value)	**3,151,739**		**706**	**2,920,004**		**787**

Part B—Notes to the statement of financial position

The increase is mainly due to the rise in amounts relating to the depositary services and reverse repurchase agreements.

"Other financing" mainly relates to guarantee deposits.

7.2 Loans and receivables with customers: breakdown by debtor/issuer

	31/12/2012			31/12/2011		
		Impaired			Impaired	
	Performing	Purchased	Other	Performing	Purchased	Other
1. Debt instruments	—		—			
a) Governments	—		—			
b) Other government agencies	—		—			
c) Other	—		—			
—non-financial companies	—		—			
—financial companies	—		—			
—insurance	—		—			
—other issuers	—		—			
2. Financing to:	**3,151,739**		**706**	**2,920,004**		**787**
a) Governments	—		—	—		—
b) Other government agencies	—		—	874		—
c) Other	3,151,740		706	2,919,130		787
—non-financial companies	12,545		—	30,308		—
—financial companies	707,859		391	1,921,128		399
—insurance	10,807		—	10,450		—
—other	2,420,528		315	957,244		388
Total	**3,151,739**		**706**	**2,920,004**		**787**

Section 10—Equity investments—caption 100

10.1 Investments in equity-accounted jointly-controlled entities and associates

	Registered office	Type of relationship	Investment		Voting rights %
			Investor	Investment %	
A. Entities					
1. Hi.Mtf S.p.A.	Milan	1	ICBPI	25	25
2. Equens SE	Utrecht	1	ICBPI	20	20

(1) Significant influence

(2) Joint control

10.2 Investments in jointly-controlled entities and associates: financial information

	Total assets	Total revenue	Profit	Equity	Carrying amount	Fair value
A. Equity-accounted investees						
A.2 associates						
1. Hi.Mtf S.p.A.	5,874	2,813	440	5,199	1,302	X
2. Equens SE	553,874	357,404	21,347	340,563	112,800	112,800

10.3 Equity investments: changes

	2012	2011
A. Opening balance	**130,259**	**135,210**
B. Increases	—	—
B.1 Purchases		
B.2 Reversals of impairment losses	149	—
B.3 Fair value gains	—	—
B.4 Other increases	—	174
C. Decreases	750	—
C.1 Sales		
C.2 Impairment losses	11,274	3,618
C.3 Other decreases	4,282	1,507
D. Closing balance	**114,102**	**130,259**
E. Total fair value gains		
F. Total impairment losses		

Reversals of impairment losses are due to the equity-accounting of the investment in HI-MTF.

Sales relate to the shares of HI-MTF (€750,000).

Impairment losses were mainly recognised on the investment in Equens SE (€11,418), while other decreases are due to the consolidation of the investment in Siteba.

In testing the investment in Equens SE for impairment, the group calculated its recoverable amount by reference to the investee's value in use estimated using the DCF approach.

Under this approach, in addition to the original components of the investee's original plan for the period and net financial position (debt), the group considered the following:

- the business plan forecasts updated to account for the most recent indications based on the figures approved by the investee's board of directors;
- a discount rate (WACC—Weighted Average Cost of Capital) equal to 10.0%, with respect to the rate ranging from 9.0% to 9.5% used by comparables;
- a perpetual growth rate (g) of 2%;
- a time horizon in perpetuity for the calculation of the terminal value.

The result of the application of this analytical method led to a value in use (and, hence, a recoverable amount) of the parent's investment in Equens SE of €112.8 million.

Section 12—Property, equipment and investment property—Caption 120

12.1 Property, equipment and investment property: breakdown of assets measured at cost

	31/12/2012	31/12/2011
A. Property and equipment		
1.1 owned		
a) land	35,118	34,215
b) buildings	56,407	54,752
c) furniture	1,088	258
d) electronic systems	27,174	23,224
e) other	1,674	1,602
1.2 under finance lease		
a) land	3,462	3,622
b) buildings	10,534	11,327
c) furniture	—	—
d) electronic systems	912	3,300
e) other	—	—
Total A	**136,370**	**132,300**
B. Investment property		
2.1 owned		
a) land	17,448	17,448
b) buildings	12,668	13,191
2.2 under finance lease		
a) land	—	—
b) buildings	—	—
Total B	**30,116**	**30,639**
Total (A+B)	**166,486**	**162,939**

NOTES TO THE FINANCIAL STATEMENTS

Part B—Notes to the statement of financial position

12.2 Property, equipment and investment property: breakdown of assets at fair value or revalued

	31/12/2012	31/12/2011
A. Property and equipment		
1.1 owned		
a) land	—	—
b) buildings	—	—
c) furniture	1,133	1,133
d) electronic systems	—	—
e) other	—	—
1.2 under finance lease		
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic systems	—	—
e) other	—	—
Total A	**1,133**	**1,133**
B. Investment property		
2.1 owned		
a) land	—	—
b) buildings	—	—
2.2 under finance lease	—	—
a) land	—	—
b) buildings	—	—
Total B	**—**	**—**
Total (A + B)	**1,133**	**1,133**

12.3 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**37,836**	**84,800**	**4,655**	**172,057**	**15,146**	**314,493**
A.1 Total net impairment losses	—	18,720	3,263	145,533	13,545	181,060
A.2 Net opening balance	37,836	66,080	1,391	26,524	1,601	133,431
B. Increases	**744**	**4,330**	**849**	**17,123**	**1,793**	**24,840**
B.1 Purchases	—	—	781	17,115	567	18,463
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	744	4,330	68	8	1,226	6,376
—business combinations	744	4,330	68	8	1,226	6,376
—other changes		—	—		—	—
C. Decreases	**—**	**3,468**	**19**	**15,560**	**1,721**	**20,769**
C.1 Sales	—	—	—	1,525	—	1,525
C.2 Depreciation	—	3,468	19	13,695	1,721	18,903
C.3 Impairment losses recognised in:						
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.4 Fair value losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.5 Exchange rate losses	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) investment property	—	—	—	—	—	—
b) assets held for sale	—	—	—	—	—	—
C.7 Other decreases	—	—	—	—	—	—
—business combinations	—	—	—	340	—	341
D. Net closing balance	**38,580**	**66,943**	**2,221**	**28,086**	**1,673**	**137,501**
D.1 Total net impairment losses		22,187	3,282	159,228	15,266	199,963
E. Gross closing balance	**38,580**	**89,131**	**5,503**	**187,314**	**16,939**	**337,467**
F. Cost	—	—	—	—	—	—

Other increases relate to the items of property and equipment of Siteba, which was included in the consolidation scope at the end of the first half of 2012.

12.4 Investment property: changes

	Total	
	land	buildings
A. Opening balance	17,448	13,191
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		523
C.3 Fair value losses		
C.4 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	**17,448**	**12,668**
E. Fair value	**X**	

Investment property is covered by IAS 40 and includes property held (either owned or under finance lease) to earn rental and/or obtain appreciation of invested capital.

The group’s investment property is listed below:

- buildings in via Verziere 11, Milan, via Cavallotti 14, Milan and Via Zurigo 3, Milan granted under operating leases and held by ICBPI.

At the reporting date, there are no:

- restrictions to the sale of investment property or the collection of lease payments;
- obligations/contractual commitments to purchase, build, develop, repair or maintain owner-occupied property.

The fair value of investment property totals €180 million.

Part B—Notes to the statement of financial position

Section 13—Intangible assets—Caption 130

13.1 Intangible assets: breakdown by asset

	31/12/2012		31/12/2011	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		77,331		77,331
A.1.1 attributable to the owners of the parent		77,331		77,331
A.1.2 attributable to non-controlling interests				
A.2 Other intangible assets				
A.2.1 Assets measured at cost:				
a) Internally generated assets				
b) Other	72,061		30,451	
A.2.2 Assets measured at fair value:				
a) Internally generated assets				
b) Other				
Total	**72,061**	**77,331**	**30,451**	**77,331**

Increases are mainly due to the acquisition of customer contracts relating to depository services. As a result of impairment testing, the Banca Carige customer contract has been impaired.

13.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally generated assets FIN.	Other intangible assets: internally generated assets IND.	Other intangible assets: other FIN.	Other intangible assets: other IND.	Total
A. Opening balance	**77,331**			**63,286**		**140,617**
A.1 Total net impairment losses				32,835		32,835
A.2 Net opening balance	**77,331**			**30,451**		**107,782**
B. Increases						—
B.1 Purchases	—	—	—	55,910	—	55,910
B.2 Increase in internally generated assets	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains	—	—	—	—	—	—
−equity	—	—	—	—	—	—
−profit or loss	—	—	—	—	—	—
B.5 Exchange rate gains	—	—	—	—	—	—
B.6 Other decreases	—	—	—	27	—	27
—business combinations				27		27
C. Decreases						—
C.1 Sales	—	—	—	—	—	—
C.2 Impairment losses	—	—	—	—	—	—
−Amortisation	—	—	—	9,877	—	9,877
−Fair value losses	—	—	—	—	—	—
+ equity	—	—	—	—	—	—
+ profit or loss	—	—	—	—	—	—
C.3 Fair value losses	—	—	—	—	—	—
−equity	—	—	—	—	—	—
−profit or loss	—	—	—	4,450	—	4,450
C.4 Transfers to non-current assets held for sale	—	—	—	—	—	—
C.5 Exchange rate losses	—	—	—	—	—	—
C.6 Other decreases						—
—business combinations						
D. Net closing balance	**77,331**	**—**	**—**	**72,061**	**—**	**149,392**
D.1 Total net impairment losses				42,712		42,712
E. Gross closing balance	**77,331**			**114,773**		**192,104**
F. Cost	—	—	—	—	—	—

Key

FIN = finite life

IND = indefinite life

Other increases relate to the items of property and equipment of Siteba, which was included in the consolidation scope at the end of the first half of 2012.

13.3 Other disclosures

The fair value losses recognised in profit or loss relate to the Banca Carige customer contract and resulted from the impairment test.

Impairment test

The group tested its intangible assets with indefinite lives for impairment and, where there were trigger events, its assets with finite lives. Therefore, goodwill relating to the payments, e-banking and euros business units, CartaSi and Banca Carige customer contract was tested for impairment. The latter is an intangible asset with a finite useful life with respect to which the group identified a trigger event during the year.

The summarised figures, parameters and results of the impairment tests are set out below:

	Carrying amount	Approach	Plan	Business segment	Cost of equity (Ke)	Growth rate	Limit Ke differencek[*]	Limit NR difference[*]
Payments business goodwill	12,320	Value in use	2013 budget/2014-15 business plan	Payments	9.69%	1.00%	184.50%	−87.02%
E-banking business goodwill	1,418	Value in use	2013 budget/2014-15 business plan	Payments	9.50%	1.00%	67.50%	−56.81%
Euros business goodwill	1,582	Value in use	2013 budget/2014-15 business plan	Application outsourcing	9.50%	1.00%	110.60%	−71.09%
CartaSi goodwill	62,011	Value in use	2013-15 business plan	E-money	10.93%	1.20%	NA	NA
Banca Carige customer contract	11,638	Value in use	Carige plan	Securities services	10.02%	1.00%	=	=

(*) Cost of equity (Ke)/normalised return (NR) percentage change, which matches the recoverable amount to the carrying amount in that approach.

After having identified the recoverable amount of each asset being tested for impairment, the group compared it to their carrying amount and, for the cash-generating units, to the assets allocated thereto (calculated with an approach consistent with that used for the identification of the recoverable amount).

The test showed that:

- the Banca Carige customer contract was impaired. Its carrying amount in ICBPI's separate financial statements was €16.088 million. The related recoverable amount is estimated at €11.638 million, with an impairment losses of €4.450 million;

- the carrying amount of goodwill relating to the payments and e-banking business units recognised in the ICBPI's separate financial statements exceeded its recoverable amount.

Value in use was estimated using the income method, whereby the economic capital value is expressed in proportion to the future cash flows that the CGU will be able to generate.

The group used the two-step formula when applying the income method adjusted using a levered approach, which is as follows:

$$W = \Sigma \text{ Va Rn} + TV(1+i)-n$$

where:

- Σ Va Rn = the discounted cash flows for each of the "n" years covered by the plan;

- TV(1+i) −n = the discounted terminal value (TV), which was calculated by discounting to infinity the NR estimated at the end of the plan period.

For the purposes of estimating the discount rate, which is the share price in the levered model, the group adopted the capital asset pricing model (CAPM) with the formula $Ke = rf + \beta\ (rm - rf)$, where Ke is the share price, rf is the risk-free return on investments, β shows the systematic risk and the differential (rm − rf) measures the market risk premium (Rm).

Part B—Notes to the statement of financial position

The group calculated the cash flows:

- analytically on the basis of the figures included in the business plans set out in the tables approved by the board of directors;

- systematically, in relation to the terminal value calculated in perpetuity.

With reference to the Banca Carige customer contract, the figures shown in the plans/budgets were considered in the light of the specific characteristics of the group's relationship with Banca Carige (type of services provided, pricing conditions, size and type of AUM). Based on principles agreed upon during board of directors' meetings the group established the cash flows to be used in the test accordingly. Considering the asset's nature (with a finite useful life), the plan was developed over a time horizon equal to its residual life (8 years).

The present value of future cash flows was calculated using the income method, whereby the economic capital value is expressed in proportion to the future cash flows that the CGU will be able to generate. Considering the group's banking nature, the method was adjusted using a levered approach. When the specific business being tested may be associated with the need to comply with regulatory obligations involving minimum capital requirements, the group applied the dividend discount model (DDM) based on a target requirement (regulatory capital/risk weighted assets) of 10.0%, in line with the relevant target parameter provided for by the risk appetite framework of the ICBPI Group.

For the purposes of estimating the discount rate, which is the share price in the levered model, the group started from the weighted average cost of equity calculated using the capital asset pricing model (CAPM). The group used market inputs and/or inputs used by the professional practice:

- the risk free rate is based on the 10-year-6-month IRS market price, based on the average of January 2013 (1.79%);

- the market risk premium is 5%, based on the general practice;

- beta is equal to the average of the companies included in the reference segment(s) (as identified through Bloomberg on 11 January 2013), identified on a case by case basis in relation to the nature of the business being tested;

- as additional elements for the calculation of the cost of equity (Ke):

- for all assets, a mark-up for "country risk" equal to the spread between the Italian treasury bonds maturing in August 2023 and the ten-year/6-month IRS market price, based on the average of January 2013 (2.45%);

- where deemed applicable in relation to the nature of the businesses being tested, as additional elements for specific risks (identified later on with reference to each asset).

At the end of each valuation, the group carried out a sensitivity analysis in order to show:

- that the CGU's recoverable amount exceeded its carrying amount;

- the value assigned to the underlying assumptions;

- the percentage difference between the rate used to discount cash flows, which makes the CGU's recoverable amount equal to the carrying amount of goodwill, and the rate used to calculate value in use.

The "Limit Ke difference" and "Limit NR difference" columns of the table set out earlier show the results of the sensitivity analysis carried out to check the relationship between the change in the CGU's value in use and in the discount rate (Ke) and normalised return (NR) that were used as a basis to calculate the terminal value.

