BANCA MEDIOLANUM S.p.A.

ANNUAL REPORT AND ACCOUNTS 2014

mediolanum
BANKING GROUP

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The English version of the Annual Report is a translation of the Italian text provided for the convenience of international readers.

Graphic design updated to March 25, 2015

ANNUAL REPORT AND ACCOUNTS 2014

Registered Office Basiglio Milano Tre (MI) Via F. Sforza Pal. Meucci
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BANKING GROUP

Banca Mediolanum S.p.A. Corporate Bodies

Board of Directors

Ennio Doris	Chairman of the Board of Directors
Edoardo Lombardi	Deputy Chairman
Giovanni Pirovano	Deputy Chairman
Massimo Antonio Doris	Chief Executive Officer
Bruno Bianchi	Director
Luigi Del Fabbro	Director
Paolo Gualtieri	Director
Antonio Maria Penna	Director
Angelo Renoldi	Director
Carlos Javier Tusquets Trias de Bes	Director

Board of Statutory Auditors

Arnaldo Mauri	Chairman of the Board of Statutory Auditors
Adriano Angeli	Standing Auditor
Marco Giuliani	Standing Auditor
Francesca Meneghel	Alternate Auditor
Damiano Zazzeron	Alternate Auditor

Secretary of the Board of Directors

Luca Maria Rovere

Independent Auditors

Deloitte & Touche S.p.A.

Financial highlights as at December 31, 2014

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Total customer assets	53,033.04	47,360.00	11.98%
Total financial assets	23,053.91	19,640.30	17.38%
Available-for-sale financial assets (AFS)	12,732.10	9,499.40	34.03%
Held-to-maturity financial assets (HTM)	2,204.20	2,204.80	(0.03%)
Financial assets held for trading (HFT)	327.8	474.4	(30.90%)
Lending (loans to customer net of L&R securities)	6,060.6	4,967.40	22%
Funding (amounts due to customer and securities issued ex. net balance compensation and guarantee cash)	12,474.38	11,200.10	11.38%
Lending/funding from customers	48%	44%	9.72%
Net inflows	4,081.91	3,339.40	22.23%
Net inflows AuM	3,855.22	3,001.90	28.43%
Net Inflows AuA	226.69	337.50	(32.83%)
Profit before tax	161.05	209.40	(23.09%)
Income tax	(16.62)	(74.70)	(77.75%)
Profit for the year	144.44	134.70	7.23%

Unit	Dec. 31, 2014	Dec. 31, 2013	Change %
Financial advisors	4,386	4,407	(0.48%)
Employees	1,840	1,714	7.35%
Current accounts	774,449	729,208	6.20%

Equity coefficients (*)

	Dec. 31, 2014
CET 1 capital ratio	13.905%
Tier 1 capital ratio	13.905%
Total capital ratio	14.304%

(*) Solvency coefficients were determined according to the new harmonized framework for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) June 26, 2013, which transpose the EU standards set by the Basel Committee on Banking Supervision (the so-called Basel 3 framework), and on the basis of the Bank of Italy Circulars no. 285 and no. 286 (enacted in 2013) and no. 154 (updated in 2013). The ratios presented in this disclosure may be subject to updating when reporting to the Supervisory Authorities.

Reclassified income statement

€/m	Dec. 31, 2014	Dec. 31, 2013	Difference	Change %
10. Interest income and similar income	420,225	466,409	(46,184)	(10%)
20. Interest expense and similar charges	(216,608)	(219,436)	2,828	(1%)
30. Net interest income	203,617	246,973	(43,356)	(18%)
80. Net income from trading	(10,700)	8,813	(19,513)	n.s.
90. Net income from hedging	(5,400)	3,755	(9,155)	n.s.
100. Gains (losses) on sale or buyback of:	81,203	73,383	7,820	11%
a) loans	(5)	(2,477)	2,472	n.s.
b) available-for-sale financial assets	81,267	75,887	5,380	7%
c) held-to-maturity investments	-	4	(4)	n.s.
d) financial liabilities	(59)	(27)	(32)	n.s.
Net financial income (30+80+90+100)	268,720	332,927	(64,207)	(19%)
40. Commission income	479,816	452,042	27,774	6%
50. Commission expense	(424,047)	(395,505)	(28,542)	7%
60. Net commission	55,769	56,540	(771)	(1%)
70. Dividends and similar income	251,859	155,131	96,728	62%
120. Total income	576,348	544,598	31,750	6%
130. Net impairment/reversal of impairment of:	(24,759)	(17,881)	(6,878)	38%
a) loans	(16,102)	(12,964)	(3,138)	24%
b) available-for-sale financial assets	(7,235)	(548)	(6,687)	n.s.
d) other financial instruments	(1,422)	(4,369)	2,947	(67%)
140. Net income from financial operations	551,589	526,717	24,872	5%
150. Administrative expenses:	(348,523)	(289,467)	(59,056)	20%
a) personnel expenses	(126,517)	(116,223)	(10,294)	9%
b) other administrative expenses	(222,006)	(173,243)	(48,763)	28%
160. Net provisions for risks and charges	(33,284)	(17,546)	(15,738)	90%
170. Depreciation and net impairment of tangible assets	(4,097)	(2,984)	(1,113)	37%
180. Amortisation and net impairment of intangible assets	(9,133)	(7,089)	(2,044)	29%
190. Other operating income/expenses	11,230	8,452	2,778	33%
200. Operating expenses	(383,807)	(308,632)	(75,175)	24%
210. Profit (loss) on equity investments	(6,668)	(8,725)	2,057	(24%)
240. Profit (loss) on disposal of investments	(60)	30	(90)	n.s.
250. Profit (loss) before tax on continuing operations	161,054	209,383	(48,329)	(23%)
260. Income tax expense on continuing operations	(16,617)	(74,680)	58,063	n.s.
270. Profit (loss) after tax on continuing operations	144,437	134,703	9,734	7%
290. Profit (loss) for the year	144,437	134,703	9,734	7%

Summary of business performance for the year

€/m	Dec. 31, 2014	Dec. 31, 2014	Diff.	Change %
Profit for the year	144.4	134.7	9.7	7%
of which:				
Net financial income	268.7	332.9	(64.2)	(19%)

The decrease in net financial income (Euro -64.2 million) is mainly due to the decrease in net interest income (Euro -43.4 million) against a reduction in spreads on market rates, lower profits arising from trading activities (Euro -19.5 million) and lower net income from hedging activities (Euro -9.2 million).

Net commission	55.8	56.5	(0.7)	(1%)

Net commission remained substantially stable with respect to the previous year.

Dividends	251.9	155.1	96.8	62%

The increase in dividends benefited in particular from the extraordinary distribution by Banco Mediolanum for Euro 50.0 million which refers to retained earnings generated mainly in the last three years. During the year there were also higher dividends distributed by companies in Ireland (Euro +43.9 million).

Net (impairment)/reversal of impairment	(24.8)	(17.9)	(6.9)	38%

The increase in the item mainly concerns higher impairments on units of UCITS recognized under Available-for-sale Financial Assets (Euro 6.7 million).

Administrative expenses	(348.5)	(289.5)	(59.0)	20%
Personnel expenses	*(126.5)*	*(116.2)*	*(10.3)*	*9%*
Other administrative expenses	*(222.0)*	*(173.3)*	*(48.7)*	*28%*

Increase in personnel expenses is mainly due to the increase in the average workforce for the year under review (+123 units compared to the previous year) and an increase in administrative expenses mainly related to additional costs incurred for information systems (Euro +31.7 million), linked to the development of new technologies for customers and banking operations.

Net provisions for risks and charges	(33.3)	(17.5)	(15.8)	90%

The increase is essentially due to higher charges arising from the discount of indemnity funds to the sales network following the reduction in market interest rates at year end (Euro -8.7 million), to which additional provisions for offences were added (Euro -4.5 million).

Taxes	(16.6)	(74.7)	58.1	(78%)

The reduction of the tax burden is mainly determined by the lower taxable income in relation to lower gains recorded during the year as well as a higher incidence of dividends for the year. Moreover, in the previous year higher net tax were recorded due to the additional extraordinary IRES tax of 8.5% (Euro 9.7 million). Provisions for the year for the tax dispute were equal to Euro 24.3 million (December 31, 2013: Euro 29.7 million).

Report on operations

As at December 31, 2014, the year recorded a net profit of Euro 144.4 million, an increase over the previous year of Euro 9.7 million (December 31, 2013: Euro 134.7 million).

Profit before tax totalled Euro +161.1 million, compared to Euro +209.4 million in the previous year, with a decrease of Euro -48.3 million, mainly due to lower net interest income (Euro -43.4 million) and greater operating costs (Euro -75.2 million), only partly offset by higher dividends from investments (Euro +96.7 million).

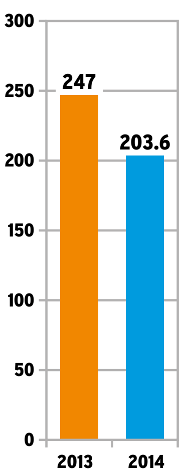
Total net inflows (managed assets and administered assets) amounted to Euro +4,081.9 million versus Euro +3,339.4 million in the prior year (+22%).
Net inflows into asset management products and sales of third-party structured bonds recorded a positive balance of Euro +3,855.2 million versus a balance in 2013 of Euro 3,001.9 million (+28%).
As to administered assets, Mediolanum Plus policies associated with Freedom bank accounts had net outflows of Euro -747 million versus Euro -1,710.7 million as at December 31, 2013.

At year end 2014, the bank had 1,081,798 customers (December 31, 2013: 1,042,908).

As at December 31, 2014, total financial assets amounted to Euro 23,053.9 million, up Euro 3,413.6 million over December 31, 2013.
Customer deposits grew from Euro 11,200.1 million at year-end 2013 to Euro 12,474.38 million as at December 31, 2014.
Loans to customers, excluding securities, amounted to Euro 6,060.6 million versus Euro 4,967.4 million as at December 31, 2013.

Net financial income, including net income from trading, hedging and disposal of assets available for sale, amounted to Euro 268.7 million compared to Euro 332.9 million the previous year, a decrease (Euro -64.2 million) due to the decrease in net interest income (Euro -43.4 million compared to the previous year), lower net profit realized from trading and hedging (respectively Euro -19.5 million and Euro -9.2 million compared to 2013), partially offset by higher income from the disposal of AFS securities (Euro +5.4 million compared to the comparable period) and lower losses on receivables (Euro +2.5 million).

Net interest income
€/m



In particular, net interest income amounted to Euro 203.6 million, down Euro 43.4 million (-18%) versus the prior year (December 31, 2013: Euro 247 million), mainly due to the reduction in spreads on market rates only partially offset by the increase in total average assets.

Net commission went from Euro 56.5 million as at December 31, 2013 to Euro 55.7 million at the end of the current year under review, mainly due to higher costs to the sales network.
In detail, commission income amounted to Euro 479.8 million versus Euro 452.0 million

at the end of the same period the prior year (+6.1%). In particular, fund management fees went from Euro 155.1 million as at December 31, 2013 to Euro 193.8 million for the year under review (Euro +38.4 million); contrarily, fund subscription fees amounted to Euro 90.5 million compared to Euro 128.3 million in the comparative period (Euro -37.8 million), mainly due to the different mix in favour of funds with lower subscription fees. Commissions from the distribution of insurance products went from Euro 90.5 million as at December 31, 2013 to Euro 111.5 million in the period under review (Euro +21.0 million) and benefit from the contribution of the new product "My Life" of Mediolanum Vita launched in the first half (Euro +17.9 million).
Commission expenses went from Euro 395.5 million as at December 31, 2013 to Euro 424.0 million, an increase of approximately Euro +28.5 million mainly due to higher relegation fees related to management fees of mutual funds (Euro +35.3 million) and insurance products (Euro +14.4 million), only partly offset by lower subscription fees relegated (Euro -23.4 million).

Dividends went from Euro 155.1 million in the previous year to Euro 251.9 million at the end of the year under review (Euro -96.8 million). The year under review particularly benefited from the distribution of an extraordinary dividend by the subsidiary Banco Mediolanum (Euro +50 million) and higher dividends by the subsidiary Mediolanum International Funds (Euro +35.3 million) and the subsidiary Mediolanum Asset Management (Euro +8.7 million).

The item "impairment/reversal of impairment" recorded a negative balance of Euro -24.8 million (December 31, 2013: Euro -17.9 million), due to higher impairment of AFS securities (Euro -6.7 million), higher impairment and losses on impaired loans (Euro -3.1 million), only partly offset by lower charges relating to the Interbank Deposit Protection Fund (Euro +2.9 million).

Operating expenses went from Euro 308.6 million in 2013 to Euro 383.8 million as at December 31, 2014. In particular, personnel expenses increased mainly due to the growth in average workforce in the year (+123 compared to the previous period). There was also an increase in other administrative expenses, in particular for higher costs for IT systems (Euro +31.7 million) related to the development of new technologies for our customers and volume growth in banking business.

Regarding the item "provisions for risks and charges", the increase is essentially due to higher charges arising from the discount of indemnity funds to the sales network following the reduction in market interest rates at year end (Euro -8.7 million), to which additional provisions for offences were added (Euro -4.5 million).

The macroeconomic environment

In 2014, the trend of financial markets clearly reflected the uneven economic trend of the main geographical areas and the development of specific local criticality. The presence of discontinuous, irregular growth below expectations geographically not uniform and the consequent divergence of the monetary policies of the main Central Banks accentuated the dispersion and in the second half of the year, generated an increase in equity price volatility, returns and currencies, increasing the added value of a suitably diversified asset allocation of investments. According to the new estimates of the International Monetary Fund recently disclosed in the World Economic Outlook Update, global growth in 2014 should have been in line with 2013 in the amount of 3.3%, given a more optimistic expectation of 3.7% at the beginning of the year, with an increase in contribution compared to previous years in the mostly industrialised countries (1.8% in 2014 from 1.3% in 2013) and a slight decrease from emerging countries (4.4%

in 2013 from 4.7% in 2014). In detail, growth in the USA was 2.4% compared to 2.2% in 2013, in the Eurozone 0.8%, up from -0.5% in 2013, in Japan 0.1%, down from 1.6% in 2013. Eurozone's recovery and the presence of a sustainable recovery in the manufacturing and services sectors already in the second half of 2013 had already been anticipated in the Purchasing Managers' Indices (PMI); however, the positive expectations of analysts in the Eurozone were partially disappointed in the year. In summary, a physiological growth differential remains between emerging and developed countries. However, within each of the two areas there is a growing divergence in economic performance, due to the specific conditions of the different countries. Decoupling between the USA and Eurozone originates and is perpetuated by the different degree of structural flexibility of the two economic areas; within the Eurozone, Germany (1.5% in 2014 from 0.2% in 2013) and France (0.4% in 2009 from 0.3% in 2013) continues to show higher growth capacity compared to the peripheral countries; among peripheral countries, analysts highlight the non-uniform economic acceleration in Spain and Italy. While in Spain in 2014 there was the exit from a prolonged recession phase (-1.6% in 2012, -1.2% in 2013, +1.4% in 2014), in Italy the inversion of the growth cycle is deferred to 2015 (-2.4% in 2012, -1.9% in 2013, -0.4% in 2014). Among the main emerging markets, growth remained high in Asian countries (6.5% in 2014 from 6.6 % in 2013), with a modest reduction in China (7.4% in 2014 from 7.8% to 2013) and an increase in India (5.8% in 2014 from 5.0% in 2013), in acceleration in Mexico (2.1% in 2014 from 1.4% in 2013), close to stagnation in Brazil (0.1% in 2014 from 2.5% in 2013) and Russia (0.6% in 2014 from 1.3% in 2013).

Both in the US and in Europe, unemployment continues to be a major concern as it weighs on consumer confidence and demand for goods and services. In the USA, the unemployment rate recorded a gradual and constant reduction of up to 5.8% in November from 6.7% at year end 2013, while the Conference Board Confidence and the Consumer Confidence shown by the University of Michigan both reported a sharp rise in consumer confidence in the year; in the Eurozone the unemployment rate instead recorded only a slight decrease to 11.5% from 11.8% at the end of 2013. In detail, the unemployment rate increased in Italy to 13.4% from 12.5%, in France to 10.4% from 9.2%, while it decreased in Germany to 6.6% from 6.8% and in Spain to 23.7% from 25.7%. In the United Kingdom, the unemployment rate decrease to 5.8% from 7.2% at the end of 2013.

In the current economic cycle inflation continues to be subdued. In November, the CPI (annualised) was 0.3% versus 0.8% at year end 2013 in the Eurozone, and +1.3% versus 1.5% at year end 2013 in the US. Excluding food and energy, the CPI was respectively 0.7% and +1.7% in line with the prior year figures. In the same month, the PPI (annualised) was -1.6% in the Eurozone and +1.4% in the US. In the UK the inflation rate fell to +1.0% from +2.0% in the prior year.

In November, at the ordinary conference in Vienna member countries of the OPEC (Organisation of the Petroleum Exporting Countries) decided not to cut oil production, maintaining it stable at 30 million barrels a day. The decision resulted in a further weakness in oil prices, down from mid-June: Brent thus went from USD 110.8 a barrel at the beginning of the year to 55.8 as at December 31. Such low levels in oil prices perpetuated in the long term may affect producing countries such as Venezuela, Iran and Russia, whose government budgets were particularly dependent on this variable, while the Gulf countries are less sensitive to a drop in prices thanks to very low production costs. With the drop in oil price, Saudi countries aim to put US production out of the market: unconventional oil extraction is in fact very costly and currently needs high prices to justify expenses and investments. On the other hand, the increase in internal production in the USA, with the consequent decline in imports, resulted in the increase in the amount of crude oil available in global markets. In the last 10 years, the increase in investments for extractions led to an increase in global production and production capacity however, which was accompanied by the declining demand from industrialised countries (also due to the financial crisis) and a weaker than expected demand in emerging markets.

In the USA, the Federal Reserve progressively concluded the third Quantitave Easing programme (QE3) starting from the meeting in December 2013 while it kept the refinancing rate unchanged between 0% to 0.25% for the full year. In 2015, the timing and amount of the initial increases of Fed Funds may represent among some of the key variables that may affect the financial and currency markets in general.

At its meeting of June 5, the European Central Bank formulated a series of joint manoeuvres in order to counter the risk of a protracted period of low inflation. By unanimous decision, the Bank reduced the benchmark rate by 10 basis points 0.15% and, for the first time, brought the deposit rate to a negative -0.10%. In order to support bank loans and ensure liquidity in the system, the ECB also communicated the realisation of a series of long-term transactions conditioned to loans to households and non-financial companies (TLTRO, targeted longer-term refinancing operations), with maturity 2018. At the meeting on September 4, the ECB made a further cut of 10 basis points of the reference rate to 0.05% and deposit rates to -0.20%. President Draghi stated that the cut was made to promote maximum adhesion of the banks to TLTRO of the following September 18. The Bank also announced its intention to implement, starting from October a plan for the purchase of covered bonds and securitised debt, to bring the ECB's statements to the maximum levels of 2012, equal to Euro 3,100 billion from the simultaneous Euro 2,038 billion.

From the findings of the comprehensive assessment made official by the European Central Bank on the leading 130 banks in the Eurozone on October 26, 25 banks had weaknesses following the asset quality review on the 2013 financial, of which 9 Italian. Following the measures already adopted in 2014, only 13 banks out of the initial 25 still require action on the Balance Sheet, for a total of Euro 9.5 billion. Of the 13 banks in question, 4 are Italian: Banca Popolare di Milano and Banca Popolare di Vicenza were however "promoted" by the Bank of Italy, in light of the recent measures announced; Monte dei Paschi di Siena and Cassa di Risparmio di Genova were recalled to acquire new resources respectively for Euro 2.1 billion and Euro 814 million. As of November 4, the ECB has taken over the direct supervision of the 130 leading banks.

During the meeting on October 31, the Bank of Japan announced new monetary stimulus unexpected by analysts, increasing the annual growth target of the monetary base. Specifically, the purchase of domestic Government bonds have been mainly increased, for an equivalent of approximately USD 270 billion. The Governor Kuroda reiterated that the BoJ is committed to achieving the 2% inflation target also through the adoption of any further measures. The decision by the BoJ is related to the simultaneous asset allocation variation of the government pension fund (GPIF, Government Pension Investment Fund), the largest in the world with the equivalent of about USD 1200 billion under management, which provided for an increase in equity investments and a sharp decline in the percentage of domestic bond portfolios, the sales of which are therefore offset by announced purchases of the Central Bank.

On December 5, the agency Standard & Poor's declassed Italy's rating from BBB- to BBB due to the high debt and weak growth, and reviewed the outlook from "negative" to "stable". According to the US agency, Italy will leave the recession in 2015. However, estimates on GDP recovery are still modest.

During the last few weeks of 2014, the election of the new President of the Republic in Greece had a negative result, with the failure of the appointment of the government candidate. This result in fact resulted in the general elections anticipated, set for January 25 and resulted in an increase in volatility in financial markets following the risk of victory by the extreme left party Syriza and the consequent possible request for renegotiation of the conditions on Greek debt. In fact, the party of Alexis Tsipras is currently at the top of electoral surveys, even if a modest resizing of this benefit may encourage the formation of a coalition government with more moderate positions.

In March, Russia, in order to not lose its influence in Ukraine invaded and annexed Crimea. After months of combating, the European Union announced sanctions against the Kremlin while the USA tightened those already in force. The battle between the pro-Russian rebellious separatists and the Kiev military forces intensified in August

when Russia intervened with the invasion of Ukraine, with a view to support the pro-Russian forces. US and EU sanctions are driving the Russian economy into a recession, simultaneously placing many European exporters in serious difficulty.
With reference to the emerging countries in the early months of the year the high account deficits in Brazil, Turkey, Chile, Peru and Indonesia, a lower than expected growth in Russia and China, the political instability in India, Thailand, Ukraine and Venezuela, the ongoing social tensions in South Africa and the economic fragility in Argentina were temporarily reflected in those countries in the negative performance of the stock exchanges, in the increase in government yields and the weakness of the currencies. In recent months, the international political crisis following the Russian invasion in Ukraine, the multiplying geopolitical crises, the new default in Argentina and progressive reduction of oil prices have again led to increased volatility in financial markets.

Financial markets

In 2014, global equity markets were up +2.9% (MSCI World in US dollars). In the US, both the SandP500 and Nasdaq Composite recorded good performance, up +11.4% and up +13.4%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up +4.4%). More specifically, the English stock exchange (-2.7% FTSE 100), French (-0.5% CAC 40) and Italian (+0.2% FTSE), underperformed the Swiss index (+9.5% SMI), Dutch (+5.6% AEX), Spanish (+3.7% IBEX 35) and German (+2.7% DAX); in Asia, the Japanese market (+7.1% Nikkei 225) outperformed the Australian stock exchange (+1.1% S&P/ASX 200) and Hong Kong (+1.3% HANG SENG). Emerging stock markets achieved on average a negative 4.6% (MSCI Emerging Markets index in dollars). Of particular relevance is the negative performance of the Russian stock exchange of -45.2% (Russian Trading System Index) arising from international penalties for the Ukraine invasion and significant correction of the oil price.
In 2014, the German government curve reversed the trend of the previous year with a significant reduction of yields on the main maturities (2 years -0.10% from 0.21%, 5 years 0.02% from 0.92%, 10 years 0.54% from 1.93%, 30 years 1.39% from 2.76%) offering negative yields up to 4 years. In the year, the gradual resolution of the Eurozone crisis in a recovering international economy has renewed investor risk appetite. The spread between Italian and German debt on the ten-year maturity went from an initial 220 basis points to 135 as at December 31, while on two-year maturity it went from an initial 104 basis points to 63 as at December 31. In 2014, the Italian government curve registered the following reductions in yields: from 0.91% to 0.29% at 1 year, from 1.26% to 0.53% at 2 years, from 2.73% to 0.95% at 5 years, from 4.13% to 1.89% at 10 years and from 4.88% to 3.23% at 30 years. The spread between Spanish and German debt on the ten-year maturity improved from an initial 222 to 107 as at December 31. During the last session in 2014, the US government showed a two-year yield of 0.66%, an increase compared to 0.38% at the beginning of the year, while the 10-year yield of 2.17% showed a decrease from 3.03% at the beginning of the year.
Starting July, the markets were affected by a substantial increase in high yield markets and a more modest increase in emerging markets. The average yield of emerging markets changed from 6.10% at the beginning of 2014 to 6.15% at year end (JPMorgan Emerging Markets Global Sovereign Index), with a minimum of 5.23% on July 24 and maximum of 6.76% on December 16; in high yield markets, yields rose from 5.64% at the beginning of the year to 6.61% as at December 31 (Barclays US Corporate High Yield Index) with a minimum of 4.83% on June 20 and a maximum of 7.30% on December 16.

In 2004, the listing of the USD towards the Euro went from Euro 1.3743 at the beginning of the year to 1.2098 as at December 31, recording a minimum of 1.3993 during the session on May 8 and maximum of 1.2097 during the last session of the year. Starting from the lows of May 8, the USD benefited from a gradual and progressive strengthening towards the common currency, incorporating the economic difference between the USA and the Eurozone, the diverging monetary policy phase between the Federal Reserve and European Central Bank, the international geopolitical tensions and the effects of the penalties imposed on Russian on the European economy. The single currency recorded a progressive weakness also towards the English pound, whose listing went from 0.83 at the beginning of the year to 0.78 as at December 31. Japanese monetary stimulus from the Bank of Japan in combination with an increased uncertainty on the achievement of fiscal consolidation objectives and effectiveness of economic policies aimed at improving growth and higher inflation contributed to the weakening the Yen towards the US Dollar (from 105.31 at the beginning of the year to 119.78 as at December 31) and substantial stability towards the Euro (from 144.73 at the beginning of the year to 144.85 as at December 31). International sanctions and the sharp correction in oil prices were the source of serious devaluation of the rouble both towards the dollar (from 32.87 at the beginning of the year to 60.74 as at December 31) and the Euro (from 45.30 at the beginning of the year to 73.5 as at December 31).

The reference market

Italian households' savings

Total financial assets of families in Italy amounted to Euro 4,035 billion in Q2 2014, with an annual increase of 7.2%. The main performance of its components compared to the same period of the previous year may be summarised as follows.

Stable and growing:

- the dynamics of notes, coins and bank deposits (both on demand and term), which marked a positive growth rate of +2.7%. The amount of this aggregate on total household financial assets amounted to 30.2% (a slight decrease compared to a year before);
- mutual fund units were up +19% yoy and amounted to 8.9% of financial assets of households (8% in the same period the previous year);
- life insurance, pension funds and severance funds were up +8.3%. The amount of this aggregate amounted to 17.9% (17.7% in the same period of the previous year);
- shares and investments, up by +19.1% yoy, were equal to 23.5% of all financial assets (21.2% in the second quarter of 2013).

Down:

- bonds showed a negative change (-3.8%) and was only shared by the banking item (-19.7%). In fact, government bonds rose by +23.5% over the previous year. The amount of this aggregate on total household financial assets amounted to 15.7% (17.5% the previous year).

Funding

In 2014, in Italy banking funding slightly declined. In detail, according to the first estimates of the SI-ABI at the end of 2014, Italian banks recorded inflows into euro-denominated current accounts, term deposits net of receivables sales, deposits repayable upon notice, and repurchase agreements (deposits net of operations with central counterparties) and bonds (net of those repurchased by banks) held by resident customers aggregating to Euro 1,701 billion, down -1.6% (-1.6% also in November; -1.8% at the end of 2013) and a year-on-year decrease in the stock of funding of about Euro 27.7 billion.
The analysis of the various components shows deposits of resident customers (net of operations with central counterparties and term deposits connected with sales of receivables) were up +3.6% at the end of 2014 (+3.5% in November 2014), an increase in absolute value on an annual basis of over Euro 43 billion. The amount of funds reached a level of 1,258.3 billion at the end of December.
The annual change of the bonds amounted to -13.8% (-13.5% in November 2014), showing a decrease in absolute value on an annual basis of Euro 70.8 billion. The amount of bonds amounted to Euro 442.7 billion.
Before the start of the crisis – in late 2007 – the amount of bank deposits were about Euro 1,513 billion (+188 billion from the end of 2007 to date); as follows: 1,000.5 billion of customer deposits (+258 billion from the end of 2007 to date) and 512.2 billion of bonds (-70 billion since 2007).

Lending

At the end of 2014 loans to households and companies recorded a slightly positive change yoy.
Based on preliminary estimates, at the end of 2014 total loans to Italian residents (private sector and public authorities, net of repurchase agreements with central counterparts) stood at Euro 1,820.6 billion, with a change of 1.8% yoy (-1.5% the previous month). At the end of 2007 – before the start of the crisis – said loans amounted to 1.673 billion; since then marking a growth of over Euro +147 billion in absolute value.
Loans to Italian residents to private sector[1] were also in consolidation (-2.3% at year end 2014, -2.2% the previous month). At the end of 2014, volumes of loans to residents amounted to Euro 1,554.4 billion (1,450 million at the end of 2007, about +104.2 billion since then until the end of 2014).
Loans to households and non-financial companies in December 2014 amounted to Euro 1,417.5 billion, resulting in slightly positive change (+0.1%) year on year after over 30 months of negative values, the best result since April 2012 (-0.4% in November 2014; -1.3% Euro zone average in November 2014). At the end of 2007, these loans amounted to 1,279 billion, with an increase in the period of nearly 140 billion in absolute value.
Maturity analysis shows that short-term lending (due within one year) was down +0.1% (-0.6% in November 2014), while medium/long-term lending (due after more than one year) was down +0.1% (-0.3% in November 2014).
The trend in loans to households was slightly lower[2] (-0.5% in November 2014, -0.6% the previous month; -1.5% in November 2013).

[1] Other Italian residents: non-financial companies, consumer households, family businesses, nonprofits, insurers, pension funds, other financial institutions net of repos with central counterparties.
[2] Consumers and producers.

Non-peforming

In November 2014, gross non-performing loans (gross of write-downs) aggregated to over Euro 181 billion, increasing by Euro 1.8 billion over October 2014 and about 31.5 billion versus the end of November 2013, up approximately +21.1% year on year.

The ratio of non-performing loans to total loans came to 9.5% in November 2014 (7.8% a year earlier and 2.8% at the end of 2007, prior to the start of the crisis), reaching 16% for smaller operators (13.6% in November 2013), 15.9% for companies (12.6% a year earlier) and 6.9% for households (6.3% in November 2013).

With regard to non-performing loans net of impairment in November 2014 they amounted to about Euro 84.8 billion, an increase compared to 83 billion in October and approximately 9.2 billion compared to the same month of the previous year, +12.2% annual increase, slowing compared to +20.5% a year earlier (non-harmonized statistics: figures not homogeneous with the harmonized statistics as a result of the different criteria in the reporting of impairments).

Interest and yields

In terms of bank interest rates, in 2014 there was a slight decrease in the rate on deposits in Euro applied to households and non-financial companies: this rate, in fact, went from 0.97% at year end 2013 to 0.71% at year end 2014.

The average rate on deposits from customers (which includes the return of deposits, bonds and repurchase agreements in Euro applied to households and non-financial companies) was 1.49% in December 2014 (1.88% in December 2013). In the year under review interest rates on repurchase agreements remained practically stable, from 1.53% in December 2013 to 1.55% in December 2014, while yields on bank bonds decreased (from 3.44% in December 2013 to 3.16% in December 2014).

In 2014, the weighted average rate applied to total loans extended to households and non-financial companies calculated by the Italian Bankers' Association decreased from 3.82% at the end of 2013 to 3.61% at the end of 2014. In the year under review, interest on active bank accounts and Euro-denominated revolving loans to households and non-financial companies decreased (from 5.45% in December 2013 to 4.95% in December 2014).

Taxes on new loans decreased: in December 2014 the rate applied to Euro-denominated loans extended to non-financial companies was 2.48%, lower vs. August 2010 (3.45% in December 2013, 3.63% in December 2012), interest on Euro-denominated home loans to households (average for both fixed and floating-rate loans, considering all the various types of loans) decreased to 2.76% (3.50% in December 2013), recording the lowest value since October 2010.

Last month, the portion of the flow of fixed-rate loans amounted to 27.4% (a slight gradual decline from 28.1% in November and 28.3% in October 2014).

The yearly average spread between lending and funding interest rates applied to households and non-financial companies increased to 212 bps in 2014, +30 bps vs. the 2013 average; before the beginning of the financial crisis the average spread between lending and funding interest rates exceeded 300 percentage points.

Customers

At the end of December 2014 the total number of customers holding at least one product of the Mediolanum Group amounted to 1,081,797, of which 907,105 primary holders, an increase of 3.3% compared to 878,127 at the end of 2013.
In addition to this growth in the number of total customers, there was an increase of primary account holders in the business of current accounts (619,052 compared to 570,451), credit cards (208,870 compared to 187,706), lending products (110,858 compared to 97,102) and mutual funds (324,763 compared to 304,836).
Indicators of average equity per customer also improved (increased from Euro 53,503 at the end of 2013 to Euro 57,918 at the end of 2014) and of retention that, with reference to the primary account holders, went from 91.81% in 2013 to 93.77% in 2014.
These extremely positive marketing indicators confirm the ability of the Mediolanum Group to meet the needs and requirements of increasingly more numerous customers.

Assets under management and under administration

For financial year 2014, total net inflows amounted to Euro +4,081.9 million versus Euro +3,339.4 million in the prior year.
Net inflows into asset management products and sales of third-party structured bonds recorded a positive balance of Euro +3,855.3 million versus a balance in 2013 of Euro 3,001.9 million.

As to administered assets, in the year Mediolanum Plus policies associated with Freedom bank accounts had net outflows of Euro -748 million versus Euro -1,710.7 million as at December 31, 2013. Other AuA products recorded net inflows of Euro +974 million versus Euro +2,048.2 million the prior year.

The excellent results achieved in terms of net inflows also allowed Banca Mediolanum to remain the Italian market leader in terms of net inflows, for the sixth year placing 1st in the rankings by Assoreti for 2014.

As at December 31, 2014, Banca Mediolanum's total assets under management and under administration aggregated to Euro 53,033 million, up about 12% from Euro 47,360 million at the end of the prior year.

Funding

In 2014, funding from customers (bank accounts, deposit accounts, repurchase agreements and bonds) continued to grow.

Freedom Più bank account

With reference to the Freedom Più bank account, as at December 31, 2014 there were about 112,000 of these accounts, accounting for about 18% of all bank accounts. At year end, Freedom Più account balances aggregated to Euro 3.4 billion.

Freedom One bank account

With reference to the Freedom One bank account, as at December 31, 2014 there were about 200,000 of these accounts, accounting for about 32% of all bank accounts. Of the latter, 10% activated the Term Deposit service. At year end, Freedom One account balances aggregated to Euro 1.2 billion, of which Euro 539 million locked up in the Term Deposit accounts.

InMediolanum deposit account

As at December 31, 2014 there were about 113,200 InMediolanum accounts. Of these, some 56,500 accounts (50%) were opened by new customers.
At year end, balances on InMediolanum deposit accounts aggregated to about Euro 2 billion, of which 1.6 billion locked up.

Lending

At year-end 2014, loans to customers, private individuals and financial institutions other than banks amounted to Euro 6,518.7 million (December 31, 2013: Euro 5,428 million), an increase of 20.1%. The dynamics of growth in lending according to the technical forms and type of customers, however, was differentiated and modulated differently: in the face of strong growth in retail lending, net of impaired items – driven by personal loans (+26%), by residential mortgages (+20%), in support of the "real" economy and families even at this juncture of the ongoing crisis – and growth from active repurchase agreements (+789%, now amounted to 181.4 million), on the contrary, there was a slight decline in the stock from the opening of credit in current account (-2.6%) and the balance of the positions in debt securities, Loans and Receivable (-0.6%).
Specifically, excluding impaired positions, residential loans were Euro 4,250.1 million as at December 31, 2014 (December 31, 2013: Euro 3,551.5 million), with an increase of +20% year on year. Not offered to customers for several years now, pure fixed-rate home loans accounted for less than 10% of the total home lending book. Like in prior years, we confirm again for 2014 that Banca Mediolanum has no subprime mortgage loans on its books and under its particularly prudent and disciplined approach to lending it did not enter into any transactions carrying a high level of credit risk. In addition, it can count on key risk mitigation factors in its lending operations, namely: average LTV (Loan to Value) around 56%, predominance of borrowers who are long-standing customers of the Bank, average size of loans around Euro 117.3 thousand, average residual maturity just above 20 years and customer base/properties largely present in historically low-risk areas and in cities that have been less affected by the decline in housing prices in the past three years.