Section 14—Tax assets and liabilities—Caption 140 of assets and Caption 80 of liabilities

14.1 Deferred tax assets: breakdown

	31/12/2012	31/12/2011
IRAP		
Net impairment losses on loans and receivables		
Provisions	152	143
Substitute tax on goodwill	3,691	3,729
Amortisation/depreciation	468	
Other	494	2,187
IRES		
Net impairment losses on loans and receivables	13,552	12,762
Provisions	13,975	11,828
Substitute tax on goodwill	18,225	18,408
Impairment losses on intangible assets, property, equipment and investment property	3,853	
Other	5,364	17,518

The decrease in deferred tax assets is mainly due to the impairment losses on available-for-sale government bonds.

14.2 Deferred tax liabilities: breakdown

	31/12/2012	31/12/2011
IRAP		
Building revaluations	2,840	2,696
Other	3,109	537
IRES		
Building revaluations	15,710	13,902
Other	12,023	7,566

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

	2012	2011
1. Opening balance	**53,973**	**38,449**
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	11,712	37,124
2.2 New taxes or increases in tax rates	—	56
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	6,819	21,657
b) impairment due to non-recoverability		
c) change in accounting policies		
d) other	650	—
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**58,216**	**53,973**

The increases are due to temporary difference which arose during the year.

The group recognised deferred tax assets to the extent it was reasonably certain that they were recoverable through future taxable profits exceeding the amount of the differences to be recovered. The estimated IRES and IRAP average rates are 27.5% and 5.57%, respectively. The increases mainly relate to the impairment losses on the "Banca Carige customer contract" intangible asset and the interest in Fondo Italiano di Investimento and accruals to provisions. The decreases mainly relate to the use of provisions.

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

	2012	2011
1. Opening balance	**23,385**	**23,540**
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	2,510	485
2.2 New taxes or increases in tax rates	—	336
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	541	976
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**25,354**	**23,385**

14.5 Changes in deferred tax assets (recognised in equity)

	2012	2011
1. Opening balance	**12,601**	**12,601**
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		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	11,041	—
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	**1,560**	**12,601**

The decrease is due to the fair value reserve relating to available-for-sale government bonds.

14.6 Changes in deferred tax liabilities (recognised in equity)

	2012	2011
1. Opening balance	**1,315**	**152**
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	7,015	1,249
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	2	—
b) due to changes in accounting policies		
c) other	—	86
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**8,328**	**1,315**

Part B—Notes to the statement of financial position

The increase is due to the fair value gains on available-for-sale government bonds.

Section 15—Non-current assets held for sale and disposal groups and associated liabilities—caption 150 of assets and caption 90 of liabilities

15.1 Non-current assets held for sale and disposal groups: breakdown by type

	31/12/2012	31/12/2011
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property, equipment and investment property		
A.4 Intangible assets		
A.5 Other non-current assets		
Total A	—	—
B. Disposal groups (discontinued operations)		
B.1 Financial assets held for trading		
B.2 Financial assets at fair value through profit or loss		
B.3 Available-for-sale financial assets		
B.4 Held-to-maturity investments		
B.5 Loans and receivables with banks	—	4,070
B.6 Loans and receivables with customers		
B.7 Equity investments		
B.8 Property, equipment and investment property		
B.9 Intangible assets		
B.10 Other		
Total B	—	**4,070**
C. Liabilities associated with individual assets held for sale		
C.1 Liabilities		
C.2 Securities		
C.3 Other liabilities		
Total C	—	—
D. Liabilities associated with disposal groups		
D.1 Due to banks		
D.2 Due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities at fair value through profit or loss		
D.6 Provisions		
D.7 Other liabilities		
Total D	—	—

The sale of the investment in Si Reinsurance Ltd, which was classified as a non-current asset held for sale in the 2011 consolidated financial statements, was concluded in 2012.

Section 16—Other assets—Caption 160

16.1 Other assets: breakdown

	31/12/2012	31/12/2011
Withholding taxes paid on interest charged to customers and other tax assets	101,956	97,577
Negotiated cheques to be cleared	10,741	9,596
Matured securities and accrued interest to be collected	7,234	12,672
Commissions and other income to be charged	129,369	101,462
BIREL, transfers, SETIF, received messages to be charged	273,620	234,326
Sundry and residual items	17,022	31,357
Total	**539,942**	**486,989**

The increase in other assets is attributable to the larger amounts in suspense accounts on 31 December, relating to the execution of payment orders that took place in the following few days.

Tax assets comprise the IRES tax asset claimed for reimbursement due to the non-deduction of IRAP (€5.8 million).

LIABILITIES

Section 1—Due to banks—Caption 10

1.1 Due to banks: breakdown by product

	31/12/2012	31/12/2011
1. Due to central banks	**252,521**	**150,439**
2. Due to banks	**2,909,750**	**2,678,209**
2.1 Current accounts and demand deposits	2,346,846	1,759,527
2.2 Term deposits	104,676	193,725
2.3 Financing	5,780	352,997
2.3.1 repurchase agreements	—	—
2.3.2 other	5,780	352,997
2.4 Commitments to repurchase own equity instruments		
2.5 Other liabilities	—	—
	452,448	371,960
Total	**3,162,271**	**2,828,648**
Fair value	**3,162,271**	**2,828,648**

The increase is mainly due to the rise in amounts deposited in joint current accounts.

Section 2—Due to customers—Caption 20

2.1 Due to customers: breakdown by product

	31/12/2012	31/12/2011
1. Current accounts and demand deposits	1,970,976	1,737,607
2. Term deposits	—	—
3. Financing	708,808	—
3.1 repurchase agreements	708,808	—
3.2 other	—	—
4. Commitments to repurchase own equity instruments	—	—
5. Other liabilities	420,820	603,166
Total	**3,100,604**	**2,340,773**
Fair value	**3,100,604**	**2,340,773**

Part B—Notes to the statement of financial position

The increase is mainly due to the rise in amounts relating to repurchase transactions.

Section 3—Securities issued—Caption 30

3.1 Securities issued: breakdown by product

	31/12/2012				31/12/2011			
		Fair value				Fair value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
A. Securities								
1. Bonds								
1.1 structured								
1.2 other	10,018	—	—	10,018	10,032	—	—	10,032
2. Other securities								
2.1 structured								
2.2 other								
Total	**10,018**	**—**	**—**	**10,018**	**10,032**	**—**	**—**	**10,032**

Key

L1 = level 1

L2 = level 2

L3 = level 3

Securities issued comprise the bonds maturing in May 2014.

Section 4—Financial liabilities held for trading—Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	Banking group					Banking group				
	31/12/2012					31/12/2011				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. Financial liabilities										
1. Due to banks	1,313	1,366	—	—		2,809	2,551			
2. Due to customers	39	—	3	—						
3. Debt instruments	—	—	8	—						
3.1 Bonds	—	—	—	—						X
3.1.1 Structured	—	—	—	—	X					X
3.1.2 Other	—	—	—	—	X					
3.2 Other securities	—	—	—	—						
3.2.1 Structured	—	—	—	—	X					X
3.2.2 Other	—	—	—	—	X					X
Total A	**1,352**	**1,366**	**38**	**—**		**2,809**	**2,551**	**—**	**—**	
B. Derivatives										
1. Financial derivatives	X	—	—	—	X	X			—	X
1.1 Trading	X	—	27,646	—	X	X		19,661	X	X
1.2 Associated with fair value option	X	—	—	—	X	X			X	X
1.3 Other	X	—	—	—	X	X			X	X
2. Credit derivatives	—	—	—	—	X	X			X	X
2.1 Trading	X	—	—	—	X	X				X
2.2 Associated with fair value option	X	—	—	—	X	X				X
2.3 Other	X	—	—	—	X	X				X
Total B		**—**	**27,646**	**—**	**X**		**—**	**19,661**	**—**	**X**
Total (A + B)	**1,352**	**1,366**	**27,684**	**—**	**X**	**2,809**	**2,551**	**19,661**	**—**	**X**

Key:

FV = fair value

NA = nominal or notional amount

FV* = fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date.

L1 = level 1

L2 = level 2

L3 = level 3

Section 8—Tax liabilities—Caption 80

Tax liabilities, amounting to €48.663 million, include current tax liabilities of €14.981 million and deferred tax liabilities of € 33.682 million.

The former (€ 14,981 thousand) comprise the current IRES and IRAP tax liabilities for 2012 estimated by the group, which also participates in the domestic tax consolidation scheme.

Reference should be made to note 13 of assets for information on deferred tax liabilities.

Section 10—Other liabilities—Caption 100

10.1 Other liabilities: breakdown

	31/12/2012	31/12/2011
Tax liabilities, withholding taxes and other amounts to be paid	34,997	9,807
Cheques, cheque truncation flows to be credited	17,993	16,609
Securities, currency and premium transactions paid for options to be credited	8,887	724
Due to employees	40,259	31,899
Other liabilities for expenses, commissions and interest to be paid	106,300	217,064
Prepaid debit cards	37,621	41,126
Currency differences on portfolio transactions	45,654	4,533
BIREL, transfers, payment flows to be credited	796,334	743,541
Sundry and residual items	57,578	10,123
Total	**1,145,623**	**1,075,425**

The increase in other assets is attributable to the larger amounts in suspense accounts on 31 December, relating to the execution of payment orders that took place in the following few days.

Section 11—Post-employment benefits—Caption 110

11.1 Post-employment benefits: changes

	2012	2011
A. Opening balance	**20,736**	**19,800**
B. Increases		
B.1 Accruals	3,948	2,674
B.2 Other increases	657	800
C. Decreases		
C.1 Payments	2,948	1,819
C.2 Other decreases	819	718
D. Closing balance	**21,575**	**20,736**
Total	**21,575**	**20,736**

The increase is partially due to the post-employment benefits of Siteba.

11.2 Other disclosures

Actuarial valuation method

The actuarial valuation of the Italian post-employment benefits vested up to 31 December 2006 is based on the projected unit credit method. Actuarial gains and losses are recognised in profit or loss.

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

DEMOGRAPHIC ASSUMPTIONS

- Mortality is based on Italian rates, broken down by age and gender, published by ISTAT in 2000 and reduced by 25%.
- Termination of employment for total and permanent disability is based on 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 is based on rates inferred by estimating the annual occurrences, based on group and market figures, over the 2003-2012 observation period and established, in accordance with management, at 3.50% p.a..
- The requests for advances are based on a rate estimated at 3.00% p.a., with an average advance rate of 50.00%.
- Retirement in general is assumed at a rate based on the satisfaction of the first requirement for the mandatory general insurance.

FINANCIAL ASSUMPTIONS

The macroeconomic scenario used for the valuation is described below:

PARAMETERS	DYNAMIC ASSUMPTION
Salary increase rate	4.00%
Inflation rate	2.00%
Discount rate	2.18%

The discount rate used in all valuations required by IAS 19 was inferred from the breakdown of interest rate by maturity bootstrapped from the swap rate curve at 28 December 2012 (Source: Il Sole 24 ore) and established with reference to the group's liabilities due after an average period of 17 years.

Section 12—Provisions for risks and charges—Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2012	31/12/2011
1. Internal pension funds	1,178	1,183
2. Other provisions for risks and charges		
2.1 legal disputes		
2.2 employee benefits		
2.3 other	53,095	45,833
Total	**54,273**	**47,016**

NOTES TO THE FINANCIAL STATEMENTS

Part B—Notes to the statement of financial position

12.2 Provisions for risks and charges: changes

	Total	
	Pension funds	**Other provisions**
A. Opening balance	**1,183**	**45,833**
B. Increases		
B.1 Accruals	74	19,885
B.2 Discounting	—	75
B.3 Changes due to variations in discount rate	—	—
B.4 Other increases	—	—
C. Decreases	**—**	
C.1 Utilisations	80	12,202
C.2 Changes due to variations in discount rate	—	—
C.3 Other decreases	—	496
D. Closing balance	**1,178**	**53,095**

12.3 Defined benefit internal pension plans

1. The plans

The defined benefit internal pension plan is made up of accruals made to cover the parent's obligation to its former employees. The actuarial liability estimated at the reporting date is €1,179 thousand. The group performed the actuarial calculation with the assistance of a professional actuary. The plan is based on a single remuneration (one-off remuneration)/on the last remuneration/on the post-employment medical plans.

2. Changes in the plans

The present value of the obligation for defined benefit plans amounted to €1,183 thousand at 31 December 2011. The group paid benefits totalling €80 thousand and made accruals of €74 thousand, leading to a reporting-date balance of €1,179 thousand.

3. Changes in plan assets and other disclosures

4. Reconciliation of the present value of the plan liabilities and plan assets and their carrying amount

5. Main actuarial assumptions

The group adopted the following demographic and financial assumption in its actuarial valuations:

DEMOGRAPHIC ASSUMPTIONS:

- Mortality among aged pensioners is based on the chart prepared by the General Accounting Office for population born in 1948, broken down by gender.

- Mortality among total and permanent disability pensioners is based on the rates adopted in the INPS form for the 2010 projections, broken down by gender.

- Leaving the family is based on the rates broken down by gender published in the above-mentioned reports of social security institutions.

- Widowers' and widows' second marriage rates are based on the 1960/62 ISTAT tables.

- Widower and widows' mortality is based on the Italian rates published by ISTAT in 1992, broken down by gender, while mortality among underage orphans was assumed to be nil.

12.4 Other provisions

Other provisions comprise accruals to provisions for risks for losses on irregular transactions already executed at the reporting date and fraudulent transactions based on CartaSi historical figures.

The group made an accrual for a probable liability in relation to one of the payment services.

The group also made accruals calculated in relation to the probable outlay arising from contractual obligations, in accordance with IAS 37.

Section 15—Equity—Captions 140, 160, 170, 180, 190, 200 and 220

15.1 "Share capital" and "Treasury shares": breakdown

	31/12/2012	31/12/2011
1. Share capital	42,557	42,557
2. Share premium	148,242	148,242
3. Reserves	432,738	370,023
4. (Treasury shares)		
a) parent	(32)	(32)
b) subsidiaries		
5. Valuation reserves	60,628	21,903
6. Profit for the year	90,118	77,103
Total	**774,251**	**659,796**

The increase is due to the allocation of the 2011 profit and the fair value gains of €38.7 million recognised on available-for-sale Italian government bonds.

15.2 Share capital—number of shares: changes

	Ordinary	Other
A. Opening balance		
—fully paid-in	14,185,790	
—not fully paid-in	—	
A.1 Treasury shares (−)	75,191	
A.2 Outstanding shares: opening balance	**14,110,599**	
B. Increases	—	
B.1 New issues	—	
—against consideration:	—	
—business combinations	—	
—bond conversions	—	
—exercise of warrants	—	
—other	—	
—bonus issues:	—	
—to employees	—	
—to directors	—	
—other	—	
B.2 Sale of treasury shares	—	
B.3 Other increases	—	
C. Decreases	**—**	
C.1 Cancellations	—	
C.2 Repurchases of treasury shares	—	
C3 Disposals of equity investments	—	
C.4 Other decreases	—	
D. Outstanding shares: closing balance	**14,110,599**	
D.1 Treasury shares (+)	75,191	
D.2 Closing balance	14,185,790	
—fully paid-in	14,185,790	
—not fully paid-in		

The outstanding and fully paid-in shares number 14,185,790, while treasury shares in portfolio amount to 75,191.

15.4 Income-related reserves: other information

1) Share premium can be used to cover losses, capital increases and dividends only when the legal reserve reaches 20% of share capital.

2) The legal reserve can be used to cover losses.

3) The fair value reserve (available-for-sale financial assets) cannot be distributed until actually realised.

4) The valuation reserve relating to property revaluations can be used to cover losses, for capital increases and dividends.

5) The extraordinary reserve can be used to cover losses, for capital increases and dividends.