The balance of current account overdraft facilities with ordinary customers (mainly individuals and in small part companies) amounted to Euro 395.7 million, recording a very limited decrease of -2.6% compared to the same period the previous year (Euro 406.9 million) result in part of the transformation strategy of overdrafts in loans to optimize credit management and monitoring. Overdrafts on current accounts involve, excluding marginal lending so-called "double monthly payments" (12% of the total, which still involve strict selection criteria, the ongoing channelling of customer fees on the account at the Bank and average amounts limited by their nature), the mandate to sell issued by the customer in relation to products held by the latter at the Mediolanum Group, so as to mitigate, together with the careful selection procedures, preventive monitoring and timely management of positions in collection, the possible risk of insolvency by the debtor.

Personal loans, net of impaired positions, amounted to Euro 815.6 million December 31, 2014, up +26% compared to the prior year (Euro 645.8 million).

These forms of loan were provided to individuals for very low amounts and average duration, after thorough analysis of creditworthiness with the assessment of the economic and property capacity of the customer to meet the monthly commitments in relation to the overall situation of indebtedness also including, as for overdrafts, mitigation of credit risk thanks to the "mandate to sell" issued by the customer regarding the products held by the latter at the Mediolanum Group.

Other lending (excluding dealings on the MTS market) aggregating to about Euro 142 million consisted of short/medium-term loans extended to prime Italian banking/institutional counterparties and other exposures to high credit-standing companies related to high net worth customers of the Bank.

As to the quality of the loan portfolio, at year end 2013, net impaired loans (after write-downs) amounted to Euro 49.1 million up about Euro 7.2 million over the prior year's balance of Euro 41.9 million. The figure for 2014 includes the impact of some customers of the corporate segment classified during the year as impaired credit following the economic difficulties of the counterparty or business activity. The final levels of coverage on impaired loans (63% non-performing, 30% watch list, 12% past due loans and 53% restructured loans), well above the industry average – see for comparison, although still as at June 30, 2014, table 3.4 of the Bank of Italy publication "Report on Financial Stability" n.02 2014 – confirm the prudent and extremely realistic approach in line with developments also in the current and prospective macroeconomic environment.

Reflecting both effectiveness of credit management actions and lending growth, the ratio of net impaired loans to total customer loans was down to 0.75% compared to 0.77% in 2013. Therefore, the risk of the loan portfolio stood at levels significantly lower levels than the figure recorded System level. The very high credit quality of the Bank's loan portfolio is the result, on the one hand, of portfolios being closely monitored and past due/overdrawn customers being invited to promptly honour their obligations (in fact in 2014 the strengthening of the Structure of the Watch List continued), and, on the other hand, of ongoing development and refining of credit policies and tools used to ensure proper assessment of credit standing prior to loan origination including information garnered by sales network members, together with a careful management and selection of mitigation tools used. All this combined with the low level of impaired items reflects in the Bank's very low cost of credit risk for 2014 (excluding impairment of AFS Securities, network items and deposit protection fund) which is extremely low and equal to 25 bps. Further analysis of credit quality in relation to doubtful loans shows that the ratio of non-performing and watch list loans (before or after write-downs) to total loans extended by the Bank is at excellent levels compared to Italy's banking system. Specifically, the comparison of the gross non-performing loans to total loans ratios on a consistent basis – i.e. eliminating the effect of differences in internal asset valuation methods used by the individual financial institutions, Banca Mediolanum was below 0.55% versus the figure for the industry which was significantly higher.

Securities brokerage

In the first half of the year, the volume traded on the stock market was significantly higher than in the second half of the year (about euro 1,500 million against Euro 840 million).
The counter-value of the assets held by retail customers at the end of 2014 decreased from Euro 3,624 million at the end of 2013 to Euro 3,080 million. The reduction affected all types of assets with a decrease in equity securities (-9%), and a sharper decrease in bonds (-17%), mainly due to sales flows on government bonds and bank bonds and a reduction of the stock of instruments placed exclusively by the Bank.

The analysis of bond holdings shows treasuries were down (-9%) from Euro 721 million at year-end 2013 to Euro 654 million at year-end 2014. Eurobonds remained unchanged from Euro 247 million at year-end 2013 to Euro 244 million at year-end 2014, while bonds issued by Italian banks decreased from Euro 211 million in 2013 to Euro 129 million at year-end.
Holdings of Mediolanum Group bonds and MedPlus Certificates decreased from Euro 1,638 million in December 2013 to Euro 1,316 million at year-end 2014.
Placement of Mediolanum Group bonds and MedPlus Certificates in 2014 aggregated to Euro 392 million versus Euro 416 million in 2013, of which Euro 327 million relating to Certificates and Euro 64.9 million to Banca Mediolanum S.p.A. notes. Fees earned on placement of third-party issues amounted to Euro 26 million versus Euro 23.7 million in the prior year.
Holdings of Italian and international equities decreased from Euro 805 million in December 2013 to Euro 735 million (-9%).
In 2014, the total number of orders executed was 298,307, which was up by +12% from the prior year.
The volumes transacted on Government Securities amounted to Euro 684 million for retail customers only. Government securities were subscribed in placement for Euro 18.5 million, of which 14.6 million of the 2 issues of BTP ITALY.
Banca Mediolanum participated as a distributor in the IPO of Anima Holding, Cerved, Fincantieri, Fineco and RaiWay shares.
Orders executed on the Italian equity market aggregated to Euro 2,346 million, up about +9% compared to 2013.
Total orders executed on foreign stock markets amounted to Euro 169 million (2013: Euro 154 million).
As at December 31, 2014, discretionary accounts (no longer sold since the end of 2007) amounted to Euro 28.8 million versus Euro 34 million at the end of 2013.

Multi-channel approach, the Banking Services Centre and the Internet

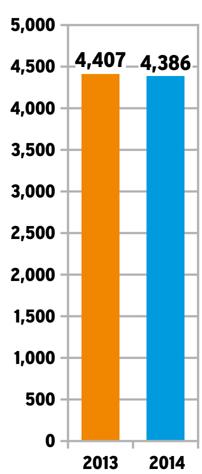
In 2014, the use of Direct Channels by customers hit about 40.7 million accesses (+22.0% vs. 2013); 82% of these accesses were made by bank account holders, with a significant increase in transaction orders (8.6 million transactions, +14.8% compared to 2013).
This confirms again the customer appreciation of the bank's multi-channel approach. As customers increasingly prefer to operate on their own, about 94.5% of accesses were made through the Bank's automatic systems: the Internet, the new Mediolanum mobile apps for Apple, Android and Window Phone 7 and the voice portal (B.Med Voice).

Internet accesses were 59% of total accesses, up +8.5% over 2013.
Accesses through mobile apps account for approximately 27% of total accesses. In particular, in 2014 accesses made by bank customers through mobile apps aggregated to 10,906,000 (up +91% compared to 5,714,000 in 2013); 53% of these contacts were made through Android applications, 43% through iOS applications and the remaining 4% through Windows Phone applications.
Orders made through mobile devices in 2014 were 1,012,000: +86% against 543,000 in 2013.
The increasing usage of "self-banking" services by customers, however, did not bring about a decline in phone calls handled by the Banking Services Centre, that were up +15.5% over 2013, confirming the Banking Services Centre as the main channel for more complex enquiries. The level of service was about 82% of phone calls answered in 20 seconds (customers were kept on hold for 21.9 seconds on average).
Text messaging continues to be much used with over 63.3 million text messages sent to customers, up +16.9% on the prior year. Customers especially appreciate the use of text messaging services as a means to enhance security, e.g. alerts for ATM withdrawals and payments, website log-ins, bank transfers.

The sales network

As at December 31, 2014, the network of financial advisors, i.e., Family Bankers®, consisted of 4,386 people versus 4,407 at year end 2013.
In general, under the recruitment policy adopted by Banca Mediolanum, people with the potential to become a Family Banker are internally trained at Mediolanum Corporate University. Only those candidates who pass the state exam and become licensed financial advisors can practice as Mediolanum Family Bankers.

Agents



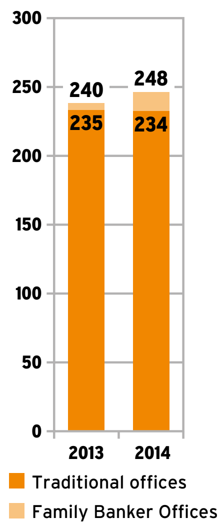
Sales network offices and bank branches

As at December 31, 2014 the total number of Family Bankers® offices was 482, broken down as follows:

Unit	2014	2013
Family Banker Offices	248	235
Traditional offices	234	240
Total	482	475

The distribution of Family Banker offices is homogeneous in all the Italian regions, proportionally reflecting the presence of Family Bankers® in Italy. The regions with the most Family Banker offices are: Lombardy (40), Veneto (37), Emilia Romagna (27), Tuscany (22), Lazio (21), Sicily (21), and Piedmont (17).

Family Banker Offices and Traditional offices



The bank branches available to Private Bankers are located in: Milan, Rome and Bologna. These branches are located on high floors of prestigious buildings in the heart of the city centre, and are particularly dedicated to private customers.
Overall, also taking into account the small branch at the registered office in Basiglio (MI), as at December 31, 2014, Banca Mediolanum had 4 bank branches.
ATM (automated branches) totalled 4 (3 at the registered office in Basiglio and 1 at the Family Banker Office in Assago).

Sales network training

The sales network receives training from Mediolanum Corporate University which provides education and training for the entire Group.
Mediolanum Corporate University is indeed an educational division created to hold and reaffirm the values that have made the company great. A reality to train professionals of excellence in Customer Relations, equity planning and successors of households, financial advisory and asset management.
Mediolanum Corporate University relies on a class of speakers, selected from the most qualified professional and managerial figures of the business structure, which is supported by leading academics and business consultants chosen in the best national and international panorama. Mediolanum Corporate University aims to represent an important point of reference for:
- Family Bankers® and all employees of Banca Mediolanum in their continuous professional and personal growth;
- Banca Mediolanum Customers or simply savers and investors, to enhance their economic and financial education;
- the university and academic world, as the ideal partner with which to discuss the issues of negotiation between the parties, the sale and management of the Customer Relations;
- the partners with which it collaborates and all those who are close to the Mediolanum Community.

A leading player in the inspiration of the values and corporate culture, Mediolanum Corporate University is the only Italian reality to have received the second prize in the category "best corporate university embodying the identity, the culture and the brand of the organisation in its stakeholders" at the Global Council of Corporate Universities, a prestigious international award for the best Corporate Universities.
The training offer, which accompanies over time the different professional and managerial figures of the sales network, has been enriched by an important initiative: the Master in Family Banking, designed in collaboration with the Faculty of Banking, Financial and Insurance Science of Università Cattolica del Sacro Cuore. The two-year Master is aimed at a highly selected group of Private Bankers and Family Bankers®.
In its role of "financial educator", Mediolanum Corporate University decided to hold for Banca Mediolanum customers and retail investors in general, education events focused on topics such as financial planning, the protection of household assets and investments, the achievement and consolidation of financial stability: because the real crises lie in the "unawareness" of the rules of the financial universe.

LEARNING: AN INTEGRATED APPROACH

Training courses are developed based on an approach that integrates different teaching methods and tools in order to make learning as effective and practical as possible.
An advanced Learning Management System supports and facilitates self-directed study. Self-study provides fundamental preparation prior to entering the classroom where all the ideas and knowledge acquired during the self-study phase turn into a shared experience. On-the-job training follows theoretical training so that what was learned in the structured training sessions is then put to practice in the field.

Education and training: dialogue and sharing

MedBrain allows the Network of Banca Mediolanum to have the updated situation of their study program with respect to specific courses and passed tests in addition to data analysis and reports.

Below are the main activities and data that characterized 2014.

In 2014 Mediolanum Corporate University launched the first edition of the Master in Family Banking, designed in collaboration with the Faculty of Banking, Financial and Insurance Sciences of the Università Cattolica del Sacro Cuore. The Master, aimed at a highly selected group of Private Bankers and Family Bankers®, lasts two years and includes a total of 40 classroom days. The quality of teaching is guaranteed by a faculty composed of professors of Università Cattolica, which is flanked by interventions from managers of Banca Mediolanum and testimonials from prominent industry professionals. The Master aims to increase and maintain high standards of specialisation in finance matters, strengthen the skills useful to lending, project management and planning, extend skills in matters of succession planning of family and corporate assets and enhance social skills, fundamental to build strong and trusting relationships with customers and advisory services of the highest level.
In 2014, alongside the institutional training program, the series of Mediolanum Business Meeting continued on a fortnightly basis and involved the entire sales network. The sessions are intended to train the network on issues related to new market scenarios, corporate strategies, as well as provide technical and commercial in-depth information on the Bank's offer.
The provision of the same cycle of session also continued for the professional segment of Global Bankers, which is characterized by a different level of study of certain areas and the frequency, which in this case is monthly.
For the training of Speakers, selected to carry out the provision of this format, the process oriented to enhancing technical and communication skills continued, which in 2014 alternated classroom training sessions with remote training sessions (Webinars and company TV).
Mediolanum Business Meeting, in both types, involved the participation of 4,068 Family Bankers® with the provision of 163,187 hours of classroom training in the territory.
On the subject of Voluntary Disclosure, in 2014, seven conferences were organized, dedicated to Private and Global Bankers, aimed at strengthening their expertise on the subject. The Conferences, held both at the headquarters in Basiglio and on the territory, were attended by about 800 professionals.
As for the training of internal Faculty Speakers of MCU, an important activity of selection and training of new Speakers continued in relation to the new professional courses on the issues of asset administration, asset man-

agement, loans. Speakers were provided specialized technical training and training to develop and strengthen relationship, communication and classroom management skills.

Training continued intensively of Protection's Trainer, about 70 professionals within the sales network that have a specialized preparation on protection products and are appointed to promote and increase the skills of the network in the specific sector.

Since 2011 Banca Mediolanum has been supporting the Commercial Network offering its Family Bankers® the opportunity to participate in training courses aimed at obtaining the EFPA certification both for the EFA (European Financial Advisor) level and for the advanced EFP (European Financial Planner) level.

In 2014, six editions were provided, including one for the advanced level EFP.

To date, Family Bankers® of Banca Mediolanum EFA certified amounted to 139, while EFP certified amounted to 20, for a total of 159 Family Bankers® EFPA certified. Professional Technical (+26.67), behavioural (+6.64).

In 2014, during the digitisation process, classrooms were created called "Conferences Innovation in Action", to train the commercial structure on new instruments that were released during the year in order to simplify and streamline the operations of the Sales network.

The initiative involved all Family Bankers® with 180 classrooms in the territory.

During 2014 total training hours amounted to 430,312, in line with the total in 2013. This figure shows an increase in classroom hours (+12.10%) at the expense of training activities online mainly due to the increase in training activities located throughout the territory.

Increase in training hours in Professional Technical update (+26.67), behavioural (+6.64) and IT support and digitisation (+4.69) should be noted.

There was a significant reduction in hours of management training (-67.97%) due to a suspension of the main institutional courses in support of these figures professional for a comprehensive redesign and re-updating of training programs in this segment for which the provision of new courses is expected over the next year.

The following data refer to 2014.

Units	2014	2013
Total training hours		
Classroom training	314,762	280,766
Online training	115,550	149,199
Total training hours	430,312	429,965
Hours of training by category		
Professional technical update	189,944	149,941
Behavioural	31,246	29,298
Managerial	4,700	14,675
Regulations – fulfilment of regulatory obligations	133,107	152,190
Insurance products	17,169	29,577
Banking products	23,963	19,548
Financial products	12,238	17,593
IT support and digitisation	17,945	17,143
Total hours of training by category	430,312	429,965

Training of employees

In 2014, the Mediolanum Group, through Mediolanum Corporate University, the structure dedicated to the management of the educational activities of the Group, organized and managed, for employees, training courses for a total number of classroom hours equal to 119,580 compared to 89,449 in the previous year.

Units	2014	2013	2012	Change %
Courses				
Courses in internal classroom*	159	106	79	50 %
Courses in external classroom**	95	116	72	(18%)
Online courses	41	48	68	(15%)
Total	295	270	219	9 %
Training hours				
Courses in internal classroom*	102,999	59,536	41,430	73%
Courses in external classroom**	4,403	3,545	1,785	24%
Online courses	12,178	26,368	13,450	(54%)
Total training hours	119,580	89,449	56,665	34%

* Internal classroom refers to the training provided at the MCU classrooms by internal trainers and external teachers.
** External classroom refers to the training provided at classrooms of external training companies by external teachers.

In 2014 the training of human resources saw a further significant development of activities.

Total training credit hours are up by 34% over the previous year. Training hours increased both in the internal classroom (+73%) and external classroom (+24%). The number of courses offered and that can be offered by the structure increased significantly (+50%), reflecting intense planning, coordination and provision and the capacity of offer and extended and flexible training response.
On the contrary, total training hours online, down on 2013, for the depletion of the educational regulation requirements (anti-money laundering, privacy, transparency, health and safety, MIFID).

Data on individual investments show a consistent increase in classroom attendance (+33%), while the reduction in participation online is related to the aforementioned exceptionalness of mandatory regulatory activities realized in 2013.
In terms of individual initiatives we can highlight:
- the conclusion of the second edition of the Executive Master in Business and Banking Administration in collaboration with SDA Bocconi which saw the "graduation" of 19 staff members including managers and executives of the Group;
- at the same time the first edition was launched of the Certificate in Banking and Finance addressed to executives and employees, of shorter duration but with faculty and methodology similar to the Master level.

These initiatives were designed with the aim of transferring the basic knowledge of business and business management in order to build a common and widespread approach on economic issues.
In both these projects, some participations were "put out to tender" and entrusted to an internal selection open to all employees with minimum requirements.

In February, the first edition of an original program of training and development was also launched with the goal of identifying and developing the skills and the professional and managerial talent, promoting the value of collaboration, teamwork and cross-functional integration. This initiative, realized in collaboration with the MIP-Politecnico di Milano, refers to the Olympics in both the denomination and the enhancement of the values of fair competition, sacrifice and search for excellence.
Brain Marathon will continue in 2015 involving 39 resources among employees and executives of the Group in analyzing real business issues and, through the application of methods and tools of project management, to achieve concrete solutions.

The intense training activity aimed to management concerning the identification and the concrete application of the methodologies, tools and corporate guidelines of Project Management continued also in 2014 through workshops dedicated to the presentation of the guidelines and subsequent experiments for applying them in company projects.

It shall be pointed out that the activities of specialized training on these issues will lead numerous colleagues of the organisation and IT areas to achieve the international certification Project Management Professional Certification.

The training program has been initiated called Mediolanum Team Management aimed at all those responsible for team coordination. The course is focused on the development of resource management skills and definition and sharing of Mediolanum guidelines for the effective management of functional and cross-functional teams.

Also in the coordination and management of resources, a program launched in 2013 was completed. It aimed at informing and educating managers on the main features and changes introduced in the process of managing and assessing staff performance.

The inclusion of a large number of apprentices required a special effort in training new employees, particularly articulated to ensure rapid achievement of a level of professionalism in line with the standard of service offered by our assistance facilities to the sales network and to customers.

Together with the completion of the mapping model and assessment of skills and expertise, focus was on the planning and provision of high-level specialist training courses for several categories and professional groups. These programs have a multi-year term and aim to bridge the current gaps of knowledge and skills and update and develop this wealth of company know-how.

The effort to update and train on financial and banking issues for the operational and specialist areas continued. In particular, the training program "Banking Technique" has been further enhanced and extended and a basic training program has been designed and implemented for the Loans area.

It shall be pointed out that for all the initiatives, internal teachers selected from among managers and specialists of various structures were used more amply and advantageously.

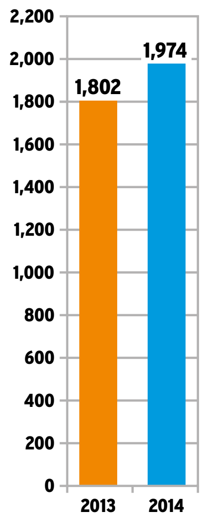
Employees

In 2014, the trend in the workforce of Banca Mediolanum is summarized in the following table:

	Dec. 31, 2014	% of tot.	Dec. 31, 2013	Changes	Average age
Senior management	71	3.6%	70	1	50.7
Middle management	269	13.6%	225	44	43.7
Employees	1,634	82.8%	1,507	127	35.9
Total	1,974	100.0%	1,802	172	37.5

The main increase in the workforce was recorded in the Banking Operations structure, dedicated to customer service and the sales network, given the steady increase of banking operations recorded.
Specifically, this area included 87 new apprentices dedicated to front-office in direct support of customers and Family Bankers, operating both on traditional and digital telephone channels.
Professional apprenticeship contracts were activated to facilitate the entry of young people in the institute mainly recent graduates, unemployed, which were initially subjected to highly qualifying training within the Corporate University of Mediolanum, in order to acquire the necessary financial and regulation skills.
In the context of credit services, which have seen a consolidation of business activities and a strengthening of monitoring activities, 10 new expert professionals have been inserted.
In operational and middle-office areas, during the year, in addition to employees, temporary employment contracts were also used, functional to manage temporary peaks of activity.
The Organisation and Information Technology divisions have been greatly reinforced, with the inclusion of 39 highly specialized figures and managerial level, in support of innovative and infrastructure investments, made with respect to new technologies and architectural projects and as service to customers.
The functions of Marketing and Product Development and Management, oriented both to the growth of the business and the proposal of innovative solutions within the multi-channel model of the bank, have been enhanced with the inclusion of 15 highly experienced professionals in the field of communication, customer experience and development of products and services adapted to an "affluent" customer base.
The Staff structures have been reinforced with 7 specialists, that have allowed focusing efforts on strategic activities of cost management and staff recruitment.

Number of employees



There was a further significant strengthening, with the inclusion of 14 specialists in the monitoring and risk control, regulatory and legal-fiscal operations functions, as well as auditing systems.
The total increase of middle managers thus derives from passages of internal development and acquisition of highly qualified people, as detailed in the paragraphs above.
The growth of an executive figure was in the program of enhancement of Information Technology.
Average age of employees was 37.5 years. Women accounted for 53% of total headcount. Graduated accounted for 45% of total headcount.
Programs for the management and development of staff in 2014 saw a strong focus on development methodologies of functional and managerial skills, as well as the structuring of assessment events related to professional development. The methods of performance appraisal were also refined, adopted in line with the values of accountability and performance measurement, in order to guide organisational behaviour towards the achievement of corporate

objectives. The correct remuneration positioning of the structure is guaranteed by the continued consideration of market best practices, both in terms of competitiveness towards competitors and internal equity.
Cross-functional project groups were activated, in order to pursue the continuous improvement of operational processes.
Organisational and operating models were also experimented aimed at innovation. Organisational performance is monitored by the HR and Organisation functions, through benchmarks set to business goals and aimed at measuring the organisational efficiency and quality in service.
The plans for job rotation, mainly supported by the internal job posting, through which people may voluntarily apply for positions to be filled in the company and therefore visible to all, have impacted more than 5% of the workforce. Professional training and support hours increased to help human resources develop cross-discipline skills, especially those required in operational units, for their all-round professional growth and increased organisational flexibility, in addition to training hours related to regulatory adjustments.
In order to oversee the strategic area of staff recruitment, a specific sector of Recruitment and Selection was structured, also with the aim of developing effective policies of employer branding; for this purpose agreements were renewed with the major national universities, with specific attention to the best universities in the Milan area.
In 2014, students attending university or master's courses in Finance, Marketing, Human Resources and Risk Management took internships and participated in training programs proposed by the bank.

Regarding issues related to quality of service and improvement of business processes, in the year a path of "idea management" was activated where more than 80 people, voluntary participation, experienced paths of methodological initiation to innovation techniques, proposing projects for operational improvement or organisational initiatives, using digital and collaboration tools, which subsequently resulted in 8 "challenges" of realisation, viewed and commented on by more than 600 colleagues.
The programs put in place to ensure well-being in the workplace and work-life balance were extended. Employees and sales network members have largely used the numerous services offered to them (for example: laundry, tailoring services, shoe repairs, driving licence renewal, sale of tickets for events, disease prevention campaigns, courses and special deals, etc.) and showed an almost total participation of the workforce.
For some of these services, the collaboration of social cooperatives was also used.
The company nursery was attended by 126 children of employees, housed in buildings of excellence at the headquarters and particularly careful in defining the particular educational and assistance plans.

Organisation and operations

From an organisational standpoint, 2014 was characterized by a growing commitment in studies and projects related to legislative and regulatory changes in the banking and insurance sectors, and support to business projects for the creation of new services for the sales network and customers in addition to the institutional activity in defence and efficiency of processes and structures.
Efforts continued in coordinating a program (called SMART) for definition of initiatives for the transformation and innovation of the company operating model by leveraging strengthening of support to the sales network, also in terms of territorial presence on the digitisation process operating through the adoption of digital signatures, on strengthening the "caring" of clients using CRM tools. The program saw the beginning of implementation projects in the second half of the year, currently ongoing.

The total project activity carried out by the organisation has seen an increase of 29% of projects completed over the previous year and 18% of project portfolios under management in the year. Out of all projects completed, 95% were according to the deadline.
Projects carried out in the year related to:

- regulations (39%);
- analysis and modification of organisational structures (6%);
- transformation and evolution of the operating model (20%);
- support to products and commercial campaigns (18%);
- internal projects and support to IT initiatives (2%);
- SMART Program (15%).

The most significant projects of 2014, in addition to the previously mentioned SMART program, include:

- the setting up and implementation of the model "Idea Management" for the development of culture and awareness of the continuous improvement of processes and services;
- the reorganisation of the control functions in compliance with the new Supervisory Provisions;
- the project for the introduction of Strong Authentication based on the use of the one time password (OTP) in Internet banking and mobile banking and other formalities required by the 15th update of Circular 263 of the Bank of Italy;
- organisational support and project management for projects:
  - development of the new Freedom platform for the placement and subscription of the offer of current accounts in digital mode;
  - new insurance product "My Life";
  - Third-Party Funds offer;
  - Introduction of the new EMIR regulation for the management of derivatives transactions (in progress).

Internal Audit

During the year the Internal Audit staff continued their audit work focusing on the assessment of the effectiveness and efficiency of the internal control system as implemented by the various organisational units of the Bank. Under a service agreement, the Internal Audit staff of the parent company Banca Mediolanum also performed audit work for the subsidiaries Mediolanum Fiduciaria S.p.A. and Mediolanum Gestione Fondi SGR p.A. that do not have an internal audit function. In addition, as part of the parent company's duties of guidance and supervision, for those subsidiaries that do have an internal audit function (Banco Mediolanum, Bankhaus August Lenz, Mediolanum International Funds, Mediolanum Asset Management and Gamax Management AG), the Internal Audit team of Banca Mediolanum regularly exchanged information with the internal audit teams of said subsidiaries, carried out tests, and participated in the meetings of their Audit Committee, where established. Management is committed to promptly remedying any anomalies which audits may reveal and closely monitors (follow-up and audit tracking) the implementation of any corrective action taken.
As at December 31, 2014, the Internal Audit team consisted of 17 people (15 as at December 31, 2013).

Risk Management

In 2014, in order to ensure adjustment to the provisions contained in the 15th Update of Bank of Italy Circular no. 263, the activities of the previous Compliance and Risk Control Function of Banca Mediolanum were divided between two different control functions reporting directly to the Board of Directors, that is the Compliance and Risk Management Functions.

The Risk Management Function is responsible for monitoring the exposure of the Bank to financial and credit risks and assessing the capital impact on operational and reputational risks, keeping under constant control the capital adequacy in relation to the activity performed exercising a role of guidance and coordination on issues related to the management and control of risks, in respect of subsidiaries in which there are specific Risk Management Functions.

The Risk Management Function therefore defines and maintains the framework of the control and management of all the risks of the bank; it is responsible for the supervision of the first pillar risks (credit, market and operational) of Banca Mediolanum and conducts qualitative and quantitative assessment of second pillar risks of Basel II, in compliance with the guidelines of the Board of Directors and the current law provisions.

It also defines the methods for assessing and monitoring reputational risks in coordination by the Compliance Function. Prepares internal regulations, or policies and regulations relating to all relevant risks and identifies and develops quantitative methods aimed at managing the relevant first and second pillar risks of the Bank.

Continuous verification of the adequacy of the Risk Appetite Framework of the Bank and the Group and coordinates the Internal Capital Adequacy Assessment Process (ICAAP) for those activities specifically attributed to them and falling within the scope of the ICAAP Regulation. Reports to the Board of Directors about the overall risk situation in its various aspects.

In 2014, the Risk Management Function proceeded with the proposal and definition of quantitative and qualitative parameters necessary for the definition of the Risk Appetite Framework, the document adopted by the Bank and the Group, in addition to continuing with the activities covered by the ICAAP Regulation (Internal Capital Adequacy Assessment Process). The report prepared in 2014 confirms the substantial capital stability of the Mediolanum Banking Group, even in the face of an outbreak of stress scenarios.

The experience gained from participation in impact exercises of Basel 3 to the new requirements of capitalisation and liquidity management allowed the Risk Management Function to have the necessary tools and related skills for the operational monitoring of variables and relative limits concerning supervisory reporting of liquidity requirements required by the Supervisory Authorities as early as the first quarter of 2014.

Following the reorganisation of the Risk Management Function, in accordance with the Supervisory provisions above, the second level controls on credit risk were also strengthened and streamlined with the consequent preparation of detailed reports periodically brought to the attention of the Top Management.

Compliance

The Compliance Function oversees the management of non-compliance risks, according to a risk-based approach, with regard to all corporate activities, using, for oversight of certain regulatory areas for which there are forms of specialized oversight, specifically identified specialist units which are attributed certain stages of the compliance process.

In addition to overseeing the regulatory framework, the Function is responsible for specialist consulting, regulatory alert and gap analysis, verification of adequacy of company structures and processes with respect to the existing regulatory framework and identification of actions to mitigate non-compliance risks.
The Function oversees the risks of non-compliance with regulations also on behalf of the Italian Group companies with which the Bank entered into specific service agreements, and outsources, for the Risk Management functions of the Bank and other Italian companies of the Group, assessments on operational and reputational risks, as part of the integrated assessment activities and periodically sends the results to the functions, based on the schedule agreed with them.
Reports to the Board of Directors about the overall risk situation in its various aspects.
In 2014 the Compliance Function conducted compliance, operational and reputational risk assessments to identify any need for mitigation actions to strengthen the controls in place.
Also during 2014, in adaptation to the 15th update of Circular 263 of the Bank of Italy, there was the expansion of the scope of compliance with all regulations applicable to the Bank and it was properly implemented in the Group Compliance Policy, approved on June 18, 2014.
The assessment activities have already taken into account the new regulatory perimeter, while the progressive extension is in progress of the verifications of operation to the new regulatory perimeter, in line with the compliance model approved.

Network Inspection

During the year under review, the Network Inspection continued to carry out second level controls and checks on the sales network members to make sure their off-premises activities were in full compliance with the regulations in force.
Checks and inspections were conducted at the Family Banker private offices in the field as well as at the archives and corporate headquarters. Additional checks were conducted via ad-hoc quantitative and statistical indicators monitoring potential operational and reputational risks related to the sales network activities.
The Network Inspection staff also availed themselves of the support of Banking Centre resource, for the conduct of supplementary direct control activities on customers, also by means of remote communication and information.
Upon completion of checks, actions were planned to remedy any irregularities found and, where necessary, sanctions were applied to the financial advisors involved or their mandate was revoked.
As at December 31, 2014, the Network Inspection team consists of a total of 26 resources, with a productivity in line with the previous year. The Banking Services Centre staff providing assistance to Network Inspection unit, even by means of remote communication, consisted of 4-6 people.
In 2014, the cases of fault committed by Family Bankers and reported to the Supervisory Board amounted to 9 against 13 cases in 2013, with the confirmation of a constant reduction in the frequency of claims in relation to the average over the past 10 years. As further protection, in 2014, the Bank renewed the policy taken out to cover any illegal actions committed by the sales force to the detriment of customers.

Anti-money laundering office

The anti-money laundering office, as a function of second-level control, carried out during the year, through the provision of appropriate guidelines, which are shared with other Control Functions, the different corporate structures and the sales network, its role in directing implementation of processes that comply with the legislation on money laundering, ensuring that business processes are consistent with the objective.
The office also reviewed the activities of the various organisational units regarding anti-money laundering, checking the adjustments of rules and procedures, examining and identifying, also in collaboration with the Compliance and Risk Management Functions, possible interventions aimed at improving compliance with the regulations.
The anti-money laundering function (which uses 13 resources), has analyzed the reports on the whole, received by the various business areas and the sales network, of alleged suspicious transactions to be submitted to the Reporting Officer of Suspicious Transactions for assessment of any reports to the FIU and/or MEF: the evidence arising from the procedures Gianos SOS, Gianos GPR and Diana were also examined to manage any consequent verifications and activities.
In collaboration with the Human Resources Division and Mediolanum Corporate University respectively for the training of employees and Family Bankers, there were more than 32 training sessions in anti-money laundering.

Treasury management

At year-end 2014, loans to banks aggregated to Euro 511 million versus Euro 1,152 million at year-end 2013. Interbank lending is concentrated with other group companies or leading Italian financial institutions.
Investments in securities amounted to Euro 14,871 million, up Euro 2,548 million from Euro 12,323 million at year-end 2013:

€/m	2014	2013
Held-to-maturity investments	2,204	2,205
Available-for-sale financial assets	12,732	9,499
Financial assets held for trading	328	474
Financial liabilities held for trading	(370)	(250)
Loans and receivables (banks and customers)	458	667
Total	15,352	12,595

The increase in investments in securities focused on Italian government bonds and was characterized by an increase of the lever and a reduction in the duration on investment already planned. Tactically these guidelines have been reached:

- anticipating investments of securities maturing in November to take advantage of more attractive returns;
- increasing investment between July and August with the securities with short maturities and floating rate securities (CCT);
- realizing securities with longer maturities in the portfolio and replacing them with bonds with maturities of two years.

These initiatives have also allowed achieving a total of about 80 million of capital gains.

The weight of government bonds on the overall total increased from 93.9% in 2013 to 98.6% at the end of 2014. On the other hand, the weight of the floating rate on the total grew by 36% at the end of 2013 to 38.8% at the end of 2014.
Italian treasuries accounted for 98.8% of total government securities held, followed by Spanish treasuries that accounted for 0.9%. The portfolio is largely made up of euro-denominated instruments with no exposure to currency risk. In support of the low risk it should be noted that the average duration at the end of 2014 was 0.99, a decrease compared with 1.08 in 2013.
The increase regarded available-for-sale financial assets which were up Euro 3,021 million over the prior year's balance. The balance of the revaluation reserve included in net equity was positive for Euro +101.4 million, with an improvement from the previous year of Euro +27.8 million with respect to the previous year when the reserve was positive for Euro +73,6 million.
Held-to-maturity investments did not change in 2014; the balance between Financial assets held for trading and Financial liabilities held for trading decreased to Euro -3 million, down Euro 252 million compared to year-end 2013.
Finally, the category Loans and receivables represented by ABS securities and private banking and government issues in the Euro zone not quoted on active markets, reported a year-end balance of Euro 458 million, with a marked decrease (Euro -209 million compared to the end of 2013 when the balance stood at Euro 667 million) related to natural maturity of the securities.

Net interest income increased from Euro 247 million in 2013 to Euro 204 million at the end of the year under review (Euro -43 million). Net financial income amounted to Euro 269 million compared to Euro 333 million of year-end 2013 (Euro -64 million) and is influenced by net gains realized on securities in the AFS portfolio for 81 million.

The analysis of the components of net financial income is set out in the table below:

€/m	2014	2013
Net interest income	204	247
Net income from trading	(11)	9
Net income from hedging	(5)	4
Net gains (losses) on sale of financial assets	81	73
Total	269	333

Equity investments

As at December 31, 2014, the Bank's investments in Group companies amounted to Euro 353.9 million, down Euro 5.7 million versus Euro 359.7 million of the prior year.

In particular, during the year under review Gamax Management AG, Luxembourg Branch, proceeded to reimburse a portion of the share capital, which resulted in a reduction in the carrying value of the subsidiary of Euro 5.2 million.
With reference to the German subsidiary, Bankhaus August Lenz, in the year payments were made for capital

increases, to cover losses of the year totalling Euro 6.2 million, then adjusting the carrying value of the investment as at December 31, 2014 for Euro 6.1 million to cover the latter's losses at the end of the reporting period.

Finally, we note the sale of the 3% share of Mediolanum International Funds Ltd to Bankhaus August Lenz in September, for a corresponding amount of Euro 79,200.82 equal to the related carrying value. This sale is part of the general development model implemented by the Bank and will help to provide greater added value to the German investee, from the point of view of income and trade, participating, among other things, in confirming the image of the German subsidiary over time.

Impairment test

The Board of Directors of the Bank approved the procedures for impairment test as at December 31, 2014 to ascertain that the carrying amount as at December 31, 2014 of its equity investments in Banco Mediolanum, Gamax Management AG (Gamax) and Bankhaus August Lenz & Co AG (BAL) is stable, or that the same prevent impairment losses in accordance with IAS 36.
For the purpose of impairment test as at December 31, 2014, Banca Mediolanum requested the assistance of a primary specialist firm. The valuations were based on future cash-flow estimates derived from the 2015-2017 Plans approved by the Board of Directors of Banca Mediolanum and its subsidiaries, and applying industry standard methods best suited for the purposes of the exercise in the specific cases, in accordance with applicable accounting standards.
The report issued by the independent expert reports that, on the basis of analyzes carried out, taking into account the limitations of the use of forward-looking information, at the moment there are no conditions for a loss for the impairment of such investments compared to the book value as at December 31, 2014.
Impairment testing details are set out in section 10, Part B, of the Notes.
With reference to the management performance of the subsidiaries of Banca Mediolanum, below is a brief summary of the main results as at December 31, 2014.

Banco Mediolanum S.A.

For financial year 2014 the Spanish Group reported net profit of Euro 20.9 million versus Euro 24.7 million in the prior year.
Gross inflows of asset management products showed an increase over the previous year recording a balance of Euro +777 million (December 31, 2013: Euro +538); net inflows for AuM products recorded a positive balance of Euro +364 million versus Euro +238 million the previous year.
Assets under administration recorded inflows of Euro +157.9 million (December 31, 2013: Euro +212.8 million).
At year end, total assets under management and under administration amounted to Euro 2,983 million versus Euro 2,376 million as at December 31, 2013.
The sales network consisted of 749 people (December 31, 2013: 690), of whom 712 tied advisors (December 31, 2013: 652 people).

Bankhaus August Lenz & Co. AG

For financial year 2014 the company reported a net loss of Euro -6.1 million versus Euro -8.2 million in the prior year.

Net inflows of assets under management were positive for Euro +27 million (December 31, 2013: Euro +18 million), while net inflows of assets under administration were positive for Euro +6 million (December 31, 2013: Euro -13.5 million).

At year end, total assets under management and under administration amounted to Euro 275 million (December 31, 2013: Euro 231.1 million).

As at December 31, 2014, the sales network consisted of 60 people (46 in the previous year).

Gamax Management AG

At year end 2014, this Luxembourg-based company reported net profit of Euro 4.7 million, down Euro 0.7 million compared to the prior year's balance.

In 2013 in the retail segment, the company recorded net outflows of Euro -28.3 million versus net outflows of Euro -41.9 million in the prior year. At year end 2014, assets under management amounted to Euro 209 million versus Euro 214 million at the end of 2013.

Mediolanum Gestione Fondi SGR p.A.

The financial statements as at December 31, 2014 show a net profit of Euro 31.6 million, in line with the previous year (December 31, 2013: Euro 31.0 million).

The company reported positive net inflows of Euro +2,709.8 million (December 31, 2013: Euro +1,017.9 million), while total assets under management directly by the Company amounted to Euro 6,506.3 million compared to Euro 4,351.6 million as at December 31, 2013 (+50%).

Assets under management on behalf of the subsidiaries under the proxies received amounted to Euro 559.3 million, a decrease of Euro 13,233.7 million compared to December 31, 2013 mainly due to the termination of the management proxy with the subsidiary Mediolanum Vita S.p.A. after internalisation of the management of investments in securities of the Company.

Mediolanum International Funds Ltd

As at December 31, 2014 the Company reported net profit of Euro 338.1 million, up Euro 35.3 million over the prior year (December 31, 2013: Euro 302.8 million), largely due to the increase in management fees earned in the period (Euro +74.8 million).

For the year 2014, net inflows were positive for Euro +1,746.4 million, down compared to the previous year of Euro -1,679.2 million.

As at December 31, 2014, total assets under management amounted to Euro 28,920.7 million compared to Euro 25,517 million as at December 31, 2013 (+13.3%).

In October, the company resolved to distribute an interim dividend for a total amount of Euro 235 million versus Euro 200 million in the prior year.

Mediolanum Asset Management Ltd

As at December 31, 2014 this company reported a net profit of Euro 18.0 million, up Euro 1.8 million compared to the result recorded as at December 31, 2013 (Euro 16.2 million).
In 2014, the company resolved to distribute an interim dividend for the year of Euro 5 million while the previous year it had not been distributed.

Mediolanum Fiduciaria S.p.A.

For financial year 2014 the company reported a net loss of Euro -532.9 thousand versus Euro -512 thousand in the prior year. This loss was largely determined by start-up and operating costs.
The number of mandates as at December 31, 2014 was equal to 74 compared to 32 at the end of the previous year. Assets under management and under administration amounted to Euro 94.5 million (December 31, 2013: Euro 44.3 million).

Tax claims

As you may recall two separate Audit Reports had been issued in past years following the field audit Italy's Tax Police (Milan Office – 1st Revenue Protection Group) started on September 16, 2010 and concluded on February 28, 2011. One Audit Report had been issued on October 29, 2010 claiming a total adjustment of Euro 48.3 million to IRES and IRAP taxable income for tax year 2005, the other on February 28, 2011 claiming a total adjustment of Euro 121.4 million to IRES and IRAP taxable income for tax years from 2006 through 2009, all relating to fees rebated by the Irish subsidiary Mediolanum International Funds Ltd.
On April 29, 2011, the Bank had filed a brief prepared pursuant to section 12, paragraph 7, of Italian Law no. 212 of July 27, 2000 with the IRS Lombardy Office whereby the Bank had asserted the illegitimacy of the claims and its law-abiding conduct, requesting in any case the application of the penalty waiver clause under article 26 of Italy's Law Decree 78 of May 31, 2010.
Subsequently, on December 21, 2012 the Bank was notified three Notices of IRES Tax Due and Demands for Payment and as many Notices of IRAP Tax Due and Demands for Payment for tax years 2005, 2006 and 2007, claiming adjustments to taxable income aggregating to Euro 333.5 million, resulting in Euro 110.1 million IRES tax due plus Euro 85.7 million penalties, and Euro 17.5 million IRAP tax due plus Euro 13.6 million penalties.
On December 5, 2014, the Company received communication from the Ministry of Finance – Department of International Relations, with which the Ministry communicated the start of the mutual agreement procedures in accordance with art. 6 of the International Arbitration Convention no. 90/436/EEC of July 23, 1990, submitted on March 19, 2013 together with the associates, for respective disputes concerning 2005, 2006 and 2007.
On December 23, 2014, the Regional Tax Office for Lombardy – Large Taxpayers Office notified the Company notices of assessment relating to the years 2008 and 2009.

More specifically, the new tax assessments reported higher taxable income totalling Euro 256.6 million, corresponding to IRES tax for Euro 70.6 million, and IRAP for Euro 12.4 million. The proceedings followed the assessment notices for the years 2005, 2006 and 2007, notified December 21, 2012.
Overall, the assessments received for the years 2005-2009 show higher IRES and IRAP taxable income for Euro 590.2 million, which corresponds to higher IRES for Euro 180.6 million, plus fines for Euro 85.7 million and higher IRAP for Euro 29.9 million, plus fines for Euro 13.6 million.
The Company believes the analysis developed by the IRS in the Notices is illegitimate besides being groundless as to the adjustments to taxable income claimed and illegitimate as to the penalties given that the waiver under Art. 26 of Decree Law 78/2010 was not applied although the tax administration itself recognised formal compliance of documentation produced within the required deadline.
For the same reasons and considerations set out above in relation to the Notices related to the years 2005, 2006, 2007, the Company started the procedure under the EU Arbitration Convention (Convention 90/436/EEC).

As indicated in the annual financial statements of the previous year, starting in 2013 there have been significant changes in the international reference environment, with particularly significant impact on the Company, which is still involved in the European arbitration procedure. In this respect, there is an ongoing thorough review of the rules on intercompany transactions, as reported in the document "Action Plan on Base Erosion and Profit Shifting". While confirming again the exceptions relating to tax assessments and appropriateness of transfer prices charged by the Company, in the light of the foregoing, such guidelines in the complex dynamics of relationships between states, on the basis of experience, by analogy, also in dispute are slightly different, lead to believe in the previous year that, the likelihood of outflow of resources was "probable" limited only to relegated management fees.
In fact, because of the above revisions in progress at the international level regarding the criteria for determining the intragroup fees, it cannot be ruled out that under international procedures implemented by the Company prices can be effectively established that fall within a range of values of the free market different than current ones. However, the opinion about the illegality of the sanctions imposed remains confirmed, for the reasons set out above and the exclusion of any obligation to pay back the performance commission, on the basis of established and uniform practice recognized in the reference market.
As described above, the external consultant who assists the Company believes to have to confirm as already expressed with regard to the evaluation of the 2013 financial statements, and that is that the risk of outflow of resources is to be classified as "probable". Regarding quantification of the risk the methodology adopted for the past year is confirmed, thus making use of economic documentation prepared by the Company to prove the transfer pricing policy adopted with respect to the tax years 2011-2012-2013, pursuant to the Provision of the Director of the Revenue Agency of September 29, 2010 (updating the previous economic documentation).
The same, depending on the different asset classes of the funds distributed, identifies a median value of the management fees paid to distributors between 43.67 and 49.97% and third quartile of between 55.97% and 63.70%, with a summary value represented by the average of the values of the third quartile of the three asset classes equal to 60.32%.
The Directors, with the support of an external consultant, believe that in the procedures there may be a transfer value that falls in the third interquartile above, reasonably estimated at no more than 60% of management fees, to which, on the basis of estimates made with reference to the years 2005-2014, a greater tax burden corresponds for approximately Euro 24.3 million, excluding the application of sanctions for the reasons above, to integrate the amount accrued in the previous year; therefore the fund amounted as a whole to Euro 54 million.

Shareholders' equity, own funds and the coefficients relevant to the Supervisory Board as at December 31, 2014

As at December 31, 2014, shareholders' equity, excluding net profit, amounted to Euro 842.9 million versus Euro 805.6 million as at December 31, 2013.
The Euro +37.3 million increase reflects the 2013 capital increase (Euro +7.7 million), the movements in equity reserves in connection with stock options (Euro +1.5 million) as well as the increase in the valuation reserve of available-for-sale financial assets (Euro +28.0 million versus the prior year).
After the approval of the appropriation of net profit for the year 2014 as proposed by the General Meeting, Bank's equity totally amounts to Euro 850.8 million up Euro 37.5 million over the prior year.
This corresponds to a net book value of Euro 1.42 per Euro 1 nominal value share each (December 31, 2013: Euro 1.36).
Earnings per share (EPS) amount to Euro 0.241 versus Euro 0.225 in 2013.

As for the prudential supervisory requirements, according to the new regulations in force (Basel 3), capital ratios of the Bank as at December 31, 2014 are well above the minimum thresholds established by the new regulatory provisions and amounted to:

• Common Equity Tier 1 Ratio (CET1)	13.905%
• Tier 1 Ratio	13.905%
• Total Capital Ratio	14.304%

As at December 31, 2013, on the basis of the previous regulations in force (Basel 2) the Bank reported Own Funds for Euro 898,258 thousand with a Tier 1 Ratio of 20.51%.

Social and environmental responsibility

For information on the Group's policy on social and environmental responsibility, readers are referred to the Social Report 2014.

Disclosures pursuant to Document no. 4 of March 3, 2010 jointly issued by the Bank of Italy, CONSOB and ISVAP

In Document no. 4 dated March 3, 2010 jointly issued by the Bank of Italy (Italy's Central Bank), CONSOB (stock market regulator) and ISVAP (insurance market regulator), Italian regulators called upon Senior Management to adhere strictly to international accounting and financial reporting standards and applicable legislation and provide complete, clear and timely information about the risks and uncertainties to which their companies are exposed, the capital their companies have to cover those risks and their earnings generation ability. In connection therewith management is making the following disclosures.
As to the entity's ability to continue as a going concern, the management of Banca Mediolanum S.p.A. confirm they reasonably expect the Company will continue in operation in the foreseeable future and therefore the financial statements for the year ended December 31, 2014 were prepared based on the going concern assumption. Following their examination of the financial position, result of operations and cash-flows, they also confirm they

did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern.

In relation to "Impairment of Assets" (IAS 36), as illustrated above, the impairment method used by Banca Mediolanum included assessment by an independent expert based on current multi-year business plans previously approved by the Board of Directors of the Bank. The process of impairment was subsequently approved by the Board of Directors. In addition to as already reported in the previous paragraph "Impairment test on investments", for further details, readers are referred to section 10 in Part B of the Notes.

With regard to information on the criteria used to measure equity instruments classified as "available for sale" and the requirements set out in paragraph 61 of IAS 39, the Bank assesses separately if there is a "significant" or "prolonged" decline in the value of the assets. If it finds out that there has been a "significant" or a "prolonged" decline in value, the Group recognises the impairment loss on the equity investments irrespective of any other considerations.

Specifically, for equity investments the Group considers there is evidence of impairment when the decline in the original fair value exceeds one third or is prolonged for over 36 months.

For details on disclosures to be made in the notes, readers are referred to Parts A, B and E of the Notes.

Information on "fair value hierarchy" for positions held as at December 31, 2014, including prior year's comparative information, is given in Part A of the Notes.

Finally, no disclosure is made in relation to financial debt contract clauses (IFRS 7) or debt restructuring (IAS 39), since the Bank is not engaged in any of these.

Main risks and uncertainties

Readers can find information about the risks and uncertainties to which Banca Mediolanum is exposed in this Report and in the Notes.

Specifically, information about the risks related to the performance of the world's economies and financial markets is set out in this Report, under "*Macroeconomic Environment*", "*Financial Markets*" and "*Outlook*". Information on financial risk and operational risk is detailed in Part F of the Notes.

Other information

On December 4, 2014 PS/9854 proceedings were initiated (in accordance with art. 27, paragraph 3, of Legislative Decree no. 206 of September 6, 2005, Consumer Code) by the Competition and Market Authority (AGCM), assisted by the Guardia di Finanza (Finance Police), against Banca Mediolanum S.p.A.

This procedure, initiated on the basis of information acquired in the application of the Consumer Code, is aimed at determining the possible profiles of impropriety of the commercial practice of Banca Mediolanum, which, in the offer of contracts "Mutuo Mediolanum Freedom" and "Mutuo Ristrutturazione Mediolanum Riparti Italia", which require the subscription of compulsory insurance policies against damage to the property and protection of the loan, would have established for such insurance coverage "specific and stringent minimum requirements of difficult replicability on the market" such "as to preclude, in fact, the possibility outlined in the information sheets for borrowers to turn to other insurance solutions forcing them to "choose" the coverage placed by the professional (Banca Mediolanum) and offered by Mediolanum Assicurazioni S.p.A. and thus realizing a "binding claim" between mortgage and insurance products in breach of article 21, paragraph 3-bis of the Consumer Code". On the same occasion, the Authority also implemented an inspection at the subsidiary Mediolanum Assicurazioni S.p.A. to acquire data and information for the investigation of said proceedings against the Bank.

In those proceedings, which will be completed within 150 days from the date of commencement of the same, Banca Mediolanum will provide the Supervisory Authority more information and supporting documentation, in addition to the information already acquired in the inspection.

The Bank, with the support of an external and specialized firm and functions of Legal Affairs and Compliance, attended a hearing at the offices of the Authority for a more comprehensive representation of the vision and timely filed its defence. Also in relation to these proceedings, Banca Mediolanum, in agreement with the insurance company, has already agreed with the competent offices of the Authority to adhere to the procedure for submission of the Undertakings, pursuant to art. 14-ter of Law 287/1990, to cancel out any anti-competitive profile of the investigation. These proceedings allow, if the commitments proposed by the Authority are accepted, to terminate the proceedings without ascertain infringement.

It is noted that for the Bank, the "proposed commitments" provide a different articulation with reference to the two different types of mandatory insurance coverage provided, consisting of the "policy Fire and Explosion" and "policy for credit protection", which in the first case takes the form of a review of the Mortgage Information Sheet, while in the second the characteristics of individual coverages provided will be extended in order to facilitate the retrieval of the same at third-party insurance companies.

It is believed that the commitments submitted are eligible to be accepted by the Authority although a judgement is not possible, if not prognostic, on the decision of the Authority. Therefore given the defence brief presented and commitments undertaken when accepted, based on the information in our possession at the date of preparation of the financial statements, it is expected that the risk of an unfavourable outcome is to be considered remote on the whole.

Key corporate events subsequent to the end of the year

With the exception of as mentioned above, after December 31, 2014, there was no event which could have a significant impact on the financial position, result of operations and cash flows of the Bank.

Outlook

With due consideration of the developments outlined under "Tax Disputes" and of the risks that are inherent in the business conducted by the Bank, barring any exceptional events or circumstances that depend on variables essentially outside the control of Directors and Senior Management – and not in the offing at present – the outlook for 2015 is positive.

Acknowledgements

Dear Shareholder,
for all the activities profitably conducted and the results achieved, we would like to express sincere and heartfelt thanks to Family Bankers and Employees who have contributed to the achievement of these important goals through their activities. A special thanks and appreciation to our Customers for their trust in us and the sole shareholder of Mediolanum S.p.A., which has always progressively taken steps to strengthen the Bank's capital.
Finally, a respectful greeting to the Bank of Italy, who accompanied us with attention and suggestions that are always useful and appreciated, and the European Central Bank, responsible for the start-up of European banking supervision.

Appropriation of net profit for the year

Your Bank's financial statements, which we submit to you for approval together with this Report on Operations, show net profit of Euro 144,436,684.14. Considering the sound capital ratios with Total capital ratio of 14.304% we propose to distribute a Euro 0.2275 dividend per share, for a total amount of Euro 136,500,000.00 and to appropriate the rest of the year's net profit as follows:

- Euro 7,221,834.21 to the Legal Reserve, equal to 5% of the year's net profit;
- Euro 714,849.93 to the Extraordinary Reserve.

Basiglio, February 25, 2015

For the Board of Directors
Chief Executive Officer
Massimo Antonio Doris

Accounts
2014

Statement of financial position

Assets

Euro	Dec. 31, 2014	Dec. 31, 2013
10. Cash and cash equivalents	1,026,916	1,764,283
20. Financial assets held for trading	327,760,139	474,382,943
40. Available-for-sale financial assets	12,732,114,507	9,499,445,198
50. Held-to-maturity investments	2,204,200,071	2,204,753,488
60. Loans to banks	489,388,359	1,300,827,246
70. Loans to customers	6,518,674,746	5,428,042,742
80. Hedging derivatives	1,287,110	2,417,524
100. Equity investments	353,953,592	359,684,654
110. Tangible assets	17,032,131	15,822,693
120. Intangible assets	35,824,367	14,744,863
of which:		
- goodwill	-	-
130. Tax assets	135,041,918	109,739,044
a) current	66,036,090	32,703,074
b) deferred	69,005,828	77,035,970
b1) pursuant to Law 214/2011	-	-
150. Other assets	237,607,444	228,659,143
Total assets	23,053,911,300	19,640,283,821

Liabilities and shareholders' equity

Euro	Dec. 31, 2014	Dec. 31, 2013
10. Amounts due to banks	6,755,202,685	4,461,893,891
20. Amounts due to customers	13,954,590,677	13,148,259,924
30. Securities issued	288,804,794	187,554,116
40. Financial liabilities held for trading	370,259,192	250,147,976
60. Hedging derivatives	100,218,401	59,127,226
80. Tax liabilities	125,890,602	135,676,573
a) current	64,353,330	84,513,535
b) deferred	61,537,272	51,163,038
100. Other liabilities	278,974,667	272,128,623
110. Employee completion-of-service entitlements	8,643,397	9,300,431
120. Provisions for risks and charges:	184,029,737	175,876,786
a) severance benefits and similar obligations	-	-
b) other provisions	184,029,737	175,876,786
130. Valuation reserves	101,633,926	73,595,183
160. Reserves	141,226,538	132,019,694
180. Share capital	600,000,000	600,000,000
200. Net profit (loss) for the year (+/-)	144,436,684	134,703,398
Total liabilities and shareholders' equity	23,053,911,300	19,640,283,821

Income statement

Euro	Dec. 31, 2014	Dec. 31, 2013
10. Interest income and similar income	420,225,307	466,409,515
20. Interest expense and similar charges	(216,608,691)	(219,436,101)
30. Net interest income	203,616,616	246,973,414
40. Commission income	479,815,627	452,042,070
50. Commission expense	(424,046,848)	(395,505,387)
60. Net commission	55,768,779	56,536,683
70. Dividends and similar income	251,859,254	155,130,655
80. Net income from trading	(10,700,296)	8,813,289
90. Net income from hedging	(5,399,664)	3,754,607
100. Gains (losses) on sale or buyback of:	81,202,600	73,383,015
a) loans	(4,974)	(2,476,874)
b) available-for-sale financial assets	81,267,391	75,887,222
c) held-to-maturity investments	(1)	(4)
d) financial liabilities	(59,816)	(27,329)
120. Total income	576,347,289	544,591,663
130. Net impairment/reversal of impairment of:	(24,759,326)	(17,880,940)
a) loans	(16,102,079)	(12,963,875)
b) available-for-sale financial assets	(7,235,201)	(547,744)
c) Held-to-maturity investments	-	-
d) other financial instruments	(1,422,046)	(4,369,321)
140. Net income from financial operations	551,587,963	526,710,723
150. Administrative expenses:	(348,522,802)	(289,465,653)
a) personnel expenses	(126,516,585)	(116,222,667)
b) other administrative expenses	(222,006,217)	(173,242,986)
160. Net provisions for risks and charges	(33,284,454)	(17,545,845)
170. Depreciation and net impairment of tangible assets	(4,096,549)	(2,983,546)
180. Amortisation and net impairment of intangible assets	(9,132,720)	(7,089,071)
190. Other operating income/expenses	11,230,098	8,452,066
200. Operating expenses	(383,806,427)	(308,632,049)
210. Profit (loss) on equity investments	(6,667,971)	(8,725,004)
240. Profit (loss) on disposal of investments	(59,743)	30,184
250. Profit (loss) before tax on continuing operations	161,053,822	209,383,854
260. Income tax expense on continuing operations	(16,617,138)	(74,680,456)
270. Profit (loss) after tax on continuing operations	144,436,684	134,703,398
290. Profit (loss) for the year	144,436,684	134,703,398

Statement of other comprehensive income as at December 31, 2014

Euro	Dec. 31, 2014	Dec. 31, 2013
10. Net profit (loss) for the year	144,436,684	134,703,398
Other comprehensive income components, net of income tax without reversals to the income statement		
40. Defined benefit plans	313,097	(50,161)
Other comprehensive income components, net of income tax with reversals to the income statement		
100. Available-for-sale financial assets	27,725,646	(4,935,045)
130. Total other comprehensive income components, net of income tax	28,038,743	(4,985,206)
140. Comprehensive income (Captions 10+130)	172,475,427	129,718,192

Statement of changes in equity

as at December 31, 2013

Euro	Balance as at Dec. 31, 2012	Adjustment to opening balances	Balance as at Jan. 1, 2013	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other allocations
Share capital:					
a) ordinary shares	600,000,000	-	600,000,000	-	-
b) other shares	-	-	-	-	-
Share premium account	-	-	-	-	-
Reserves:					
a) retained earnings	98,421,211	-	98,421,211	29,262,127	-
b) others	3,185,042	-	3,185,042	-	-
Valuation reserves	78,580,389	-	78,580,389	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	189,264,127	-	189,264,127	(29,262,127)	(160,002,000)
Shareholders' equity	969,450,769	-	969,450,769	-	(160,002,000)

as at December 31, 2014

Euro	Balance as at Dec. 31, 2013	Adjustment to opening balances	Balance as at Jan. 1, 2014	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other allocations
Share Capital:					
a) ordinary shares	600,000,000	-	600,000,000	-	-
b) other shares	-	-	-	-	-
Share premium	-	-	-	-	-
Reserve:					
a) retained earnings	128,834,652	-	128,834,652	7,701,398	-
b) other	3,185,042	-	3,185,042	-	-
Valuation reserves	73,595,183	-	73,595,183	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	134,703,398	-	134,703,398	(7,701,398)	(127,002,000)
Shareholders' equity	940,318,275	-	940,318,275	-	(127,002,000)

Changes occurred in the year								
	Movements in equity							
Changes in reserves	New share issue	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Comprehensive income as at Dec. 31, 2013	Shareholders' equity as at Dec. 31, 2013
-	-	-	-	-	-	-	-	600,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,151,314	-	128,834,652
-	-	-	-	-	-	-	-	3,185,042
-	-	-	-	-	-	-	(4,985,206)	73,595,183
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	134,703,398	134,703,398
-	-	-	-	-	-	1,151,314	129,718,192	940,318,275

Changes occurred in the year								
	Movements in equity							
Changes in reserves	New share issue	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Comprehensive income as at Dec. 31, 2014	Shareholders' equity as at Dec. 31, 2014
-	-	-	-	-	-	-	-	600,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,505,446	-	138,041,496
-	-	-	-	-	-	-	-	3,185,042
-	-	-	-	-	-	-	28,038,743	101,633,926
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	144,436,684	144,436,684
-	-	-	-	-	-	1,505,446	172,475,427	987,297,148

Statement of cash flows

Indirect method

Euro	Dec. 31, 2014	Dec. 31, 2013
A. OPERATING ACTIVITIES		
1. Operations	261,783,612	261,540,691
- net profit (+/-)	144,436,684	134,703,398
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	14,464,077	(3,765,053)
- gains/losses on hedges (-/+)	5,399,664	(3,754,607)
- net impairment/reversal of impairment (+/-)	24,759,326	17,880,941
- net write-downs/write-backs of tangible and intangible assets (+/-)	13,229,269	10,072,617
- net provisions for risks and charges and other costs/revenues (+/-)	38,021,767	21,846,621
- taxes and duties, unpaid tax receivables (+/-)	16,617,138	74,680,456
- other adjustments (+/-)	4,855,687	9,876,318
2. Cash generated/used by financial assets	(3,681,345,970)	(1,649,488,840)
- financial assets held for trading	129,147,289	115,978,697
- financial assets measured at fair value	1,130,414	(1,051,165)
- available-for-sale financial assets	(3,212,178,864)	(1,380,860,398)
- loans to banks: on demand	475,499	40,809,850
- loans to banks: other loans	810,963,388	313,225,610
- loans to customers	(1,106,734,083)	(528,148,416)
- other assets	(304,149,613)	(209,443,018)
3. Cash generated/used by financial liabilities	3,326,551,708	2,587,424,843
- due to banks: on demand	(17,462,753)	31,058,345
- due to banks: other amounts due	2,310,771,547	970,104,015
- due to customers	806,330,753	1,514,159,656
- securities issued	101,250,678	92,834,060
- financial liabilities held for trading	123,122,654	(6,148,473)
- financial liabilities measured at fair value	35,691,511	(30,006,574)
- other liabilities	(33,152,682)	15,423,814
Net cash generated by/used in operating activities	(93,010,650)	1,199,476,694
B. INVESTMENT ACTIVITIES		
1. Cash generated by	303,706,551	578,686,333
- sales of investments	-	-
- dividends received from equity investments	251,859,254	155,130,656
- sales of held-to-maturity investments	51,847,297	423,550,212
- sales of tangible assets	-	5,465
- sales of tangible assets	-	-
- sales of company branches	-	-
2. Cash used for	(84,431,268)	(1,618,128,137)
- purchases of investments (including payments to cover losses)	(936,910)	(700,182)
- purchases of held-to-maturity investments	(51,293,880)	(1,607,273,134)
- purchases of tangible assets	(1,974,231)	(2,282,186)
- purchases of intangible assets	(30,226,247)	(7,872,635)
- purchases of company branches	-	-
Net cash generated by/used in investing activities	219,275,283	(1,039,441,804)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments	-	-
- dividend distribution and other	(127,002,000)	(160,002,000)
Net cash generated by/used in financing activities	(127,002,000)	(160,002,000)
NET CASH GENERATED/USED IN THE YEAR	(737,367)	32,889

Legend: (+) generated (-) used

RECONCILIATION

Euro	Dec. 31, 2014	Dec. 31, 2013
Captions		
Cash and cash equivalents at beginning of the year	1,764,283	1,731,394
Net cash generated/used in the year	(737,367)	32,889
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of the year	1,026,916	1,764,283

Explanatory Notes

2014

Notes to the separate annual financial statements as at December 31, 2014

These notes are structured as follows:

Part A – Accounting policies
Part B – Information on the statement of financial position
Part C – Information on the income statement
Part D – Information on other comprehensive income
Part E – Information on risks and risk management
Part F – Information on capital
Part G – Business combinations
Part H – Related party transactions
Part I – Equity-settled share-based payment transactions
Part L – Segmental information

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

Section 1 - Compliance with the international accounting and financial reporting standards

The financial statements for the year ended December 31, 2014 were prepared pursuant to Legislative Decree February 28, 2005 no. 38 and with application of the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission under European Parliament and Council Regulation (EC) no. 1606 of July 19, 2002.

The annual financial statements for the year ended December 31, 2014 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 and subsequent updates.

Section 2 - Accounting basis

In the preparation of the financial statements the Company applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect as at December 31, 2014, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS, no departure was made from requirements therein.

These financial statements consist of the Statement of financial position, the Income Statement, the Statement of Other Comprehensive Income, the Statement of changes in Equity, the Statement of cash flows and the Notes in addition to the Report on Operations.
In accordance with Art. 5 of Legislative Decree 38/2005 the financial statements were prepared using the Euro as reporting currency.
The amounts set out in the Accounts are presented in units of Euro, while the amounts set out in the Notes and the Report on Operations are presented in thousands of Euro except where otherwise stated.
The Accounts and the Notes also include comparative information for the year ended December 31, 2013.

Accounts

Statement of financial position and income statement

The Statement of financial position and Income statement set out items, sub-items and further details ("of which" under the various items and sub-items). In accordance with Bank of Italy's requirements, items with a nil balance for both the year under review and the prior year are not indicated. In the income statement, revenues are indicated with no sign, while costs are shown within parentheses.

Statement of other comprehensive income

The Statement of other comprehensive income presents gains and losses relating to the year's changes in the value of assets, stated net of related taxation. Negative amounts are shown within parentheses.

Statement of changes in equity

The Statement of changes in equity shows the composition of shareholders' equity as well as the movements in the various equity accounts (i.e. share capital, capital reserves, retained earnings, assets and liabilities revaluation reserves and net profit and reserves for the year) in the year under review and the prior year. The Bank did not issue any equity instruments other than ordinary shares.

Statement of cash flows

The Statement of cash flows provides information on cash flows for the period under review and the prior period. It is prepared using the indirect method whereby in reporting cash flows from operating activities profit or loss is adjusted for the effects of non-cash transactions. Cash flows are classified by operating, investing and financing activities. The cash flows generated in the period are indicated with no sign, while the cash flows used in the period are shown within parentheses.

Content of the Notes

The Notes set out the information required under the international accounting and financial reporting standards and Bank of Italy's Circular Letter 262/2005 and subsequent updates.
In accordance with Bank of Italy's requirements, no notes are provided for items with a nil balance for both the year under review and the prior year.

Section 3 – Post balance sheet date events

In the period between the end of financial year 2014 and the date on which these financial statements were approved, there was no event – other than those set out in the corresponding section of the Report on Operations to which readers are referred – which could materially impact the business or result of operations of the Bank.

Section 4 – Other information

Information on the business and the results of operations for the year 2014 of the main subsidiaries is set out in the Report on Operations.
The Company does not prepare the consolidated financial statements since the same have been prepared by the Parent Mediolanum S.p.A.
The financial statements of Banca Mediolanum S.p.A. were audited by Deloitte & Touche S.p.A., as per the resolution passed at the General Meeting of April 20, 2011.

Tax consolidation regime

The Company adheres to the "tax consolidation regime" regulated by articles 117-129 of the Consolidated Income Tax Act introduced into Italy's tax legislation by Legislative Decree 344/2003. Under said regime the taxable profits or tax losses, including any withholding taxes, tax deductions and tax credits, of all participating Group companies are consolidated into the Parent Company. The Parent Company, as reporting entity, calculates the consolidated taxable profit by adding the taxable profits/losses of all participating Group companies to its own taxable profit/tax loss.

The Mediolanum Group companies that elected to apply the "tax consolidation regime" calculated their tax base and transferred the resulting taxable income to the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company.

A.2 – SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the financial statements for the year ended December 31, 2014.
The accounting policies applied in the preparation of the financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as the various items of income and expense, are consistent with those applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

New standards, interpretations and amendments to standards adopted beginning from January 1, 2014

The following standards, interpretations and amendments have been adopted by the Company for first time beginning January 1, 2014.

- On May 12, 2011, the IASB issued **IFRS 10** – ***Consolidated Financial Statements*** which will replace IAS 27 – *Consolidated and separate financial statements*, for the part relating to the consolidation and the SIC-12 *Consolidation – Special Purpose Entities (SPV)*. The previous IAS 27 has been renamed Separate Financial Statements and governs the accounting of investments in the separate financial statements. The main changes set forth in the new principle are as follows:
  - according to IFRS 10 there is a single basic principle to consolidate all types of entities, and this principle is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - a definition of stronger control with respect to the past was introduced, based on three elements: (a) power on the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such returns;
  - IFRS 10 requires an investor to assess whether it has control over the company acquired by focusing on activities that significantly affect the returns of the same;
  - IFRS 10 requires that, in assessing whether there is control, only the substantive rights are considered, i.e. those which can be exercised in practice when important decisions must be taken regarding the company acquired;
  - IFRS 10 provides practical guides to aid in assessing whether control exists in complex situations, such as the de facto control, potential voting rights, the situations in which it is necessary to establish whether the party who has the power to decide is acting as agent or principal etc.

In general terms, the application of IFRS 10 requires a significant degree of judgement on a number of implementation aspects.

- On May 12, 2011, the IASB issued **IFRS 11** – ***Joint Arrangements***, which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Contributions in joint control by the stockholders*. The new principle, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements by focusing on the rights and obligations deriving from these arrangements, rather than its legal form, distinguishing between joint ventures and joint operations.

- On May 12, 2011 the IASB issued **IFRS 12** – ***Disclosures of Interests in Other Entities***, a new and comprehensive principle on the disclosures that are to be provided about any type of holdings, including investments in subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated special purpose vehicles.
- On December 16, 2011, the IASB issued amendments to **IAS 32** – ***Financial Instruments***: presentation in the financial statements to provide additional guidance on consistent application of IAS 32 regarding offset of financial assets and financial liabilities. The amendments are retrospectively applicable starting from January 1, 2014.
- On June 28, 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: ***Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)***. The document clarifies the transition rules of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.
- On October 31, 2012 amendments to **IFRS 10, IFRS 12 and IAS 27 "Investment Entities"**, were issued, which introduce an exception to the consolidation of subsidiaries for an investment company, with the exception of cases in which subsidiaries provide services that relate to the investment activities of such companies. Pursuant to those amendments, investment companies shall evaluate their investments in subsidiaries at fair value.
- On May 29, 2013, the IASB issued amendments to IAS 36 – Impairment of assets – Additional information on the recoverable value of non-financial assets. The amendments are intended to clarify that the additional information to be provided regarding the recoverable value of the assets (including goodwill) or cash-generating units, in the event that their recoverable value is based on fair value less costs of disposal, relate only to the assets or cash-generating unit for which a loss for a reduction in value has been recognized or reversed during the year.
- On June 27, 2013, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting". The amendments include the introduction of certain exemptions from the requirements of hedge accounting as defined by IAS 39 in the circumstance in which an existing derivative is to be replaced with a new derivative in a specific case in which said substitution is against a central counterparty (CCP) following the introduction of a new law or regulation.
- On May 20, 2013 the interpretation IFRIC 21 – Levies, was published, which provides clarification on when recognition of a liability related to taxes (other than income taxes) imposed by a government agency to a company that shall pay such taxes. The standard addresses both the liabilities for taxes that fall within the scope of IAS 37 – Provisions, contingent liabilities and assets, both for the taxes where the amount and timing are certain.