Section 16—Equity attributable to non-controlling interests—Caption 210

16.1 Equity instruments: breakdown and changes

	31/12/2012	31/12/2011
1. Share capital	3,546	4,687
2. Share premium	157	450
3. Reserves	18,124	21,348
4. (Treasury shares)		—
5. Valuation reserves	51	64
6. Equity instruments	—	—
6. Profit for the year attributable to non-controlling interests	4,389	4,122
Total	**26,267**	**30,672**

The decrease in equity attributable to non-controlling interests is mainly due to the change in the group's stake in CartaSi as a result of the merger of Key Cliente thereto.

Other disclosures

1. Guarantees and commitments

	31/12/2012	31/12/2011
1) Financial guarantees issued	1,249	3,044
a) Banks	1,249	3,044
b) Customers	—	—
2) Commercial guarantees issued	312	258
a) Banks	90	90
b) Customers	222	168
3) Irrevocable commitments to disburse funds	119,261	127,352
a) Banks	18,896	125,352
i) certain use	18,896	125,352
ii) uncertain use	—	—
b) Customers	100,364	1,999
i) certain use	100,364	1,999
ii) uncertain use	—	—
4) Commitments underlying credit derivatives: protection sales	—	—
5) Assets pledged as collateral for third party commitments	—	—
6) Other commitments	—	—
Total	**120,822**	**130,653**

Irrevocable commitments to disburse funds relate to securities to be received on the group's own behalf.

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2012	31/12/2011
1. Financial assets held for trading	—	—
2. Financial assets at fair value through profit or loss	—	—
3. Available-for-sale financial assets	77,250	86,915
4. Held-to-maturity investments	—	—
5. Loans and receivables with banks	—	—
6. Loans and receivables with customers	—	—
7. Property, equipment and investment property	—	—

Assets pledged as guarantee are mainly government bonds securing the parent's operations in the relevant markets.

5. Management and trading on behalf of third parties

	31/12/2012	31/12/2011
1. Execution of customer orders		
a) Purchases		
1. settled	21,927,044	27,201,279
2. unsettled	—	—
b) Sales		
1. settled	19,840,254	21,481,451
2. unsettled	—	—
2. Asset management		
a) individual	—	—
b) collective	—	—
3. Securities custody and administration		
a) third party securities held as part of depository services (excluding asset management)	27,542,536	14,483,992
1. securities issued by the consolidated entities	—	—
2. other securities	27,542,536	14,483,992
b) third party securities on deposit (excluding asset management): other	29,494,153	21,401,768
1. securities issued by the consolidated entities	388	—
2. other securities	29,493,765	21,401,768
c) third party securities deposited with third parties	56,971,306	35,785,909
d) securities owned by the bank deposited with third parties	2,292,113	1,643,492
4. Order collection and transmission		
a) Purchases		
1. settled	—	—
2. unsettled	993,501	1,413,696
b) Sales	—	—
1. settled	—	—
2. unsettled	1,053,992	1,502,148
5. Placement of secured and unsecured securities	—	—
a) Placement of unsecured securities	1,793,808	11,038
b) Placement of secured securities	1,244	—

Placement of unsecured securities is principally related to the Enel S.p.A., Atlantia S.p.A. and BTP Italia placements.

Part C—Notes to the income statement

Section 1—Interest—Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	2012	2011
1. Financial assets held for trading	8,476	—	—	8,476	7,300
2. Financial assets at fair value through profit or loss	—	—	—	—	—
3. Available-for-sale financial assets	63,302	—	—	63,302	9,317
4. Held-to-maturity investments	2,315	—	—	2,315	3,734
5. Loans and receivables with banks	184	7,196	54	7,434	15,227
6. Loans and receivables with customers	—	2,505	36,746	39,251	45,209
7. Hedging derivatives	—	—	—	—	—
8. Other assets	—	—	349	349	356
Total	**74,277**	**9,701**	**37,149**	**121,127**	**81,143**

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	2012	2011
1. Due to central banks	2,069	—	—	2,069	—
2. Due to banks	25,088	—	217	25,371	42,946
3. Due to customers	5,166	—	—	5,166	11,880
4. Securities issued	—	304	—	304	3,590
5. Financial liabilities held for trading	66	—	—	—	—
6. Financial liabilities at fair value through profit or loss	—	—	—	—	—
7. Other liabilities and provisions	—	—	1,215	1,215	1,343
8. Hedging derivatives	—	—	—	—	—
Total	**32,390**	**304**	**1,432**	**34,125**	**59,758**

NOTES TO THE FINANCIAL STATEMENTS

Part C—Notes to the income statement

Section 2—Fees and commissions—Captions 40 and 50

2.1 Fee and commission income: breakdown

	2012	2011
a) guarantees issued	167	138
b) credit derivatives	—	—
c) management, brokerage and consultancy services:	—	—
1. trading in financial instruments	11,383	11,676
2. foreign currency transactions	—	—
3. asset management	—	—
3.1. individual	—	—
3.2. collective	—	—
4. securities custody and administration	4,359	3,477
5. depository services	15,960	8,907
6. securities placement	6,109	30
7. order collection and transmission	1,577	2,236
8. consultancy services	—	—
8.1. concerning investments	101	135
8.2. concerning financial structure	—	—
9. distribution of third party services	—	—
9.1. asset management	—	—
9.1.1. individual	—	—
9.1.2. collective	—	—
9.2. insurance products	—	—
9.3. other products	—	—
d) collection and payment services	874,137	960,662
e) servicing services for securitisations	—	—
f) services for factoring transactions	—	—
g) tax collection services	—	—
h) management of multilateral trading systems	—	—
i) keeping and management of current accounts	—	—
j) other services	65,091	11,309
Total	**978,884**	**998,569**

2.2 Fee and commission expense: breakdown

	2012	2011
a) guarantees received	36	5
b) credit derivatives	—	—
c) management and brokerage services:	—	—
1. trading in financial instruments	774	845
2. foreign currency transactions	—	13
3. asset management:	—	—
3.1 own portfolio	—	—
3.2 third party portfolios	—	—
4. securities custody and administration	3,001	4,442
5. placement of financial instruments	5,734	28
6. securities settlement	2,177	
7. off-premises distribution of financial instruments, products and services	—	—
d) collection and payment services	607,571	606,205
e) other services	2,510	977
Total	**621,803**	**612,514**

Section 3—Dividends and similar income—Item 70

3.1 Dividends and similar income: breakdown

	2012		2011	
	Dividends	**Income from OEIC units**	**Dividends**	**Income from OEIC units**
A. Financial assets held for trading	8	—	6	
B. Available-for-sale financial assets	180	—	194	
C. Financial assets at fair value through profit or loss	—	—	—	
D. Equity investments	—	—	—	
Total	**188**	**—**	**200**	

Section 4—Net trading income (expense)—Caption 80

4.1 Net trading income: breakdown

	Gains (A)	**Trading income (B)**	**Losses (C)**	**Trading losses (D)**	**Net trading income [(A+B) − (C+D)]**
1. Financial assets held for trading					
1.1 Debt instruments	4,555	5,525	359	1,496	8,225
1.2 Equity instruments	805	108	975	240	−302
1.3 OEIC units		3		41	−38
1.4 Financing					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt instruments	1		2		−1
2.2 Liabilities					
2.3 Other					
3. Other financial assets and liabilities: net exchange rate gains	X	X	X	X	1,551
4. Derivatives					
4.1 Financial derivatives:					
—On debt instruments and interest rates	84		83		1
—On equity instruments and equity indexes	74	7,324	62	7,199	135
—On currencies and gold	X	X	X	X	X
—Other					
4.2 Credit derivatives					
Total	**5,519**	**12,959**	**1,483**	**8,976**	**9,570**

Part C—Notes to the income statement

Section 6—Gain (loss) from sales/repurchases—Caption 100

6.1 Net gain from sales or repurchases: breakdown

	2012			2011		
	Gain	Loss	Net gain	Gain	Loss	Net gain
Financial assets						
1. Loans and receivables with banks	—	—	—	—	—	—
2. Loans and receivables with customers	—	—	—	—	—	—
3. Available-for-sale financial assets	—	—	—	—	—	—
3.1 Debt instruments	115	—	115	—	—	—
3.2 Equity instruments	—	—	—	87	—	87
3.3 OEIC units	—	—	—	—	—	—
3.4 Financing	—	—	—	—	—	—
4. Held-to-maturity investments	—	—	—	—	—	—
Total assets	**115**	**—**	**115**	**87**	**—**	**87**
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Securities issued	—	—	—	—	—	—
Total liabilities	**—**	**—**	**—**	**—**	**—**	**—**

Section 8—Net impairment losses—Caption 130

8.1 Net impairment losses on loans and receivables: breakdown

	Impairment losses(1)			Reversals of impairment losses(2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2012 (3)=(1)−(2)	2011 (3)=(1)−(2)
A. Loans and receivables with banks									
—Financing									
—Debt instruments									
B. Loans and receivables with customers									
Impaired loans acquired									
—Financing		257	2,520					**2,777**	**6,303**
—Debt instruments Other									
—Financing									
—Debt instruments									
C. Total	**—**	**257**	**2,520**	**—**	**—**	**—**	**—**	**2,777**	**6,303**

Key

A = from interest

B = other reversals

Part C—Notes to the income statement

Collective impairment losses mainly relate to revolving credit cards and credit risks taken on.

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses(1)		Reversals of impairment losses(2)			
	Individual		Individual			
	Derecognition	Other	A	B	2012	2011
A. Debt instruments						
B. Equity instruments						
C. OEIC units		3,953			3,953	
D. Financing to banks						
E. Financing to customers						
F. Total	**—**	**3,953**	**—**	**—**	**3,953**	**—**

Key

A = from interest

B = other reversals

8.3 Net impairment losses on held-to-maturity investments: breakdown

	Impairment losses(1)			Reversals of impairment losses(2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2012	2011
A. Debt instruments								—	634
B. Financing to banks									
C. Financing to customers									
D. Total	—	—	—	—	—	—	—	—	**634**

Key

A = from interest

B = other reversals

8.4 Net impairment losses on other financial transactions: breakdown

	Impairment losses(1)			Reversals of impairment losses(2)					
	Individual			Individual		Collective			
	Derecognition	Other	Collective	A	B	A	B	2012	2011
A. Guarantees issued									
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other									810
E. Total	—	—	—	—	—	—	—	—	**810**

Key

A = from interest

B = other reversals

Section 11—Administrative expenses—Caption 180

11.1 Personnel expense: breakdown

	2012	2011
1) Employees		
a) wages and salaries	87,521	85,621
b) social security charges	22,642	22,308
c) post-employment benefits		—
d) pension costs	347	783
e) accrual for post-employment benefits	2,550	4,452
f) accrual for pension and similar provisions:		—
—defined contribution plans	315	301
—defined benefit plans		3,398
g) payments to external supplementary pension funds		—
—defined contribution plans	5,884	1,813
—defined benefit plans	3	364
h) costs of share-based payment plans		—
i) other employee benefits	5,007	2,924
2) Other personnel	2,179	916
3) Directors and statutory auditors	3,931	3,222
4) Retired personnel	3	
Total	**130,382**	**126,100**

11.2 Average number of employees per category:

	2012	2011
a) managers	63	62
b) junior managers	520	486
c) other employees	1,052	1,045

NOTES TO THE FINANCIAL STATEMENTS

Part C—Notes to the income statement

11.5 Other administrative expenses: breakdown

	2012	2011
—data processing	67,602	46,938
—post office, valuables transportation and couriers	26,866	30,779
—external services	6,211	6,823
—interbank network traffic	7,059	6,943
—IT connections and automation costs	2,467	2,155
—access to markets	2,080	2,234
—professional services	9,900	10,362
—agents' commissions	1,231	1,605
—bank draft books	215	326
—maintenance and lease	31,714	32,158
—building running costs, leases, heating and lighting	3,558	2,470
—stationery and printed matter	933	2,526
—insurance	2,874	2,144
—telegraph, telephone and telex	5,861	7,056
—card processing	80,016	74,248
—membership fees	682	772
—surveillance and cleaning	794	2,264
—other	46,130	53,656
—taxes and duties	86,905	83,033
Total	**383,098**	**368,491**

Section 12—Net accruals to provisions for risks and charges—Caption 190

12.1 Net accruals to provisions for risks and charges: breakdown

	2012	2011
Accruals to provisions	11,415	13,029
Total	**11,415**	**13,029**

Section 13—Depreciation and net impairment losses on property, equipment and investment property—Caption 200

13.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Property, equipment and investment property				—
A.1 Owned				—
—Property and equipment	16,289	—		16,289
—Investment property	687			687
A.2 Under finance lease				—
—Property and equipment	2,440			2,440
—Investment property	10			10
Total	**19,426**	**—**	**—**	**19,426**

Section 14—Amortisation and net impairment losses on intangible assets—Caption 210

14.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b − c)
A. Intangible assets				—
A.1 Owned				—
—Generated internally				
—Other	549			549
A.2 Under finance lease	9,328	4,450		13,778
				—
Total	**9,877**	**4,450**	**—**	**14,327**

Section 15—Other operating expense and income—Caption 220

15.1 Other operating expense: breakdown

	2012	2011
Royalties	18,234	18,451
Other costs	8,251	13,086
Total	26,485	31,537

15.2 Other operating income: breakdown

	2012	2011
Lease income	2,166	1,071
Services	184,956	168,618
Recoveries of stamp duties from customers and post office expenses	78,976	85,591
Other income	33,193	30,119
Total	**299,291**	**285,399**

Part C—Notes to the income statement

Section 16—Share of profits (losses) of investees—Caption 240

16.1. Share of profits (losses) of investees: breakdown

	2012	2011
1) Jointly-controlled entities		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income		
B. Costs		
1. Fair value losses		
2. Impairment losses		
3. Losses on sales		
4. Other costs		
Net gains (losses)	**—**	**—**
2) Associates		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income		
B. Costs	447	511
1. Fair value losses		
2. Impairment losses	7,387	—
3. Losses on sales		
4. Other costs		
Net gains (losses)	**−6,940**	**511**
Total	**−6,940**	**511**

Section 18—Impairment losses on goodwill—Caption 260

18.1 Impairment losses on goodwill

	2012	2011
Centro Sim	—	59
Total	**—**	**59**

Section 19—Gains (losses) on sales of investments—Caption 270

19.1. Net gains (losses) on sales of investments: breakdown

	2012	2011
A. Property		
—Gains on sales		
—Losses on sales		
B. Other		
—Gains on sales	4	—
—Losses on sales	—	−107
Net gains (losses)	**4**	**−107**

Section 20—Income taxes—Caption 290

20.1 Income taxes: breakdown

	2012	2011
1. Current taxes	−67,692	−66,821
2. Change in current taxes from previous years (+/−)	5,835	—
3. Decrease in current taxes for the year (+)		
4. Change in deferred tax assets (+/−)	4,067	18,649
5. Change in deferred tax liabilities (+/−)	−2,151	448
6. Tax expense for the year (−)	−59,941	−47,724

The change in current taxes from previous years of €5,835 is due to the IRES reimbursement for the non-deduction of IRAP paid on personnel expense.