These standards and amendments have had no significant effect on the financial statements of the Company.

New standards, interpretations and amendments not yet effective and not adopted early by the Company

On November 12, 2009 the IASB issued IFRS 9 – Financial Instruments, which was subsequently amended on October 28, 2010. The standard, applicable as from January 1, 2018 in a retrospective fashion, is the first part of a stage process that aims to entirely replace IAS 39 and introduce new criteria for classifying and measuring financial assets and financial liabilities. In particular for financial assets, the new principle uses a single approach based on management procedures for financial instruments and the contractual cash flow characteristics of the financial assets in order to determine the valuation criteria, replacing the many different regulations in IAS 39. For financial liabilities, however, the main change concerns the accounting treatment of changes in fair value of a financial liability designated as a financial liability at fair value through the income statement, in the event that these are due to changes in the creditworthiness of the liability. According to the new standard, such changes are to be recognised in the Statement of other comprehensive income and will no longer pass through the Income statement.

On November 19, 2013, the IASB published the document "IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39" in relation to the new hedge accounting model (date of the first application January 1, 2018). The document aims to respond to some criticisms made of the requirements laid down by IAS 39 for hedge accounting, often considered as overly restrictive and not able to suitably reflect the entity's risk management policies. The main additions of the document regard:

- changes for the types of transactions eligible for hedge accounting, in particular extending the risk of non-financial assets/liabilities eligible to be managed in hedge accounting;
- change in accounting method of forward contracts and options when included in hedge accounting report in order to reduce the volatility of the income statement;
- changes to the effectiveness test through the replacement of the current methods based on the 80-125% parameter with the principle of "economic relationship" between the hedged item and the hedging instrument; in addition, an assessment of the retrospective effectiveness of the hedging report will no longer be required;
- the greater flexibility of the new accounting rules is offset by additional requests for information on the risk management activities of the company.

On January 30, 2014, the IASB published the principle "IFRS 14 Regulatory Deferral Accounts" that allows only those that adopt IFRS for the first time to continue to recognize the amounts related to activities subject to regulated tariffs ("Rate Regulation Activities") under previous accounting principles adopted. In order to improve comparability with entities that already apply IFRS and that do not detect these amounts, the standard requires that the rate regulation effect be presented separately from other items. The principle is applicable starting from January 1, 2016. However, earlier application is permitted.

On May 28, 2014, the IASB published the principle "IFRS 15 Revenue from Contracts with Customers" which will replace IAS 18 Revenue and IAS 11 Construction Contracts, as well as the IFRIC 13 interpretations Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenues-Barter Transactions Involving Advertising Services. The new model of revenue recognition shall apply to all contracts with clients except those that fall within the scope of application of other IAS/IFRS principals such as leasing, insurance contracts and financial instruments. The fundamental steps for the recognition of revenues according to the new model are:

- identification of the contract and with the customer;
- identification of the performance obligations of the contract;
- determination of the price;
- allocation of the price to the performance obligations of the contract;
- recognition of revenues when the entity meets a performance obligation.

The principle is applicable starting from January 1, 2016. However, earlier application is permitted.

On December 12, 2013, the IASB published the document "Annual Improvements to IFRSs: 2010-2012 Cycle" and "Annual Improvements to IFRSs: 2011-2013 Cycle" which incorporates amendments to the standards in the context of the annual improvement process thereof.

On May 6, 2014, the IASB issued amendments to IAS 16 Property, plant and Equipment and IAS 38 Intangibles

Assets. The amendments to IAS 16 Property, plant and Equipment establish that the depreciation criteria determined on the basis of the revenues are not appropriate. The changes are applicable starting from January 1, 2016. However, earlier application is permitted.

On May 12, 2014, the IASB issued amendments to IFRS 11 Joint Arrangements relating to the accounting for the purchase of stakes in a joint operation whose activity constitutes a business in the meaning provided by IFRS 3. The changes are applicable starting from January 1, 2016. However, earlier application is permitted.
On August 12, 2014, the IASB published the document "Equity method in separate financial statements (amendments to IAS 27)". The document amends IAS 27 to allow companies to apply the equity method in the separate financial statements for the evaluation of investments in subsidiaries, associates and joint ventures.
The companies must apply the same evaluation criteria for each investment category. The amendments to IAS 27 must be applied retrospectively as of the financial statements starting on or after January 1, 2016. Advance application is allowed.
On September 11, 2014, the IASB published the document "Sale or transfer of assets between an investor and its associate or joint venture" – amendments to IFRS 10 and IAS 28. The amendments of the two standards were made to resolve an inconsistency between IAS 28, pursuant to which the gains and losses on transactions between a company and its associate or joint venture are recognised only to the extent of the minority interest, and IFRS 10, which requires the total recognition of gains and losses arising from the loss of control over a subsidiary by the Parent Company. The amendments must apply with effect from the financial statements, beginning on or after January 1, 2016; advance application is allowed.

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value. Financial assets held for trading are initially recognised on the settlement date if they are debt securities and equities, and on the trade date if they are derivatives. On initial recognition financial assets held for trading are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income. After initial recognition financial assets held for trading are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1], is determined using its market quotation (bid/ask or average price). If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.
Reclassification to other categories of financial assets is not allowed except for rare circumstances which are unlikely to occur again in the near term.
In such rare circumstances debt securities and equities that are no longer held for trading can be reclassified to the other categories under IAS 39 (Held-to-maturity investments, Available-for-sale financial assets, Loans and Receivables), provided that they satisfy the relevant requirements. The carrying amount of the reclassified financial instrument is its fair value on the date of reclassification. The existence of any embedded derivative contracts that require unbundling is assessed upon reclassification.

[1] A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial assets held for trading or Held-to-maturity investments.
In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.
Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on the trade date if they are loans or receivables.
On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the Held-to-maturity investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.
After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity investments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Group assesses whether there is objective evidence of any impairment loss.
If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity investment. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Held-to-maturity investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Company intends or has the ability to hold to maturity. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as an available-for-sale financial asset.
Held-to-maturity investments are initially recognised on settlement date.
Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.
After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses of held-to-maturity investments are recognised in the income statement when the financial asset is derecognised or impaired, and due to the determination of the amortised cost.
At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.
If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and receivables

This category includes loans to customers and to banks with fixed or determinable payments, that are not quoted in an active market and that, upon initial recognition, were not classified as available-for-sale financial assets.
Loans and receivables also include trade receivables, repurchase agreements and securities purchased under a public offering or private placement, with fixed or determinable payments, that are not quoted in an active market.
A loan or receivable is initially recognised at fair value on the trade date or, in the case of a debt instrument, on the settlement date on the basis of the fair value of the financial instrument, equal to the amount disbursed, or the subscription price, including any directly attributable costs or income determinable on the trade date, even if settled at a later date. Costs that are reimbursed by the borrower/debtor or are internal administrative costs are excluded.
Carryovers and repurchase agreements which entail the obligation for a future resale/repurchase are recognised as funding or lending transactions. Specifically, the amount received for the sale of an asset under an agreement to repurchase it at a future date is recognised in the statement of financial position as a debt, while the amount paid for the purchase of an asset under an agreement to resell it at a future date is recognised as a loan.
After initial recognition, loans and receivables are measured at amortised cost. Amortised cost is the amount at which the financial asset is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any directly attributable costs/income and minus/plus any reduction/reversal for impairment.
The effective interest rate is identified by calculating the rate that equates the present value of the future cash flows of the loan, by capital and interest, to the amount disbursed, including any costs/income attributed to the loan.
The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset.
Amortised cost is not applied to short-terms loans and receivables for which the effect of discounting is immaterial.
Those loans and receivables are measured at historical cost and the related costs/income are recognised in the income statement over the expected life of the asset.
At each interim and annual reporting date the Group assess whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment, the loan or receivable is classified as follows:

- **nonperforming** – these are formally impaired loans i.e. exposures to borrowers that are unable to meet their payment obligations, even if their insolvency has not been established by a court of law, or in equivalent conditions;
- **watch list** – these are exposures to borrowers that are experiencing temporary difficulties in meeting their payment obligations but are expected to make good within a reasonable timeframe. Watch list loans also include exposures (other than to nonperforming borrowers or to government entities) that satisfy both the following conditions:
  - have been past due and unpaid for over 270 days (over 150 or 180 days for consumer loans with original maturity of less than 36 months, or of 36 months or more, respectively);
  - the aggregate exposure as per the previous paragraph and in relation to other payments that are less than 270 days past due to the same borrower accounts for at least 10% of total exposure to that borrower;
- **restructured** – exposures for which a grace period was accorded with concurrent renegotiation of the loan terms and conditions at below market rates, that were in part converted into shares and/or for which a principal reduction was agreed;
- **past due** – exposures to borrowers other than those classified in the categories above, that at the reporting date were over 90 days past due or overdrawn. Total exposure is considered if at the reporting date:
  - the past due /overdrawn amount,

    or:
  - the mean value of daily past due/overdrawn amounts in the last quarter was 5% or more of total exposure.

Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortised cost) at the time of assessment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of receivables which are expected to be recovered in the short term are not discounted.

The asset's original effective interest rate remains unchanged over time also in the event of a restructuring as a result of which the interest rate changes or the loan or receivable actually carries no interest.

The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

If no objective evidence of impairment exists for individually assessed loans and receivables – i.e. generally, performing loans – those loans are collectively assessed for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics and the related loss probability is estimated using historical loss rates based on observable data at the time of assessment that can reliably estimate the loss probability of each loan group. In case of significant performing loans an analytical assessment can be made.

Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

Hedging

Hedging transactions are intended to offset changes in the fair value or cash flows of an item or group of items, which are attributable to a particular risk, in the event that risk materialises.
Pursuant to IAS 39, the Company adopted fair value hedging to cover exposure to changes in the fair value of a financial item that is attributable to a particular risk. Specifically, the Company entered into fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities.
Only instruments that involve a party external to the Group can be designated as hedging instruments. A hedge of an overall net position in a portfolio of financial instruments does not qualify for hedge accounting.
Hedging derivatives are measured at fair value. As they are accounted for as fair value hedges, the changes in the fair value of the hedged item are offset by the changes in the fair value of the hedging instrument. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item (in relation to changes generated by the underlying risk). Any resulting difference, which represents the partial ineffectiveness of the hedge, is the net effect on profit or loss.
Fair value is determined on the basis of quoted prices in an active market, prices quoted by market participants or internal valuation models commonly used in financial practice, which take into account all risk factors associated with the instruments and based on market information.
Derivatives are recognised as hedging derivatives if there is formal documentation of the hedging relationship between the hedging instrument and the hedged item and if, at the inception of the hedge and prospectively, the hedge is expected to be effective during the period for which the hedge is designated.
A hedge is effective if it achieves offsetting changes in the fair value of the hedged risk.
The hedging relationship is considered effective if, at the inception of the hedge and in subsequent periods, the changes in the fair value of the hedged item are offset by the changes in fair value of the hedging instrument and if the actual results of the hedge are within a range of 80%-125%.
Hedge effectiveness is assessed at the date the entity prepares its annual or interim financial statements, using:

- prospective tests which support hedge accounting in terms of expected effectiveness;
- retrospective tests which show the degree of hedge effectiveness in the relevant past periods. In other words, they measure how much actual results differed from perfect hedging.

If the tests do not confirm hedge effectiveness, hedge accounting is discontinued, the hedging derivative is reclassified into trading instruments while the hedged item is again recognised according to its usual classification in the statement of financial position and the changes in the fair value of the hedged item up until the date hedge accounting was discontinued are amortised applying the effective interest rate method.

Equity investments

This account relates to investments in subsidiaries and associates which are measured at cost.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the subsidiary or associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event

occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Tangible assets

Tangible assets include land, Group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.
These are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one period.
This account also includes assets held under finance leases even when the lessor retains title thereof.
Tangible assets are initially recognised at cost, which comprises the purchase price of the asset and all costs directly attributable to the asset's acquisition and operation.
The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, while the costs of day-to-day servicing are recognised in the income statement.
Tangible assets, including investment property, are carried at cost less any accumulated depreciation and impairment losses.
Tangible assets are systematically depreciated on a straight-line basis over their useful lives except for land, be it acquired separately or together with buildings, which has an indefinite useful life. Under the international accounting standards land and buildings are separable assets and are to be accounted for separately. When the value of land is embedded in the value of the building, only for land on which a building stands, their respective value is determined by independent experts.
At each interim and annual reporting date, if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the lower of its fair value less costs to sell and its value in use. Any reduction is recognised as impairment loss in the income statement.
If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount that exceeds what the asset value would have been net of accumulated depreciation less previous impairment.
A tangible asset is derecognised from the statement of financial position on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets primarily relate to software applications.
Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.
Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Otherwise, the cost is recognised as an expense in the income statement in the year in which it was incurred.

Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.
At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from it.

Other assets

Other assets include expenditure on the renovation of leasehold property.
Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

Current and deferred taxation

Income taxes are recognised in the income statement except for items which are credited/charged directly to equity. Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company which adhered to Italy's tax consolidation regime is expected to continue to generate sufficient taxable income against which temporary differences can be utilised.
Deferred tax assets and deferred tax liabilities are not netted, and are separately recognised in the statement of financial position under "Tax assets" and "Tax liabilities" respectively.
Deferred taxes are accounted for using the liability method on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. A deferred tax liability is recognised for all taxable temporary differences.
A deferred tax asset is recognised for all deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax losses and unused tax credits can be utilised.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.

Provisions for risks and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.

When the effect of the time value of money is material, the amount of the provision is discounted at current market rates consistent with the risk of the liabilities. Provisions for risk and charges are recognised in the income statement.

Debt and securities issued/Other financial liabilities

Other financial liabilities include the various forms of funding from banks and customers as well as bonds issued net of any buybacks.

These financial liabilities are initially recognised when amounts are received or bonds are issued.

They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/ income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.

The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.

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

Except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.

A financial liability is derecognised when it expires or is extinguished. Notes are derecognised also when they are bought back. The difference between the carrying amount of the liability and the amount paid to buy it back is recognised in the income statement.

Financial liabilities held for trading

Financial liabilities held for trading include:

- trading derivatives with negative fair value;
- short positions on securities trading.

These financial liabilities are initially recognised at the time amounts are received.

On initial recognition they are measured at the fair value of the financial instruments which originated the liabilities. The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.

After initial recognition, financial liabilities are measured at fair value.

A financial liability is derecognised when it expires or is extinguished.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques in accordance with the rules governing "defined benefit plans". Future disbursements are estimated on the basis of past data (such as employee turnover and retirement) and demographic patterns, including assumptions for pay hikes pursuant to section 2120 of the Italian Civil Code (application of a fixed rate of 1.5 percent and a rate equal to 75 percent of ISTAT inflation rate). To determine the present value of benefit obliga-

tions the Projected Unit Credit Method is used. The rate used for discounting is determined on the basis of market rates of high-quality bonds, in line with the estimated residual timing of commitments.
Such values involve the recognition in the income statement of expenses related to work performance and net financial expense and the inclusion of actuarial gains and losses arising from the remeasurement of liabilities in Other comprehensive income/(loss).
Entitlements accrued from January 1, 2007 allocated to either INPS or private pension plans are defined contribution payment obligations, since the company's obligation is limited to the amount it agrees to contribute to the fund. The defined contribution obligations for each period are the amounts to be contributed for that period.

Employee pension plan

For the defined contribution pension plan under which the company's obligation is limited to the amount it agrees to contribute to the fund, the amount of the contribution payable for the year is recognised in the income statement.

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are initially recognised in the functional currency, applying to the foreign currency amount the exchange rate in effect at the date of the transaction.
At each interim or annual reporting date, assets and liabilities denominated in foreign currencies are measured as follows:

- monetary items are translated using the closing rate;
- non-monetary items measured at historical cost are translated applying the exchange rate in effect at the date of the transaction;
- non-monetary items measured at fair value are translated applying the exchange rate in effect at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the income statement in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, the exchange difference component of that gain or loss is also recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, the exchange difference component of that gain or loss is also recognised in the income statement.

Income statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.
In particular:

- commissions are measured on an accrual basis;
- interest income and interest expense are recognised on an accrual basis applying the effective interest method;

- dividends are recognised in the Income statement when their distribution to Shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the income statement only when actually received.

OTHER INFORMATION

Use of estimates

The application of International Accounting and Financial Reporting Standards (IAS/IFRS) in the preparation of financial statements entails the use of complex valuations and estimates which have an impact on assets, liabilities, revenues and costs recognised in the financial statements as well as on the identification of potential assets and liabilities. These estimates are primarily related to:

- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- identification of loss events as per IAS 39;
- assumptions used for the identification of any objective evidence of impairment of intangible assets and equity investments recognised in the statement of financial position;
- determination of impairment losses on loans and other financial assets;
- determination of provisions for risks and charges and tax provisions;
- estimates and assumptions for the determination of the probability of utilisation of deferred tax assets;
- assumptions for defined benefit funds;
- assumptions used to determine the costs of stock options plans for top management and employees.

Senior management regularly check valuations and estimates made on the basis of past experience and other reasonable factors. Due to the uncertainty typically related to these financial items, actual values may differ from estimates due to the occurrence of unexpected events or changes in operating conditions.
For information about the methods used to determine the financial items above and main risk factors, readers are referred to the previous sections of these notes for information on accounting policies and to Part E for information on financial risk.

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible asset, with the exception of any goodwill for which an annual impairment test is required at least once a year, is tested for impairment in accordance with IAS 36.
An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of its fair value less cost to sell (the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties) and its value in use (i.e. the present value of the future cash flows expected to be derived from the permanent use of the assets and its disposal at the end of its useful life).
If an asset is impaired, the relevant impairment loss is recognised in profit or loss and the depreciation (amortisation) charge for the asset shall be adjusted accordingly in future periods.

If, in a subsequent period, there is any indication that the impairment loss recognised in prior periods no longer exists, the previously recognised impairment loss is reversed.

If there is objective evidence that a financial asset is impaired, the Group applies the provisions of IAS 39, except for financial assets carried at fair value through profit or loss.
Indications of possible impairment include events such as significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the possibility that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for that financial asset.
A significant or prolonged decline in the market value of an investment in an equity instrument or holdings in UCITS below its cost is also objective evidence of impairment.
Specifically, for equities, there is evidence of impairment where the decline in the original fair value exceeds one-third or is prolonged for over 36 months.

If there is objective evidence of impairment, the amount of the impairment loss is measured:
- as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate computed at initial recognition, for financial assets carried at amortised cost;
- as the difference between amortised cost and current market value, for available-for-sale financial assets.

If, in a subsequent period, the reasons for the impairment loss no longer exist, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a debt instrument, and in equity if the asset is an equity investment.

Share-based payments

Stock options are share-based payments. Stock options granted, and the corresponding increase in equity, are measured by reference to the fair value of the stock option at grant date, and accounted for during the vesting period.
The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.
The cumulative expense recognised at each annual reporting date up until the vesting date takes account of the vesting period and is based on the best available estimate of options that are going to be exercised upon vesting. The expense or the reversal recognised in the income statement for each year represents the change in the cumulative expense over the amount recognised in the prior year. No expense is recognised for options that do not vest.

A.3 - DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: carrying amount, fair value and impact on profit or loss

€/t	Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Carrying amount (4)	Fair value (5)	Income components in the absence of the transfer (before tax)		Income components recorded in the year (before tax)	
						Valuation (6)	Other (7)	Valuation (8)	Other (9)
	A. Debt securities			7,376	7,249	200	26	-	26
		HFT	Loans to customers	7,376	7,249	200	26	-	26

The reclassification of assets outlined in the table above relates exclusively to portfolio transfers made in 2008 which were, in part, sold in the following years. In the year under review, there was no reclassification of assets.

A.3.2 Reclassified financial assets: impact on profit or loss before transfer

This table is not compiled as in the current year there were no portfolio transfers to report.

A.4 - FAIR VALUE DISCLOSURES

QUALITATIVE INFORMATION

This section includes the fair value disclosure as required by IFRS 13. The fair value is defined as the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market counter-parties, on the relevant market at the measurement date.
A financial instrument is considered listed on an active market if quoted prices are promptly and regularly available on the regulated market (intended as a platform for trading, dealers or brokers) and such prices are the actual market transactions on a regular basis.
If such market prices or other observable inputs are not available, alternative valuation models are used (mark to model). The Group uses valuation methods in line with methods that are generally accepted and used by the market. Valuation models include techniques based on discounted future cash flow (and on volatility estimates) and are reviewed regularly in order to ensure full keeping with the valuation objectives.

A.4.3 Fair value hierarchy

The IFRS13 standard establishes a fair value hierarchy according to the degree of observability of the inputs and parameters used for the assessments. In particular, there are three levels:

- Level 1: the fair value of instruments classified in this level is determined on the basis of price quotes observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use observable inputs in active markets;
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use significant unobservable inputs in active markets.

The Group adopts a policy for the recognition of the fair value level of individual positions. The policy establishes the rules for both the definition of "active market" and the resulting operating procedure of portfolio valuation in order to eliminate any discretion in the identification of the levels.

Description of migration between the valuation level of assets

The Companies adopt a policy, defined at the level of Mediolanum Group, for the recognition of the fair value level of individual positions. The policy sets out the rules that each Company shall follow for both the definition of active market and for the resulting operating procedure of portfolio enhancement with the aim to eliminate any discretion in the identification of the levels.

During the year there were no significant classification changes of fair value levels over the previous year.

Description of the process used to measure the fair value of classified instruments as level 2 and 3 of the fair value hierarchy

The level 2 instruments of the Mediolanum Group are represented by bonds issued by third parties and by Hedge Fund of Funds (HFoF) units as well as certain derivative instruments. The securities belonging to this category are valued on the basis of market data inputs, either directly or indirectly observable.

The fair value of the bonds is calculated as the sum of the current values at the end of the year of the related cash flows. The discounting rate is calculated as the sum of two components:

- the risk-free rate;
- the credit spread.

The risk-free rate is deducted from the implicit value in IRS contracts (interest rate swap), while the credit spread is deducted from the price of bonds of the same issuer, with fixed coupon and a maturity comparable with the security valued. If there are no securities of the same issuer, and for own bonds, a credit spread is used derived from a weighted average of the observed values for bonds listed on institutional markets of major Italian banks.

If the forecast cash flow are not determined but are dependent on market variables they are identified on the basis of:

- implicit forward rates in the values of the risk-free rate for different maturities;
- implicit volatility in prices of options, swaptions, caps and floors.

Expected cash flows on the basis of implied volatility are determined (where relevant) using the Black model.

The value of the positions in HFoF is instead determined on the basis of the latest available amount.

The fair value of level 2 derivative financial instruments (represented by Amortizing Interest Rate Swap) is determined by taking into account their level of collateralisation: in particular the value of the contracts is calculated by discounting the cash flows arising from them at rates derived from the implicit values in OIS contracts (Overnight Interest Swap) and the relevant Basis Swap contracts.

Level 3 assets of the Group mainly consist of assets covering liabilities related to index-linked policies, holdings in UCITS and positions in unlisted shares. Level 3 of the fair value of assets and liabilities that are not at fair value on a recurring basis include receivables and payables with customers and banks, as well as properties.
Hedging of index-linked policies pertaining to the life insurance companies are represented by bonds and derivative contracts traded outside regulated markets, and characterized by low liquidity and complex financial structures. Therefore, for their valuation, complex stochastic models are used. In particular:

- for the components of the contracts related to the interest rate a short-rate model is used that obtains the future value of interest rates through the evolution of a parameter that represents the instantaneous rate (i.e. the limit of the risk-free rate recognized for an investment of infinitesimal duration). The model used (Pelsser model) ensures the positivity of the interest rate, and is calibrated based on the level of implicit interest rates in the swap curve for the reference currency and the values of the implicit volatilities for swap options characterized by greater liquidity (at-the-money swaptions);
- for the components of the contracts related to credit risk an intensity model is used or a model that is based on a probability of failure of the other party determined at the initial time of the simulation. The model used (non-homogeneous Poisson model) is calibrated on the basis of CDS spreads observed on the market for the reference issuer;
- for the components of contracts linked to the value of indexes, a model based on geometric brownian motion is used. The model used (multivariate geometric brownian motion) simulates the future value of the indices taking into account the level of risk-free interest rates, index volatility, the value of expected dividends, and the correlation between their returns. The model is calibrated on the observed value of the indices and the historical volatility and correlations (on an observation period of years).

The logic underlying property assessments aims to determine a fair value through a mark-to-model, which is a theoretical value derived from assumptions that can descend on distinct asset classes regardless of counterparty or property specifications (intrinsic peculiarities, sector, geographical location and so on).

The starting point to determine the fair value of property consists of lease fees (fixed by contract) that the lessee of the property agrees to pay the lessor for an agreed number of years. These fees are discounted and capitalized using:

- initial value of the fee paid;
- discount rate of the fee paid;
- capitalisation rate of net profit, after an initial start-up of operations.

The first rate is obtained through a linear combination of a market indicator, a spread for the risk of illiquidity, a spread for the risk associated with the property investment and a spread for the industry/urban planning risk (recorded in the discount rates following an asset-dependent logic). The marginal effect of each of the 4 components will therefore reflect the market sensitivity of the evaluator, as well as related predictions and expectations. The capitalisation rate (Exit rate), by contrast, is the factor that allows converting an indication of future income into an indication of present value. It is also determined through a linear combination: the inputs are taken from the financial market and the market of reference of the property, in particular the Risk Out rate is derived from the assessor observing the transactions identified in the relevant market.

In accordance with the provisions of existing law, the assets in the property funds are valued by independent experts every six months. The evaluations, assumptions and inputs used by the independent experts are then subject to validation by the risk management of the Company.
The price of the shares, in consideration of their low incidence in the portfolios of competence, is assumed to be equal to historical cost.

In general, the present value of an asset and/or liability is determined by discounting on the reference date or cut-off the flow of interest and capital, allocated to the various maturities, with the yield curve of the cut-off date and relative to the currency of the product.
The present value of fixed-rate exposures is calculated by discounting the capital and interest flows placed on the date on which they are paid.
The current value of variable rate exposures is obtained by discounting the capital and the coupons placed at the repricing date and the fixed spread placed at various dates of liquidation.
For insensitive items the current value is equal to the balance of the exposure at the reporting date.

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 levels

	Dec. 31, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	302,808	24,949	3	438,994	35,379	10
2. Financial assets measured at fair value						
3. Available-for-sale financial assets	12,585,239	72,775	74,101	9,352,626	80,816	66,003
4. Hedging derivatives		1,287			2,418	
5. Tangible assets						
6. Intangible assets						
Total	12,888,047	99,011	74,104	9,791,620	118,613	66,013
1. Financial liabilities held for trading	331,201	39,058		231,527	18,621	
2. Financial liabilities measured at fair value						
3. Hedging derivatives		100,218			59,127	
Total	331,201	139,276	-	231,527	77,748	-

Legend:
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.4.5.2 Year's movements in financial assets measured at fair value (level 3)

€/t	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Hedging derivatives	Tangible assets	Intangible assets
1. Opening balance	10	-	66,003	-	-	-
2. Increases	2,787	-	16,135	-	-	-
2.1. Acquisitions	2,492	-	8,900	-	-	-
2.2. Profits recognised:						
2.2.1. Income statement	295	-	-	-	-	-
- Gains	-	-	-	-	-	-
2.2.2. Shareholders' equity	X	X	7,235	-	-	-
2.3. Transferred from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
3. Decreases	2,794	-	8,037	-	-	-
3.1. Sales	2,732	-	-	-	-	-
3.2. Redemption	20	-	-	-	-	-
3.3. Losses recognised:						
3.3.1. Income statement	42	-	7,235	-	-	-
- of which losses	-	-	7,235	-	-	-
3.3.2. Shareholders' equity	X	X	802	-	-	-
3.4. Transferred to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
4. Closing balance	3	-	74,101	-	-	-

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 levels

	Dec. 31, 2014				Dec. 31, 2013			
€/t	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	2,204,200	2,270,329	-	-	2,204,753	2,256,170		-
2. Loans to banks	489,388	-	-	489,388	1,300,827		204,935	740,891
3. Loans to customers	6,518,675	107,365	342,233	6,060,585	5,428,043	109,730	328,092	4,967,374
Total	9,212,263	2,377,694	342,233	6,549,973	8,933,623	2,365,900	533,027	5,708,265
1. Amounts due banks	6,755,203	-	-	6,755,203	4,461,894	-	-	4,461,894
2. Amounts due to customers	13,954,591	-	-	13,954,601	13,148,260	-	-	13,147,761
3. Securities issued	288,805	-	300,543	-	187,554	-	189,899	-
Total	20,998,599	-	300,543	20,709,804	17,797,708	-	189,899	17,609,655

Legend:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Analysis of cash and cash equivalents

€/t	Dec. 31, 2014	Dec. 31, 2013
a) Cash	1,027	1,764
b) Demand deposits with Central Banks	-	-
Total	1,027	1,764

Cash and cash equivalents amounted to Euro 1,027 thousand, of which Euro 31 thousand in foreign currencies. Cash and cash equivalents consisted of cash balances in Euro and foreign currencies held at the Milano 3 branch as well as banknotes at ATMs located at the Head Office and at the offices of Banca Mediolanum financial advisors.

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2014			Dec. 31, 2013		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Non-derivatives						
1. Debt securities	302,778	18,782	3	438,992	34,637	10
1.1 Structured notes	-	18,782	3	4	27,299	10
1.2 Other debt securities	302,778	-	-	438,988	7,338	-
2. Equities	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	302,778	18,782	3	438,992	34,637	10
B. Derivatives						
1. Financial derivatives	30	6,167	-	-	743	-
1.1 Held for trading	30	6,167	-	-	743	-
1.2 Measured at fair value	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Measured at fair value	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	30	6,167	-	-	743	-
Total (A+B)	302,808	24,949	3	438,992	35,380	10

2.2 Analysis of financial assets held for trading by debtor/issuer

€/t	Dec. 31, 2014	Dec. 31, 2013
A. NON-DERIVATIVES		
1. Debt securities	321,563	473,639
a) Governments and Central Banks	190,656	92,829
b) Other government agencies	-	5,397
c) Banks	111,682	328,282
d) Other issuers	19,225	47,131
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- others	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total A	321,563	473,639
B. DERIVATIVES		
a) Banks	34	722
- Fair value	34	722
b) Customers	6,163	21
- Fair value	6,163	21
Total B	6,197	743
Total (A + B)	327,760	474,382

2.3 Year's movements in financial assets held for trading

€/t	Debt securities	Equity investments	Holdings in UCITS	Loans	Total
A. Opening balance	473,639	-	-	-	473,639
B. Increases	9,179,859	3,583	43	-	9,183,485
B.1 Acquisitions	9,152,220	3,582	43	-	9,155,845
B.2 Increases in fair value	5,712	-	-	-	5,712
B.3 Other increases	21,927	1	-	-	21,928
C. Decreases	9,331,935	3,583	43	-	9,335,561
C.1 Disposals	9,281,984	3,553	43	-	9,285,582
C.2 Redemptions	36,773	-	-	-	36,773
C.3 Decreases in fair value	917	-	-	-	917
C.4 Transferred to other portfolios	-	-	-	-	-
C.5 Other decreases	12,261	30	-	-	12,291
D. Closing balance	321,563	-	-	-	321,563

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2014			Dec. 31, 2013		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	12,573,995	-	-	9,340,784	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	12,573,995	-	-	9,340,784	-	-
2. Equities	24	-	29,936	453	-	21,036
2.1 Measured at fair value	24	-	1,074	453	-	-
2.2 Measured at cost	-	-	28,862	-	-	21,036
3. Holdings in UCITS	11,220	72,775	44,165	11,389	80,816	44,967
4. Loans	-	-	-	-	-	-
Total	12,585,239	72,775	74,101	9,352,626	80,816	66,003

4.2 Analysis of available-for-sale financial assets by debtor/issuer

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Debt securities	12,573,995	9,340,784
a) Governments and Central Banks	12,525,261	9,225,497
b) Other government agencies	-	-
c) Banks	37,701	104,392
d) Others	11,033	10,895
2. Equities	29,960	21,489
a) Banks	-	-
b) Other issuers:	29,960	21,489
- insurance companies	-	-
- financial companies	5,474	5,853
- non-financial companies	24,486	15,636
- other	-	-
3. Holdings in UCITS	128,160	137,172
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	12,732,115	9,499,445

4.4 Year's movements in available-for-sale financial assets

€/t	Debt securities	Equity investments	Holdings in UCITS	Loans	Total
A. Opening balance	9,340,784	21,489	137,172	-	9,499,445
B. Increases	8,934,957	9,168	7,357	-	8,951,482
B.1 Acquisitions	8,575,106	9,032	-	-	8,584,138
B.2 Increases in fair value	99,098	-	172	-	99,270
B.3 Reversal of impairment	-	50	7,185	-	7,235
- in income statement	-	-	-	-	-
- in equity	-	50	7,185	-	7,235
B4. Reclassified from other portfolios	-	-	-	-	-
B.5 Other increases	260,753	86	-	-	260,839
C. Decreases	5,701,746	697	16,369	-	5,718,812
C.1 Disposals	2,564,994	596	7,000	-	2,572,590
C.2 Redemptions	2,857,972	-	-	-	2,857,972
C.3 Decreases in fair value	8,523	51	2,068	-	10,642
C.4 Impairment	-	50	7,185	-	7,235
- in income statement	-	50	7,185	-	7,235
- in equity	-	-	-	-	-
C.5 Reclassified to other portfolios	-	-	-	-	-
C.6 Other decreases	270,257	-	116	-	270,373
D. Closing balance	12,573,995	29,960	128,160	-	12,732,115

Section 5 - Held-to-maturity investments - Caption 50

5.1 Analysis of held-to-maturity investments

€/t	Dec. 31, 2014				Dec. 31, 2013			
	BV	Fair value			BV	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,204,200	2,270,329	-	-	2,204,753	2,256,170	-	-
- structured	-	-	-	-	-	-	-	-
- others	2,204,200	2,270,329	-	-	2,204,753	2,256,170	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	2,204,200	2,270,329	-	-	2,204,753	2,256,170	-	-

Legend:
FV = Fair value BV = Book value

5.2 Analysis of held-to-maturity investments by debtor/issuer

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Debt securities	2,204,200	2,204,753
a) Governments and Central Banks	2,158,202	2,145,112
b) Other government agencies	-	-
c) Banks	45,998	59,641
d) Others	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	2,204,200	2,204,753

5.4 Year's movements in held-to-maturity investments

€/t	Debt securities	Loans	Total
A. Opening balance	2,204,753	-	2,204,753
B. Increases	51,295	-	51,295
B.1 Acquisitions	-	-	-
B.2 Reversal of impairment	-	-	-
B.3 Reclassified from other portfolios	-	-	-
B.4 Other increases	51,295	-	51,295
C. Decreases	51,848	-	51,848
C.1 Disposals	-	-	-
C.2 Redemptions	13,000	-	13,000
C.3 Impairment	-	-	-
C.4 Reclassified from other portfolios	-	-	-
C.5 Other decreases	38,848	-	38,848
D. Closing balance	2,204,200	-	2,204,200

It should be noted that the exposure of Banca Mediolanum S.p.A. in sovereign debt securities refers mainly to Italian government securities.

Section 6 - Loans to banks - Caption 60

6.1 Analysis of loans to banks

	Dec. 31, 2014				Dec. 31, 2013			
	BV	FV			BV	FV		
€/t		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	192,299	-	-	192,299	352,891	-	-	352,891
1. Time deposits	-	X	X	X	-	X	X	X
2. Reserve requirements	192,299	X	X	X	352,891	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans to banks	297,089	-	-	297,089	947,936	-	204,935	740,891
1. Loans	297,089	-	-	297,089	740,891	-	-	740,891
1.1 Current accounts and demand deposits	20,077	X	X	X	20,552	X	X	X
1.2 Time deposits	-	X	X	X	-	X	X	X
1.3 Other loans:	277,012	X	X	X	720,339	X	X	X
- repurchase agreements	253,515	X	X	X	705,481	X	X	X
- finance leases	-	X	X	X	-	X	X	X
- other	23,497	X	X	X	14,858	X	X	X
2. Debt securities	-	-	-	-	207,045	-	204,935	-
2.1 Structured notes	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	207,045	X	X	X
Total	489,388	-	-	489,388	1,300,827	-	204,935	1,093,782

Legend:
BV = Book value
FV = Fair value

Section 7 – Loans to customers – Caption 70

The account includes debt securities (L&R) amounting to Euro 107,371 thousand and government securities (L&R) amounting to Euro 350,719 thousand. The caption "Debt securities" includes bond securities that at present do not show any risk of impairment.

As at December 31, 2014, impaired loans amounted to Euro 49,127 thousand, up Euro 7,210 thousand over the prior year.

7.1 Analysis of loans to customers

	Dec. 31, 2014						Dec. 31, 2013					
	Book value			Fair value			Book value			Fair value		
		Impaired						Impaired				
€/t	Performing	Purchased	Others	L1	L2	L3	Performing	Purchased	Others	L1	L2	L3
Loans	6,011,458	-	49,127	-	-	6,060,585	4,925,456	-	41,919	-	-	4,967,374
1. Current accounts	395,735	-	5,118	X	X	X	406,855	-	4,537	X	X	X
2. Repurchase agreements	181,379	-	-	X	X	X	20,403	-	-	X	X	X
3. Mortgages	4,250,143	-	35,440	X	X	X	3,551,477	-	28,494	X	X	X
4. Credit cards, personal loans and salary-guaranteed loans	815,628	-	4,357	X	X	X	645,765	-	2,926	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	368,573	-	4,212	X	X	X	300,956	-	5,962	X	X	X
Debt securities	458,090	-	-	107,365	342,233	-	460,668	-	-	109,730	328,091	-
8. Debt securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	458,090	-	-	X	X	X	460,668	-	-	X	X	X
Total	6,469,548	-	49,127	107,365	342,233	6,060,585	5,386,124	-	41,919	109,730	328,091	4,967,374

7.2 Analysis of loans to customers by debtor/issuer

€/t	Dec. 31, 2014 Performing	Dec. 31, 2014 Impaired Purchased	Dec. 31, 2014 Impaired Others	Dec. 31, 2013 Performing	Dec. 31, 2013 Impaired Purchased	Dec. 31, 2013 Impaired Others
1. Debt securities	458,090	-	-	460,667	-	-
a) Governments	350,718	-	-	350,880	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other issuers	107,372	-	-	109,788	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	107,372	-	-	109,788	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans	6,011,458	-	49,127	4,925,456	-	41,919
a) Governments	-	-	16	3	-	13
b) Government agencies	166	-	-	86	-	-
c) Others	6,011,292	-	49,111	4,925,368	-	41,906
- non-financial companies	190,726	-	4,737	171,979	-	1,185
- financial companies	367,403	-	4,212	175,911	-	5,625
- insurance companies	12,419	-	-	10,628	-	-
- other	5,440,744	-	40,162	4,566,850	-	35,096
Total	6,469,548	-	49,127	5,386,123	-	41,919

7.3 Loans to customers: micro-hedging

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Fair value micro-hedging	467,874	467,333
a) Interest rate risk	467,874	467,333
b) Currency risk	-	-
c) Credit risk	-	-
d) Multiple risks	-	-
2. Cash flows micro-hedging	-	-
a) Interest rate risk	-	-
b) Currency risk	-	-
c) Other	-	-
d) Other hedges	-	-
Total	467,874	467,333

Section 8 - Hedging derivatives - Caption 80

8.1 Analysis of hedging derivatives by type of hedge and fair value hierarchy

€/t	Dec. 31, 2014 Fair value L1	Dec. 31, 2014 Fair value L2	Dec. 31, 2014 Fair value L3	Dec. 31, 2014 NV	Dec. 31, 2013 Fair value L1	Dec. 31, 2013 Fair value L2	Dec. 31, 2013 Fair value L3	Dec. 31, 2013 NV
A) Financial derivatives								
1) Fair value	-	1,287	-	72,502	-	2,418	-	70,107
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B) Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	1,287	-	72,502	-	2,418	-	70,107

Legend:
NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

8.2 Analysis of hedging derivatives by hedged portfolio and type of hedge

€/t	Fair value - Micro-hedging - Interest rate risk	Fair value - Micro-hedging - Currency risk	Fair value - Micro-hedging - Credit risk	Fair value - Micro-hedging - Pricing risk	Fair value - Micro-hedging - Multiple risks	Fair value - Macro-hedging	Cash flows - Micro-hedging	Cash flows - Macro-hedging	Investments in foreign operations
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans	1,287	-	-	X	-	X	-	X	X
3. Held-to-maturity financial assets	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	1,287	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and financial liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 10 - Equity investments - Caption 100

10.1 Subsidiaries, joint ventures and companies over which significant influence is exercised: disclosures on holdings

Company name	Registered office	% holding	Voting rights %
A. Wholly-controlled companies			
Banco Mediolanum S.A.	Barcelona	100.00	100.00
Bankhaus August Lenz & Co. AG	Munich	100.00	100.00
Mediolanum Fiduciaria S.p.A.	Basiglio	100.00	100.00
Fermi e Galeno Real Estate S.r.l.	Basiglio	100.00	100.00
Gamax Management AG	Luxembourg	99.996	99.996
Mediolanum Asset Management Ltd	Dublin	51.00	51.00
Mediolanum Gestione Fondi S.G.R.p.A.	Basiglio	51.00	51.00
Mediolanum International Funds Ltd (*)	Dublin	48.00	48.00

(*) By virtue of the investment held by Bankhaus August Lenz (3%) in Mediolanum International Funds, Banca Mediolanum indirectly holds control of the latter (51%).

10.2 Subsidiaries, joint ventures and companies over which significant influence is exercised: book value, fair value and dividends received

€/t	Book value	Fair value	Dividends received
A. Wholly-controlled companies			
Gamax Management AG	24,207.00	24,207.00	6,382.00
Mediolanum Fiduciaria S.p.A.	893.00	893.00	-
Banco Mediolanum S.A.	272,780.00	272,780.00	50,000.00
Bankhaus August Lenz & Co. AG	28,407.00	28,407.00	-
Fermi & Galeno Real Estate S.r.l.	21,800.00	21,800.00	1,089.00
Mediolanum Gestione Fondi SGR p.A.	2,610.00	2,610.00	15,825.00
Mediolanum Asset Management Ltd	1,989.00	1,989.00	10,710.00
Mediolanum International Funds Ltd (*)	1,267.00	1,267.00	164,820.00

(*) By virtue of the investment held by Bankhaus August Lenz (3%) in Mediolanum International Funds, Banca Mediolanum indirectly holds control of the latter (51%).

The fair value of the investments of Banca Mediolanum was conventionally set at the historical cost given the lack of an active market and the absence of circumstances that indicate the need for impairment.

10.3 Subsidiaries, joint ventures and companies over which significant influence is exercised: key financial information

Denominations €/t	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Net interest income	Adj. of reversal of impairment on tangible and intangible assets	Profit (loss) before tax on continuing operations	Profit/loss for the year (1)	Total other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Wholly-controlled companies												
Mediolanum Gestione Fondi SGR p.A.	-	55,396	25,164	(5,277)	(27,165)	58,703	51	(252)	47,395	31,631	2	31,633
Mediolanum International Funds Ltd (*)	-	140,307	1,410	(30,197)	(931)	389,816	268	(136)	386,455	338,103	3	338,106
Mediolanum Asset Management Ltd	-	22,396	822	(308)	(3,393)	26,557	30	(120)	20,640	18,036	6	18,042
Gamax Management AG	-	8,508	-	(1,249)	(307)	6,284	44	-	5,202	4,752	-	4,752
Mediolanum Fiduciaria S.p.A.	-	821	365	-	(358)	112	2	(1)	(742)	(533)	-	(533)
Banco Mediolanum S.A.	1,571	1,675,770	34,436	(1,477,147)	(41,741)	54,662	23,359	(1,186)	21,648	20,241	(54)	20,187
Bankhaus August Lenz & Co. AG	63,138	52,987	8,250	(87,759)	(6,816)	11,667	47	(252)	(6,135)	(6,135)	(420)	(6,555)
Fermi & Galeno Real Estate S.r.l.	-	1,685	21,246	-	(111)	3	3	(427)	1,082	1,018	-	1,018
Mediolanum Gestión S.G.I.I.C. S.A.	-	5,329	19	-	(940)	1,247	41	(12)	506	354	(6)	348
Fibanc S.A.	-	423	3	-	(3)	4	4	-	2	1	-	1
Mediolanum Pensiones S.G.F.P. S.A.	-	2,833	2	-	(385)	608	6	-	439	307	-	307

(*) By virtue of the investment held by Bankhaus August Lenz (3%) in Mediolanum International Funds, Banca Mediolanum indirectly holds control of the latter (51%).

10.5 Year's movements in equity investments

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Opening balance	359,685	367,709
B. Increases	6,177	700
B.1 Acquisitions	-	600
B.2 Reversal of impairment	-	-
B.3 Revaluations	-	-
B.4 Other increases	6,177	100
C. Decreases	(11,908)	(8,724)
C.1 Sales	(79)	-
C.2 Impairment	(6,668)	(8,724)
C.3 Other decreases	(5,161)	-
D. Closing balance	353,954	359,685
E. Total revaluations	-	-
F. Total adjustments	-	-

As at December 31, 2014, the Bank's investments in Banking Group companies amounted to Euro 354 million, down versus Euro 359.7 million of the prior year. The change for the year, a negative Euro -5.7 million, is mainly due to impairment for the year of the subsidiary Bankhaus August Lenz A.G. (Euro -6.1 million).

Moreover, during the year under review Gamax Management AG, Luxembourg Branch, proceeded to reimburse a portion of the share capital, which resulted in a reduction in the carrying value of the subsidiary of Euro 5.2 million.

This section provides disclosures on impairment testing conducted on equity investments as at December 31, 2014, in accordance with IAS 36 and the instructions set forth in the document jointly issued by the Bank of Italy, CONSOB and ISVAP on March 3, 2010.
The purpose of impairment testing is to ascertain that the carrying amount of each investment does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.
Impairment testing was conducted with the assistance of an independent expert applying the methods and assumptions set out below.

EQUITY INVESTMENTS TESTED FOR IMPAIRMENT

The impairment test was conducted on the equity investments listed below:
- Banco Mediolanum S.A.;
- Gamax Management AG ("Gamax");
- Bankhaus August Lenz A.G.

€/m	% holding	Carrying amount to be tested for impairment
Banca Mediolanum	100%	272.8
Gamax	99.996%	24.2
Bankhaus August Lenz A.G.	100%	28.4

METHODS USED

Like in prior years, the recoverable amount of the investments above was determined by calculating their value in use.
Under IAS 36 value in use can be calculated applying the Discounted Cash Flow (DCF) method. The DCF method determines the value in use of an equity investment, or an entity, by computing the present value of future cash flows (from operations) it is expected to generate over time.
For lenders, it is common practice to apply the Free Cash Flow to Equity (FCFE) model known in Anglo-Saxon countries as Dividend Discount Model (DDM), in the Excess Capital variant, that determines the value of the entity on the basis of the future cash flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific risk. Please note that although the name Dividend Discount Model contains the term "dividend", the cash flows it calculates are not the dividends the entity expects to distribute to its shareholders, but the cash flows potentially available to equity holders net of the assets needed for business operation.
Impairment testing was conducted with the assistance of an independent expert applying the methods and assumptions set out below.

BANCO MEDIOLANUM

The recoverable amount of Banco Mediolanum was determined based on value in use calculated by applying the DDM method to the information set out in the 2015-2017 Business Plan (the 2015-2017 Plan) approved by the Boards of Directors of Banco Mediolanum and Banca Mediolanum S.p.A.
The 2015-2017 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the possible future business developments of Banco Mediolanum.
The 2015-2017 Plan is an update of the previous 2014-2016 plan according to the new macroeconomic and specific national and sector scenario. In particular, the plan to develop the business model of Banca Mediolanum in Spain in order is confirmed and based on the experience and track record of the management of the Mediolanum Group, with sustained development of the sales network and a consequent growth in net inflows and assets under management.
The previous plan was updated to incorporate most recent expectations in relation to interest rate developments over the plan period and inflows forecasts on the basis of volumes and sales network numbers as at December 31, 2014.
Net profit of Banco Mediolanum in 2014 amounted to approximately Euro 21 million (approximately Euro 25

million in 2013), also thanks to the contribution of income components related to corporate treasury activities, with 740 financial advisors (652 in 2013) and Euro 2,925 million in assets under management and administration (Euro 2,430 in 2013).

Specifically, the 2015-2017 Plan was based on the following key assumptions:

- Family Bankers (FB) network growth from 740 people to 1,150 people at year end 2017;
- Growth in assets under management and administration at an average annual rate of 15.8%.

To determine the value in use of the investment two scenarios were considered:

- Base scenario: developed using the projections set out in the 2015-2017 Plan;
- Prudential scenario: developed using the projections set out in the Plan with the exclusion of income components related to corporate treasury activities.

In both scenarios cash-flows were estimated assuming a minimum Tier 1 Capital ratio of 8.5% of RWA.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (Ke) was estimated at 10.9%, based on the following parameters:

- Risk-free rate of 2.2% calculated on the basis of average historical 6-month yields on 10-year Spanish treasuries;
- Beta coefficient (risk measure of the stock compared to the market) of 1.24 calculated on the basis of the historical 2-year beta of a panel of comparable entities operating in the Spanish banking market;
- Market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with common practice;
- Specific risk premium conservatively estimated at 2.5% to take into account the underlying uncertainty in the execution of the plan.

The value of the Banco Mediolanum at the end of the plan period was calculated based on cash flows available in 2017, prudentially excluding in both evaluation scenarios, the contribution of corporate treasury activities, and assuming 2% long-term growth in line with long-term inflationary expectations.

The recoverable amount of the investment in Banco Mediolanum was found to be equal to the carrying amount for the following elements:

- discount rate of 14.7% (increase by 677 bps);
- long term growth of -3.6% (decline by 558 bps);
- net profitability 28% lower than 2015-2017 Plan estimates.

In both scenarios, the exercise did not reveal any impairment losses of the investment.

GAMAX

The recoverable amount of Gamax was determined based on value in use calculated by applying the DDM method to the information set out in the 2015-2017 Business Plan (the 2015-2017 Plan) approved by the Board of Directors of Gamax and Banca Mediolanum S.p.A.

The 2015-2017 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the possible future business developments of Gamax.

The previous plan was updated to incorporate most recent expectations in relation to financial market performance and interest rate developments over the plan period.

As at December 31, 2014, Gamax reported net profit of Euro 4.8 million, substantially in line with 2013 (Euro 5.3 million).

Specifically, the 2015-2017 Plan was based on the following key assumptions:

- growth in assets under management and administration at an average annual rate of 8.1%;

- commercial margin increased slightly during the period of the plan;
- net income expected to be substantially stable during the period of the plan.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (Ke) was estimated at 9.1% for the Italian Division and 7.6% for the German Division. Calculations were based on the following parameters:

- Risk-free rate of 2.4% calculated on the basis of average historical 6-month yields on 10-year Italian treasuries for the Italian Division, and of 0.9% calculated on the basis of average historical 6-month yields on 10-year German treasuries for the German Division;
- Beta coefficient (risk measure of the stock compared to the market) of 1.14 calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- Market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with common practice;
- Specific risk premium conservatively estimated at 1.0% to take into account the underlying uncertainty in the execution of the plan.

The value of Gamax at the end of the plan period was calculated based on cash flows available in 2017, and assuming 1.5% long-term growth in line with long-term inflationary expectations.

The recoverable amount of the investment in Gamax was found to be equal to the carrying amount of the CGU for the following elements:

- discount rate of 11.9% for the Italian Division and of 10.4% for the German Division (increase by 272 bps);
- long term growth of -1.8% (decline by 328 bps);
- net profitability 28% lower than 2015-2017 Plan estimates.

The exercise did not reveal any impairment losses of the investment in Gamax.

BANKHAUS AUGUST LENZ A.G.

The recoverable amount of BAL was determined based on value in use calculated by applying the DDM method to the information set out in the 2015-2017 Business Plan (the 2015-2017 Plan) approved by the Boards of Directors of BAL and Banca Mediolanum S.p.A.

As at December 31, 2014, BAL recorded a loss of Euro 6.1 million, an improvement compared to the figure recorded in the previous year (Euro -8.2 million).

Specifically, the 2015-2017 Plan was based on the following key assumptions:

- growth in net business margin at an average annual rate of 34.9%;
- increase in administrative expenses at an average annual rate of 10%.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (Ke) was estimated at 10.1%. Calculations were based on the following parameters:

- Risk-free rate of 0.9% calculated on the basis of average historical 6-month yields on 10-year German treasuries;
- Beta coefficient (risk measure of the stock compared to the market) of 1.14 calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- Market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with best practice;
- Specific risk premium conservatively estimated at 3.5% to take into account the risk of missing plan targets in the light of negative historical data.

The value of BAL at the end of the plan period was calculated based on expected profit in the long term, and assuming 1.5% long-term growth in line with long-term inflationary expectations.
The recoverable amount of the investment in BAL was found to be equal to the carrying amount of the CGU for the following elements:

- discount rate of 10.7% (increase by 57 bps);
- long term growth of 0.7% (decline by 83 bps);
- long-term profitability 9% lower than expected.

The values obtained show no additional impairment losses on the investment compared to the impairments already recorded (Euro 6.1 million).

Investments in subsidiaries, except as disclosed in "Investments subject to impairment tests" are recorded in the financial statements at historical values, below their equity amounts.

Section 11 - Tangible assets - Caption 110

11.1 Analysis of tangible assets held for use (carried at cost)

€/t	Dec. 31, 2014	Dec. 31, 2013
1.1 Property assets	17,032	15,823
a) land	5,440	5,440
b) buildings	4,450	4,488
c) furnishings	2,823	1,963
d) electronic equipment	3,582	3,474
e) other	737	458
1.2 Assets acquired under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total	17,032	15,823

11.5 Year's movements in tangible assets held for use

€/t	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	5,440	8,530	11,737	20,288	696	46,691
A.1 Total net write-downs	-	(4,042)	(9,774)	(16,814)	(238)	(30,868)
A.2 Net opening balance	5,440	4,488	1,963	3,474	458	15,823
B. Increases	-	221	3,207	387	1,586	5,401
B.1 Acquisitions	-	-	-	387	1,586	1,973
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	221	3,207	-	-	3,428
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases	-	(259)	(2,347)	(162)	(1,424)	(4,192)
C.1 Disposals	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	(259)	(2,347)	(162)	(1,329)	(4,097)
C.3 Impairment:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	(95)	(95)
D. Net closing balance	5,440	4,450	2,823	3,699	620	17,032
D.1 Total net write-downs	-	(4,301)	(11,929)	(18,209)	(255)	(34,694)
D.2 Gross closing balance	5,440	8,751	14,752	21,908	875	51,726
E. Measured at cost	-	-	-	-	-	-

Tangible assets with unit value lower than Euro 516.46 were fully depreciated in the year.

Section 12 – Intangible assets – Caption 120

12.1 Analysis of intangible assets

€/t	Dec. 31, 2014 Definite life	Dec. 31, 2014 Indefinite life	Dec. 31, 2013 Definite life	Dec. 31, 2013 Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	35,824	-	14,745	-
A.2.1 Measured at cost:	35,324	-	14,745	-
a) Internally generated assets	-	-	-	-
b) Other assets	35,324	-	14,745	-
A.2.2 Measured at fair value:	500	-	-	-
a) Internally generated assets	-	-	-	-
b) Other assets	500	-	-	-
Total	35,824	-	14,745	-

12.2 Year's movements in intangible assets

€/t	Goodwill	Other internally generated intangible assets Definite	Other internally generated intangible assets Indefinite	Other intangible assets Definite	Other intangible assets Indefinite	Total
A. Gross opening balance	-	-	-	157,219	-	157,219
A.1 Total net write-downs	-	-	-	(142,474)	-	(142,474)
A.2 Net opening balance	-	-	-	14,745	-	14,745
B. Increases	-	-	-	30,226	-	30,226
B.1 Acquisitions	-	-	-	30,226	-	30,226
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Reversal of impairment	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other decreases	-	-	-	-	-	-
C. Decreases	-	-	-	(9,147)	-	(9,147)
C.1 Disposals	-	-	-	-	-	-
C.2 Amortisation and impairment	-	-	-	(9,133)	-	(9,133)
- amortisation	X	-	-	(9,133)	-	(9,133)
- impairment	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(14)	-	(14)
D. Net closing balance	-	-	-	35,824	-	35,824
D.1 Total net write-downs	-	-	-	-	-	-
E. Gross closing balance	-	-	-	35,824	-	35,824
F. Measured at cost	-	-	-	-	-	-

The increase in other intangible assets, amounting to Euro 20,579 thousand, is due to higher costs for IT systems related to the development of new technologies.

Section 13 - Tax assets and liabilities - Caption 130 (assets) and Caption 80 (liabilities)

Current tax assets include tax advances amounting to Euro 15,164 thousand and credits on deferred tax assets for Euro 69,006 thousand paid during 2014.

Since the Bank opted for the tax consolidation regime, IRES corporate income tax debits/credits were consolidated into the parent company Mediolanum S.p.A. (consolidating company) for the purpose of consolidated tax reporting.

13.1/13.2 Analysis of deferred tax assets and tax liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Deferred tax assets		
Charge to the income statement	68,511	72,149
Charge to equity	495	4,887
Total deferred tax assets	69,006	77,036
Deferred tax liabilities		
Charge to the income statement	(10,955)	(9,993)
Charge to equity	(50,582)	(41,170)
Total deferred tax liabilities	(61,537)	(51,163)

13.3 Year's movements in deferred tax assets (charge to the income statement)

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	72,149	75,131
2. Increases	25,911	28,229
2.1 Deferred tax assets arisen in the year	25,911	28,229
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) write-backs	-	-
d) other	25,911	28,229
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
- business combinations	-	-
3. Decreases	(29,549)	(31,211)
3.1 Deferred tax assets cancelled in the year	(29,549)	-
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
d) other	(29,549)	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	(31,211)
a) turned into tax credit under Law 214/2011	-	-
b) other	-	(31,211)
- of which business combinations	-	-
4. Closing balance	68,511	72,149

13.4 Year's movements in deferred tax liabilities (charge to the income statement)

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	(9,993)	(8,989)
2. Increases	(1,226)	(1,312)
2.1 Deferred tax liabilities arisen in the year	(1,226)	(1,312)
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other (temporary differences arisen in the year)	(1,226)	(1,312)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	264	307
3.1 Deferred tax liabilities cancelled in the year	264	307
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	264	307
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	(10,955)	(9,993)

13.5 Year's movements in deferred tax assets (charge to equity)

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	4,887	17,626
2. Increases	476	594
2.1 Deferred tax assets arisen in the year	476	594
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	476	594
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases		-
3.1 Deferred tax assets cancelled in the year	(4,868)	(13,333)
a) reversals	(4,868)	(13,333)
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	-	-
3.2 Reduced tax rates	(4,868)	(13,333)
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	495	4,887

13.6 Year's movements in deferred tax liabilities (charge to equity)

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	(41,170)	(56,401)
2. Increases	(32,584)	(22,521)
2.1 Deferred tax liabilities arisen in the year	(32,584)	(22,521)
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(32,584)	(22,521)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	23,172	37,752
3.1 Deferred tax liabilities cancelled in the year	23,172	37,752
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	23,172	37,752
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	(50,582)	(41,170)

Section 15 - Other assets - Caption 150

15.1 Analysis of other assets

€/t	Dec. 31, 2014	Dec. 31, 2013
Receivables from tax authorities	87,110	48,064
Receivables from financial advisors	2,528	2,542
Advances to suppliers and professionals	4,304	3,763
Security deposits	2,809	608
Receivables from employees	483	386
Other receivables	44,652	57,632
Items in transit	36,927	64,297
Accrued income	39,837	36,339
Prepayments	4,509	2,871
Receivables from the Parent Company, subsidiaries and associates	4,544	6,323
Other assets	9,904	5,834
Total	237,607	228,659

Items in transit is primarily related to miscellaneous items settled in January 2015. *Other receivables* include, on the other hand, the utilities to be charged to customers' current accounts that have not yet reached maturity (Euro 37,880 thousand).
Prepayments relate to the portion of charges for different services which accrue in the coming years.

Receivables from the parent company, subsidiaries and associates and *Receivables from Fininvest/Doris Group companies* related to the following companies:

€/t	Dec. 31, 2014	Dec. 31, 2013
Receivables from Mediolanum Group companies		
Parent company:		
- Mediolanum S.p.A.	305	657
Subsidiaries:		
- Mediolanum Gestione Fondi SGR p.A.	506	989
- Bankhaus August Lenz & Co. AG	10	29
- Mediolanum International Funds Ltd	7	255
- Banco Mediolanum SA	654	187
- Mediolanum Asset Management Ltd	47	39
- Mediolanum Fiduciaria S.p.A.	211	66
- Fermi & Galeno Real Estate S.r.l.	6	40
Associates:		
- Mediolanum Vita S.p.A.	2,177	3,149
- Mediolanum Comunicazione S.p.A.	164	239
- Mediolanum International Life Ltd	79	129
- Mediolanum Assicurazioni S.p.A.	369	550
- Pi Servizi S.p.A.	9	9
- Banca Esperia S.p.A.	-	7
Total	4,544	6,345
Receivables from Fininvest/Doris Group companies		
- Vacanze Italia S.p.A.	-	(22)
Total	-	(22)

An analysis of *Receivables from tax authorities*, including prior year's comparative information, is set out in the table below:

€/t	Dec. 31, 2014	Dec. 31, 2013
Virtual stamp duty	57,273	38,910
Tax authorities for advance assets under administration	29,728	8,681
Others	109	473
Total	87,110	48,064

Virtual stamp duty is related to the payment of the stamp duty advance for the year 2015 net of the balance of stamp duty relating to the current year.

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Amounts due to central banks	6,047,481	3,992,567
2. Amounts due to banks	707,722	469,327
2.1 Current accounts and demand deposits	21,499	38,962
2.2 Time deposits	685,424	429,444
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Others	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other amounts due	799	921
Totale	6,755,203	4,461,894
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	6,755,203	4,477,719
Total fair value	6,755,203	4,477,719

Section 2 – Amounts due to customers – Caption 20

2.1 Analysis of amounts due to customers

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Current accounts and demand deposits	8,065,980	6,971,410
2. Time deposits	3,913,254	3,815,291
3. Loans	1,769,280	2,169,790
3.1 Repurchase agreements	1,769,280	2,169,790
3.2 Others	-	-
4. Commitments to buy back own equity instruments	-	-
5. Other amounts due	206,077	191,768
Total	13,954,591	13,148,260
Fair value – Level 1	-	-
Fair value – Level 2	-	-
Fair value – Level 3	13,954,601	13,191,509
Total fair value	13,954,601	13,191,509

Section 3 - Securities issued - Caption 30

3.1 Analysis of securities issued

€/t	Dec. 31, 2014				Dec. 31, 2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A.								
1. Bonds	288,805	-	300,543	-	187,554	-	189,899	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	288,805	-	300,543	-	187,554	-	189,899	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	288,805	-	300,543	-	187,554	-	189,899	-

Securities issued included Euro 219,237 thousand subordinated securities and Euro 69,568 thousand notes issued by Banca Mediolanum S.p.A.

3.2 Analysis of caption 30 "Securities issued": subordinate securities

€/t	Dec. 31, 2014	Dec. 31, 2013
Securities issued: subordinate securities	219,237	183,715
Total	219,237	183,715

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Analysis of financial liabilities held for trading

€/t	Dec. 31, 2014					Dec. 31, 2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Non-derivatives liabilities										
1. Amounts due to banks	249,346	264,198	-	-	264,199	195,417	212,561	-	-	212,563
2. Amounts due to customers	57,611	66,999	-	-	66,999	17,550	18,964	-	-	18,964
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Others	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	306,957	331,197	-	-	331,198	212,967	231,525	-	-	231,527
B. Derivatives										
1. Financial derivatives	X	4	39,058	-	X	X	-	18,622	-	X
1.1 Held for trading	X	4	39,058	-	X	X	-	18,622	-	X
1.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B	X	4	39,058	-	X	X	-	18,622	-	X
Total A+B	X	331,201	39,058	-	X	X	231,525	18,622	-	X

Legend:
FV = Fair value
FV* = Fair value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue
NV = Nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.4 Year's movements in financial liabilities (excluding "short positions") held for trading

Financial liabilities consist entirely of short positions. Therefore no information is provided under this heading.

Section 6 - Hedging derivatives - Caption 60

6.1 Analysis of hedging derivatives by type of hedge and fair value hierarchy

	Dec. 31, 2014				Dec. 31, 2013			
	Fair value			NV	Fair value			NV
€/t	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	100,218	-	341,219	-	59,127	-	376,990
1) Fair value	-	100,218	-	341,219	-	59,127	-	376,990
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	100,218	-	341,219	-	59,127	-	376,990

Legend:
NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.2 Analysis of hedging derivatives by hedged portfolio and type of hedge

	Fair value						Cash flows		
	Micro-hedging					Macro-hedging	Micro-hedging	Macro-hedging	Investments in foreign operations
€/t	Interest rate risk	Currency risk	Credit risk	Pricing risk	Multiple risks				
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Receivables	100,218	-	-	X	-	X	-	X	X
3. Held-to-maturity financial assets	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	100,218	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and financial liabilities portfolio	X	X	X	X	X	-	-	-	-

Section 8 - Tax liabilities - Caption 80

For information on *Deferred tax liabilities* readers are referred to Section 13 – Tax assets and liabilities – of these Notes.

Section 10 - Other liabilities - Caption 100

10.1 Analysis of other liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Agents' severance benefits	4,945	4,372
Payables to promoters, advisors and dealers	35,924	50,474
Payables to suppliers	56,911	35,664
Payables to parent companies, subsidiaries and associates	5,289	4,135
Payables to Fininvest/Doris Group companies	1,829	435
Payables to tax authorities	10,496	22,510
Payables to social security agencies	5,547	5,255
Payables to employees	12,187	10,951
Payables to professionals, directors and auditors	5,145	5,730
Payables for items in transit	115,068	105,106
Deferred income	21,839	21,163
Other liabilities	3,795	6,334
Total	278,975	272,129

Liabilities for items in transit include the provisions for RID direct debit payment (Euro 24,711 thousand), bank transfers arranged by customers and regulated in Interbank Network in the first days of 2015 (Euro 20,008 thousand and other items in transit regularly closed in the first days of the New Year.

Payables to suppliers relate to services received, but not yet paid at the balance sheet date.

Payables to tax authorities refer to amounts owed for the substitute tax and other deductions.
Payables to employees related to overtime payments, reimbursement of expenses, amounts set aside for bonuses accrued at year end, statutory leaves and vacations unused as at December 31, 2014.

Agents' severance benefits relate to the severance entitlements of financial advisors as accrued at balance sheet date. The amounts due will be paid into the related Mediolanum Vita S.p.A. policy account in accordance with the terms of the collective agreement.

Payables to Mediolanum Group companies and *Payables to Fininvest/Doris Group companies*, mainly related to services rendered to be settled, refer to the following companies:

€/t	Dec. 31, 2014	Dec. 31, 2013
Payables to Mediolanum Group companies		
Parent company:		
- Mediolanum S.p.A.	63	178
subsidiaries:		
- Mediolanum Gestione Fondi SGR p.A.	109	54
associates:		
- Banco Mediolanum SA	-	2
- Mediolanum Comunicazione S.p.A.	98	179
- Mediolanum Assicurazioni S.p.A.	4,488	3,317
- Mediolanum Vita S.p.A.	531	405
Total	5,289	4,135
Payables to Fininvest/Doris Group companies		
- Milan A.C.	2	-
- Promoservice Italia S.p.A.	266	8
- Mondadori Pubblicità S.p.A.	-	44
- Servizi Milan S.r.l.	159	-
- Publitalia '80 S.p.A.	1,397	378
- Mondadori Retail S.p.A.	5	5
Total	1,829	435

Payables to tax authorities relate to the following accounts:

€/t	Dec. 31, 2014	Dec. 31, 2013
Substitute and withholding taxes	10,406	22,510
Other payables	90	-
Total	10,496	22,510

Section 11 – Employee completion-of-service entitlements – Caption 110

11.1 Year's movements in employee completion-of-service entitlements

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Opening balance	9,300	9,333
B. Increases	5,001	4,808
B.1 Provisions for the year	4,737	4,301
B.2 Other increases	264	507
- of which business combinations	-	-
C. Decreases	(5,658)	(4,841)
C.1 Funds used in the year	(5,658)	(4,841)
C.2 Other decreases	-	-
- of which business combinations	-	-
D. Closing balance	8,643	9,300

Section 12 – Provisions for risks and charges – Caption 120

12.1 Analysis of provisions for risks and charges

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Severance entitlements	-	-
2. Other provisions for risks and charges	184,030	175,877
2.1 legal proceedings	9,229	13,829
2.2 personnel expenses	-	-
2.3 others	174,801	162,048
Total	184,030	175,877

12.2 Year's movements in provisions for risks and charges

€/t	Severance entitlements	Other provisions	Total
A. Opening balance	-	175,877	175,877
B. Increases	-	(53,977)	(53,977)
B.1 Provisions for the year	-	(53,977)	(53,977)
B.2 Time-related changes	-	-	-
B.3 Discount rate changes	-	-	-
- of which business combinations	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	(45,824)	(45,824)
C.1 Used in the year	-	(25,131)	(25,131)
C.2 Discount rate changes	-	-	-
C.3 Other decreases	-	(20,693)	(20,693)
- business combinations	-	-	-
D. Closing balance	-	184,030	184,030

12.4 Analysis of other provisions for risks and charges: other

€/t	Balance at Dec. 31, 2013	Provision for the year	Recoveries	Used in the year	Balance at Dec. 31, 2014
Provision:					
- legal disputes	13,829	3,766	(8,135)	(231)	9,229
- other:					
Managerial allowance	58,123	6,697	(3,917)	(8,986)	51,917
Risks related to FA illegal actions	33,846	10,712	(6,020)	(4,812)	33,726
Customer base entitlements	32,031	14,346	(192)	(2,252)	43,933
Portfolio allowance	18,376	5,443	(1,017)	(2,743)	20,059
Product distribution	10,487	2,354	-	(2,341)	10,500
Other provisions	9,185	10,659	(1,412)	(3,766)	14,666
Total	175,877	53,977	(20,693)	(25,131)	184,030

The table above shows the analysis of other provisions and the year's movements.
The *Provision for risks related to FA illegal actions* covers the Bank's risk of future liabilities for claims below the deductible threshold of the insurance policy taken out to cover damage suffered by Customers as a result of the misconduct of the Bank's financial advisors. Based on historical data and the claims received by the Bank at balance sheet date, the amount of the provision adequately covers those risks. The provision also includes amounts set aside to cover the risk of liabilities arising from legal claims made by customers against the Bank in relation to securities defaults.

The *Provision for Customer base entitlements* covers the related entitlements of financial advisors. The provision was calculated on the basis of reaching retirement age and future liabilities estimated on the basis of the Bank's historical data in accordance with the requirements of IAS 37.
In addition to contractual benefits, the Bank voluntarily, unilaterally and discretionarily rewards its financial advisors with additional allowances.
These are: the Portfolio and/or Structure Allowance, and the Managerial Allowance.

The *Portfolio* and *Structure Allowance* is paid to financial advisors in relation to the value of their customer portfolio or their agents' organisation, as applicable.
The adopted regulation governs transfers between financial advisors of the responsibility in the management of portfolios of bank customers or entrustment and assistance of a structure of financial advisors. The types of transfer are realized with the release of a financial advisor, due to the termination of the agency and the takeover of another financial advisor, and with the reallocation of portfolios and/or facilities between financial advisors. The Bank maintains an active role in the process of finding a successor advisor.