20.2 Reconciliation between the theoretical and effective tax expense

	2012	2011
Reconciliation between the theoretical and effective tax rate		
Theoretical tax rate	33.07%	33.07%
Tax exempt income and other decreases	−6.71%	−20.40%
Undeductible costs	12.51%	16.20%
Effective tax rate	38.88%	28.87%

Section 21—Post-tax profit from discontinued operations—Caption 310

21.1 Post-tax profit from discontinued operations: breakdown

	2012	2011
Disposal groups and associated liabilities		
1. Income		
2. Costs		
3. Fair value gain on disposal groups and associated liabilities	—	67
4. Realised gains (losses)		
5. Taxes and duties		
Profit	**—**	**67**

Section 22—Profit (loss) for the year attributable to non-controlling interests—Caption 330

22.1 Caption 330 "Profit for the year attributable to non-controlling interests"

	2012	2011
Key Client S.p.A.	—	934
Help Line	676	583
CartaSi	3,713	2,613
Iconcard	—	−3
Sire	—	−5
Total	**4,389**	**4,122**

NOTES TO THE FINANCIAL STATEMENTS

Part D—Breakdown of comprehensive income

Breakdown of comprehensive income

		Gross amount	Income tax	Net amount
10.	**Profit for the year**	**X**	**X**	**94,507**
	Other comprehensive income			
20.	Available-for-sale financial assets	56,733	−18,021	38,712
	a) fair value gains			
	b) reclassification to profit or loss:			
	—impairment losses			
	—gains/losses on sales			
	c) other changes			
30.	Property, equipment and investment			
40.	property Intangible assets			
50.	Hedges of investments in foreign operations			
	a) fair value gains (losses)			
	b) reclassification to profit or loss:			
	c) other changes			
60.	Cash flow hedges			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
70.	Exchange rate gains (losses)			
	a) fair value gains (losses)			
	b) reclassification to profit or loss:			
	c) other changes			
80.	Non-current assets held for sale			
	a) fair value gains (losses)			
	b) reclassification to profit or loss:			
	c) other changes			
90.	Actuarial gains (losses) on defined benefit plans			
100.	Portion 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			
110.	Total other comprehensive income	56,733	−18,021	38,712
120.	**Comprehensive income (captions 10 + 110)**	**56,733**	**−18,021**	**133,219**
130.	**Comprehensive income attributable to non-controlling interests**	**4,376**		**4,376**
140.	**Comprehensive income attributable to the owners of the parent**	**52,357**	**−18,021**	**128,843**

Part E—Risks and related hedging policies

As required by law and the supervisory regulations, controls over attainment of the ICBPI Group's business objectives are ensured through:

- strategic supervision by the board of directors;
- strategic and operating checks by the board of statutory auditors and the internal controls committee;
- audits (periodic checks and, if necessary, extraordinary checks of the accounting records);

- Monitoring of the group's performance against forecasts (checks of implementation of the business plans, budgets and main projects);
- internal audits, risk management and compliance checks by independent units;
- internal controls, i.e., the corporate governance system designed to manage the significant risks to which the group is (or could be) exposed, which has suitable management and control mechanisms considering the group's characteristics and size and the complexity of its operations.

Specifically, the ICBPI Group's governance model sets out the internal control guidelines to be applied to its organisation, in a regulated and methodological manner so that it can carry out strategic, management and technical-operational guidance and control activities effectively and efficiently.

The group's internal controls form a system comprising rules, procedures and organisational structures designed to ensure compliance with the ruling laws and regulations:

- efficient and effective internal processes;
- protection of assets and against losses;
- reliable and complete accounting and management data;
- compliance of operations with the law, supervisory regulations and internal policies, plans, regulations and procedures.

The internal controls are organised on different levels:

- <u>line controls</u>, aimed at ensuring correct operating practices; these are hierarchical type controls performed by the same production unit which are usually part of the same procedures or performed as back office activities;
- <u>risk management controls</u>, designed to define risk measurement methods, check compliance with their assigned limits by the various operating units and check consistency of each production unit's operations with their risk/return objectives;
- <u>compliance controls</u>, to monitor risks of non-compliance with external and internal regulations;
- <u>internal audit procedures</u>, designed to identify irregularities, violations of procedures, internal and external regulations and to assess the overall working of the internal controls.

Responsibility for the internal controls lies with the board of directors that establishes the guidelines and regularly checks their adequacy and effective working. In order to ensure the board of directors carries out its duties properly, it has set up a three-member internal control committee. This committee assists the board of directors to perform its internal controls, providing proactive assistance and advice. The group audit unit reports directly to the internal control committee and the board of statutory auditors. It performs the third level controls and also monitors/supervises the entire internal controls system.

The compliance unit closely monitors reputation risk while the risk management unit (which is also centralised at the parent and works on behalf of the entire group) carries out second level controls over various risks, excluding the reputation risk.

As part of the internal controls, the parent has a risk policy, approved by its board of directors, which sets out the principles, aims and methods to manage (methodology and tools) the main risks to which the ICBPI Group is exposed. It also has a risk appetite framework (RAF), which reconciles its strategic planning and risk management as it defines the level and type of risk acceptable to the group when pursuing its strategic objectives.

The parent analysed the activities performed, which are mainly related to the providing of products and services to banks and major corporate customers, and identified operational risk as the main risk faced by the group. In order to handle this risk and comply with the capital requirement, the parent designed an operational risk framework, which is a specific process that identifies risk factors, assesses the level of exposure to risks and the effectiveness of the actions taken to control and monitor these risks.

At group level, capital available for allocation is the sum of Tier 1 and Tier 2 (as well as Tier 3 for the part eligible to cover market risks) held to cover the group from total risk exposure in line with the capitalisation objectives of such Tier 1 capital and the total capital ratio. This capital is earmarked to cover all the risks identified by each group company and at group level.

SECTION 1—BANKING GROUP RISKS

1.1 CREDIT RISK

QUALITATIVE DISCLOSURE

General issues

In line with the theoretical definition and general practice in the banking sector, credit risk is the risk that an unexpected variation in a counterparty's credit standing may lead to a related unexpected variation in the asset's market value.

ICBPI is a "second level" bank and its core business is the provision of products and services mainly to the payment systems sector and the administrative services to the custody, administration, securities settlement and trading sector. It also provides specific credit facilities to group companies to support their business. Lending is not the ICBPI Group's core business but it is closely related to the providing of the above products/services and other specific treasury management activities. In short, the group does not primarily provide financing but it does grant credit facilities, mainly to third parties that, due to the products/services provided to them and the operating/financial rules thereof, require credit facilities in the form of cash (credit facilities) or commitments (endorsement credits).

With respect to the first level controls, the head of the treasury and finance unit and the head of the securities services department check and monitor that the lending transactions performed by the treasury and finance unit comply with the maximum operating limits and/or caps. As part of the second level controls, the risk management unit checks compliance with the operating limits and large exposures.

With respect to the activities performed by CartaSi, credit risk relates to:

- issuing through banks: amounts due from cardholders, for transactions after the fifth day that the "F" block has been implemented for default;

- acquiring: amounts due from merchants arising as a result of operating irregularities for transactions challenged by the cardholders and amounts subject to charge-backs for whatsoever reason that can be claimed from merchants;

- direct issuing: when the cardholder defaults.

The group does not operate in innovative financial products such as credit derivatives and does not use netting agreements for on and off-statement of financial position transactions.

Also because of the limited number of exposures normally taken on by the group, its credit risk measurement methods and the related controls over credit risk trends are simple and lean.

Credit risk management policies

Organisational aspects

The group's organisational structure ensures the proper monitoring and management of credit risk. Specifically, the board of directors has the sole powers to make policies that affect the group's operations. It approves the strategies and risk management policies and the group's organisational structure for internal controls. The proxy system provided for by an internal policy approved by the board of directors attributes specific powers to some bodies and units for decisions about credit. As required by the internal regulations, credit risk is management and monitored by the:

- board of directors;

- general manager;

- credit committee;
- credit and branches unit.

Management, measuring and control systems

ICBPI's lending policies are governed by a specific regulation and it provides credit to banks, stock brokerage companies, financial companies included in the lists covered by the Consolidated Banking Act, large corporate customers, OEICs, fund management companies and group employees in the form of current account overdrafts and personal loans. It does not provide loans.

The lending approval procedure includes the correct identification of the risk and an assessment of the customer's reliability, i.e., its ability to meet its financial commitments arising from the receipt and subsequent use of the financing. This stage of the procedure analyses formal, qualitative, substantial and merit elements.

The procedure includes an analysis of the customer's credit worthiness, mainly based on an analysis of its financial statements, information in the credit information centre, analyses of the performance of previous transactions and analyses and assessments of any guarantees.

All the applications for credit and allocations of operating limits are reviewed by the credit office, together with the service manager and then approved by the credit committee. If no obstacles are identified, the credit committee expresses its assessment of the application, including about the guarantee acquired or to be acquired for the board of directors to take its decision.

After the credit facility is provided, risks are checked and monitored as follows:

- periodic assessments of the customers and reviews of their positions;
- checks of overruns;
- checks of information from Bank of Italy's credit information centre;
- identification of indications that the risk is more serious.

The credit office performs the first level controls, checking any overruns every day and informing the relevant units of all positions with overruns. After investigating why the limit has been exceeded, the credit office informs the credit unit manager and the risk management unit of any particularly problematic positions, not covered by the existing ad personam proxy, in a specific report which is sent to the general manager or, in their absence, the deputy general manager for authorisation.

The treasury and finance unit manager supervises and checks that all the financial transactions carried out by their unit comply with the operating limits and/or approved caps. The risk management unit monitors compliance with the operating limits granted to the banks on a daily basis as a second level control. In addition, the unit has introduced a procedure to monitor compliance with the limits set by Bank of Italy for the "large exposures", i.e., those that exceed 10% of regulatory capital, as support to the level 1 controls carried out by the relevant units.

In order to strengthen controls over credit risk, the group collects relevant information about credit exposures from the information procedures (amount, use of the credit facilities, overruns, any non-performing exposures). This is performed as a first level control by the credit and branches unit and as a second level control by the risk management service.

Give the materiality and nature of credit risk, the group does not use scoring systems or external and/or internal ratings.

With respect to CartaSi, 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.

Credit risk mitigation techniques

In order to mitigate credit risk, the relevant bodies may decide to tie the granting of credit facilities to the receipt of suitable guarantees, based on the results of the related credit facility application investigation. These guarantees may be collateral, such as securities and/or cash deposits, contractual guarantees or endorsement guarantees.

The credit office and the securities services department regularly check at least once a year the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

The acquired guarantees do not have specific limits that could affect their legal validity.

There were no significant changes in the management of guarantees compared to the previous year.

Impaired financial assets

The credit committee regularly reviews all potentially irregular positions and decides on the recovery activities to be taken as well as changes in the position's status, based on the relevant parameters. These decisions are reviewed by the board of directors.

Classification of assets by debtor quality complies with the categories established by Bank of Italy.

With respect to impaired positions, impairment losses are recognised after the individual measurement of each position.

With respect to CartaSi, 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.

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING LOANS: CARRYING AMOUNT, IMPAIRMENT LOSSES, PERFORMANCE AND BREAKDOWN BY BUSINESS AND GEOGRAPHICAL SEGMENT

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

	Non-performing loans	Substandard loans	Restructured loans	Past due loans	Other assets	Total
1. Financial assets held for trading	—	—	—	—	241,741	241,741
2. Available-for-sale financial assets	—	—	—	—	1,895,371	1,895,371
3. Held-to-maturity investments	—	—	—	—	107,597	107,597
4. Loans and receivables with banks	706	—	—	—	1,724,593	1,724,593
5. Loans and receivables with customers	—	—	—	—	3,151,739	3,152,445
6. Financial assets at fair value through profit or loss	—	—	—	—	—	—
7. Financial assets held for sale	—	—	—	—	—	—
8. Hedging derivatives		—	—	—	—	—
Total at 31/12/2012	**706**	**—**	**—**	**—**	**7,121,042**	**7,121,747**
Total at 31/12/2011	**787**	**—**	**—**	**—**	**5,548,235**	**5,549,022**

Part E—Risks and related hedging policies

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

	Impaired assets			Performing			
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	Total (carrying amount)
A. Banking group							
1. Financial assets held for trading	—	—	—	241,741	—	241,741	241,741
2. Available-for-sale financial assets	—	—	—	1,895,371	—	1,895,371	1,895,371
3. Held-to-maturity investments	—	—	—	107,597	—	107,597	107,597
4. Loans and receivables with banks	—	—	—	1,724,593	—	1,724,593	1,724,593
5. Loans and receivables with customers	12,516	11,810	706	3,163,046	11,307	3,151,739	3,152,445
6. Financial assets at fair value through profit or loss	—	—	—	—	—	—	—
7. Financial assets held for sale	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—				
Total A	**12,516**	**11,810**	**706**	**7,132,349**	**11,307**	**7,121,042**	**7,121,747**
B. Other consolidated companies							
1. Financial assets held for trading							
2. Available-for-sale financial assets							
3. Held-to-maturity investments							
4. Loans and receivables with banks							
5. Loans and receivables with customers							
6. Financial assets at fair value through profit or loss							
7. Financial assets held for sale							
8. Hedging derivatives							
Total B	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31/12/2012	**12,516**	**11,810**	**706**	**7,132,349**	**11,307**	**7,121,042**	**7,121,747**
Total at 31/12/2011	**16,999**	**16,212**	**787**	**5,563,039**	**14,804**	**5,548,235**	**5,549,022**

A.1.3 Banking group—Loans and receivables with banks on and off-statement of financial position: gross amounts and carrying amounts

	Gross amount	Individual impairment	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	—	—	—	—
b) Substandard loans	—	—	—	—
c) Restructured loans	—	—	—	—
d) Past due loans	—	—	—	—
e) Other assets	1,875,887	—	—	1,875,887
TOTAL A	**1,875,887**	**—**	**—**	**1,875,887**
B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	—	—	—	—
b) Other	29,121	—	—	**29,121**
TOTAL B	29,121	**—**	**—**	**29,121**
TOTAL A + B	**1,905,008**	**—**	**—**	**1,905,008**

A.1.6 Banking group—On and off-statement of financial position loans and receivables with customers: gross amounts and carrying amounts

	Exposure	Individual impairment	Collective impairment	Carrying amount
A. ON-STATEMENT OF FINANCIAL POSITION				
a) Non-performing loans	12,516	11,810	—	706
b) Substandard loans	—	—	—	—
c) Restructured loans	—	—	—	—
d) Past due loans	—	—	—	—
e) Other assets	5,228,833	—	11,307	5,217,526
TOTAL A	**5,241,349**	**11,810**	**11,307**	**5,218,232**

B. OFF-STATEMENT OF FINANCIAL POSITION				
a) Impaired	—	—	—	—
b) Other	78,765	—	—	78,765
TOTAL B	**78,765**	**—**	**—**	**78,765**

The non-performing exposures mainly related to CartaSi and its cardholders.

NOTES TO THE FINANCIAL STATEMENTS

Part E—Risks and related hedging policies

A.1.7 Banking group—On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Gross opening balance	**16,999**			
—including: positions transferred but not derecognised				
B. Increases				
B.1 transfers from performing loans	3,759			
B.2 transfers from other impaired loan categories				
B.3 other increases	197			
C. Decreases				
C.1 transfers to performing loans	—			
C.2 derecognitions	3,884			
C.3 collections	731			
C.4 losses on sales	3,713			
C.5 transfers to other impaired loan categories				
C.6 other decreases	113			
D. Gross closing balance	**12,514**	**—**	**—**	**—**
—including: positions transferred but not derecognised				

A.1.8 Banking group—On-statement of financial position loans and receivables with customers: changes in overall impairment losses

	Non-performing loans	Substandard loans	Restructured loans	Past due loans
A. Opening balance	**16,212**			
—including: positions transferred but not derecognised				
B. Increases				
B.1. impairment losses				
B.1bis Losses on sales	3,856			
B.2 transfers from other impaired loan categories				
B.3. other increases				
C. Decreases				
C.1. fair value gains				
C.2. reversals of impairment losses due to collections				
C.3. derecognitions	8,257			
C.4 transfers from other impaired loan categories				
C.5. other decreases				
D. Closing balance	**11,810**			
—including: positions transferred but not derecognised				

A.2 CLASSIFICATION OF EXPOSURES USING EXTERNAL AND INTERNAL RATINGS

A.2.1 Banking group—Breakdown of credit exposure on and off-statement of financial position by external rating classes

	External rating class							
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On-statement of financial position							5,636,385	**5,636,385**
B. Derivatives								
B.1 Financial derivatives							27,629	**27,629**
B.2 Credit derivatives							—	—
C. Guarantees issued							156,555	**156,555**
D. Commitments to disburse funds							78,697	**78,697**
E. Other							—	—
Total							**5,899,266**	**5,899,266**

A.3 BREAKDOWN OF GUARANTEED EXPOSURE BY TYPE OF GUARANTEE

A.3.2 Banking group—Guaranteed loans and receivables with customers

		Collateral(1)			Personal guarantees(2)									
					Credit derivatives					Endorsement credits				
						Other derivatives								
	Net amount	Property	Securities	Other collateral	CNL	Government and central banks	Other government agencies	Banks	Other	Government and central banks	Other government agencies	Banks	Other	Total (1+2)
1. Guaranteed loans:														
1.1. fully guaranteed	81,791	—	—	81,774	—	—	—	—	—	—	—	—	17	81,791
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2. partly guaranteed	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Off-statement of financial position guaranteed loans:														
2.1. fully guaranteed	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2. partly guaranteed	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—including: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 *Banking group—Breakdown of loans and receivables with customers on and off-statement of financial position by business segment (carrying amount)*

	Governments			Other government agencies			Financial companies		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position	—	—	—	—	—	—	391	1,491	—
A.1 Non-performing loans									
A.2 Substandard loans	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—
A.5 Other	2,059,705	—	—	64	—	—	1,803,165	—	—
TOTAL A	**2,059,705**	**—**	**—**	**64**	**—**	**—**	**1,803,556**	**1,491**	**—**
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans									
B.2 Substandard loans	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—
B.4 Other	76,544	—	—	168	—	—	156,246	—	—
TOTAL B	**76,544**	**—**	**—**	**168**	**—**	**—**	**156,246**	**—**	**—**
TOTAL (A + B) AT 31/12/2012	**2,136,249**	**—**	**—**	**232**	**—**	**—**	**1,959,802**	**1,491**	**—**
TOTAL (A + B) AT 31/12/2011	**1,267,135**	**—**	**—**	**1,440**	**—**	**—**	**330,511**	**3,086**	**—**

Part E—Risks and related hedging policies

	Insurance companies			Non-financial companies			Other		
	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment	Net amount	Individual impairment	Collective impairment
A. On-statement of financial position	—	—	—	—	257	—	315	10,062	—
A.1 Non-performing loans									
A.2 Substandard loans	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—
A.5 Other	10,817	—	—	13,688	—	—	1,330,087	—	—
TOTAL A	10,817	—	—	13,688	257	—	1,330,402	10,062	—
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans									
B.2 Substandard loans	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—
B.4 Other	4	—	—	797	—	—	1	—	
TOTAL B	**4**	**—**	**—**	**797**	**—**	**—**	**1**	**—**	**—**
TOTAL (A + B) AT 31/12/2012	**10,821**	**—**	**—**	**14,485**	**257**	**—**	**1,330,403**	**10,062**	**—**
TOTAL (A + B) AT 31/12/2011	**10,469**	**—**	**—**	**31,077**	**—**	**—**	**2,554,910**	**13,126**	**—**

B.2 *Banking group—Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)*

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position	706	11,810	—	—	—	—	—	—	—	—
A.1 Non-performing loans										
A.2 Substandard loans		—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—	—
A.5 Other	5,067,753	11,307	76,422	—	73,141	—	209	—	—	—
TOTAL	**5,068,459**	**23,117**	**76,422**	**—**	**73,141**	**—**	**209**	**—**	**—**	**—**
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans		—								
B.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	78,755	—	11	—	—	—	—	—	—	—
TOTAL	**78,755**	**—**	**11**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL (A + B) AT 31/12/2012	**5,147,214**	**23,117**	**76,433**	**—**	**73,141**	**—**	**209**	**—**	**—**	**—**
TOTAL (A + B) AT 31/12/2011	**4,001,910**	**30,382**	**1,469,001**	**—**	**46,534**	**—**	**113**	**—**	**—**	**—**

B.3 *Banking group—Breakdown of loans and receivables with banks on and off-statement of financial position by geographical segment (carrying amount)*

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position	—	—	—	—	—	—	—	—	—	—
A.1 Non-performing loans										
A.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
A.3 Restructured loans	—	—	—	—	—	—	—	—	—	—
A.4 Past due loans	—	—	—	—	—	—	—	—	—	—
A.5 Other	1,393,942	—	424,206	—	24,042	—	22,919	—	10,779	—
TOTAL	**1,393,942**	**—**	**424,206**	**—**	**24,042**	**—**	**22,919**	**—**	**10,779**	**—**
B. Off-statement of financial position	—	—	—	—	—	—	—	—	—	—
B.1 Non-performing loans										
B.2 Substandard loans	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	25,473	—	3,648	—	—	—	—	—	—	—
TOTAL	**25,473**	**—**	**3,648**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL (A + B) AT 31/12/2012	**1,419,415**	**—**	**427,854**	**—**	**24,042**	**—**	**22,919**	**—**	**10,779**	**—**
TOTAL (A + B) AT 31/12/2011	**1,129,720**	**—**	**144,073**	**—**	**37,340**	**—**	**9,979**	**—**	**14,381**	**—**

Part E—Risks and related hedging policies

B.4 *Large exposures*

	31/12/2012	31/12/2011
a) Carrying amount	915,066	413,420
b) Number	17	9

C. SECURITISATIONS AND TRANSFERS OF ASSETS

The group has not undertaken these types of transaction.

D. CREDIT RISK MEASUREMENT MODELS

The group does not have state-of-the-art tools to measure credit risk given its profile.

EXPOSURE TO SOVEREIGN CREDIT RISK

Pursuant to the IFRS (IAS 1 and IFRS 7) and the disclosures to be made about exposure to sovereign credit risk, the following is noted:

- the parent's/group's exposure to sovereign risk solely relates to debt instruments;
- the parent/group does not have derivatives exposed to sovereign credit risk.

Exposure to sovereign credit risk entirely relates to government bonds.

1.2 BANKING GROUP—MARKET RISKS

QUALITATIVE DISCLOSURE

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (regulatory trading book), currencies and commodities, due to fluctuations in market factors or the issuer's situation. This risk is applicable to ICBPI as it manages financial instruments on the group's behalf. Specifically:

- the treasury and finance unit performs investing activities;
- the securities service department acts as market maker, specialist/liquidity provider and trades in the securities requested by customers.

The finance regulation governs these activities and defines the operating limits for market risk. In addition, the regulation sets operating limits for the various activities for the amounts involved.

The parent's operations in derivatives and foreign currency mainly relate to matching trades performed on behalf of its customers.

ICBPI does not have innovative or complex financial instruments. It only uses overnight interest rate swaps to hedge interest rate risk on medium to long-term bank deposits.

The governance model in place to manage and monitor risks is based on the segregation between the management processes and the risk control processes on the one hand and, on the other, development of processes to manage and monitor risks in line with the group's hierarchical structure and by assigning proxies.

The treasury and finance unit and the securities services department report to the liquidity and finance committee, which analyses the group's positions and defines financial policies.

The first level controls are carried out by the treasury and finance unit and the securities services department for the activities related to them, while the second level controls are performed by the risk management unit. This unit monitors market risk on a daily basis using the VaR of the positions in securities and foreign currency. It also performs second level controls on compliance with assigned limits.

The treasury and finance unit monitors positions in securities and foreign currency using VaR with a confidence interval of 99% and a time horizon of 10 days, calculated using a parametric model.

The VaR, defined to obtain a reasonable estimate of potential losses in normal market conditions, is not designed to, nor does it, include an analysis of extreme events. Stress tests are used to check the impact of extreme conditions on the portfolio and violations of the assumptions underlying the model used by identifying the remaining risk and providing information complementary to VaR.

In order to progressively improve controls over risks, VaR as calculated above is back tested.

1.2.1 INTEREST RATE AND PRICE RISK—REGULATORY TRADING BOOK

QUALITATIVE DISCLOSURE

A. General issues of interest rate risk

Interest rate risk arises in conjunction with the risk of adverse changes in profits or losses due to fluctuations in interest rates.

There are three types of interest rate risk:

- level, i.e., the risk of a change in the forward structure of a risk-free interest rate (parallel movements in the yield curve);

- curve and base, i.e., the risk of a change in the structure of the interest rates and of an imperfect match between a position's components, especially as regards hedging strategies, respectively;

- credit spread, i.e., the risk of changes in the prices of bonds and credit derivatives related to unexpected changes in the issuer's credit standing.

In turn, exposure to interest rate risk may be broken down into:

- income risk, arising on the possibility that an unexpected change in interest rates leads to a reduction in net interest income, i.e., the net flow of interest paid and received;

- investment risk, arising on negative changes in the carrying amounts of all the off-statement of financial position assets, liabilities and instruments due to variations in interest rates, which destabilise the parent's/group's equity balance.

This risk arises on ICBPI's core banking business as it is inherent to the transformation of financial resources over time, space and form for both the trading of financial assets carried out by the treasury and finance unit and the market making and brokerage and primary market services provided by the securities services department.

The objectives and strategies underlying trading activities in place to manage the securities portfolio are designed to maximise profitability and exploit investment opportunities as part of an approach to contain risks. This leads the group to have a bonds portfolio with a very short duration.

Like in previous years, interest rate risk is very modest given the natural matching of the assets and liabilities arising from ICBPI's operations.

The trading portfolio includes financial instruments subject to regulatory capital requirements for market risk, as defined in the supervisory communication regulations.

B. Interest rate risk management processes and measurement methods

The parent's risk management unit performs stress tests on the interest rate risk, assuming parallel movements in the interest rate curve and analysing the related effects.

Part E—Risks and related hedging policies

A. General aspects about price risk

Price risk is the risk of fluctuations in the prices of financial instruments due to variations in market variables or specific factors of the issuers or counterparties. It can be general, due to a change in the price of an equity instrument caused by fluctuations in the reference market, or specific, caused by a change in the price of a specific equity instrument compared to its reference market following changes in expectations about the financial soundness or future profitability of the issuer.

B. Management and measurement of price risk

Like for the other risks, the group's strategy adopted to manage price risk is prudent.

This risk is monitored through specific reports and by calculating the VaR, which is performed daily by the risk management unit, as mentioned earlier.

QUANTITATIVE DISCLOSURE

1. Regulatory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and derivatives

Currency: Euro	**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**
	31/12/2012	**31/12/2012**	**31/12/2012**	**31/12/2012**	**31/12/2012**	**31/12/2012**	**31/12/2012**	
1. Assets								
1.1 Debt instruments	18,774	11,926	17,504	218	164,524	245	127	
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
1.2 Other assets	—	—	—	—	—	—	—	
2. Liabilities	144	—	37	9	306	722	19	
2.1 Repurchase agreements	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying security	—	1,911	—	620	—			
—Options								
+ long positions	—	41,107	—	—	—	—	—	—
+ short positions	400	120,787	26,988	800	1,590	955	470	—
—Other derivatives	—	—	—	—	—	—	—	
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security								
—Options	—							
+ long positions	—	501,498	—	—	—	—	—	—
+ short positions	—	508,297	3,899	—	—	—	28,933	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—

Currency: other	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
	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	
1. Assets								
1.1 Debt instruments								
—with early repayment option	—	—	—	—	—	—	—	—
other	23	8	13	—	102	15	105	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Liabilities								
2.1 Repurchase agreements	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	142	—
3. Financial derivatives								
3.1 With underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	141					218	—
+ short positions		220					139	—
3.2 Without underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	572,988	3,863	—	—	—	—	—
+ short positions	—	566,265	3,866	—	—	—	—	—

1.2.2 INTEREST RATE AND PRICE RISK—BANKING BOOK

A. General aspects, management and measurement of interest rate and price risks

A1. General aspects, management and measurement of interest rate risk

Interest rate risk arises as a result of changes in interest rates which impact:

- net interest income and, hence, the group's profitability (cash flow risk);
- the net present value of assets and liabilities and the present value of future cash lows (fair value risk).

The main source of this type of risk is the repricing risk, i.e., the risk arising from the mismatch of maturity dates and repricing of assets and liabilities, the main aspects of which are:

- yield curve risk, the risk arising from the group's exposure to changes in the slope and shape of the return curve;
- basis risk, the risk arising from the mismatching of changes in interest rates paid and received on different instruments that may have similar repricing characteristics.

The group monitors this risk daily to assess its impact using a method based on the guidance set out in Annex C of Title III, Chapter 1 of Bank of Italy Circular no. 263, which assesses the absorption in terms of internal capital of a variation of 200 bp on the return curve on the banking book, weighing the various exposures depending on their residual life and adopting an internal method to classify current accounts, as required by the above-mentioned supervisory regulations.

A2. General aspects, management and measurement of price risk

The banking book's price risk mainly refers to the equity investments held for the long term and financial instruments, mostly Italian government bonds, which are not included in the trading book as they are also held for investment purposes.

The board of directors is the sole body responsible for the related internal controls for the latter instruments.

B. Fair value hedges

Not applicable.

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency: Euro	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	285,576	555,049	119,818	198,364	844,161	3,457	—	—
1.2 Financing to banks	1,071,094	368,711	—	—	—	—	—	—
1.3 Financing to customers								
—current accounts	1,385,442	—	—	—	—	—	—	—
—Other financing	—	—	—	—	—	—	—	
—with early repayment option	—	—	—	—	—	—	—	—
—other	1,380,678	164,807	70,286	88,798	43,640	1,066	13	—
2. Liabilities								
2.1 Due to customers	—	—	—	—	—	—	—	
—current accounts	1,800,885	—	—	—	—	—	—	—
—other payables								
—with early repayment option	—	—	—	—	—	—	—	—
—other	31,449	708,808	—	—	—	—	—	—
2.2 Due to banks								
—current accounts	2,299,682	—	—	—	—	—	—	—
—other payables	452,448	74,364	—	—	267,530	—	—	—
2.3 Debt instruments								
—with early repayment option	—	—	—	—	—	—	—	—
—other	10,018	—	—	—	—	—	—	—
2.4 Other liabilities								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
4. Other off-statement of financial position transactions								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—

Part E—Risks and related hedging policies

Currency: other	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								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
1.2 Financing to banks	146,421	94,940	—	—	—	—	—	—
1.3 Financing to customers								
—current accounts	404	—	—	—	—	—	—	—
—Other financing								
—with early repayment option	—	—	—	—	—	—	—	—
—other	16,921	—	—	—	—	—	—	—
2. Liabilities								
2.1 Due to customers								
—current accounts	189,130	—	—	—	—	—	—	—
—other payables								
—with early repayment option	—	—	—	—	—	—	—	—
—other	7,876	—	—	—	—	—	—	—
2.2 Due to banks								
—current accounts	49,685	—	—	—	—	—	—	—
—other payables	—	12,782	—	—	—	—	—	—
2.3 Debt instruments								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
2.4 Other liabilities								
—with early repayment option	—	—	—	—	—	—	—	—
—other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying security								
—Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
—Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
4. Other off-statement of financial position transactions								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—

1.2.3 CURRENCY RISK

A. General aspects, management and measurement of currency risk

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.