At the time of transfer, the regulation requires:

- payment to the financial advisor originator – subject to the possession of certain personal qualifications and to the non-performance of competitive activities in the two years following the termination of the appointment – of compensation arising from the valuation of the portfolio sold or of the structure disposed, according to predetermined criteria and

- the corresponding debit to the financial promoter successor of a charge of an equivalent amount equal to the value of the portfolio and/or structure acquired under management.

The Bank pays the outgoing FA at the end of the third year after the date the contract is terminated and charges the same amount to the substitute FA in 3 or 5 years. No interest is applied in either case.
If there is no substitute FA, no allowance is paid to the outgoing FA.
The actuarial calculation took account of the effect of any future cash-flow mismatches (due to the different timing between payment and collection and no interest being applied), and also of counterparty risk through the application of a discount rate.

The *Managerial Allowance* is paid to sales network members having managerial roles whose compensation is based on specific commercial parameters. This allowance is paid when the FA meets old age pension requirements – provided that he does not engage in any competitive activities in the two years after he retires – or in the event of full permanent disability or death of the FA. Similarly to the portfolio and/or structure allowance, the Managerial Allowance is paid within 3 years of the date on which the FA left the sales network.
The actuarial calculation is based on the estimated probability of payment of the allowance for retirement of FAs in managerial roles at year end, as well as the risk of death or full permanent disability of FAs, and takes account of the relationship between the FA's length of service at the date of the calculation and the length of service at the date of occurrence of the events that trigger the payment (pro-rata basis) with the application of a discount rate.

The *Provision for product distribution* relates to amounts set aside to cover expected future liabilities in connection with commissions payable to the sales force primarily on Tax Benefit New sales. The figure shown under other changes relates to adjustments made to amounts set aside in prior years.

Other provisions mainly include charges relating to non-competition agreements entered into in respect of the sales network (Euro 6,190 thousand).

Section 14 - Corporate equity - Captions 130, 150, 160, 170, 180, 190 and 200

14.1 Analysis of share capital and treasury shares

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Share capital		
A.1 Ordinary shares	600,000	600,000
A.2 Savings shares	-	-
A.3 Privileged shares	-	-
A.4 Other shares	-	-
B. Treasury shares		
B.1 Ordinary shares	-	-
B.2 Savings shares	-	-
B.3 Privileged shares	-	-
B.4 Other shares	-	-

14.2 Year's movements in share capital – number of shares

Unit	Ordinary	Other
A. Opening balance	600,000,000	-
- fully paid up	600,000,000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	600,000,000	-
B. Increases	-	-
B.1 New issues	-	-
- payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	-	-
- bonus issues:	-	-
- employees	-	-
- directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of businesses	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	600,000,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at year end	-	-
- fully paid up	600,000,000	-
- not fully paid up	-	-

As at December 31, 2014, share capital amounted to Euro 600,000 thousand, divided into 600,000,000 ordinary shares, all without indication of nominal value.

14.3 Share capital: other information

The Company does not hold any treasury shares.

14.4 Retained earnings: other information

Retained earnings amounted to Euro 138,041 thousand and included the legal reserve, the extraordinary reserve, the FTA reserve and other earnings reserves.
An analysis of the company's shareholders' equity by account and utilisation is set out in the table below.

€/t	Amount	Possible utilisation (A, B, C)	Usable amount	Summary of utilisation	
				To cover losses	For over reasons
Share capital:	600,000	-	-	-	-
Capital reserves of which:					
Retained earnings of which:					
- legal reserve	42,383	B	42,383	-	-
- extraordinary reserve	145,901	A B C	145,901	-	-
- FTA reserve	(65,524)	-	(65,524)	-	-
Other reserves (stock options)	15,281	A B	15,281	-	-
Other reserves of which:					
- merger reserve	3,185	-	3,185	-	-
Valuation reserve*	101,634	-	-	-	-
Total	842,860	-	141,226	-	-
of which non-distributable	-	-	57,664	-	-
of which distributable	-	-	83,562	-	-

Legend:
A = Capital increase
B = Loss coverage
C = Distribution to shareholders
(*) Reserve not available pursuant to art. 6 of Legislative Decree No. 38/2005

OTHER INFORMATION

1. Guarantees issued and commitments

€/t	Dec. 31, 2014	Dec. 31, 2013
1) Financial guarantees:	30,571	25,035
a) Banks	30,571	25,035
b) Customers	-	-
2) Commercial guarantees:	55,325	52,411
a) Banks	10,771	7,288
b) Customers	44,554	45,123
3) Irrevocable commitments to disburse funds	130,408	69,527
a) Banks	74,885	67
i) with certain drawdown	74,885	67
ii) with possible drawdown	-	-
b) Customers	55,523	69,460
i) with certain drawdown	647	329
ii) with possible drawdown	54,876	69,131
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	-	-
Total	216,304	146,973

2. Assets pledged to secure own liabilities and commitments

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Financial assets held for trading	79,749	109,985
2. Financial assets measured at fair value	-	-
3. Available-for-sale financial assets	6,583,717	4,236,028
4. Held-to-maturity investments	1,373,131	1,799,325
5. Loans to banks	-	207,045
6. Loans to customers	386,326	210,828
7. Tangible assets	-	-
Total	8,422,923	6,563,211

4. Brokerage and asset management on behalf of third parties

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Orders executed on behalf of customers		
a) Purchases		
1. settled	2,276,109	2,010,219
2. not settled	-	-
b) Sales		
1. settled	2,910,359	2,849,634
2. not settled	-	-
2. Portfolio management		
a) individual	27,468	33,117
b) collective	-	-
3. Securities in custody and under administration		
a) custodian bank services (other than managed assets)		
1. securities issued by the bank that prepares the financial statements	-	-
2. other securities	-	-
b) custodian bank services (other than managed assets): other	5,832,977	6,311,630
1. securities issued by the bank that prepares the financial statements	212,647	177,763
2. other securities	5,620,330	6,133,867
c) third-party securities held by other custodians	5,429,232	5,614,185
d) own securities held by other custodians	15,415,791	12,793,118
4. Other	-	-

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/t	Debt securities	Loans	Other	Total Dec. 31, 2014	Total Dec. 31, 2013
1. Financial assets held for trading	9,432	-	-	9,432	11,152
2. Available-for-sale financial assets	199,472	-	-	199,472	253,078
3. Held-to-maturity investments	53,726	-	-	53,726	57,847
4. Loans to banks	1,221	722	-	1,943	13,796
5. Loans to customers	4,051	151,505	-	155,556	130,479
6. Financial assets measured at fair value	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	96	96	57
Total	267,902	152,228	96	420,225	466,409

1.3 Interest income on financial assets in foreign currencies

€/t	Dec. 31, 2014	Dec. 31, 2013
Interest income on assets in foreign currencies	19	2,133

1.4 Analysis of interest expense and similar charges

€/t	Amounts due	Securities	Other	Dec. 31, 2014	Dec. 31, 2013
1. Amounts due to Central Banks	(5,305)	X	-	(5,305)	(16,886)
2. Amounts due to banks	(2,398)	X	-	(2,398)	(2,597)
3. Amounts due to customers	(175,138)	X	-	(175,138)	(171,169)
4. Securities issued	X	(10,550)	-	(10,550)	(4,866)
5. Financial liabilities held for trading	(9,103)	-	-	(9,103)	(8,506)
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	X	X	(345)	(345)	(283)
8. Hedging derivatives	X	X	(13,769)	(13,769)	(15,129)
Total	(191,944)	(10,550)	(14,114)	(216,608)	(219,436)

1.5 Interest expense and charges expenses: differentials on hedging transactions

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Positive differences arising on hedging transactions	760	765
B. Negative differences arising on hedging transactions	(14,529)	(15,894)
C. Balance (A-B)	(13,769)	(15,129)

1.6 Interest expense on foreign currency liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Interest expense on foreign currency liabilities	(357)	(322)

Section 2 - Commission - Captions 40 and 50

2.1 Analysis of commission income

€/t	Dec. 31, 2014	Dec. 31, 2013
a) Guarantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consulting service	441,236	416,016
1. financial instruments brokerage	120	26
2. currency brokerage	-	-
3. portfolio management	263	308
3.1. individual	263	308
3.2. collective	-	-
4. securities in custody and under administration	3,267	3,603
5. custodian bank	-	-
6. sale of securities	25,867	22,286
7. receipt and transmission of orders	6,379	5,687
8. consulting activities	-	-
8.1 investment consulting	-	-
8.2 financial structure consulting	-	-
9. services to third parties	405,340	384,106
9.1 portfolio management	284,388	283,391
9.1.1. individual	-	-
9.1.2. collective	284,388	283,391
9.2 insurance products	111,551	90,504
9.3 other products	9,401	10,211
d) Collection and payment services	8,023	7,507
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Bank accounts custody and management services	14,848	16,006
j) Other services	15,709	12,514
Total	479,816	452,042

2.2 Commission income: distribution channels of products and services

€/t	Dec. 31, 2014	Dec. 31, 2013
a) at own branches		
1. portfolio management	-	-
2. sale of securities	-	-
3. third-party services and products	-	-
b) off-premises sales		
1. portfolio management	284,386	283,699
2. sale of securities	25,867	22,286
3. third-party services and products	120,951	100,714
c) other distribution channels		
1. portfolio management	-	-
2. sale of securities	-	-
3. third-party services and products	-	-

2.3 Analysis of commission expense

€/t	Dec. 31, 2014	Dec. 31, 2013
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services	(395,028)	(370,123)
1. financial instruments brokerage	-	-
2. currency brokerage	-	-
3. asset management	(1,024)	(190)
3.1 own	(854)	-
3.2 on mandates from third parties	(170)	(190)
4. securities in custody and under administration	(428)	(455)
5. financial instruments brokerage	-	-
6. off-premises sales of financial instruments, products and services	(393,576)	(369,478)
d) Collection and payment services	(12,373)	(11,685)
e) Other services	(16,646)	(13,697)
Total	(424,047)	(395,505)

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

	Dec. 31, 2014		Dec. 31, 2013	
€/t	Dividends	Income from holdings in UCITS	Dividends	Income from holdings in UCITS
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	2,119	914	1,083	627
C. Financial assets measured at fair value	-	-	-	-
D. Equity investments	248,826	X	153,421	X
Total	250,945	914	154,504	627

Section 4 – Net income from trading – Caption 80

4.1 Analysis of net income from trading

€/t	Gains (A)	Trading gains (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)] Dec. 31, 2014
1. Financial assets held for trading	5,746	13,924	(922)	(4,406)	14,342
1.1 Debt securities	5,746	13,923	(922)	(4,378)	14,369
1.2 Equities	-	1	-	(28)	(27)
1.3 Holdings in UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	2,379	2,816	(3,011)	(2,484)	(300)
2.1 Debt securities	2,379	2,816	(3,011)	(2,484)	(300)
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	118
4. Derivatives	-	5,962	(18,656)	(13,211)	(24,860)
4.1 Financial derivatives:	-	5,962	(18,656)	(13,211)	(24,860)
- debt securities and interest rates	-	5,958	(18,656)	(13,208)	(25,906)
- equities and stock indices	-	4	-	(3)	1
- currencies and gold	X	X	X	X	1,045
- others	-	-	-	-	-
4.2 Credit derivates	-	-	-	-	-
Total	8,125	22,702	(22,589)	(20,101)	(10,700)

Section 5 - Net income from hedging - Caption 90

5.1 Analysis of net income from hedging

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Income from:		
A.1 Fair value hedging derivatives	-	34,590
A.2 Hedged financial assets (fair value)	37,038	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedging financial derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	37,038	34,590
B. Expenses from:		-
B.1 Fair value hedging derivatives	(42,438)	-
B.2 Hedged financial assets (fair value)	-	(30,835)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedging financial derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total expense from hedging (B)	(42,438)	(30,835)
C. Net income from hedging (A-B)	(5,400)	3,755

Section 6 - Gains (losses) on sale/buyback - Caption 100

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2014			Dec. 31, 2013		
€/t	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets						
1. Loans to banks	-	-	-	-	(2,476)	(2,476)
2. Loans to customers	6	(11)	(5)	16	(17)	(1)
3. Available-for-sale financial assets	81,273	(6)	81,267	77,276	(1,389)	75,887
3.1 Debt securities	80,411	(6)	80,405	77,276	(1,389)	75,887
3.2 Equities	341	-	341	-	-	-
3.3 Holdings in UCITS	521	-	521	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	81,279	(17)	81,262	77,292	(3,882)	73,410
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	5	(65)	(60)	25	(52)	(27)
Total liabilities	5	(65)	(60)	25	(52)	(27)

Section 8 - Net impairment/reversal of impairment - Caption 130

8.1 Analysis of net impairment of loans

€/t	Impairment (1)			Reversal of impairment (2)				Total	Total
	Individual			Individual		Portfolio			
	Cancellations	Other	Portfolio	A	B	A	B	Dec. 31, 2014	Dec. 31, 2013
A. Loans to banks									
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers									
Impaired loans purchased									
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other									
- Loans	(1,171)	(16,412)	(2,854)	-	3,449	-	886	(16,102)	(12,964)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(1,171)	(16,412)	(2,854)	-	3,449	-	886	(16,102)	(12,964)

8.2 Analysis of net impairment of available-for-sale financial assets

€/t	Impairment (1)		Reversal of impairment (2)		Total	Total
	Individual		Individual			
	Cancellations	Other	A	B	Dec. 31, 2014	Dec. 31, 2013
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(50)	-	-	(50)	(30)
C. Holdings in UCITS	-	(7,185)	X	-	(7,185)	(518)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(7,235)	-	-	(7,235)	(548)

Legend:
A = Interest
B = Other

8.4 Analysis of net impairment of other financial items

€/t	Impairment (1)			Reversal of impairment (2)				Total	Total
	Individual			Individual		Portfolio			
	Cancellations	Other	Portfolio	A	B	A	B	Dec. 31, 2014	Dec. 31, 2014
A. Guarantees issued	(272)	(1,123)	(27)	-	-	-	-	(1,422)	(4,369)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-	-
E. Total	(272)	(1,123)	(27)	-	-	-	-	(1,422)	(4,369)

Legend:
A = Interest B = Other

Section 9 - Administrative expenses - Caption 150

9.1 Analysis of personnel expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
1) Employees	(124,204)	(115,259)
a) wages and salaries	(87,226)	(81,276)
b) social security contributions	(24,922)	(23,386)
c) completion of service entitlements	-	-
d) pensions	-	-
e) provision for completion of service entitlements	(4,737)	(4,301)
f) provisions for severance benefits and similar obligations:	-	-
- defined contribution plan	-	-
- defined benefit plan	-	-
g) external supplementary pension funds:	(1,106)	(1,026)
- defined contribution plan	(1,106)	(1,026)
- defined benefit plan	-	-
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	(6,213)	(5,270)
2) Other personnel	(4,898)	(2,758)
3) Directors and auditors	(2,055)	(2,074)
4) Retirees	-	-
5) Recovery of expenses for employees seconded to other companies	7,092	6,473
6) Reimbursement of expenses for third-party employees seconded at the Company	(2,451)	(2,605)
Total	(126,516)	(116,223)

9.2 Average number of employees by category

	Dec. 31, 2014	Dec. 31, 2013
1) Employees	1,838	1,714
a) senior management	67	66
b) middle management	242	213
c) other employees	1,529	1,435
2) Other personnel	2	3
Total	1,840	1,717

9.5 Analysis of other administrative expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
IT services	(83,060)	(51,369)
Infoprovider services	(5,371)	(4,311)
Financial services fees and expenses	(2,915)	(2,736)
Miscellaneous services	(19,746)	(15,301)
Intragroup services	(121)	(173)
Taxes and duties	(975)	(877)
Television and internet communication services	(4,721)	(4,309)
Network advisory services and consulting	(939)	(1,500)
Rentals	(14,292)	(13,153)
Maintenance and repairs	(2,777)	(3,288)
Telephone and postal expenses	(10,554)	(10,495)
Other consulting and advisory services	(18,226)	(13,562)
Contributions to "Punti Mediolanum"	(1,287)	(1,100)
Consumables	(5,410)	(4,467)
Insurance companies	(1,947)	(1,720)
Member fees	(806)	(813)
Advertising and promotional expenses	(25,574)	(24,100)
Organisation of conventions	(11,653)	(10,310)
Consulting, education and training for sales network	(2,165)	(1,234)
Company canteen	(147)	(197)
Energy utilities	(1,591)	(1,424)
Entertainment expenses, gifts and other	(4,046)	(3,923)
Market research	(1,175)	(761)
Recruitment and selection of employees	(1,114)	(272)
Travel expenses	(787)	(663)
Recruitment and selection of financial advisors	(141)	(70)
Other administrative expenses	(467)	(1,115)
Total	(222,007)	(173,243)

Section 10 - Net provisions for risks and charges - Caption 160

10.1 Analysis of net provisions for risks and charges

€/t	Dec. 31, 2014	Dec. 31, 2013
Portfolio allowance	(4,426)	(2,254)
Customer base entitlements	(14,154)	(3,542)
Risks for financial advisor offences	(4,692)	(217)
Product distribution	(2,355)	(3,216)
Legal proceedings	3,272	2,179
Managerial allowance	(8,503)	(7,851)
Other net provisions for risks and charges	(2,427)	(2,645)
Total	(33,284)	(17,546)

Section 11 – Depreciation and net impairment of tangible assets – Caption 170

11.1 Analysis of depreciation and net impairment of tangible assets

€/t	Amortisation (a)	Impairment (b)	Reversal of impairment (c)	Net income (a + b + c) Dec. 31, 2014
A. Tangible assets				
A.1 Owned	(4,097)	-	-	(4,097)
- held for use	(4,097)	-	-	(4,097)
- held for investment purposes	-	-	-	-
A.2 Assets acquired under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(4,097)	-	-	(4,097)

Section 12 – Amortisation and net impairment of intangible assets – Caption 180

12.1 Analysis of amortisation and net impairment of intangible assets

€/t	Amortisation (a)	Impairment (b)	Reversal of impairment (c)	Net income (a + b + c) Dec. 31, 2014
A. Intangible assets				
A.1 Owned	(9,133)	-	-	(9,133)
- internally generated	-	-	-	-
- other	(9,133)	-	-	(9,133)
A.2 Assets acquired under finance leases	-	-	-	-
Total	(9,133)	-	-	(9,133)

Section 13 – Other operating income/expenses – Caption 190

13.1/13.2 Analysis of other operating income and expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
Other operating income		
Recovery of expenses for contracts and services rendered	12,326	11,740
Rental income on properties owned	363	360
Recharge of costs to customers	3,587	2,929
Recharge of costs to promoters	52	54
Other income	6,606	5,388
Total other operating income	22,934	20,471
Other operating expenses		
Compensation and settlements	(5,663)	(8,398)
Amortisation of expenses for improvements of third-party assets	(1,401)	(1,073)
Other expenses	(4,640)	(2,548)
Total other operating expenses	(11,704)	(12,019)
Total other operating income and expenses (NET)	11,230	8,452

Section 14 - Profit (loss) on equity investments - Caption 210

14.1 Analysis of profit (loss) on equity investments

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Income	-	-
1. Write-ups	-	-
2. Gains on disposal	-	-
3. Reversal of impairment	-	-
4. Other income	-	-
B. Expenses	(6,668)	(8,725)
1. Write-downs	(6,668)	(8,725)
2. Impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net income	(6,668)	(8,725)

Section 17 - Profit (loss) on disposal of investments - Caption 240

17.1 Analysis of profit (loss) on disposal of investments

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Property	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(60)	30
- Gains on disposal	4	30
- Losses on disposal	(64)	-
Net profit (loss)	(60)	30

Section 18 - Income tax expense on continuing operations - Caption 260

18.1 Analysis of income tax expense on continuing operations

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Current taxes (-)	(13,905)	(84,514)
2. Change in current tax for prior years (+/-)	1.888	(93)
3. Change in current tax for the year (+)	-	-
3. *bis* Change in current tax for the year for tax credits under law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(3,638)	10,931
5. Change in deferred tax liabilities (+/-)	(962)	(1,004)
6. Income tax expense for the year (-) (-1+/-2+3+3*bis*+/-4+/-5)	(16,617)	(74,680)

18.2 Reconciliation between the theoretical and the effective tax expense

€/t	Rate %	Taxable amount	Tax
Calculation of taxable IRES			
Profit before tax	-	161,054	-
Theoretical tax	27.50	-	44,290
Permanent differences	-	(217,617)	-
Total taxable income	-	(56,563)	-
Current tax expense for the year	-	-	(15,555)
Fiscal consolidation adjustment	-	-	(1,489)
Income taxes related to previous years	-	-	(1,920)
Other changes	-	-	20,549
Current income taxes - Income statement	-	-	(1,585)
Current income taxes - Income statement - IRAP	-	-	14,161
Production value	-	189,564	-
Theoretical tax	5.57	-	44,290
Permanent differences	-	11,567	-
Total taxable income	-	201,131	-
Current income taxes for the year	-	-	(11,203)
Other changes	-	-	(3,829)
Current income taxes - Income statement	-	-	(15,032)
Total taxes	-	-	(16,617)
Average rate on profit before tax	10.32	-	-

PART D - INFORMATION ON OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME

€		Dec. 31, 2014		
		Gross amount	Income tax	Net amount
10.	Net profit (loss) for the year	X	X	144,436,684
	Other comprehensive income components without reversals to the income statement			
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	313,098	-	313,098
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves on investments accounted for by the equity method	-	-	-
	Other comprehensive income components with reversals to the income statement			
70.	Hedges of investments in foreign operations:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange differences:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
90.	Cash flow hedges:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
100.	Available-for-sale financial assets:	41,529,848	(13,804,202)	27,725,646
	a) changes in fair value	88,628,671	(29,323,550)	59,305,121
	b) reversals to the income statement	(47,098,823)	15,519,348	(31,579,475)
	- impairment	7,235,200	(2,378,869)	4,856,331
	- realized gains/losses	(54,334,023)	17,898,217	(36,435,806)
	c) other changes	-	-	-
110.	Non-current assets held for sale	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
120.	Share of valuation reserves on investments accounted for by the equity method:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	- impairment	-	-	-
	- realized gains/losses	-	-	-
	c) other changes	-	-	-
130.	Total other comprehensive income components	41,842,944	(13,804,202)	28,038,744
140.	Comprehensive income (captions 10+130)			172,475,428

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

Introduction

The Internal Audit system of the Mediolanum Group meets the need to ensure sound and prudent management of the activities of the Bank, while reconciling the achievement of company objectives, proper and accurate risk monitoring and operability based on criteria of correctness.
To this end, the Bank has adequate risk assessment and control systems, in line with the complexity and characteristics of the present and future activities by adopting and formalizing a series of criteria and rules for the definition of their risk appetite through the adoption of the Risk Appetite Framework (RAF). The RAF, approved by the Strategic Supervisory Body of the parent company, therefore summarizes the strategies of risk assumption representing the overall structure within which it is intended to manage the risks undertaken, also through the definition of maximum tolerance to risk, with consequent articulation of the oversight adopted overall and divided for each significant risk. The RAF as a tool able to focus attention on the risk profile of the Bank through an integrated vision of risks has significant relations and synergies with the ICAAP process, ideally "upstream" with respect to the latter.

The Internal Capital Adequacy Assessment Process (ICAAP)

The assessment of the risk profile and the periodic review is carried out continuously and is reported at least annually through the ICAAP (Internal Capital Adequacy Assessment Process) report, which represents the self-assessment process of capital adequacy according to the Group's internal rules. Under Basel II Pillar 2 (Title III, Chapter 1 of Bank of Italy's Circular 285/2013) banks are required to have a process to estimate their own internal capital requirements to cover all risks, including those not captured by the total capital requirement (Pillar 1) as part of the assessment of the bank's current and future exposure, taking account of the bank's strategies and possible developments in the environment in which it operates. Supervisory regulations detail the steps, the frequency and the main risks to be considered and, for certain risks, set out indications on methods that should be used in the assessment. In accordance with the principle of proportionality – under which the level of detail and sophistication of the analysis required in a bank's ICAAP depends on the size, nature and complexity of the bank's activities – the supervisory authorities have classified banks into three categories. Responsibility for the ICAAP lies with Parent Company governance bodies.

The Supervisory Review Process (SRP)

In 2014, the Supervisory Review Process - SRP underwent a profound transformation through the establishment of the Single Supervisory Mechanism (MVU), which includes the European Central Bank (ECB) and the National Competent Authorities of EU member states. This body is responsible for the prudential supervision of all credit institutions of the member states and ensures that the EU policy on prudential supervision of credit institutions is implemented coherently and effectively in all EU countries. Therefore, the new rules introduced require that the supervision of intermediaries defined significant be carried out by the ECB in close cooperation with the national Supervisory Authorities. The supervision of the remaining banks will remain under the responsibility of the

Authorities of each country that will proceed on the basis of uniform criteria. Banca Mediolanum currently and according to the criteria established by the ECB, is included in this second group of banks. Supervision is therefore divided into two separate phases: the first is the banks' process for assessing their current and future capital adequacy in relation to their risk profile and business strategies (ICAAP). The second is the Supervisory Review and Evaluation Process (SREP) conducted by the national banking Supervisory Authorities that review and evaluate banks' internal capital adequacy and, if needed, take appropriate action.

The SREP hinges on the collaboration and exchange of information between the Banking Supervisor and banks. The Banking Supervisor (Bank of Italy) can thus gain a deeper understanding of the banks' ICAAP including underlying assumptions, and banks can detail the assumptions underlying their assessment.

Banks define strategies and put in place procedures and tools to maintain adequate capital level – in terms of value and composition – to cover all the risks to which they are or may be exposed, including those risks for which a capital charge is not required.

The ICAAP hinges on the bank's sound risk management framework, effective internal control system, robust corporate governance and well-defined lines of responsibilities.

Board and senior management are responsible for the ICAAP. They are responsible for designing and organising it in accordance with respective competences and prerogatives. They are responsible for the implementation and for regular reviews of the ICAAP to ensure it is commensurate with the operational and strategic environment in which the bank operates.

The ICAAP must be documented, shared and known across the organisation and subject to internal audit.

The Supervisory Review Process reflects the principle of proportionality, i.e.:

- the bank's corporate governance, risk management framework, internal control system and capital assessment process are commensurate with the nature, size and complexity of its activities;
- the frequency, the level of detail and sophistication of the SREP depend on the systemic relevance, the nature, size and complexity of the bank's business.

Classification of intermediaries in relation to the ICAAP

The principle of proportionality applies to:

- the methods used to measure/assess risks and related internal capital adequacy;
- the type and characteristics of stress tests;
- the treatment of correlations between risks and overall internal capital requirements;
- organisation of the risk management system;
- level of detail and sophistication of ICAAP reports to the Bank of Italy.

To facilitate the implementation of the proportionality principle, banks are classified into three categories according to their size and the complexity of their activities. The Mediolanum Banking Group falls within category 2, i.e. banking groups or banks applying the standardised approach, with consolidated or separate assets in excess of Euro 3.5 billion.

Banks apply a consistent approach to deriving capital requirements from the bank's risk measurement under the first pillar and overall internal capital requirements.

Banca Mediolanum's ICAAP processes

In accordance with supervisory requirements and in line with best practices, Banca Mediolanum's ICAAP entails the following steps:

1. identification of risks for assessment;
2. measurement/assessment of individual risks and related internal capital level;
3. measurement of the overall internal capital level;
4. determination of overall capital level and reconciliation to regulatory capital.

Key risks mapping

In accordance with Bank of Italy's Circular 285 of December 2013 and subsequent updates, the process for the identification of the key risks for the Mediolanum Banking Group starts from the analysis of the Bank's and Group's statutory lines of business and activities conducted in each of these lines.
Risk mapping therefore starts from the macro lines that make up the Banking Group's business.
In the Mediolanum Banking Group the following main business segments can be identified:

- Lending (Retail and Commercial Banking);
- Treasury activities (Trading and Sales);
- Asset Management;
- Retail Brokerage.

The starting point is risk measurement followed by the definition of relevant risk thresholds for risks for which there is a capital charge requirement as well as for other risks for which there is no capital charge requirement but must be analysed and monitored.

First pillar risks

Credit Risk (including counterparty risk)

Credit risk is the risk of loss arising from the deterioration in the creditworthiness up to default of retail, corporate and institutional counterparties of whom the bank is a creditor in its investment or lending business, as a result of which debtors fail to meet all or part of their contractual obligations.

Market Risk

For banks using the standardised approach the capital requirement for market risk is the sum of capital requirements for position risk, settlement risk, concentration risk and commodity risk.

Operational Risk

Banca Mediolanum defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."

Second pillar risks

Concentration Risk
Risk of exposure to individual counterparties, groups of individual or related counterparties or counterparties in the same industry, business sector or geographical location.

Interest Rate Risk
Interest rate risk arising on activities other than trading: the risk of potential changes in interest rates.

Liquidity risk
Liquidity risk is typically the risk that arises from the difficulty of liquidating assets. More specifically, it is the risk that a financial instrument cannot be bought or sold without a material decrease/increase in its price (bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential risk that an entity will be unable to obtain adequate funding.

Residual Risk
The risk that the credit risk mitigation techniques adopted by the Bank turn out to be less effective than anticipated.

Strategic Risk
Strategic risk is the current or prospective risk of impact on earnings or capital arising from changes in the industry, adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes.

Compliance Risk (or Non-conformity Risk)
It is the risk of legal penalties or fines, financial losses or reputational damage resulting from failed compliance with statutes, regulations, codes of conduct, self discipline or internal rules.

Reputational Risk
Reputational risk is the current or prospective risk of impact on earnings or capital arising from the negative perception of the bank's image by customers, counterparties, shareholders, investors or supervisory authorities.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General

Lending, be it the provision of home loans or consumer credit, or in other forms to meet other financing needs, is part of Banca Mediolanum's business. Consistently with the company mission, lending complements the Group primary business i.e. the distribution of banking, asset management, insurance and retirement savings products. The bank applies prudent credit policies, which are geared to develop and strengthen the relationship with customers who invest in products managed by the companies within the Group.

The Lending Division is responsible for ensuring adequate implementation of the Bank's credit policy in compliance with laws and regulations in force. Currently the Lending Division is divided into the following units: Short-term lending unit, The Medium/Long-term lending unit, Credit Operations unit, Credit Quality Monitoring and Watch List and Credit Operations.

The Short-term lending team is responsible for all processes relating to approval and granting of overdrafts, loans, endorsements as well as for management of guarantees.

The team exercises credit approvals under delegated authorities. For credit that is outside the scope of the authorities delegated to it, the team prepares all information and documentation relating to the loan application including a non-binding opinion and submits it to superior bodies.

The Medium/Long-term lending team is responsible for approval and granting of mortgage loans in accordance with Credit Management Guidelines and Rules. This team prepares and submits reports to the Head of the Division and collaborates with the Credit Policy and Monitoring unit in the preparation of Medium/Long-term Lending Policy and Rules.

The Credit Operations Sector collaborates with the Credit Quality Monitoring and Watchlist Unit in the drafting of Corporate Credit Rules and Policies and also deals with the collection of applications and documentation relating to corporate credit (mortgages and ordinary loans) and assessment in accordance with the company's risk policies and risk appetite, manages relationships with Customers, the Sales Network and the other units of the Bank, providing assistance for setting the application of corporate credit. The team also sees to the formal and substantive review of credit application and deals with the preliminary investigation and the investigation of all the corporate credit claims, in coordination with the Relevant Customer unit for the specific segment.

The Credit Quality Monitoring and Watch List Unit is the unit that oversees the supervision and monitoring of credit activities of the Bank, overseeing the proper performance of first-level controls by operational offices, with particular reference to credit risk. Processes and analyzes the periodic reporting (both management and operational) and contributes to the definition of the guidelines of the banking group in relation to forecasting policies and models and overall credit risk also for foreign banking companies belonging to the Group in accordance with the Guidelines established by the Board of Directors of the Parent Company, supporting the Risk Management Function in this activity. The team deals with customers in difficulty ensuring that suitable solutions are found and implemented in a timely manner in accordance with policies and rules. The Watchlist team is informed of any amounts in arrears collected by foreign lenders that are part of the Group.

The Credit Operations team manages the relationships with Customers and the sales network providing all-round assistance across the credit application process for all types of lending. The team has also approval authority for low risk, limited-amount credit applications.

2. Credit risk management

2.1 Organisational aspects

The credit risk management framework includes policies that set out general principles and instructions on lending as well as on monitoring the quality of the loan portfolio. The Parent Company of the Banking Group is responsible for assessing overall exposure to credit risk and defining credit risk measurement policies for the whole Group.
Credit risk exposure is also assessed at the level of individual companies in their respective areas of responsibility, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with solvency ratios and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of the respective companies.

2.2 Credit risk measurement, management and control

Credit quality is monitored by regularly assessing, in each stage of the lending process, whether there is evidence of risk in accordance with specific operating procedures.
In the lending process it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, the Bank, as part of its loan application analysis, gathers all information needed to assess the consistency of the borrower's income and exposure (including existing commitments) with the type and purpose of the loan or other financing. In that examination, the entity uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. All collateral is subject to regular review.
All loans are subject to regular review by the competent units within the Bank. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors of the respective companies.
The second-level monitoring process prepared by the Risk Management Function aims to analyze the credit quality and the dynamics of risk exposure along the fundamental regulations and management guidelines by calculating summary risk indicators and representing progress over time in order to prepare action plans necessary to mitigate or avoid risk factors.
In particular, the Risk Management Function prepares the following types of audits:

- "Massive" audits
  Such audits are applied to the loan portfolio as a whole or its relevant subsets (ex: customer segment, geographical area and type of entrustment, etc.) that allow highlighting potentially "abnormal" behaviour of the portfolio analysed. Exceeding attention thresholds defined in correspondence with massive audits can activate the conduct of sample audits that allow analysing the anomalies found on individual positions.
- "Sample" audits
  Such audits are carried out on individual credit positions that fall within the samples selected by the Risk Management Functions based on specific criteria. Sample audits can be activated both after carrying out the massive audits and independently of the latter. As the audits in question are focused on individual credit positions, they may result in the acquisition of documentation to accompany the claim and assessments on the realizable value of guarantees associated with credit exposure.
  As part of the sample audits, the Risk Management Function verifies registration in the automatic internal procedures of all the information necessary for the assessment of the credit and traceability of the recovery process. Furthermore, the documentation available is verified on the basis of which the competent structure of the first-level assessment conducted its own analysis.

In particular, massive and sample audits were defined in order to verify:

- Performance of the loan portfolio
  The Risk Management Function prepares periodic reporting in order to monitor the quality of the loan portfolio through the calculation of Key Risk Indicators and for the representation of certain risk variables/parameters.
- Correct classification of positions
  Based on the internal classification policies of impaired loans and the rules relating to the performance monitoring process, the Risk Management Function verifies whether the classification rules of positions (both performing and in default) are applied appropriately on the basis of indicators able to detect a potential misclassification.
  For example, negative external events are assessed (ex.: Risk Control Unit) that cause a further deterioration in the creditworthiness of the position, including signals that can lead to overt cases of non-recoverability.
  Said verifications are carried out through sample audits, as part of which, for each position verified, the assessments carried out and the results thereof are documented.
- Adequacy of provisions
  The Risk Management Function verifies, for homogeneous loan portfolios, the correct application of impairment logics indicated in internal policies. Such verifications are carried out at both massive level considering the totality of the performing/non-performing portfolio, and sample level.

2.3 Credit risk mitigation techniques

Loans extended by Banca Mediolanum are secured by collaterals received from borrowers. Collaterals primarily consists of mortgages over property and pledge over financial instruments, plus conditional sale, endorsements, patronage letter and other forms of security, such as surety bonds. Although secondary to the assessment of the borrower's creditworthiness, in the assessment of credit risk great emphasis is placed on the appraised value of the collateral received from the obligor and the prudential adjustments applied are properly differentiated according to the type of collateral whose value is subject to regular review against its market value.
Banca Mediolanum does not offset credit risk exposures against positive balances of on- or off-balance sheet items.
Credit risk mitigation (CRM) techniques consist of loan-related contracts or other instruments and techniques that reduce credit risk whose risk mitigating effect is recognised in the calculation of regulatory capital, as well as, for risk management purposes, in the internal policies of Banca Mediolanum. Credit risk is inherent in the Lending division's lending business and in Financial Management division's liquidity management.
Eligible CRM techniques fall into two broad categories:

1. real guarantees;
2. personal guarantees.