Currency risk nearly entirely arises on foreign currency trading activities carried out through trading in market instruments. The risk management unit monitors this risk constantly by calculating the VaR.

The group's exposure to currency risk, calculated using the net foreign currency positions and a method in line with the supervisory regulations, is negligible.

B. Currency hedges

The trading book is completely hedged with spot forex positions.

The risk management unit checks that the VaR on existing positions is always within the limits set by the finance regulation every day.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
Assets	**US dollar**	**Yen**	**Pound sterling**	**Swiss franc**	**Australian dollars**	**Other currencies**
A. Financial assets						
A.1 Debt instruments	222	49	—	—	—	—
A.2 Equity instruments	3	—	—	—	—	153
A.3 Financing to banks	137,002	6,449	29,985	19,941	10,382	37,601
A.4 Financing to customers	7,966	3,058	2,548	1,234	1,119	1,399
A.5 Other financial assets	—	—	—	—	—	—
B. Other assets	136	36	8	53	197	247
C. Financial liabilities						
C.1 Due to banks	45,027	2,500	1,665	6,495	1,070	5,854
C.2 Due to customers	67,241	42,747	30,862	13,429	10,510	33,955
C.3 Debt instruments	—	—	—	—	—	—
C.4 Other financial liabilities	—	—	—	—	—	—
D. Other liabilities						
E. Financial derivatives						
—Options						
+ long positions	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—
—Other derivatives						
+ long positions	279,831	175,993	39,036	16,075	3,238	8,029
+ short positions	308,586	140,466	39,050	16,126	3,094	8,161
Total assets	**425,160**	**185,585**	**71,577**	**37,303**	**14,936**	**47,429**
Total liabilities	**420,854**	**185,713**	**71,577**	**36,050**	**14,674**	**47,970**
Difference	**−4,308**	**128**	**—**	**−1,253**	**−262**	**541**

1.2.4 FINANZIARI DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: notional amounts at the reporting date

	31/12/2012		31/12/2011	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt instruments and interest rates				
a) Options	—	—	119,696	—
b) Swaps	112,516			
c) Forwards	249	—	254,021	778
d) Futures	—	—	—	—
e) Other	—	—	—	—
2. Equity instruments and share indexes				
a) Options	5,061	—	3,118	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	58
d) Futures	—	—	—	—
e) Other	—	—	—	—
3. Currencies and gold				
a) Options	—	—	—	—
b) Swaps	37,143	—	23,252	—
c) Forwards	720,848	—	312,288	—
d) Futures	—	—	—	—
e) Other	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlying assets	—	—	—	—
Total	**875,817**	**—**	**712,374**	**836**

Part E—Risks and related hedging policies

A.3 Financial derivatives: gross positive fair value—breakdown by product

	Positive fair value			
	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options				
b) Interest rate swaps	74	—	775	—
c) Cross currency swaps	20,998	—	17,882	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	−3
f) Futures	5,860	—	781	—
g) Other	—	—	—	—
B. Hedging banking book	4	—	222	
a) Options				
b) Interest rate swaps				—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
C. Banking book—other derivatives	—	—	—	—
a) Options	—	—	—	
b) Interest rate swaps				—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
Total	**26,936**	**—**	**19,660**	**3**

A.4 Financial derivatives: gross negative fair value—breakdown by product

	Negative fair value			
	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options				
b) Interest rate swaps	62	—	762	—
c) Cross currency swaps	20,716	—	17,881	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	−1
f) Futures	5,826	—	1,011	—
g) Other	—	—	—	—
B. Banking book—hedging	110	—	7	
a) Options				—
b) Interest rate swaps		—		—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
C. Banking book—other derivatives	—	—	—	
a) Options				—
b) Interest rate swaps		—		—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	—	—
Total	26,714	—	19,661	1

A.5 OTC financial derivatives—regulatory trading book: notional amounts, gross positive and negative fair value by counterparty—contracts not included in netting agreements

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1. Debt instruments and interest rates							
—notional amount	—	—	112,570	195	—	—	—
—positive fair value	—	—	20,998	—	—	—	—
—negative fair value	—	—	20,716	6	—	—	—
—future exposure	—	—	868	—	—	—	—
2. Equity instruments and share indexes							
—notional amount	—	—	2,530	2,530	—	—	—
—positive fair value	—	—	17	56	—	—	—
—negative fair value	—	—	45	17	—	—	—
—future exposure	—	—	59	93	—	—	—
3. Currencies and gold							
—notional amount	—	—	412,888	334,080	—	—	11,023
—positive fair value	—	—	4,833	1,031	—	—	1
—negative fair value	—	—	1,109	4,662	—	—	160
—future exposure	—	—	4,117	3,341	—	—	110
4. Other assets							
—notional amount	—	—	—	—	—	—	—
—positive fair value	—	—	—	—	—	—	—
—negative fair value	—	—	—	—	—	—	—
—future exposure	—	—	—	—	—	—	—
Total	**—**	**—**	**580,749**	**346,011**	**—**	**—**	**11,294**

Part E—Risks and related hedging policies

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	From 1 to 5 years	After 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt instruments and interest rates	54,898	—	57,867	112,765
A.2 Financial derivatives on debt instruments and share indexes	5,061	—	—	5,061
A.3 Financial derivatives on currencies and gold	757,991	—	—	757,991
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book				
B.1 Financial derivatives on debt instruments and interest rates	—	—	—	—
B.2 Financial derivatives on debt instruments and share indexes	—	—	—	—
B.3 Financial derivatives on currencies and gold	—	—	—	—
B.4 Financial derivatives on other assets	—	—	—	—
Total at 31/12/2012	**817,950**	**—**	**57,867**	**875,817**
Total at 31/12/2011	**654,507**	**—**	**57,867**	**712,374**

1.3 Banking group—Liquidity risk

A. General aspects, management and measurement of liquidity risk

The parent manages liquidity risk on the group's behalf.

This risk is generated by the timing mismatch between forecast cash inflows and outflows in a very short time period.

In addition to the matching difficulty/impossibility, liquidity risk may also generate interest rate risk due to the need to find/use funds at unknown interest rates that may potentially be unfavourable.

This risk normally arises when a counterparty is unable to meet its payment obligations and has many forms depending on the situation. With respect to the generally accepted international definitions, it can be broken down between funding liquidity risk and market liquidity risk.

Funding liquidity risk arises when a counterparty is unable to cover its expected and unexpected current and future cash outflows efficiently or its collateral requirements, without prejudicing its day-to-day operations or its financial position.

Market liquidity risk is the risk that a counterparty is unable to convert a financial asset into liquidity without making a loss due to the little liquidity on the reference market and/or timing of the transaction.

As a second level bank, ICBPI's core business generate funds that it uses to finance certain significant business segments, such as the e-money segment. As this segment has a monthly business cycle, ICBPI places the liquidity in short-term deposits (maximum of one month) in the periods when there is less use for it.

The group's general liquidity risk management policy is characterised by modest risk appetite and prudently privileges a balance between assets and liabilities as part of its strategy to increase profitability. Deadlines and amounts of its cash flows allow it to limit liquidity risk with the balanced return of funds, notwithstanding the fact that the group is very capable of financing itself in very short periods (one to three days).

The organisational and operating framework is based on and provides for a Liquidity policy and contingency funding plan, approved by the parent's board of directors, sets the guidelines for liquidity management (liquidity policy) and the rules to be adopted in a liquidity crisis (contingency funding plan). In addition, through definition of:

- the risk appetite;
- the early warning indicators;
- the internal transfer prices of funds that include the cost of liquidity,

the document defines, inter alia, the warning ceilings to identify when a normal operating situation deteriorates into an operating stress or crisis situation.

The liquidity policy analyses the factors that can cause a decrease in cash inflows and an increase in cash outflows separately to ensure a balance between cash inflows and outflows. It identifies the best operating solutions to ensure a balanced risk/return ratio in normal operating conditions.

The contingency funding plan (CFP) assesses the actions to be taken if there is a drastic reduction in liquidity and the group has certain lending commitments (e-money service and lending transactions that cannot easily be converted into liquidity) caused by either sector-wide liquidity crises or specific liquidity crises.

It specifically describes what happens when a normal operating situation deteriorates into an operating stress or crisis situation, based on trends in quantitative and/or qualitative indicators (internal or sector) that are monitored daily.

The plan also presents how to manage stress or crisis situations and specifies how the relevant units are to react and their responsibilities.

The treasury and finance unit is mainly responsible for liquidity risk management and it is engaged in lending and funding transactions on the market. ICBPI monitors its liquidity daily using the maturity ladder, assembled using the guidance set out by Bank of Italy in its supervisory regulations to check that the balance indexes set by the finance regulation are always complied with. This procedure is completed by the application of stress test scenarios defined by internal regulations and carried out daily by the risk management unit. Once a week, ICBPI provides Bank of Italy with a report drawn up in accordance with the supervisory regulations, which considers existing and potential commitments for cash inflows and outflows.

Liquidity is a factor included in the risk appetite framework (RAF) and is considered to be one of the most important for the group. Its inclusion is justified by the importance in managing liquidity in the current market situation and given the specific nature of the cash inflows and outflows generated by the group's business.

The RAF defines the following two liquidity parameters, both obtained from the weekly monitoring of liquidity in accordance with Bank of Italy's instructions:

- number of expected overruns compared to the materiality threshold (the threshold, in terms of net cash flows, over which an expected overrun is considered material to calculate the parameter);

- expected minimum cash horizon (days left until the nearest overrun limit above the materiality threshold).

These parameters are checked once a quarter by combining the weekly monitoring results and the following appropriate levels are defined for each one:

- risk target, the optimum risk level for the group;

- risk trigger, a warning that a threshold is about to be exceeded which requires corrective actions to be taken to avoid this;

- risk limit, the maximum risk level that the group intends to accept considering, inter alia, the market situation and existing regulatory constraints.

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity

Currency: Euro	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	—	—	—	—	—	—	65,000	1,545,140	14	—
A.2 Other debt instruments	4	—	—	2,500	14,277	3,690	7,955	124,597	11,194	—
3. OEIC units	24,118	—	—	—	—	—	—	—	—	—
A.4 Financing	3,935,537	85,657	268,687	29,853	55,076	69,978	88,810	43,640	1,080	96,158
to banks	1,230,593	3,875	268,678	—	—	—	—	—	—	96,158
to customers	2,704,944	81,782	8	29,853	55,076	69,978	88,810	43,640	1,080	—
Liabilities										
B.1 Deposits and current accounts										
with banks	2,508,212	—	—	74,340	—	—	—	267,530	—	—
with customers	1,904,033	—	—	—	—	—	—	—	—	—
B.2 Debt instruments	—	—	—	—	—	—	—	10,018	—	—
B.3 Other liabilities	431,072	708,808	—	—	—	—	9	434	810	—
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
long positions	—	128,245	—	149,222	227,922	29,384	800	79,855	2,140	—
short positions	—	202,370	—	160,287	194,052	29,188	829	1,980	1,520	—
C.2 Financial derivatives without exchange of principal										
long positions	20,570	—	—	—	—	—	—	—	—	—
short positions	20,570	—	—	—	—	—	—	—	—	—
C.3 Deposits and financing to be received										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.5 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Financial derivatives with exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.8 Financial derivatives without exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—

Part E—Risks and related hedging policies

Currency: other	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	—	—	—	—	—	13	—	17	—	—
A.2 Other debt instruments	—	—	—	—	8	—	—	102	85	—
3. OEIC units	—	—	—	—	—	—	—	—	—	—
A.4 Financing	160,166	21,915	62,578	4,318	5,872	—	—	—	—	—
—to banks	142,842	21,915	62,578	4,318	5,872	—	—	—	—	—
—to customers	17,324	—	—	—	—	—	—	—	—	—
Liabilities										
B.1 Deposits and current accounts	238,159	10,611	83	2,088	—	—	—	—	—	—
—with banks	49,029	10,611	83	2,088	—	—	—	—	—	—
—with customers	189,130	—	—	—	—	—	—	—	—	—
B.2 Debt instruments	—	—	—	—	—	—	—	—	—	—
B.3 Other liabilities	9,614	—	—	—	—	—	—	—	159	—
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal	—	280,202	—	303,098	412,991	4,498	—	—	248	—
long positions	—	137,951	—	156,959	189,677	2,132	—	—	144	—
short positions	—	142,250	—	146,139	223,313	2,366	—	—	104	—
C.2 Financial derivatives without exchange of principal	689	—	—	—	—	—	—	—	—	—
long positions	432	—	—	—	—	—	—	—	—	—
short positions	257	—	—	—	—	—	—	—	—	—
C.3 Deposits and financing to be received	152	152	—	—	—	—	—	—	—	—
long positions	—	152	—	—	—	—	—	—	—	—
short positions	152	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	—	606	—	—	—	—	—	—	—	—
long positions	—	303	—	—	—	—	—	—	—	—
short positions	—	303	—	—	—	—	—	—	—	—
C.5 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Financial derivatives with exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—
C.8 Financial derivatives without exchange of principal										
long positions	—	—	—	—	—	—	—	—	—	—
short positions	—	—	—	—	—	—	—	—	—	—

1.4 BANKING GROUP—OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of operational risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors. This risk includes losses caused by fraud, human error, business discontinuity, system breakdowns, contractual defaults and natural disasters. It also comprises legal risk.

This definition excludes strategic risk (losses incurred as a result of wrong strategic decisions taken by management) and reputational risk (loss of market share as the group's/parent's name is associated with negative events).

Operational risk is characterised by cause-effect relationships whereby if one or more trigger events occur, this leads to a detrimental event which is directly linked to an economic loss. Therefore, an *operating loss* is the result of negative economic effects created by operating events, recorded by the group and that affect its profit or loss.

Operational risks include a wide range of risks that can adversely affect the services offered by the group, 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 main characteristic of these risks is that they are inherent to the group's business and are, therefore, unavoidable and omnipresent. This implies that, unlike credit and market risk, they are not taken on as part of a strategic decision but are identified, estimated and monitored to contain their impact and decrease their frequency.

In order to measure the group's exposure to operational risks and the effects of any mitigating actions, the group has to combine the qualitative and quantitative information.

The group manages these risks through:

- a suitable internal organisation with defined duties and responsibilities, ensuring the segregation of duties between the control and operating units;

- adoption of first level controls for each process to:

- monitor their correct performance;
- promptly identify any irregularities and, if necessary, introduction of timely remedial actions;
- identification of technical-organisational defects and their prompt analysis and correction;
- introduction of a code of ethics for employees;
- internal regulations;
- coverage of risks through specific insurance policies;
- a self risk assessment (SRA) and loss data collection (LDC).

This latter process is the qualitative part of the process and consists of the measurement of each unit's risk policy with respect to potential future losses, the control system's effectiveness and adequate management of risk measurement techniques. The quantitative component is based on a statistical analysis of historical loss data.

The group has adopted a method to identify and classify operational risks and related controls over the mapping of internal processes as required by Bank of Italy's supervisory regulations.

To this end, it classified its internal processes and identified the related mapping priorities, starting from the more exposed business processes. In particular, for each of the processes analysed, the group:

- defined and identified the contribution of the various units to the interim/final output and recorded the products/services sold on the market or provided internally to other units to allow them to work;
- identified and measured in quality terms the operational risks inherent in each activity included in the process mapping. The taxonomy of the risks and the measurement techniques were achieved using the method adopted by the risk management unit and in line with the Basel II principles. Specifically, for each activity, the unit identified the related "risk factor" (resources, systems, processes, external events) and "event type". It also analysed inherent risk as defined in the above audit model. It assessed the probability of occurrence and impact in terms of impairment losses of the assets for each risk factor using a scale prepared by the internal audit unit going from 1 (low risk) to 5 (serious risk, potentially catastrophic);
- identified for each risk the controls performed by the internal unit and allocation of the first level controls (line controls). The effectiveness of these controls was assessed on a scale from 1 (zero effectiveness, 0%) to 5 (very effective control, 90%);
- expressed a "qualitative" opinion on the remaining riskiness for each activity based on the measurement of the inherent risk and related controls using a suitable values scale.

Upon conclusion of each analysis, the risk management unit provides the process owners with feedback, requesting them to take remedial actions to resolve any critical issues identified during the assessment.

The group carries out self-assessments on the processes at least every two years, prioritising significant processes.

The accurate mapping of risks and ongoing monitoring of exposure levels allows the group to identify critical areas and implement far-reaching actions to mitigate and regulate risks, especially through ongoing improvement of process efficiency (reengineering and improvements to controls) and tests of their compliance with regulations.

The group is fully conscious that, as well as affecting its results, loss-generating events may significantly damage its reputation and standing. Therefore, it has a management system in place to minimise the effects which relies on a method to identify, measure and mitigate them in qualitative and quantitative terms. This system identifies the risk of both actual losses and potential risk.

The loss data collection process is a key part of the operational risks management system because it both guarantees an understanding of the most significant loss factors over time and provides statistics useful to better analyse identified risks. Moreover, the identification and measurement of potentially risky activities allows the group to monitor and identify over time the most risky factors and to intervene to remove the reasons and/or strengthen its controls.

The Bank of Italy regulations for calculation of the capital requirements to cover operational risk provide for three different approaches, whose complexity depending on the size of the risk-taking entity:

- Basic method (BIA—Basic Indicator Approach) which multiplies the "relevant indicator" (total income) by a factor of 15%. If the relevant indicator is negative or zero in any given year at year end, it is not considered in the calculation of the total capital requirements. ICBPI currently uses this method.

- Standardised method (TSA—Traditional Standardised Approach), which multiplies the average total income of the last three years of each of the business lines provided for by the New Capital Agreement by different fixed factors. This approach also, and especially, requires the creation of an integrated framework to identify, manage and measure operational risks and that banks meet a number of very stringent organisational requirements.

- Advanced method (AMA—Advanced Measurement Approach), which is a stricter version of the organisational model to identify, manage and measure operational risk used by the standardised approach. It also allows banks to use their internal models to calculate regulatory capital.

A fundamental operational risk mitigation tool is the business continuity and disaster recovery plan, which is revised annually as required by the supervisory instructions about internal controls. Bank of Italy extended the concept of business continuity to all critical "business processes", not just the technological component but all the factors (human resources, logistics, essential services, etc.) that assist the mitigation of operational risks in new crisis situations.

Business continuity includes all those measures designed to reduce to an acceptable level the damage caused by accidents or catastrophes that could directly or indirectly affect the group while the disaster recovery plan sets out the technical and organisational methods to resolve events that cause the unavailability of data processing centres. It is designed to ensure that the important IT procedures can continue to be performed at alternative sites.

Part F—Equity

Section 1—Equity

A. Qualitative disclosure

The figure available for allocation purposes is the regulatory capital. Under this approach, the supervisory regulations represent the minimum restriction. Specifically, the group's equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main capital management tool against unexpected losses arising from the various risks (credit, market and operational) taken on by banks. Equity availability is therefore an indispensable tool supporting the group's development plans.

In accordance with internal procedures, the relevant departments regularly monitor the group'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 ICBPI Group should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, the group forecasts the related effects on equity and their suitability.

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

B. Quantitative disclosure

	31/12/2012	31/12/2011
Valuation reserves	60,628	21,903
Redeemable shares	—	—
Equity instruments	—	—
Reserves	432,738	370,023
Share premium	148,242	148,242
Share capital	42,557	42,557
Treasury shares (−)	−32	−32
Profit for the year (+/−)	90,118	77,103
Total	**774,251**	**659,796**

NOTES TO THE FINANCIAL STATEMENTS

Part F—Equity

B.1 Equity: breakdown by type of entity

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	46,104				46,104
Share premium	148,399				148,399
Reserves					
—income-related	440,014				440,014
a) legal					—
b) statutory					—
c) treasury shares					—
d) other	10,848				10,848
—other					—
Equity instruments					—
(Treasury shares)	−32				−32
Valuation reserves					—
—Available-for-sale financial assets	14,457				14,457
—Property, equipment and investment property					—
—Intangible assets					—
—Hedges of investments in foreign operations					—
—Cash flow hedges					—
—Exchange rate gains (losses)					—
—Non-current assets held for sale					—
—Net actuarial losses on defined benefit pension plans					—
—Share of valuation reserves of equity-accounted investees					
—Special revaluation laws	46,222				46,222
7. Profit for the year	94,507				94,507
Equity	**800,518**	**—**	**—**	**—**	**800,518**

B.2 Fair value reserves (AFS financial assets): breakdown

	Banking group		Insurance companies		Other companies		Eliminations and consolidation adjustments		Total	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	16,682	−3,156							16,682	−3,156
2. Equity instruments	931								931	0
3. OEIC units									—	0
4. Financing									—	—
31/12/2012	**17,613**	**−3,156**	**—**	**—**	**—**	**—**	**—**	**—**	**17,613**	**−3,156**
31/12/2011	**38**	**−24,294**	**—**	**—**	**—**	**—**	**—**	**—**	**38**	**−24,294**

B.3 Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**−22,986**	**615**	**−1,924**	
2. Increases				
2.1 Fair value gains	36,512	417		
2.2 Reclassification of fair value losses to profit or loss:				
due to impairment			1,924	
on sale				
2.3 Other increases				
3. Decreases				
3.1 Fair value losses		101		
3.2 Impairment losses				
3.3 Reclassification of fair value gains to profit or loss:				
on sale				
3.4 Other decreases				
4. Closing balance	**13,526**	**931**	**—**	

SECTION 2—REGULATORY CAPITAL AND RATIOS

2.1—Scope of application of the regulations

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;
- goodwill and other intangible assets are deducted;
- subordinated loans may be included provided that they meet the regulatory prudential requirements;
- 50% of the net fair value gains on available-for-sale equity instruments recognised in caption 140 “Valuation reserves” may be included in Tier 2 capital;
- equity investments in banks and financial companies are deducted, regardless of the portfolio to which they are allocated.

2.2—Bank regulatory capital

A. Qualitative disclosure

1. Tier 1 capital It comprises:

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

negative elements: goodwill and other intangible assets;

elements to be deducted from Tier 1 capital: 50% of equity investments and subordinated instruments in banks and financial companies, regardless of the portfolio to which they are allocated (held for trading, AFS, etc).

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 ICBPI Group does not hold financial instruments that may be included in Tier 3 capital.

NOTES TO THE FINANCIAL STATEMENTS

Part F—Equity

B. Quantitative disclosure

	31/12/2012	31/12/2011
A. Tier 1 capital before application of prudential filters	**514,800**	**475,987**
B. Tier 1 prudential filters:		
B.1 Positive IFRS prudential filters (+)		
B.2 Negative IFRS prudential filters (−)		24,316
Tier 1 capital including application of prudential filters (A+B)	**514,800**	**451,671**
D. Elements to be deducted from Tier 1 capital	29,395	29,498
E. Total Tier 1 capital (C−D)	**485,406**	**422,173**
F. Tier 2 capital before application of prudential filters	**62,679**	**50,283**
G. Tier 2 prudential filters:		
G.1 Positive IFRS prudential filters (+)		
G.2 Negative IFRS prudential filters (−)	7,229	
H. Tier 2 capital including application of prudential filters (F+G)	**55,451**	**50,283**
I. Elements to be deducted from Tier 2 capital	29,395	29,498
L. Total Tier 2 capital (H−I)	**26,056**	**20,785**
M. Elements to be deducted from Tier 1 and Tier 2 capital		
N. Regulatory capital (E+L−M)	**511,462**	**442,958**
O. Tier 3 capital		
P. Regulatory capital including Tier 3 (N+O)	**511,462**	**442,958**

2.3 Capital adequacy

A. Qualitative disclosure

The ICBPI Group’s own funds exceed those provided for by the regulatory requirements.

Part F—Equity

B. Quantitative disclosure

	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
A. EXPOSURES				
A.1 Credit and counterparty risk				
1. Standardised method	9,392,758	7,092,029	1,575,320	1,269,737
2. IRB approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			126,026	101,579
B.2 Market risk				
1. Standard method			6,322	3,455
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic method			65,750	64,451
2. Standardised method				
3. Advanced method				
B.4 Other prudential requirements				
B.5 Other calculation elements			65,750	64,451
B.6 Total prudential requirements			263,847	233,936
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			3,298,091	2,924,201
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			14.72%	14.44%
C.3 Regulatory capital including Tier 3 Risk-weighted assets (Total capital ratio)			15.51%	15.15%

Part G—Business combinations

SECTION 1—TRANSACTIONS CARRIED OUT DURING THE YEAR

Acquisition of investment in Siteba

As mentioned in the directors' report, at the end of the first half of 2012, ICBPI acquired a controlling investment in Siteba, in which CartaSi already held an investment of 46.64%.

As the transaction is a business combination from a reporting perspective, it has been accounted for in accordance with IFRS 3.

It had the following effects on the consolidated financial statements:

- the positive difference between the transaction date fair value of the investee's net assets (including profit or loss for the period) and the carrying amount of the investment in Siteba was recognised in profit or loss;

- the profit or loss of Siteba have been consolidated as from the second half of 2012.

On 14 September 2012, CartaSi took over the entire investment in Siteba by acquiring the stakes held by ICBPI and Key Client. It then merged Siteba into itself. As these transaction qualify for recognition as a business combinations under common control, they have been accounted for using the relevant carrying amounts, without therefore impacting the consolidated financial statements.

Takeover of 100% of Key Client and subsequent merger

During the year, ICBPI acquired full control over Key Client by exercising a call option for the investee's non-controlling investments held by Deutsche Bank. In accordance with IAS 27, the increase in the group's investment did not impact the goodwill the group recognised upon first consolidation of the investee, but led to an adjustment to the group's reserves.

On 1 December 2012, due to the merger of Key Client into Cartasi, the parent's investment in the latter increased from 91.81% to 94.88%. As the transaction qualifies for recognition as a business combination under common control, it did not have any effects on the consolidated financial statements.

Acquisition of the depository services business

During the year, the group acquired the depository services business unit from Banca Popolare Emilia Romagna. This led to the recognition of intangible assets of €18,664 million, representing the difference between the consideration paid and the fair value of the acquired assets and liabilities. The business unit comprises assets, liabilities and depository service contracts with the Banca Popolare Emilia Romagna Group's funds. Considering the nature of the assets and liabilities making up the business unit, their carrying amounts were not increased and the difference between the business unit's net assets and the consideration paid was fully attributed to intangible assets with finite lives. Specifically, the asset's useful life was estimated at 10 years, equal to the term of the acquired depository service contract.

SECTION 2—TRANSACTIONS CARRIED OUT AFTER THE REPORTING DATE

The group did not carry out any business combinations in the first few months of 2013.

Part H—Related party transactions

1. Fees of key management personnel

The fees paid by the ICBPI Group to its directors and key management personnel as defined in part 2, and to the independent auditors are set out below.

	2012
Directors	3,119
Other key management personnel and members of supervisory committees	7,627
Independent auditors	632

Fees to independent auditors relate to the audits/reviews of the annual and interim separate and consolidated financial statements carried out by KPMG S.p.A. for the parent and its subsidiaries.

2. 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 ICBPI Group identified the following related parties:

- associates, i.e., those companies over which the parent directly or indirectly exercises significant influence, as defined by IAS 28;

- key management personnel and members of supervisory bodies;

- other related parties: companies that exercise significant influence over ICBPI.

The effects of transactions carried out with the related parties identified above are summarised in the following table.

Part H—Related party transactions

The effects and balances of transactions with subsidiaries are not included as they are eliminated upon consolidation. The other related party transactions are part of the ordinary banking activities and are usually carried out on an arm's length basis.

RELATED PARTY TRANSACTIONS

(€'000)	Total	Other related parties	Directors, managers and members of supervisory bodies
60. Loans and receivables with banks	1,724,592	5,306	
10. Due to banks	3,162,271	27,078	
20. Due to customers	3,100,604		890
10. Interest and similar income	121,127	3	7
20. Interest and similar expense	34,125	62	
180. Administrative expenses	513,480	—	11,378

Part I—Share-based payments

None.

Part L—Segment reporting

Segment reporting complies with IFRS 8, which did not lead to substantial changes in the identification of the operating segments and reporting to management when introduced, compared to the previous requirements of IAS 14.

Segment reporting is consistent with the group's organisational and industrial structure in 2012, in line with its business plan and as required by its regulation.

Reporting by geographical segments is not included as the group operates only in Italy and the breakdown of assets, liabilities, revenue and costs by geographical segment was meaningless.

Reporting by business segment includes, in order of importance, the segments that may be identified within the group's organisation and specifically:

E-money

It comprises CartaSi and Help Line and its integrated activities are as follows:

- financial and operating services relating to the issue and acceptance of payment cards and related management services;
- payment card terminal management (POS and ATM).

Payments

It comprises an operating division of the parent, which carries out the following integrated activities:

- banking payment services and related back-office services for banks, companies and bodies;
- interbank payment systems for companies and bodies and related management services and e-banking;
- IT and computer-based services relating to payment systems.

Securities services

It comprises an operating division of the parent, which carries out the following integrated activities:

- securities custody and administration services;
- investment services for qualified parties and professional customers;
- depository and fund accounting services.

Application outsourcing and innovative services:

It comprises Oasi which carries out the following development and management activities:

- IT systems for supervisory reporting and management systems;
- anti-money laundering, safety and control systems;
- fund management and related management services.

Other group activities

This segment manages the activities that are not carried out by the parent's business units. Specifically:

- credit and financial activities for the relevant business segments;
- property management;
- equity investment management;
- group management and coordination;
- other activities of the consolidated companies.

A.1 Breakdown by business segment: income statement

The results of operations for 2012 of each of the above business segments are set out below.