Real guarantees are:

1. financial collateral, i.e. cash, certain financial instruments, pledged or transferred, repurchase/reverse repurchase and securities lending/borrowing transactions;
2. master netting agreements;
3. on balance sheet netting;
4. mortgages.

Personal guarantees include personal guarantees and credit derivatives.
Currently, within Banca Mediolanum, the use of credit derivatives is allowed only for trading purposes and not for banking book credit risk mitigation.

Eligible CRM techniques are mortgages and pledges or other equivalent security interests in assets with a reasonable degree of liquidity and a reasonably stable market value. This category includes guarantees provided by such pledge. Conversely, although taken into account when deciding whether or not to extend a loan, "irrevocable orders to sell other Group financial products" are not eligible for CRM purposes.

As to pledges, the financial asset that is directly or indirectly pledged as security must be one of the following:
- bank account balances held with our bank;
- treasuries or securities guaranteed by governments, and securities that are accepted as guarantee by central banks;
- holdings in mutual funds and open-end investment companies;
- liens on insurance policies issued by the Mediolanum Banking Group;
- assets in discretionary accounts managed by our Bank;
- bonds and certificates of deposit issued by our Bank or other Banks;
- repo transactions relating to listed bonds, treasuries or accepted as guarantee by central banks, with retail customers;
- listed bonds;
- listed equities.

When the borrower's equity does not cover entirely the loaned amount, the loan is recognised at full risk.

Credit risk on mortgage loans is mitigated by the property given as collateral. Properties given as loan collateral must be located in Italy and be residential properties.
Semi-residential properties are accepted provided that they satisfy the following requirements:
- the non-residential portion does not exceed 40% of the estimated property value;
- the property is located in a residential area;
- the borrower is self-employed and intends to use the property as his/her primary residence.

In all these instances Loan-to-Value shall not exceed 70%.
The bank applies a disciplined approach to lending and adequate checks e.g. it checks the accurateness and completeness of the property appraisal as this is crucial to get a true view of risk. The bank requires than any request for mortgage loan approval be accompanied by a valid property appraisal setting out a true estimate of the value of the property for which the loan is sought and certifying to the highest possible degree that a valid building permit and any other authorisations for the property have been obtained. If not so, the loan will not be extended or the loan amount reduced to be commensurate with the true property value (which depends on its location, on how easily it can be resold, etc.).
The expert assessment is prepared by independent external experts that have acquired extensive expertise in the assessment of properties.
The relevant technical unit within the Lending Division is responsible for ensuring that internal procedures for the preparation of property appraisals are thoroughly and properly applied.

Assessment of the quality of the loan portfolio

Banca Mediolanum assesses the quality of the loan portfolio applying the following two-step approach in view of identifying any possible impairment:
- identification of assets to be individually or collectively tested for impairment;

- measurement and recognition of the impairment loss in accordance with the specific impairment rules.
- The first step is preliminary to the impairment test that assesses and measures the impairment loss, if any.

Banca Mediolanum tests for impairment loans and endorsements with fixed or determinable payments extended to retail/corporate and institutional clients. Loans and endorsements to retail/corporate clients typically consist of arranged overdraft facilities, loans and credit lines repayable in instalments, while those extended to institutional clients (banks and other financial institutions) are made up of deposits, repurchase agreements (amount paid for the purchase of the asset under an agreement to resell it at a future date) and hot money facilities.

To identify loans and endorsements to be individually/collectively tested for impairment it is necessary to analyse the significance of the exposure and check whether there is objective evidence of any losses.

For Banca Mediolanum, the process for the identification of loans to be subjected to collective/analytical assessment involves subjecting "performing loans" to collective assessment.

In particular, for performing loans for amounts greater than Euro 1,000,000 characterized by objective evidence of high risk, or for which there will be subsequent passing in default, it is possible to involve impairment greater than as shown by the collective assessment.

Loans classified as "non-performing" (past-due, watch list, non-performing or restructured) according to reporting criteria under the current Supervisory provisions, regardless of the significance of individual exposure, are subject to analytical assessment, which differs between "analytical-forfeit" assessment and "analytical-individual assessment". In fact, these are exposures for which there is objective evidence of impairment as per §64 of IAS 39.

For exposures that are individually assessed for impairment the recoverable amount of the individual exposure is determined on the basis of:

- estimated recoverable cash flows;
- timing of recoveries;
- the interest rate used to discount future cash flows.

At Banca Mediolanum, non-performing loans (over 90 days past due/overdrawn, watch list, non-performing or restructured) have a different estimate/handling approach depending on the class, type and value of the guarantee backing the loan and other classification variables that management, on expert basis and prudentially, considered the most significant and indicative of the level of potential risk.

Exposures that are not individually assessed are grouped on the basis of similar risk characteristics and collectively assessed for impairment.

The collective impairment loss is obtained by adding up the losses of each group. The collective impairment amount is compared with the previous carrying amount of loans to determine the amount of provisions to set aside or use.

The process for the identification of the groups of loans to be collectively assessed under IAS is in line with the credit risk approach under Bank of Italy's Circular 285 of December 17, 2013 and subsequent updates. Specifically, the risk parameters under said regulation, i.e. probability of default (PD) by rating class and Loss Given Default (LGD), are significant parameters for the classification of loans into groups with similar credit risk characteristics and for the calculation of provisions.

At present, the grouping of loans for the purpose of collective assessment is by rating and client segment (Retail/Corporate).

The calculation of the impairment loss is made applying a Basel-oriented approach, i.e. impairment is approximated to the concept of Expected Loss (EL) as set out in the relevant regulations. Expected Loss is the average loss the Bank expects to incur in a year on an exposure as a result of the deterioration of credit quality or default of the borrower.

Banca Mediolanum's loan loss provision for collectively assessed exposures is therefore determined by calculating the Expected Loss (EL) on all exposures in a given rating class, applying the following formula:

$$EL^{class}_{exposure} = Balance_{exposure} \times PD^{class} \times LGD$$

where:

- $Balance_{exposure}$: is the book value for short-term financing and amortised cost for loans repayable in instalments;
- PD^{class}: is the probability of default over 1 year for performing loans in a given rating class;
- LGD: is the failed recoveries rate to be applied to performing loans.

The loan loss provision for collectively assessed exposures is thus obtained by adding up expected losses on each exposure:

$$Total\ provision = \sum_{exposure,\ class} PA$$

Counterparty risk

Counterparty risk is part of credit risk. Counterparty risk is the risk that a party to a derivative contract may fail to perform on its contractual obligations and, when marked to market, the value of the derivative contract turns out to be positive for Banca Mediolanum. Exposure to counterparty risk is measured applying the present value method to OTC derivative contracts. The replacement cost of each contract is its fair value, if positive. Fair value is positive if the bank is a net creditor of the counterparty.

To protect against counterparty risk arising from said derivatives contracts the Group entered into ISDA Master Agreements. It should be noted that Banca Mediolanum has adequate procedures and tools for the management of collateral in respect of derivative transactions. The activities on the negotiation of the relevant agreements of the Credit Support Annex are the main exercise on the mitigation of counterparty risk.

Concentration risk

Concentration risk, as defined in regulations, is the exposure to individual counterparties, groups of individual or related counterparties or counterparties in the same industry, business sector or geographical location. Concentration risk thus falls within the wider category of credit risk.

As required by the Banking Supervisor (Bank of Italy), in relation to the capital requirement of the single name risk, Banca Mediolanum's exposure to concentration risk is monitored only for the "Business and Others" Portfolio. The exposure in that portfolio is of limited size and relevance. By contrast, the capital requirement on the geo-sector concentration risk is monitored on the entire portfolio of Banca Mediolanum in accordance with the policy in force.

In addition, the Company put in place a system for monitoring concentration risk on a weekly basis in accordance with rules governing management of large exposures.

Banca Mediolanum has defined operating licences and limits in accordance with the Institutional Counterparty Credit Risk Policy. These operating licences and limits represent the Group's risk tolerance based on the Bank's risk appetite. Operating licences and limits are closely monitored on an ongoing basis to ensure they are not exceeded and are regularly reviewed, generally on an annual basis. Derogation from said limits is subject to delegated authorities of the Chief Executive Officer and the Head of Finance.

2.4 Impaired financial assets

Banca Mediolanum has effective tools for prompt detection of any problem loans.
The rules set forth by the Basel Committee introduced significant changes in the general definitions of problem loans and the discretionary guidance of national supervisory authorities. The most significant change relates to the definition of default. A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- the Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held);
- the obligor is past due more than 90 days on any material credit obligation to the bank.

In accordance with the discretionary guidance of national supervisory authorities, each entity within the Group classifies troubled positions according to their level of risk.
Each entity has dedicated problem loan management units that apply operating procedures and take action according to the severity of the problem.
To determine default Banca Mediolanum refers to the definition of "impaired loans" used for the purpose of financial reporting. Impaired loans include:

- nonperforming loans;
- watch list loans;
- restructured loans;
- over 90 days past due loans.

Non-performing loans consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers that are unable to meet their payment obligations – even if their insolvency has not been established by a court of law – or in equivalent conditions, regardless of any losses estimated by the lender and irrespective of any security taken. These exposures are therefore recognised irrespective of any security taken (real or personal).
Watch list loans consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers that are experiencing objective temporary difficulties in meeting their payment obligations, but are expected to make good within a reasonable timeframe. These exposures are recognised irrespective of any security taken (real or personal).
Restructured loans consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives, etc.) for which a bank (or a syndicate of banks) agrees to change the original loan terms and conditions (e.g. rescheduling payments, reducing debt and/or interest) due to the deterioration of the financial condition of the borrower, with ensuing losses. This category does not include exposures to companies that are going out of business (e.g. voluntary wind-up or similar conditions) as well as country-risk exposures. Reporting excludes exposures whose anomalous situation is caused by factors related to country risk.
"Over 90 days past due" consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives, etc.) to debtors (other than those classified in non-performing, watch list, restructured) that at the reporting date were over 90 days past due or overdrawn. For recognition in this category, both following conditions are to be satisfied:

- the borrower is past due more than 9 days in a row (to determine actual past due borrowers, overdrawn/unpaid amounts can be offset against balances in credit under other loans/credit facilities extended to the same borrower);
- the maximum value of daily past due/overdrawn amounts and the mean value of daily past due/overdrawn amounts in the last quarter is 5% or more of total exposure.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Performing and impaired assets: balance, impairment, developments, business and geographical distribution

A.1.1 Analysis of credit exposures by category and credit quality (book value)

€/t	Non-performing	Watch list	Restructured	Past due impaired	Past due not impaired	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	327,760	327,760
2. Available-for-sale financial assets	-	-	-	-	-	12,573,995	12,573,995
3. Held-to-maturity investments	-	-	-	-	-	2,204,200	2,204,200
4. Loans to banks	-	-	-	-	-	489,389	489,389
5. Loans to customers	13,146	24,884	5,855	5,242	70,533	6,399,015	6,518,675
6. Financial assets measured at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	1,287	1,287
Total December 31, 2014	13,146	24,884	5,855	5,242	70,533	21,995,646	22,115,306
Total December 31, 2013	11,091	16,648	5,855	8,325	65,538	18,643,752	18,751,207

A.1.2 Analysis of credit exposures by category and credit quality (gross and net exposures)

	Impaired assets			Performing			
€/t	Gross exposure	Individual impairment	Net exposure	Gross exposure	Portfolio exposure	Net exposure	Total (net exposures)
1. Financial assets held for trading	-	-	-	-	-	327,760	327,760
2. Available-for-sale financial assets	-	-	-	12,573,995	-	12,573,995	12,573,995
3. Held-to-maturity investments	-	-	-	2,204,200	-	2,204,200	2,204,200
4. Loans to banks	-	-	-	489,389	-	489,389	489,389
5. Loans to customers	89,423	(40,296)	49,127	6,478,516	(8,968)	6,469,548	6,518,675
6. Financial assets measured at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	1,287	1,287
Total December 31, 2014	89,423	(40,296)	49,127	21,746,098	(8,968)	22,066,177	22,115,306
Total December 31, 2013	74,177	(32,260)	41,917	18,239,489	(7,000)	18,709,290	18,751,207

A.1.2.1 Distribution of performing loans renegotiated and not renegotiated by related portfolio

€/t	Exposures subject to renegotiation under collective agreements					Other exposures					Total (net exposures)
	Past due up to 3 months	Past due 3 to 6 months	Past due up to 6 months within 1 year	Past due 1 year	Not overdue	Past due up to 3 months	Past due 3 to 6 months	Past due up to 6 months within 1 year	Past due 1 year	Not overdue	
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	327,760	327,760
2. Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	12,573,994	12,573,994
3. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	2,204,200	2,204,200
4. Loans to banks	-	-	-	-	-	-	-	-	-	489,388	489,388
5. Loans to customers	1,776	3,367	-	-	105,338	55,812	7,046	2,530	-	6,293,676	6,469,547
6. Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-	1,287	1,287
Total December 31, 2014	1,776	3,367	-	-	105,338	55,812	7,046	2,530	-	21,890,306	22,066,177

A.1.3 Loans to banks: on and off-balance sheet exposures (gross and net exposures)

€/t	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET				
a) Non-performing	-	-	X	-
b) Watch list	-	-	X	-
c) Restructured	-	-	X	-
d) Past due impaired	-	-	X	-
e) Other assets	684,769	X	-	684,769
Total A	684,769	-	-	684,769
B. OFF-BALANCE SHEET				
a) Impaired	-	-	X	-
b) Other	42,663	X	-	42,663
Total B	42,663	-	-	42,663

A.1.4 Loans to banks: analysis of gross impairment (on-balance sheet positions)

At balance sheet date the balance of this account was nil.

A.1.5 Loans to banks: analysis of net impairment (on-balance sheet positions)

At balance sheet date the balance of this account was nil.

A.1.6 Loans to customers: on and off-balance sheet exposures (gross and net exposures)

€/t	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET				
a) Non-performing	35,673	22,527	X	13,146
b) Watch list	35,411	10,527	X	24,884
c) Restructured	12,410	6,554	X	5,856
d) Past due impaired	5,930	688	X	5,242
e) Other assets	21,382,891	X	8,968	21,373,923
Total A	21,472,315	40,296	8,968	21,423,051
B. OFF-BALANCE SHEET				
a) Impaired	41	-	X	41
b) Other	1,949,868	X	149	1,949,719
Total B	1,949,909	-	149	1,949,760

On-balance sheet exposures include all on-balance sheet financial assets regardless of the category into which they are classified, i.e. financial assets held for trading, available-for-sale financial assets, held-to-maturity investments, loans and receivables.

A.1.7 On-balance sheet credit exposures to customers: analysis of gross impaired exposures

€/t		Non-performing	Watch list	Restructured	Past due
A.	Opening gross balance	29,736	23,496	11,579	9,366
	- of which: loans sold but not derecognised	-	-	-	-
B.	Increases	11,713	29,255	2,607	25,416
B.1	reclassified from performing loans	1,694	14,275	2,227	23,681
B.2	reclassified from other impaired loan categories	8,039	13,097	38	434
B.3	other increases	1,980	1,883	342	1,301
	- of which business combinations	-	-	-	-
C.	Decreases	5,776	17,340	1,776	28,852
C.1	reclassified to performing loans	-	3,193	-	10,616
C.2	cancellations	4,134	-	10	-
C.3	receipts	1,642	5,669	1,541	5,294
C.4	proceeds from sale	-	-	-	-
C.4 *bis*	losses from sale	-	-	-	-
C.5	reclassified to other impaired loan categories	-	8,477	190	12,942
C.6	other decreases	-	1	35	-
	- of which business combinations	-	-	-	-
D.	Closing gross balance	35,673	35,411	12,410	5,930
	- of which: loans sold but not derecognised	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets regardless of the category into which they are classified, i.e. financial assets held for trading, available-for-sale financial assets, held-to-maturity investments, loans and receivables.

A.1.8 Loans to customers: analysis of net impairment (on-balance sheet positions)

€/t	Non-performing	Watch list	Restructured	Past due
A. Net impairment at beginning of the year	18,646	6,848	5,723	1,043
- of which: loans sold but not derecognised	-	-	-	-
B. Increases	8,861	7,765	1,040	661
B.1 impairment	6,386	7,345	1,022	646
B.1 *bis* losses from sale	-	-	-	-
B.2 reclassified from other impaired loan categories	2,475	420	18	15
B.3 other increases	-	-	-	-
- of which business combinations	-	-	-	-
C. Decreases	4,980	4,086	209	1,016
C.1 Reversal of impairment from revaluation	266	524	193	389
C.2 Reversal of impairment from receipts	580	1,094	16	167
C.2 *bis* profit from sale	-	-	-	-
C.3 cancellations	4,134	-	-	-
C.4 reclassified to other impaired loan categories	-	2,468	-	460
C.5 other decreases	-	-	-	-
- of which business combinations	-	-	-	-
D. Net impairment at year-end	22,527	10,527	6,554	688
- of which: loans sold but not derecognised	-	-	-	-

A.2 Analysis of exposures by internal and external rating

A.2.1 Analysis of on and off-balance sheet exposures by external rating

	External rating classes							
€/t	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On-balance sheet credit exposures	207,536	11,034	15,360,709	45,384	4,143	5,602	6,601,573	22,235,981
B. Derivatives	-	-	30	-	-	-	7,455	7,484
B.1 Financial derivatives	-	-	30	-	-	-	7,455	7,484
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	88	141	39	85,628	85,896
D. Commitments to disburse funds	-	-	74,885	25	238	-	54,613	129,762
E. Other	-	-	1,769,280	-	-	-	-	1,769,280
Total	207,536	11,034	17,204,904	45,497	4,523	5,641	6,749,269	24,228,403

A.2.2 Analysis of on and off-balance sheet exposures by internal rating

The Bank does not have internal rating models.

A.3 Analysis of secured credit exposures by type of collateral

A.3.1 Secured loans to banks

€/t	Net exposures	Real guarantees (1): Property, mortgages	Real guarantees (1): Property, finance leases	Real guarantees (1): Securities	Real guarantees (1): Other real guarantees	Personal guarantees (2) – Credit derivatives: CLN	Personal guarantees (2) – Credit derivatives – Other derivatives: Governments and central banks	Personal guarantees (2) – Credit derivatives – Other derivatives: Other government agencies	Personal guarantees (2) – Credit derivatives – Other derivatives: Banks	Personal guarantees (2) – Credit derivatives – Other derivatives: Other subjects	Personal guarantees (2) – Endorsements: Governments and central banks	Personal guarantees (2) – Endorsements: Other government agencies	Personal guarantees (2) – Endorsements: Banks	Personal guarantees (2) – Endorsements: Other subjects	Total (1)+(2)
1. Secured on-balance sheet credit exposures	253,515	-	-	253,515	-	-	-	-	-	-	-	-	-	-	253,515
1.1 Entirely secured	253,515	-	-	253,515	-	-	-	-	-	-	-	-	-	-	253,515
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Secured credit exposure to customers

€/t	Net exposures	Real guarantees (1): Property, mortgages	Real guarantees (1): Property, finance leases	Real guarantees (1): Securities	Real guarantees (1): Other real guarantees	Personal guarantees (2) – Credit derivatives: CLN	Personal guarantees (2) – Credit derivatives – Other derivatives: Governments and central banks	Personal guarantees (2) – Credit derivatives – Other derivatives: Other government agencies	Personal guarantees (2) – Credit derivatives – Other derivatives: Banks	Personal guarantees (2) – Credit derivatives – Other derivatives: Other subjects	Personal guarantees (2) – Endorsements: Governments and central banks	Personal guarantees (2) – Endorsements: Other government agencies	Personal guarantees (2) – Endorsements: Banks	Personal guarantees (2) – Endorsements: Other subjects	Total (1)+(2)
1. Secured on-balance sheet credit exposures	4,541,475	7,819,032	-	181,379	14,732	-	-	-	-	-	-	1,077	-	2,584,452	10,600,672
1.1. Entirely secured	4,466,425	7,755,970	-	181,379	-	-	-	-	-	-	-	5	-	2,569,475	10,506,829
- of which impaired	32,356	78,251	-	-	-	-	-	-	-	-	-	5	-	12,360	90,616
1.2. Partly secured	75,050	63,062	-	-	14,732	-	-	-	-	-	-	1,072	-	14,977	93,843
- of which impaired	3,111	7,819	-	-	-	-	-	-	-	-	-	41	-	744	8,604
2. Secured off-balance sheet credit exposures	970	217	-	-	-	-	-	-	-	-	-	-	-	750	967
2.1. Entirely secured	945	217	-	-	-	-	-	-	-	-	-	-	-	728	945
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Partly secured	25	-	-	-	-	-	-	-	-	-	-	-	-	22	22
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

B.1 Analysis of customer loans (on- and off-balance sheet positions) by borrower category (book value)

	Governments			Other government agencies		
€/t	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On-balance sheet						
A.1 Non performing	-	-	X	-	-	X
A.2 Watch list	-	-	X	-	-	X
A.3 Restructured	-	-	X	-	-	X
A.4 Past due	16	(2)	X	-	-	X
A.5 Other exposures	15,224,838	X	-	166	X	-
Total A	15,224,854	(2)	-	166	-	-
B. Off-balance sheet						
B.1 Non performing	-	-	X	-	-	X
B.2 Watch list	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X
B.4 Other exposures	74,885	X	-	-	X	-
Total B	74,885	-	-	-	-	-
Total (A+B) as at December 31, 2014	15,299,739	(2)	-	166	-	-
Total (A+B) as at December 31, 2013	11,814,334	(2)	-	5,483	-	-

Financial companies			Insurance companies			Non-financial companies			Other subjects		
Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
-	-	X	-	-	X	451	(1,529)	X	12,695	(20,998)	X
-	-	X	-	-	X	4,157	(1,964)	X	20,727	(8,563)	X
4,212	(5,699)	X	-	-	X	5	(151)	X	1,639	(704)	X
-	-	X	-	-	X	125	(15)	X	5,101	(670)	X
493,998	-	(7)	12,419	X	-	201,759	-	(1,493)	5,440,743	X	(7,468)
498,210	(5,699)	(7)	12,419	-	-	206,497	(3,659)	(1,493)	5,480,905	(30,935)	(7,468)
-	-	X	-	-	X	-	-	X	-	-	X
-	-	X	-	-	X	-	-	X	-	-	X
-	-	-	-	-	X	-	-	X	41	-	X
6,166	X	-	19,176	X	(111)	3,006	X	(5)	77,206	X	(33)
6,166	-	-	19,176	-	(111)	3,006	-	(5)	77,247	-	(33)
504,376	(5,699)	(7)	31,595	-	(111)	209,503	(3,659)	(1,498)	5,558,152	(30,935)	(7,501)
339,295	(5,723)	(11)	29,859	-	(55)	188,641	(601)	(1,276)	4,691,962	(25,934)	(5,781)

B.2 Banking Group – Analysis of customer loans (on- and off-balance sheet positions) by geographical distribution (book value)

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment
A. On-balance sheet										
A.1 Non performing	13,146	22,527	-	-	-	-	-	-	-	-
A.2 Watch list	24,883	10,526	1	1	-	-	-	-	-	-
A.3 Restructured	5,855	6,554	-	-	-	-	-	-	-	-
A.4 Past due	5,242	688	-	-	-	-	-	-	-	-
A.5 Other exposures	21,001,937	8,946	369,856	20	1,293	1	815	-	23	-
Total A	21,051,064	49,241	369,857	21	1,293	1	815	-	23	-
B. Off-balance sheet	-	-	-	-	-	-	-	-	-	-
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	40	-	-	-	-	-	-	-	-	-
B.4 Other exposures	180,238	149	193	-	8	-	-	-	-	-
Total B	180,279	149	193	-	8	-	-	-	-	-
Total A+B December 31, 2014	21,231,343	49,391	370,050	21	1,301	1	815	-	23	-
Total A+B December 31, 2013	16,694,028	39,367	372,351	15	807	-	337	-	2,053	-

B.3 Analysis of bank loans (on- and off-balance sheet positions) by geographical distribution (book value)

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment
A. On-balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	451,485	-	232,381	-	896	-	7	-	-	-
Total A	451,485	-	232,381	-	896	-	7	-	-	-
B. Off-balance sheet	-	-	-	-	-	-	-	-	-	-
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	33,614	-	9,049	-	-	-	-	-	-	-
Total B	33,614	-	9,049	-	-	-	-	-	-	-
Total A+B December 31, 2014	485,099	-	241,430	-	896	-	7	-	-	-
Total A+B December 31, 2013	1,178,955	-	644,540	-	986	-	4	-	4,121	-

B.4 Large exposures

	Nominal	Weighted
a) Book value	18,869,834	299,492
c) Number	14	

The number and amount of large risks was determined according to EU and national regulations. Said rules require reporting of large exposures at nominal value.

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

QUALITATIVE INFORMATION

During the year Banca Mediolanum traded exclusively in securitised notes.

C.1 Analysis of exposures in connection with securitisation transactions by quality of underlying assets

At balance sheet date the balance of this account was nil.

C.2 Analysis of exposures arising from major own securitisations by type of securitised asset and by type of exposure

At balance sheet date the balance of this account was nil.

C.3 Analysis of exposures arising from major third-party securitisations by type of securitised asset and by type of exposure

At balance sheet date the balance of this account was nil.

C.4 Analysis of exposures arising from securitisations by financial asset category and by type

€/t	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Dec. 31, 2014	Dec. 31, 2013
1. On-balance sheet exposures	-	-	-	-	7,376	7,376	9,813
- Senior	-	-	-	-	7,376	7,376	9,813
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.5 Total amount of securitized assets underlying junior securities or other forms of credit support

At balance sheet date the balance of this account was nil.

C.6 SPV investments

At balance sheet date the balance of this account was nil.

C.7 Servicer activities – collection of securitized loans and redemption of securities issued by the SPV

At balance sheet date the balance of this account was nil.

E. Sale transactions

A. Financial assets sold but not derecognized entirely

QUANTITATIVE INFORMATION

E.1 Financial assets sold but not derecognised: book value and full value

€/t	Financial assets held for trading			Financial assets measured at fair value			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Dec. 31, 2014	Dec. 31, 2013
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Non-derivatives	17,081	-	-	-	-	-	1,687,781	-	-	62,913	-	-	-	-	-	-	-	-	1,767,775	2,170,112
1. Debt securities	17,081	-	-	-	-	-	1,687,781	-	-	62,913	-	-	-	-	-	-	-	-	1,767,775	2,170,112
2. Equities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total as at Dec. 31, 2014	17,081	-	-	-	-	-	1,687,781	-	-	62,913	-	-	-	-	-	-	-	-	1,767,775	X
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X
Total as at Dec. 31, 2013	6,267	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	2,170,112
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	-

Legend:
A = Financial assets sold, fully recognised (book value)
B = Financial assets sold, partly recognised (book value)
C = Financial assets sold, partly recognised (full value)

E.2 Analysis of financial liabilities against financial assets that are sold but not derecognised: book value

€/t	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Amounts due to customers	17,075	-	1,687,406	64,799	-	-	1,769,280
a) against financial assets fully recognised	17,075	-	1,687,406	64,799	-	-	1,769,280
b) against financial assets partly recognised	-	-	-	-	-	-	-
2. Amounts due to banks	-	-	-	-	-	-	-
a) against financial assets fully recognised	-	-	-	-	-	-	-
b) against financial assets partly recognised	-	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-	-
a) against financial assets fully recognised	-	-	-	-	-	-	-
b) against financial assets partly recognised	-	-	-	-	-	-	-
Total December 31, 2014	17,075	-	1,687,406	64,799	-	-	1,769,280
Total December 31, 2013	6,240	-	2,163,550	-	-	-	2,169,790

E.3 Sale transactions with liabilities having recourse only to the assets sold: fair value

At balance sheet date the balance of this account was nil.

Credit Risk stress testing

Credit risk exposures are essentially gauged using three key parameters: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD).
As to exposure classes for which the credit risk capital charge is calculated, based on the qualitative and quantitative considerations set out below, it was decided to focus attention exclusively on:

- exposures to regulated financial institutions;
- unsecured retail exposures;
- exposures secured by property.

The portfolios above (i.e. the portfolios to which stress testing can be applied) include assets in which the Bank intends to continue to invest in the near future while keeping its exposure to other asset classes contained.
Stress testing is applied also to past due positions. So, for each asset class and for each portfolio, all exposures, both performing and impaired, at a given baseline date are considered and stressed to see how they would perform under various crisis scenarios.

Despite the unsecured credit portfolios to the retail sector and regulated financial institutions having limited amounts in terms of exposure, it is however considered necessary to assess the effect that adverse macroeconomic conditions and extreme events would have in the management of banking operations. It is therefore important to proceed to the stress tests for this type of use in order to understand, after hypothetical extreme events, the evolutionary dynamics of the intrinsic risk of this type of asset.

SECTION 2 – MARKET RISK

2.1 Interest rate risk and pricing risk – Trading book

Qualitative information

A. General

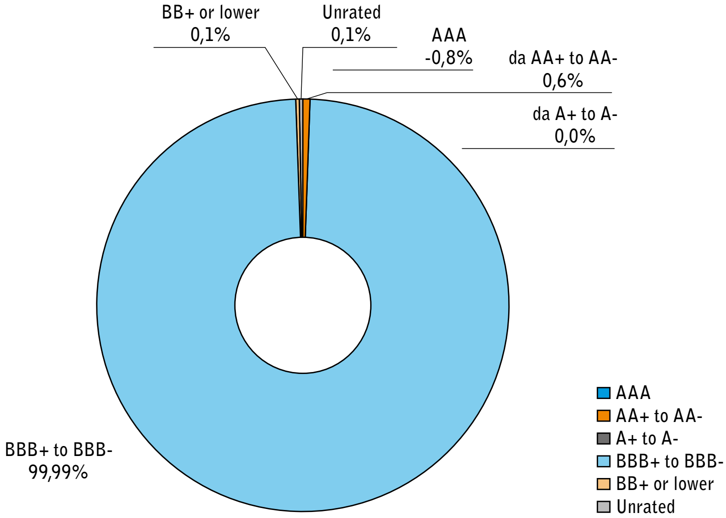
Banca Mediolanum's trading book, as defined by Supervisory Authorities, consists of financial instruments subject to capital requirements for market risk.
Specifically, the trading book consists of positions held by those Bank's functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Board of Directors, in accordance with internal policies. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.
The reduced credit rating of underlying assets was exclusively due to domestic sovereign debt exposure and Italy's credit rating downgrade in recent years. Given the predominance of domestic treasuries, however, the risk of default for the Bank's securities portfolio is relatively low.
Rating analysis of Banca Mediolanum's entire securities portfolio, including both the trading book and the banking book, is set out below.

Bank's Securities Portfolio - RATING COMPOSITION (S&P Equivalent)
(YE 2014 vs. YE 2013)

€/t	2014	%	2013	%	Change (%)
Total portfolio	15,278,865	100%	12,428,409	100%	23%
AAA	(122,399)	(0.8%)	(143,424)	(1.0%)	(15%)
AA+ to AA-	91,593	0.6%	160,581	2.2%	(43%)
A+ to A-	7,329	0.0%	1,964	28.5%	273%
BBB+ to BBB-	15,277,515	99.99%	12,068,522	70.1%	27%
BB+ or lower	12,297	0.1%	293,270	0.0%	100%
Unrated	12,530	0.1%	47,497	0.1%	(74%)

NOTE: the value of the securities portfolio does not include the irrelevant portion of Funds, Shares and Rights.
For the current year the government securities are represented by rating classes and related to the credit rating of the issuing country and not to the rating of the issue.

Rating Composition Portfolio - Banca Mediolanum S.p.A.



B. Interest rate risk measurement and management

Banca Mediolanum's Risk Management Function is responsible for ensuring that the various units use consistent methods in assessing financial risk exposure. The team also contributes to the definition of lending and operating limits. Banca Mediolanum is directly responsible for the control of the risks assumed. Risks are to be in accordance with the policies approved by the Board of Directors and consistent with the complexity of managed assets.
Exposure to interest rate risk is measured by applying portfolio analyses (e.g. exposure limits, characteristics of the instruments and of the issuers) as well as by estimating the risk of maximum loss on the portfolio (Value at risk).

VaR Tables
HFT Securities Portfolio - MARKET RISK
(YE 2014 vs. YE 2013)

€/t	2014	2013	Change (%)
Nominal	51,920	246,003	(79%)
Market value	45,910	237,080	(81%)
Duration	2.38	0.92	159%
VaR99% - 1 d	878	1,212	(28%)

QUANTITATIVE INFORMATION

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – EURO

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	9,767	2,205	18,726	55,610	162,775	65,934	3,807	-
1.1 Debt securities	9,767	2,205	18,726	55,610	162,775	65,934	3,807	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	9,767	2,205	18,726	55,610	162,775	65,934	3,807	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	47,170	-	110,681	137,860	43,449	4,088	-
2.1 Repurchase agreements	-	17,075	-	-	-	-	-	-
2.2 Other liabilities	-	30,095	-	110,681	137,860	43,449	4,088	-
3. Financial derivatives	-	625,371	7,185	24,190	26,487	26,028	52,239	-
3.1 With underlying securities								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	28,061	5,990	-	-	-	-	-
+ short positions	-	5,990	-	21,755	6,307	-	-	-
3.2 Without underlying								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	227,974	-	-	-	-	-	-
+ short positions	-	363,346	1,195	2,435	20,180	26,028	52,239	-

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – US DOLLAR

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	497,439	-	-	-	-	-	-
3.1 With underlying securities								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	371,597	-	-	-	-	-	-
+ short positions	-	125,842	-	-	-	-	-	-

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – GB POUND

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	1,255	-	-	-	-	-	-
3.1 With underlying securities								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	2	-	-	-	-	-	-
+ short positions	-	1,253	-	-	-	-	-	-

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – SWISS FRANC

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	203	-	-	-	-	-	-
3.1 With underlying securities								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	203	-	-	-	-	-	-

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – HUNGARIAN FORINT

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	439	-	-	-	-	-	-
3.1 With underlying securities								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	139	-	-	-	-	-	-
+ short positions	-	300	-	-	-	-	-	-

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – DANISH KRONA

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	147	-	-	-	-	-	-
3.1 With underlying securities								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	100	-	-	-	-	-	-
+ short positions	-	47	-	-	-	-	-	-

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – OTHER CURRENCIES

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	31	-	-	-	-	-	-
3.1 With underlying securities								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying								
- options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	31	-	-	-	-	-	-

2.2 Interest rate risk and pricing risk - Banking book

Qualitative information

A. General

Banca Mediolanum's Banking Book[1] is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, available-for-sale financial assets and held-to-maturity investments (IAS category: Held to Maturity).

Banking book interest rate risk exposures are measured and managed by Banca Mediolanum using an ALM model. Risk management activities include, *inter alia*, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of Banca Mediolanum S.p.A.

[1] The generic definition of "Banking book" are therefore includes financial assets/liabilities held to maturity or at least in the medium/long term ("buy and hold"), loans, deposits (retail, corporate, financial institutions).

Interest rate risk is the risk of potential impact of unexpected interest rate changes on the Bank's current earnings and equity. This risk is typical of Banking Book positions.
The Banking Book consists of on- and off-balance sheet items that are not held for trading.
The goals pursued by the interest rate risk management system are to:
- ensure the stability of net interest income, minimising any adverse impact of changes in interest rates (earnings perspective), largely with near-term focus. The stability of net interest income is mainly influenced by Repricing Risk, Yield Curve Risk, Basis Risk, Refixing Risk and Optionality Risk;
- protect the economic value, i.e. the present value of expected cash flows from assets and liabilities. The economic value perspective is focused on the potential medium/long-term effects of changes in interest rates and is mainly associated with re-pricing risk;
- ensure that interest rate risk that has been taken or can be taken be properly identified, measured, monitored and managed in accordance with uniform methods and procedures shared;
- make sure that risk measurement models are commensurate with actual earnings generated by the various risk owners;
- ensure that the quality of risk measurement and management systems is aligned with market standards and best practices;
- define risk limits and licences for the various levels of responsibility;
- ensure the generation of accurate data and reports by the various officers responsible for risk management and control at the different levels within the organisation;
- ensure compliance with requirements established by domestic and international supervisory authorities.