2012 consolidated financial statements: segment reporting

(€'000)	E-money	Payments	Application outsourcing	Securities services	Other group activities	Consolidation adjustments	Consolidated financial statements
Net fee and commission income and revenue from services	442,069	81,539	24,376	27,257	−32	−5,847	569,362
Net interest income (expense)	−11,927	9,834	−36	8,597	80,524	13	87,005
Net trading/hedging income	346	—	—	3,037	6,005	—	9,388
Dividends from equity investments and AFS financial assets	10	—	—	—	2,115	—	2,124
Operating revenue	**430,497**	**91,373**	**24,340**	**38,890**	**88,612**	**−5,833**	**667,879**
Personnel expense	−57,015	−12,911	−8,361	−12,342	−37,186	57	−127,758
Production costs	−90,328	−8,903	−2,753	−3,675	−304	3,732	−102,232
ICT costs	−107,688	−24,223	−3,124	−11,671	−7,136	8,242	−145,600
General expenses	−51,215	−8,801	−2,654	−3,439	−34,477	17,245	−83,341
Administrative expenses	**−306,246**	**−54,839**	**−16,893**	**−31,127**	**−79,103**	**29,276**	**−458,931**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−17,913	−455	−2,705	−205	−3,019	15	−24,281
Other operating income (expense), net	3,695	−8,258	−130	−6,925	40,934	−23,458	5,858
Net operating imp. losses and accruals	−10,613	−7,005	−141	−54	−1,021	—	−18,835
Operating costs	**−331,076**	**−70,556**	**−19,869**	**−38,311**	**−42,209**	**5,833**	**−496,188**
Operating profit	**99,421**	**20,817**	**4,470**	**579**	**46,403**	**0**	**171,691**
Net losses on equity investments and AFS financial assets							−6,900
Other items							−10,343
Pre-tax profit for the year							**154,448**
Income taxes							−59,941
Profit attributable to non-controlling interests							−4,389
Profit attributable to the owners of the parent							**90,118**

Net interest income (expense) is the business segments' contribution to the group's net interest income resulting from the sum of realised interest income and expense recognised in the accounting system and unrealised interest calculated as part of the planning and control system, using the cash-pooling method based on internal transfer rates.

A breakdown of operating revenue arising from transactions with third party customers and other business segments of the same entity by operating segment is set out below for better disclosure purposes.

2012 consolidated financial statements: operating revenue

(€'000)	E-money	Payments	Application outsourcing	Securities services	Other group activities	Group total
E-money	115	3,972	615	—	9,915	14,503
Payments			—	—	—	115
Application outsourcing	—	152		—	−6	146
Securities services	—	—	—		—	—
Other group activities	−9,920	—	990	—		−8,931
Operating revenue—other operating segments	**−9,806**	**4,125**	**1,605**	**—**	**9,909**	**5,833**
Third party customers	440,302	87,248	22,735	38,890	78,703	667,879
Total operating revenue	**430,497**	**91,373**	**24,340**	**38,890**	**88,612**	**673,712**

Reconciliation between the management accounts and the consolidated financial statements

Segment reporting is consistent with the group planning and control system's principles and operating procedures defined by the central planning and control (P&C) department and approved by group management, whose aim is to ensure consistent management reporting among the various group operations and structures.

This system is based on the general criteria of tracing management data and reports to the general accounting records. Considering the characteristics of the parent, which is required to prepare consolidated financial statements, the group's management account income statement is presented with the general classification used in the financial statements of banking groups.

In order to improve management reporting of the group's operations and performance, as an exception to the above-mentioned general criteria of tracing management figures to those of the separate and consolidated financial statements, the P&C system sets out certain grouping rules for data that are dissimilar from those of the general accounts. The main differences in data grouping relate to the following:

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the provision of services (non-banking/financial) that are part of the operating segments' core business, is presented under Net fee and commission income and revenue from services in the management accounts;

- expense classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to royalties and/or selling costs, is presented under Net fee and commission income and revenue from services in the management accounts;

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the recovery of expenses, is presented in the caption to which the expense refers in the management accounts;

- dividends collected on equity instruments included in the trading portfolio, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Net hedging income (expense) in the management accounts;

- income and expense relating to prior year items, classified in the caption that generated them in the financial statements of banks and financial companies, are presented under Other operating income (expense) in the management accounts;

- amortisation of intangible assets relating to customer contracts, classified in Amortisation and net impairment losses on intangible assets (caption 210 of the consolidated financial statements), are presented under Other items in the management accounts;

- fees paid to directors and statutory auditors, classified in Personnel expense (caption 180a of the consolidated financial statements), are presented under General expenses in the management accounts;

- gains and losses relating to interest rate hedging derivatives are presented under Net interest income (expense) in the management accounts even when they do not formally meet the requirements for recognition as such and are, therefore, classified in Net trading income (expense) in the consolidated financial statements (caption 80);

- income and expense relating to extraordinary and/or non-recurring events for the ICBPI Group are presented under Other items in the management accounts, even if they are classified in other captions in the general accounting system;

- other administrative expenses (caption 180b of the consolidated financial statements) are classified as expenses relating to the production of offered services, ITC service costs or general expenses and presented in the related caption of the management accounts.

The group's income statement included in the management accounts is set out below, with a reconciliation of its captions to those of the consolidated financial statements:

ICBPI Group

Management account captions (€'000)	Management accounts	Reconciliation (cons. f/s— mngmt. accounts)	Consolidated financial statements	Cons. financial statements caption
Net fee and commission income and revenue from services	569,362	−212,281	357,081	60
Net interest income	87,005	−3	87,002	30
Net trading/hedging income	9,388	182	9,570	80 - 90
Dividends from equity investments and AFS financial assets	2,124	−1,937	188	70
Operating revenue	**667,879**	**−214,038**	**453,841**	**sum**
Personnel expense	−127,758	−2,624	−130,382	180a
Other administrative expenses(*)	−331,173	−51,925	−383,098	180b
Administrative expenses	**−458,931**	**−54,549**	**−513,479**	**sum**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	−24,281	−9,472	−33,753	200 - 210
Other operating income, net	5,858	266,946	272,805	220
Net operating imp. losses and accruals	−18,835	690	−18,145	130 - 190
Operating costs	**−496,188**	**203,616**	**−292,573**	**sum**
Operating profit	**171,691**	**−10,422**	**161,268**	**sum**
Net losses on equity investments and AFS financial assets	−6,900	75	−6,824	100b - 240
Other items	−10,343	10,347	4	260 - 270 - 310
Pre-tax profit for the year	**154,448**	**—**	**154,448**	**sum**
Income taxes	−59,941	—	−59,941	290
Profit attributable to non-controlling interests	−4,389	—	−4,389	330
Profit attributable to the owner of the parent	**90,118**	**—**	**90,118**	**sum**

(*) Sum of the "Production costs", "ICT costs" and "General expenses" management account captions

Part L—Segment reporting (Continued)

A.2 Breakdown by business segment: statement of financial position

	E-money		Payments		Application outsourcing		Securities services		Other group activities	
(€'000)	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/1**
Loans and receivables with banks	59,469	389,005	810,574	633,484	2,064	2,988	848,690	680,614	25,319	
Loans and receivables with customers	2,532,107	2,729,752	361,700	21,291	—	—	501,055	53,944	847,838	1
Financial assets	1,501	1,078	—	—	—	—	192,055	5,556	2,088,396	1
Equity investments	—	10,871	—	—	—	—	1,250	2,000	506,860	
Property, equipment and investment property and intangible assets	80,144	74,549	13,738	13,738	8,354	6,404	62,640	24,107	86,647	
Other items	332,334	324,344	99,237	103,872	14,586	16,356	17,234	15,405	349,754	
Total assets	**3,005,554**	**3,529,600**	**1,285,249**	**772,385**	**25,003**	**25,749**	**1,622,924**	**780,627**	**3,904,814**	**4**
Due to banks	1,991,165	2,506,556	—	—	—	508	3,331	4,450	2,316,576	2
Due to customers	21,336	—	687,298	294,258	—	—	1,590,673	757,453	821,132	1
Provisions and other liabilities	521,212	577,933	597,951	478,127	7,394	8,668	25,253	15,056	128,408	
Equity	471,841	445,110	—	—	17,609	16,572	3,667	3,667	638,699	
Total liabilities	**3,005,554**	**3,529,600**	**1,285,249**	**772,385**	**25,003**	**25,749**	**1,622,924**	**780,627**	**3,904,814**	**4**

MERCURY BONDCO PLC

REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE REPORTING DATE 18 JUNE 2015

The Directors present their report and the audited financial statements for the reporting date 18 June 2015.

INCORPORATION

Mercury Bondco Plc (the "Company") was incorporated as a public company in Jersey, Channel Islands on 18 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company will be to issue bonds in order to raise finance to fund the acquisition of a target company. The Company has been dormant to date.

RESULTS AND DIVIDENDS

The Company did not generate any income during the period and all expenses were met by third parties who went on to become the shareholders post balance sheet date. Therefore the Company does not present a statement of comprehensive income for the period ended 18 June 2015.

The Directors do not recommend the payment of a dividend for the period.

DIRECTORS

The directors who served throughout the period and subsequently to the date of this report are as follows: -

M Gobbi.. (appointed 18 June 2015)
F Cali .... (appointed 18 June 2015)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR

KPMG Channel Islands Limited were appointed as auditor of the Company on 23 September 2015.

INDEPENDENT AUDITOR

KPMG Channel Islands Limited were appointed as auditor of the Company on 23 September 2015.

SECRETARY

The Secretary of the Company, appointed on 23 June 2015 and subsequently to the date of this report is Crestbridge Corporate Services Limited.

Approved by the Board of Directors on
and signed on behalf of the Board

Date: 6 October 2015

Registered Office

47 Esplanade
St Helier
Jersey
JE1 0BD

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey JE4 8WQ
Channel Islands

Independent auditor's report to the members of Mercury Bonco Plc

We have audited financial statements of Mercury Bondco Plc (the "Company") for the period ended 18 June 2015 which comprise the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's members, as a body, in accordance with our terms of engagement as detailed in our letter of 16 September 2015. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 18 June 2015;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

KPMG Channel Islands Limited

KPMG Channel Islands Limited
Chartered Accountants

6 October 2015

MERCURY BONDCO PLC

STATEMENT OF FINANCIAL POSITION

AS AT 18 JUNE 2015

	Notes	18 Jun 15
		€
CURRENT ASSETS		
Other receivables	7	40
		40
EQUITY		
Share capital	3	40
		40

The financial statements on pages 6 to 10 were approved and authorised for issue by the Board of Directors on October 5, 2015 and were signed on its behalf by:

Director

The notes on pages 8 to 10 form part of these financial statements

MERCURY BONDCO PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE REPORTING DATE 18 JUNE 2015

	Share Capital	Retained Earnings	Total
	€	€	€
Opening balance	—	—	—
Issue of share capital	40	—	40
Total comprehensive income for the period	—	—	—
Balance as at 18 June 2015	40	—	40

The notes on pages 8 to 10 form part of these financial statements

1 GENERAL INFORMATION

Mercury Bondco Plc (the "Company") is a Limited Liability Public Company whose principal place of business is at 47 Esplanade, St. Helier, Jersey JE1 0BD and was incorporated on 18 June 2015 as a Company under the Companies (Jersey) Law, 1991, as amended.

2 ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis, applying historical cost convention.

The preparation of the financial statements under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on the Directors' best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted.

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This listing of standards and interpretations issued are those that the Directors consider relevant to the Company. The Directors intend to adopt these standards when they become effective.

	Effective Date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018

There are no other IFRS or interpretations that are not yet effective that would be expected to have a material impact on the Company.

In the opinion of the Directors, adoption of the above standards would have no material effect in the Company's financial statements.

Statement of Comprehensive Income

The Company does not present a Statement of Comprehensive Income for the period ended 18 June 2015 as the Company neither earned income nor incurred expenses (other than those met by third parties) during the period.

Statement of Cash Flow

The Company does not present a Statement of Cash Flow for the period ended 18 June 2015 as the Company did not have any cash transactions.

General expenses

The general expenses of the Company are paid by third parties who went on to become the shareholders post balance sheet date. Consequently, they are not recognised within these financial statements.

Taxation

Profits arising for the Company are subject to Jersey Income Tax at a rate of 0%.

Functional and presentational currency

The functional currency of the Company is the Euro ("€"), the currency of the primary economic environment in which the Company operates. The reporting currency of the Company for accounting purposes is also the Euro.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Going concern

The Directors have prepared the financial statements on a going concern basis as all of the operating expenses of the Company have been borne directly by the shareholders. The Company has no liabilities outstanding at the reporting date. The Directors also believe that the bond issuance will be completed within 12 months from approving the financial statements. Accordingly the Directors are satisfied that the Company will be able to continue in existence for the foreseeable future.

3 EQUITY SHARE CAPITAL

	18-Jun-15
	€
Authorised	
10,000 ordinary shares of €1 each	10,000
	€
Allotted, called up and fully paid	
40 ordinary shares of €1 each	40

4 OWNERSHIP

The shares of the Company are held by various parties and therefore the Directors consider that there is no ultimate controlling party.

5 RISK MANAGEMENT

The Company has no significant activities or operations as at the reporting date. After the planned issuance of the bonds, the Company's activities will expose it to various types of risk, which are associated with the financial instruments held or issued. These activities will expose the Company, in varying degrees, to elements of credit, liquidity, currency, interest rate and other price risk.

The fair value of financial assets (comprising receivables) is not materially different from their carrying value in the financial statements.

Capital risk

When managing capital, the Company's objectives are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Once the Company commences its activities being the issuance of bonds, it aims to deliver these objectives by achieving consistent returns from its assets and maintaining sufficient liquidity with financial support from its shareholders.

6 RELATED PARTY TRANSACTIONS

All operating expenses of the Company including audit fees payable for the period of £7,000, were met directly by third parties who went on to become the shareholders post balance sheet date. Consequently they are not recognised within these financial statements.

F Cali, a Director of the Company is also an Assistant Director of Advent International Plc, the parent company of Mercury (AL) S.à.r.l., which became a shareholder of the Company subsequent to the reporting date.

M Gobbi, a Director of the Company is also a Vice President at Bain Capital Europe LLP, the parent company of Mercury (BC) S.à.r.l., which became a shareholder of the Company subsequent to the reporting date.

7 POST BALANCE SHEET EVENTS

On 23 June 2015 other receivables consisting of the amounts due from the existing shareholders of the Company as at the reporting date were received and the share transfer from the nominee companies to the shareholders of the Company took place. The ultimate controlling parties of the Company are jointly Advent International Plc and Bain Capital Europe LLP.

On the same date Crestbridge Corporate Services Limited were appointed as Secretary.

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In making your investment decision, you should rely only on the information contained in this Offering Memorandum. Neither we nor Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Citigroup Global Markets Limited, UniCredit Bank AG, Nomura International plc, Credito Valtellinese s.c., Banca Akros SpA and Unione di Banche Italiane S.P.A. (together, the "Initial Purchasers") have authorized anyone to provide prospective investors with any other information, and you should not rely on any such information. We are not, and the Initial Purchasers are not, making an offer of the Notes in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

Table of Contents

Mercury Bondco plc

€1,100,000,000
€900,000,000 $8^1/_4$%/9% Senior Secured Fixed Rate PIK Toggle Notes due 2021
€200,000,000 Senior Secured Floating Rate PIK Toggle Notes due 2021

ICBPI

Global Coordinators and Physical Bookrunners

Goldman Sachs International
HSBC
J.P. Morgan

Joint Bookrunners

BofA Merrill Lynch
Citigroup
UniCredit Bank
Nomura

Co-Managers

Credito Valtellinese
Banca Akros SpA
Gruppo Bipiemme
Banca Popolare di Milano
UBI Banca

November 6, 2015

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OFFERING MEMORANDUM

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