The definition of limits and licences reflects the risk appetite of the organisation and permits to control that practices at the various levels within the organisation are aligned with the strategic guidelines and policies adopted by the Board of Directors.
The application of the principles above led to the definition of the following indicators:
- Net interest income sensitivity to parallel shifts in the yield curve;
- Economic value sensitivity to parallel shifts in the yield curve.

Management of the interest rate risk in the banking book is part of Asset Liability Management (ALM). Banca Mediolanum has in place an ALM system that measures performance of annual Net Interest Income and the Bank's Economic Value in relation to regulatory capital. The ALM system is also used by management to assess the impact of funding and lending policies on the entity's financial condition and earnings.

Asset liability management

Ermas is the system used for managing Banking Book's Assets and Liabilities against the risk of adverse movements in interest rates. As such, the Ermas for Banca Mediolanum assists management in assessing the bank's funding and lending policies and their possible impact on the bank's financial condition and earnings. Banca Mediolanum regularly updates the dedicated ALM policy including limits and procedures for monitoring annual Net Interest Income and the Economic Value of the Bank.

Movements in annual net interest income
(Data as at December 31, 2014)

€/t	Balance	+100bps	-100bps
Total assets (*)	21,003,283	98,975	(35,836)
Total liabilities (*)	(22,590,579)	(127,276)	47,156
Off-balance sheet (hedging derivates)	72,501.75	3,107.63	(1,109.72)
YEAR'S MOVEMENT	-	(25,193)	10,211

(*) Excludes the values of statement of financial position items insensitive to the change in interest rate.

B. Fair value hedges

The introduction of IAS 39 brought about profound changes in the way derivatives and related hedged balance sheet assets/liabilities are accounted for.
Under IAS 39 all derivatives, either trading or hedging derivatives, are to be recognised in the statement of financial position at their Fair Value and any change, either increase or decrease, in their fair value is to be recognised through profit or loss.
When the hedged item is measured at historical (amortised) cost the asymmetry resulting from the different measurement method may lead to income statement information volatility. IAS 39 addresses this issue allowing entities to apply consistent measurement methods to the hedging instrument and to the hedge item (Hedge Accounting).
To qualify for Hedge Accounting under IAS 39 the hedging relationship must satisfy certain conditions relating to hedge effectiveness and related documentation.
The use of hedge accounting engages various structures of Banca Mediolanum. The Treasury Committee provides guidance on hedging policies. Banca Mediolanum Financial Management function handles all aspects relating to the identification and operation of IAS compliant hedges. The Risk Management Function works across the process ensuring the alignment of systems and proper management of hedges. The Accounting and Financial Reporting function records and monitors hedges on an ongoing basis and prepares Hedge Accounting documentation.
As shown in the table below, back-testing of hedge effectiveness proved the hedge ratio met the requirement $|0.8| \leq HR \leq |1.25|$:

Hedging Ratio
(YE 2014 vs. YE 2013)

	2014	2013	Change (%)
Hedging ratio changes on hedged portfolio	112%	111%	1%

C. Cash flow hedges

There are no hedges as defined under IAS.

Quantitative information

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities – EURO

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	2,210,522	5,337,808	7,336,855	1,397,293	5,031,343	119,257	261,110	-
1.1 Debt securities	691,180	1,012,314	7,329,641	1,267,766	4,933,767	-	1,619	-
- with early redemption option	-	2,973	-	-	-	-	1,619	-
- other	691,180	1,009,341	7,329,641	1,267,766	4,933,767	-	-	-
1.2 Loans to banks	41,038	445,814	-	-	-	-	-	-
1.3 Loans to customers	1,478,304	3,879,680	7,214	129,527	97,576	119,257	259,491	-
- current accounts	398,982	52	13	163	631	1,013	-	-
other loans	1,079,322	3,879,628	7,201	129,364	96,945	118,244	259,491	-
- with early redemption option	965,386	3,634,933	7,026	11,896	90,100	115,259	259,491	-
- other	113,936	244,695	175	117,468	6,845	2,985	-	-
2. Non-derivative liabilities	11,306,963	5,641,202	1,593,440	2,060,161	127,737	126,545	-	-
2.1 Amounts due to customers	8,240,984	2,538,913	1,444,286	1,682,259	-	-	-	-
- current accounts	7,656,200	564,029	698,453	975,296	-	-	-	-
other payables	584,784	1,974,884	745,833	706,963	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	584,784	1,974,884	745,833	706,963	-	-	-	-
2.2 Amounts due to banks	3,065,979	3,087,292	129,628	377,902	-	-	-	-
- current accounts	17,704	-	-	-	-	-	-	-
- other payables	3,048,275	3,087,292	129,628	377,902	-	-	-	-
2.3 Securities issued	-	14,997	19,526	-	127,737	126,545	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	14,997	19,526	-	127,737	126,545	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	2,686	697,219	99,909	42,287	421,666	820,384	1,199,499	
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	9,985	75,044	-	517	-	-	-
+ short positions	-	75,533	9,989	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	3,727	10,431	24,378	230,293	398,615	547,627	-
+ short positions	2,686	262,892	535	9,944	123,575	335,132	480,309	-
- Other								
+ long positions	-	341,219	-	-	-	-	-	-
+ short positions	-	3,863	3,910	7,965	67,281	86,637	171,563	-
4. Other off-balance sheet								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities – US DOLLAR

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	619	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	619	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	33,922	90,605	-	-	-	-	-	-
2.1 Amounts due to customers	30,133	-	-	-	-	-	-	-
- current accounts	30,133	-	-	-	-	-	-	-
other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	3,789	90,605	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	3,789	90,605	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	7,742	-	-	-	-	-	-
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ long positions	-	3,871	-	-	-	-	-	-
+ short positions	-	3,871	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities – GB POUND

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	705	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	705	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	114	-	-	-	-	-	-	-
2.1 Amounts due to customers	114	-	-	-	-	-	-	-
- current accounts	114	-	-	-	-	-	-	-
other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities – SWISS FRANC

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	238	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	238	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	133	-	-	-	-	-	-	-
2.1 Amounts due to customers	133	-	-	-	-	-	-	-
- current accounts	133	-	-	-	-	-	-	-
other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities – HUNGARIAN FORINT

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	70	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	70	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Amounts due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities – DANISH KRONA

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	3	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	3	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Amounts due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities – OTHER CURRENCIES

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	901	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	901	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	6	-	-	-	-	-	-	-
2.1 Amounts due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	6	-	-	-	-	-	-	-
- current accounts	6	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2.3 Currency risk

Qualitative information

A. Currency Risk - General information, measurement and management

The Group is exposed to currency risk on all its foreign-currency denominated assets and liabilities (both on- and off-balance sheet) including euro-denominated positions linked to the performance of foreign exchange rates. Currency exposure limits were set by reference to the net value of positions in the main operating currencies.

B. Currency risk-hedges

There are no hedges as defined under IAS.

Quantitative information

1. Analysis of assets, liabilities and derivatives by currency denomination

€/t	US Dollar	GB Pound	Swiss franc	Hungarian forint	Danish krona	Other currencies
A. Financial assets	620	705	238	70	3	901
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans to banks	619	705	238	70	3	901
A.4 Loans to customers	1	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	55	11	-	-	-	-
C. Financial liabilities	124,527	114	133	-	-	6
C.1 Amounts due to banks	94,394	-	-	-	-	6
C.2 Amounts due to customers	30,133	114	133	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	-	-
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other						
+ Long positions	248,049	2	-	139	100	-
+ Short positions	124,326	626	101	150	23	16
Total assets	248,724	718	238	209	103	901
Total liabilities	248,853	740	234	150	23	22
Unbalance (+/-)	129	22	(4)	(59)	(80)	(879)

2. Internal models and other supervisory methodologies: year-end and average notional amounts

VaR (Value at Risk) estimates the risk of loss resulting from adverse movements in the exchange rate of traded financial instruments as a result of adverse market movements.

2.4 Derivative financial instruments

A. Financial derivatives

A.1 Trading book: year-end and average notional amounts

	Dec. 31, 2014		Dec. 31, 2013	
€/t	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	103,257	34,052	87,434	26,615
a) Options	-	-	-	-
b) Swap	103,257	-	87,029	-
c) Forwards	-	-	405	-
d) Futures	-	34,052	-	26,615
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	373,533	-	370,612	-
a) Options	-	-	-	-
b) Swap	125,982	-	367,191	-
c) Forwards	247,551	-	3,421	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	476,790	34,052	458,046	26,615
Average amount	50,176	-	39,626	1,926

A.2 Banking book: year-end and average notional amounts

A.2.1 Hedging derivatives

€/t	Dec. 31, 2014		Dec. 31, 2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	413,721	-	447,097	-
a) Options	72,502	-	70,107	-
b) Swap	341,219	-	376,990	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	413,721	-	447,097	-
Average amount	187,389	-	206,862	-

A.2.2 Other derivatives

	Dec. 31, 2014		Dec. 31, 2013	
€/t	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	75,533	9,985	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forwards	75,533	9,985	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	75,533	9,985	-	-
Average amount	-	-	-	-

A.3 Financial derivatives: positive gross fair value – analysis by type of product

	Positive fair value			
	Dec. 31, 2014		Dec. 31, 2013	
€/t	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading book	6,163	-	743	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	3,368	-	717	-
d) Equity swaps	-	-	-	-
e) Forwards	2,795	-	26	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book – hedging derivatives	1,287	-	2,418	-
a) Options	1,287	-	2,418	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book – other derivatives	34	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	34	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	7,484	-	3,160	-

A.4 Financial derivatives: negative gross fair value – analysis by type of product

	Negative fair value			
	Dec. 31, 2014		Dec. 31, 2013	
€/t	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading book	39,058	-	18,621	-
a) Options	-	-	-	-
b) Interest rate swaps	36,207	-	17,551	-
c) Cross currency swaps	76	-	1,070	-
d) Equity swaps	-	-	-	-
e) Forwards	2,775	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book – hedging derivatives	100,218	-	59,127	-
a) Options	-	-	-	-
b) Interest rate swaps	100,218	-	59,127	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book – other derivatives	-	4	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	4	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	139,276	4	77,748	-

A.5 Trading book – OTC financial derivatives: notional amount, gross positive and negative fair value by counterparty – contracts that do not fall under netting arrangements

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	125,558	247,097	-	-	878
- positive fair value	-	-	4	6,158	-	-	1
- negative fair value	-	-	2,776	-	-	-	75
- future exposure	-	-	1,228	2,471	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 Trading book – OTC financial derivatives: notional amount, gross positive and negative fair value by counterparty – contracts that fall under netting arrangements

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	103,257	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	36,207	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 Banking Book – OTC financial derivatives: notional amount, gross positive and negative fair value by counterparty – contracts that do not fall under netting arrangements

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	147,387	-	-	-	647
- positive fair value	-	-	1,317	-	-	-	4
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	1,088	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 Banking Book – OTC financial derivatives: notional amount, gross positive and negative fair value by counterparty – contracts that fall under netting arrangements

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	341,219	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	100,218	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional amount

€/t	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Trading book	378,343	20,180	78,266	476,789
A.1 Financial derivatives on debt securities and interest rates	4,811	20,180	78,266	103,257
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	373,532	-	-	373,532
A.4 Financial derivatives on other values	-	-	-	-
B. Banking book	91,271	67,281	330,702	489,254
B.1 Financial derivatives on debt securities and interest rates	91,271	67,281	330,702	489,254
B.2 Financial derivatives on equities and stock indices	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total as at December 31, 2014	469,614	87,461	408,968	966,043
Total as at December 31, 2013	389,522	82,040	433,581	905,144

Credit derivatives

During the year the Bank did not trade in credit derivatives and as at December 31, 2014 it did not hold any positions in those instruments.

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. Liquidity Risk – General information, measurement and management

Banca Mediolanum's liquidity management model is structured in a manner that ensures adequate levels of liquidity in the short term as well as in the medium and long term. Given the types of assets held, their duration as well as the type of funding, the entire Banking Group has no short-term liquidity concerns. From a structural viewpoint, Banca Mediolanum can rely on a stable core funding and is only marginally exposed to volatility. This is evidenced also by Bank's econometric projections of "on demand positions". In addition to its core funding, Banca Mediolanum implements short-term funding policies through repurchase agreements, medium-term bond issues, term deposits and Long Term Refinancing Operations.

Liquidity risk management, which is through the definition of guidelines and indicators in the Risk Appetite Framework document adopted by all Group companies (where applicable) is monitored by the Risk Management unit applying dedicated policies and procedures, including operating and structural limits and definition and constant monitoring of the maturity ladder. The liquidity risk policy also defines a contingency funding plan under the broader Asset Liability Management model of the Banking Group.

Under the liquidity risk management policy Banca Mediolanum implemented a control procedure which entails the generation of daily reports for monitoring operational liquidity limits in treasury management and quarterly reports for monitoring the bank's structural liquidity in the aggregate, also with a view to compliance with the indicators defined within the RAF. The method used to manage operational liquidity is derived from the Maturity Mismatch Approach and is based on the monitoring of cumulative gaps generated by Net Flows and Counterbalancing Capacity as assessed using an operational Maturity Ladder. Structural liquidity is monitored by determining the long term ratio (Net Stable Funding Ratio) in accordance with the rules defined by the European Banking Authority (EBA) in relation to the new Basel III liquidity risk requirements.

Also in 2014, Banca Mediolanum continued its quarterly monitoring as promoted by the EBA aimed at completion of the implementation of Basel 3 rules for liquidity risk management and determination of capital requirements of Banks.

QUANTITATIVE INFORMATION

1. Time-to-maturity of financial assets and liabilities – EURO

€/t	On demand	1 to 7 days	7 to 15 days	15 days to month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	718,364	475,126	660	142,010	715,838	1,614,487	2,180,567	12,675,871	3,412,284	192,299
A.1 Government securities	1,864	248	41	50.035	532,372	1,474,062	1,785,841	11,234,065	25,009	-
A.2 Other debt securities	617	-	619	92	100,842	15,223	33,872	132,312	45,380	-
A.3 Holdings in UCITS	128,160	-	-	-	-	-	-	-	-	-
A.4 Loans	587,723	474,878	-	91,883	82,624	125,202	360,854	1,309,494	3,341,895	192,299
- Banks	41,038	253,498	-	-	-	-	-	-	-	192,299
- Customers	546,685	221,380	-	91,883	82,624	125,202	360,854	1,309,494	3,341,895	-
Non-derivative liabilities	8,302,970	4,361,730	95,103	2,225,157	2,045,784	1,597,027	2,222,004	271,380	168,949	-
B.1 Current accounts and deposits	8,096,094	43,951	85,070	192,129	858,996	1,283,317	2,087,840	-	-	-
- Banks	60,199	-	7,016	3,004	77,322	129,835	378,733	-	-	-
- Customers	8,035,895	43,951	78,054	189,125	781,674	1,153,482	1,709,107	-	-	-
B.2 Debt securities	-	-	-	-	2,236	11,967	22,495	132,341	124,270	-
B.3 Other liabilities	206,876	4,317,779	10,033	2,033,028	1,184,552	301,743	111,669	139,039	44,679	-
Off-balance sheet items	36,207	89,066			394,880	85,124		28,241	6,307	
C.1 Financial derivatives with capital exchange										
- Long positions	-	12,344	-	-	148,061	75,124	-	6,486	-	-
- Short positions	-	76,722	-	-	246,818	10,000	-	21,755	6,307	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	36,207	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – US DOLLAR

€/t	On demand	1 to 7 days	7 to 15 days	15 days to month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	620	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	620	-	-	-	-	-	-	-	-	-
- Banks	619	-	-	-	-	-	-	-	-	-
- Customers	1	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	33,922	65,896	24,715	-	-	-	-	-	-	-
B.1 Current accounts and deposits	33,922	65,896	24,715	-	-	-	-	-	-	-
- Banks	3,789	65,896	24,715	-	-	-	-	-	-	-
- Customers	30,133	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	10,211	-	-	369,906	-	-	-	-	-
C.1 Financial derivatives with capital exchange										
- Long positions	-	952	-	-	247,097	-	-	-	-	-
- Short positions	-	1,517	-	-	122,809	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	3,871	-	-	-	-	-	-	-	-
- Short positions	-	3,871	-	-	-	-	-	-	-	-
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 capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – GB POUND

€/t	On demand	1 to 7 days	7 to 15 days	15 days to month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	705	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	705	-	-	-	-	-	-	-	-	-
- Banks	705	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	114	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	114	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	114	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	628	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange										
- Long positions	-	2	-	-	-	-	-	-	-	-
- Short positions	-	626	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – SWISS FRANC

€/t	On demand	1 to 7 days	7 to 15 days	15 days to month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	238	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	238	-	-	-	-	-	-	-	-	-
- Banks	238	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	133	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	133	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	133	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	101	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	101	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – HUNGARIAN FORINT

€/t	On demand	1 to 7 days	7 to 15 days	15 days to month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	70	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	70	-	-	-	-	-	-	-	-	-
- Banks	70	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits										
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	289	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange										
- Long positions	-	139	-	-	-	-	-	-	-	-
- Short positions	-	150	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – DANISH KRONA

€/t	On demand	1 to 7 days	7 to 15 days	15 days to month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	3	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	3	-	-	-	-	-	-	-	-	-
- Banks	3	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	123	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange										
- Long positions	-	100	-	-	-	-	-	-	-	-
- Short positions	-	23	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – OTHER CURRENCIES

€/t	€On demand	1 to 7 days	7 to 15 days	15 days to month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	891	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	891	-	-	-	-	-	-	-	-	-
- Banks	891	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	6	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	6	-	-	-	-	-	-	-	-	-
- Banks	6	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	16	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	16	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Information on assets committed and recorded

€/t	Committed		Not committed		Dec. 31, 2014	Dec. 31, 2013
	BV	FV	BV	FV		
1. Cash and cash equivalents	-	X	1,027	X	1,027	1,764
2. Debt securities	8,422,924	8,462,527	7,134,924	7,161,451	15,557,848	12,686,890
3. Equities	-	-	29,960	58	29,960	21,490
4. Loans	116,244	X	6,433,728	X	6,549,972	6,061,156
5. Other financial assets	-	X	489,597	X	489,597	500,017
6. Non-financial assets	-	X	425,506	X	425,506	368,965
Total as at Dec. 31, 2014	8,539,168	8,462,527	14,514,742	7,161,509	23,053,911	X
Total as at Dec. 31, 2013	6,687,930	6,605,038	12,953,140	6,133,504	X	19,640,283

Legend:
BV = Book value
FV = Fair value

3. Information on owned assets committed and not recorded

€/t	Committed	Not committed	Dec. 31, 2014	Dec. 31, 2013
1. Financial assets	-	432,595	432,595	725,626
– Securities	-	432,595	432,595	725,626
– Other	-	-	-	-
2. Non-financial assets	-	-	-	-
Total as at December 31, 2014	-	432,595	432,595	X
Total as at December 31, 2013	317,210	(408,416)	X	725,626

Liquidity Risk stress testing

In addition to monitoring liquidity on a daily basis, Banca Mediolanum also conducts stress scenario simulations. Stress scenarios are run for both systemic events (Market Stress Scenarios) and bank specific events (Bank Specific Stress Scenarios) in relation to the macroeconomic environment, commercial policies and customer behaviour. Generally, the systemic events tested in stress scenario simulations may include:

- a financial market shock that brings about a significant change in interest rates and exchange rates;
- a systemic shock like the one after September 11 which significantly restricts access to money markets;
- scarce liquidity in the interbank market.

Bank specific events may include:

- significant withdrawals of deposits by customers;
- reputational damage with subsequent difficulty to renew financing sources in the money market;
- default of a major market counterparty or source of funding;
- deterioration in loan quality;
- steep increase in draw-downs on committed credit lines;
- significant decline in the ability to roll over short-term funding;
- bigger haircuts on assets included in Counter Balancing Capacity (CBC).

Simulations are run under the different stress scenarios to evaluate the effects on the expected behaviour of inflows and outflows over a given time horizon, both in terms of estimated cash-flows and timing. The Maturity Ladder is redefined for each scenario simulation.

SECTION 4 - OPERATIONAL RISK

QUALITATIVE INFORMATION

General aspects, operational risk measurement and management

The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."
In line with what is required by industry regulations, Banca Mediolanum adopted and regularly updates a specific framework for the management of operational risk.

The Risk Management Functions is responsible for monitoring operational risk, entrusting the Compliance Assessment and Controls Unit of the Compliance Function the conduct of risk assessment and coordinates with Network Inspectors Sector and the Anti-Money Laundering team for management and control of operational risk associated with the activities carried out by the sales network, and with the Accounting and Finance Sector for verification of capital adequacy vis-à-vis operational risk capital requirements.

The Risk Management Function and Compliance Function are separate and independent of operating units and report directly to the Top Management of Banca Mediolanum S.p.A.
In consideration of the characteristics and the type of business conducted by the company, special attention is given to risks associated with the operation of the Sales Network and the multiple channels, i.e. also those channels which enable access and transactions from a remote location. These risks are managed, inter alia, through local controls and procedures for risk assessment, management, prevention and mitigation.

The reference framework for the management and control of operational risk is composed of four basic processes:
1. "Identification";
2. "Measurement";
3. "Monitoring, Control and Reporting";
4. "Management".

Each of these processes is characterized by specific objectives, models, methodologies and tools.

The "**Identification**" is the activity of finding and collecting information relating to operational risks through the coordinated and consistent processing of all relevant sources of information. The aim is the establishment of a comprehensive information base.
The identification is done through the definition and classification of the information needed for the integrated management of operational risks.
The information necessary for this purpose are:
- qualitative and quantitative assessments of the risk exposure of key business processes, as part of the annual risk self-assessment conducted by the Compliance Assessment and Controls Unit of the Compliance Function;
- internal loss data, together with all information relevant to the measurement and management of risks (including recoveries from insurance and direct), collected through the process of Loss Data Collection by the Risk Management Function;

- preliminary analysis, by the Compliance Assessment and Controls Unit, of the risk exposure to the entry into new businesses or new contracts/commercial agreements, as well as a result of organisational changes/regulations;
- "Key Risk Indicators", i.e. risk and performance indicators that provide insight into the status of operational processes and the main drivers of exposures. These indicators, updated by the Compliance Assessment and Controls unit, may include "exposure indicators" or "anomaly indicators".

"Measurement" is the activity of analysis and optimisation of risk.
It is an activity aimed at the complete knowledge of the overall risk profile of the company leading to the quantification of:

- regulatory capital: capital requirement defined on the basis of supervisory regulation provisions (EU 575/2013 Regulation); For the measurement of regulatory capital for operational risk, Banca Mediolanum S.p.A. adopts the "standardized" method calculating individual capital requirement and contributing to the total one of the Banking Group;
- economic capital: measurement of risk for internal purposes, performed using an integrated approach that reflects both the actual losses from operational risks and potential one valued net of the effectiveness of controls in place to mitigate them. This measurement activity is therefore based on the outcome of risk identification analyses, applies an actuarial statistical model and is a means of verifying the adequacy of regulatory capital for operational risks.

The "Monitoring, Control and Reporting" process is a direct result of the preliminary processes of identification and measurement that allow analyzing the overall exposure to operational risks of the various business units and promptly reporting any problems found. The main tool used in the conduct of this process is the drafting of periodic information to the company functions involved, Top Management and the Board of Directors.

The "Management" process entails the periodic assessment of risk control and mitigation strategies. Depending on the nature and size of risk, in accordance with the risk appetite approved by management, the bank decides whether it can take the risk, adopt risk mitigation or transfer the risk to third parties.

In terms of the estimation of operational risk conducted on the organisational units of the Company, with approach and depth graded according to the expected risks and the nature of the units, summary assessments highlighted a situation of risk that slightly improved over the previous year thanks to greater automation and depth of controls in place.

In 2014, the risk assessment process covered nearly all of the activities, identifying some 1,275 operational risk checkpoints. About 89% of checkpoints were judged to be effective or in need of being just better formalised. Mitigation actions were taken in relation to controls that were judged to be unsatisfactory or in need of improvement.

SECTION 5 - OTHER RISKS

QUALITATIVE INFORMATION

General aspects, measurement and management

In addition to the above risks, Banca Mediolanum has identified and monitors the following other risks.

Strategic Risk

Strategic risk is the current or prospective risk of impact on earnings or capital arising from changes in the industry, adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes. All Group companies are potentially exposed to strategic risk, each at different levels according to the volume of business they manage and their operations.
Strategic risk may arise from:

- business decisions relating to the entry into new (local or international) markets or new product lines or changes in the distribution model or channels;
- external events, changes in the competitive environment or unexpected market scenarios due to macroeconomic events, or changes in the regulatory environment.

Strategic risk identification processes are part of usual management planning and control, entail analyses of market scenario and changes in the competitive environment resulting from macroeconomic events or regulatory developments. These analyses are typically conducted upon budgeting and planning as well as upon the occurrence of external events that may have a significant impact on the group's business.

Compliance Risk

Across the Mediolanum Banking Group, to which the company belongs, a single compliance risk management framework has been defined that entrusts the Compliance Function of Banca Mediolanum S.p.A. with the responsibility of ensuring compliance as well as supervision, guidance and control of Group companies within its remit.
The scope of work of the Compliance Function has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance Model and in relation to specific regulatory areas.
The different steps of the main cycle of Compliance, provided by the Group Compliance Policy, updated during the year and implemented by the company, include the following activities:

- Definition of the methodological framework for compliance risk assessment and monitoring
- Periodic valuation of the methodological compliance risk assessment framework;
- Planning of compliance activities;
- Consulting and training;
- Monitoring of alert and regulatory developments;
- Analysis of the impact of regulatory developments and definition adjustment interventions;
- Verification of monitoring adequacy;
- Verification of operation;
- Valuation residual risk;
- Preparation and update of documents / specialized compliance procedures;
- Reporting to corporate bodies;
- Reporting to supervisory authorities;
- Managing relations with supervisory authorities and category associations.

Overall, the Compliance Function has not identified, with regards to its competence, criticalities in the completeness, accuracy, adequacy, operation and reliability of the internal control system of the company, despite having provided appropriate guidelines on specific regulatory aspects in order to strengthen the existing controls.

Reputational Risk

Reputational risk is the current or prospective risk of impact on earnings or capital arising from the negative perception of the company's image by customers, counterparties, shareholders, investors or supervisory authorities.
Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:

- the materialisation of other risks (e.g. market risk, liquidity risk, legal risk or strategic risk) not adequately kept in check;
- the occurrence of operational risk events (e.g. malfunctioning, disservice) with impact on the stakeholders' perception of the bank;
- failed compliance with statutes, regulations and codes of conducts, including those that may be outside the purview of the Compliance team;
- internal or external communications being ineffectively or inappropriately handled;
- the behaviour of corporate officers, employees or collaborators.

More generally, internal events include all events directly associated with the processes in place and the business conducted by the company as well as any management or operational choices made by the Bank (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).
External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the company. These events are not directly associated with processes in place or business conducted by the company, but are related to the circulation of negative opinions or information about the company or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the company and its management).
The materialisation of reputational risk may also have effects on other risks.
Banca Mediolanum S.p.A. recognises the reputation of the Bank is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, reputation is managed and protected in accordance with the Group's guidelines, through:

- the values that are embedded across the organisation;
- the promotion of a corporate culture built on integrity, fairness and compliance at all levels of the organisation;
- the adoption of a reputational risk governance and control model.

The process of identifying, assessing and mitigating exposure to reputational risk is conducted by the Compliance Assessment and Controls Unit of the Compliance Function, as part of the integrated Risk Self Assessment activities carried out annually on various organisational units with respect to operational and compliance risk. On this occasion, the employees of the Compliance Assessment and Controls Unit require the Heads of Organisational Units, whose activities have an impact on the critical values perceived by stakeholders, to provide a qualitative assessment of exposure to reputational risk, also analysing data or documents that might lead to better compliance assessment of safeguards in place. Among these elements particularly important factors are complaints received from customers, complaints and inquiries received by the Supervisory Authority, satisfaction surveys, etc.

PART F - INFORMATION ON CAPITAL

SECTION 1 – CORPORATE CAPITAL

A. Qualitative information

Equity is the main protection for the stability of a bank. The international and local supervisory bodies have established for said purpose rigorous rules for calculating regulatory capital and minimum capital requirements that banks must comply with. In order to comply with the provisions of the Supervisory Authorities, Banca Mediolanum adopts the measures needed to ensure adequate capital levels and controls thereof. The continuous monitoring of capital levels of the Bank prevents any tensions that may arise in the future. By continuously monitoring capital levels the Group prevents any tensions that may arise in the future. This activity is assigned to the body with strategic supervision function (Board of Directors) which is attributed the guidance functions of the company's operations and is responsible for defining the guidance guidelines of the various operating functions with related definitions of acceptable risk profile (formalized in the Risk Appetite Framework - RAF document). The RAF, revised periodically, provides the framework that determines the risk appetite, tolerance thresholds, risk limits, risk governance policies, processes of reference to define and implement them, consistent with the maximum assumable. As at December 31, 2014 the ratios of Banca Mediolanum, calculated with the new regulations in force since January 1, 2014, are well above regulatory thresholds.

B. Quantitative information

B.1 Analysis of corporate equity

€/t		Dec. 31, 2014	Dec. 31, 2013
1.	Share capital	600,000	600,000
2.	Share premium account	-	-
3.	Reserves	141,226	132,020
	- gains	138,041	128,835
	a) legal	42,383	35,648
	b) statutory	-	-
	c) treasury shares	-	-
	d) other	95,658	93,187
	- other	3,185	3,185
3*bis*.	Interim dividend	-	-
4.	Equity instruments	-	-
5.	(Treasury shares)	-	-
6.	Valuation reserves	101,634	73,595
	- Available-for-sale financial assets	101,371	73,645
	- Tangible assets	-	-
	- Intangible assets	-	-
	- Hedges of investments in foreign operations	-	-
	- Cash flow hedges	-	-
	- Exchange differences	-	-
	- Non-current assets and disposal groups	-	-
	- Actuarial gains (losses) related to defined benefit plans	263	(50)
	- Share of reserves on investments accounted for by the equity method	-	-
	- Special revaluation statutes	-	-
7.	Net profit (loss)	144,437	134,703
Total		987,297	940,318

B.2 Analysis of valuation reserves relating to available-for-sale financial assets

	Dec. 31, 2014		Dec. 31, 2013	
€/t	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	97,919	(1,002)	77,678	(5,614)
2. Equities	1	-	242	-
3. Holdings in UCITS	4,453	-	5,616	(4,277)
4. Loans	-	-	-	-
Total	102,373	(1,002)	83,536	(9,891)

B.3 Year's movements in the valuation reserve relating to available-for-sale financial assets

€/t	Debt securities	Equity investments	Holdings in UCITS	Loans
1. Opening balance	72,064	242	1,339	-
2. Increases	67,143	47	4,924	-
2.1 Increases in fair value	66,326	-	115	-
2.2 Reclassification to the income statement from negative reserves	817	47	4,809	-
- impairment	-	47	4,809	-
- realised gains	817	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	42,290	288	1,810	-
3.1 Decrease in fair value	5,704	47	1,384	-
3.2 Impairment	-	-	-	-
3.3 Reclassification to the income statement from positive reserves	36,586	241	426	-
3.4 Other decreases	-	-	-	-
4. Closing balance	96,917	1	4,453	-

SECTION 2 – CAPITAL AND CAPITAL REQUIREMENTS

2.1 Own Funds

On January 1, 2014 the reforms of the agreements of the Basel Committee ("Basel 3") were transposed in the EU regulation. These reforms have been introduced in order to strengthen the banks' ability to absorb shocks arising from financial and economic stress, regardless of their origin, to improve risk management and governance and to strengthen the transparency and disclosure of the banks. The new harmonized rules define for banks and investment firms more stringent rules for the calculation of Own Funds and levels of capital adequacy of the banks. The new rules will be implemented in stages to allow the banking system to meet the new requirements.
The innovations of the Basel 3 regulations have been translated into law in Europe through two separate legislative instruments: a Directive (Capital Requirements Directive IV - CRD IV) and a Regulation (Capital Requirements Regulation - CRR). With the approval by the European Parliament, the complete package (Directive 2013/36/EU "CRD IV" of June 26, 2013 and Regulation (EU) 575/2013 "CRR" of June 26, 2013) was published in the Official Gazette of the European Union on June 27, 2013. The Regulation (EU) 575/2013 (CRR) includes most

of the provisions on capital requirements that are directly binding and applicable in each member state of the European Union.
In December 2013 the Bank of Italy issued "Circular 285" that implements the rules of the CRD IV/CRR and introduces supervisory rules on aspects not harmonized at EU level. The regulatory provisions related to own funds include the introduction of the new regulatory framework gradually, through a transitional period, usually up to 2017, during which some elements that under the scheme will be computable or deductible in full in the Common Equity, impact Tier 1 Core Capital only for a percentage portion; normally the residual percentage with respect to that applicable is calculated/deducted from the additional capital of tier 1 (AT1) and Tier 2 (T2) or considered in the risk-weighted assets.
With the entry into force of the Directive and the Regulations with effect from January 1, 2014, the Italian banks must comply with a minimum CET1 ratio of 4.5%, Tier 1 5.5% (6% in 2015) and a Total Capital Ratio of 8%. These minimum regulatory requirements have been integrated with the Capital Conservation reserve (buffer) of 2.5%. For banks belonging to banking groups, from the act of issuance of Bank of Italy Circular No. 285 of December 17, 2013, there was a transitional application of the Capital Conservation Reserve. The transitional regime requires that until December 31, 2016 Banks belonging to banking groups maintain a Capital Conservation Reserve equal to 0.625%. Failure to comply with these requirements (Combined Requirement) results in limitations on dividend distributions, variable remuneration and other useful elements to form the regulatory capital beyond set limits, and will need to outline the steps needed to restore the level of capital required through the adoption of a plan of capital conservation.
In the calculation of Own Funds on the basis of article 467 paragraph 2 of the CRR, implemented by the Bank of Italy in Circular 285 Second Part – Chapter 14 – Section II – Paragraph 2, Banca Mediolanum S.p.A. adopted by resolution of the Board of Directors January 16, 2014, the option to exclude from own funds unrealized gains or losses related to exposures to the central government classified as financial assets available for sale (AFS) for the entire period covered by the CRR.
In the determination of Own Funds as at December 31, 2014, the adoption of this option resulted in a decrease of Own Funds amounting to Euro 95.7 thousand resulting in a decrease of Own Funds of the same amount as at December 31, 2014.

A. Qualitative information

Own Funds were determined according to the new regulations relating to prudential supervision in force since January 1, 2014. The new rules consist of a Directive (Capital Requirements Directive IV – CRD IV) and a Regulation (Capital Requirements Regulation – CRR) issued by the European Parliament in June 2013 were transposed in Italy by Bank of Italy Circular no. 285 of December 17, 2013. The new regulatory scheme includes a transitional period during which some elements that under the scheme will be computable or deductible in full in the Common Equity, impact Tier 1 Core Capital only for a percentage portion; normally the residual percentage with respect to that applicable is calculated/deducted from the additional capital of Tier 1 (AT1) and Tier 2 (T2) or considered in the risk-weighted assets.
Own Funds consist of Tier 1 Core capital (Common Equity Tier 1 – CET1), Tier 1 additional capital (Additional Tier 1 – AT1) and Tier 2 capital (Tier 2 – T2).

1. Tier 1 core capital 1 (Common Equity Tier 1 – CET 1)

As at December 31, 2014 Tier 1 Core capital consists of the following positive elements: share capital (Euro 600.00

million) net of Tier 1 Core capital instruments held indirectly (Euro -14.75 million), equity reserves (Euro 141.23 million) and profit for the period net of dividends to be distributed (Euro 4.3 million), the other components of Income Statement Accumulated mainly made up of reserves of available-for-sale financial assets (Euro 101.64 million) and the following negative components: intangible assets (Euro -35.82 million). The Tier 1 core capital thus determined was adjusted for the expected impacts from the transitional regime (Euro -101.37 million); these impacts include sterilisation of unrealized gains related to exposures to the central government classified as "Financial assets available for sale" IAS 39 approved by the EU (Euro -95.70 million) and the non-computability of unrealized gains on securities classified as "Financial assets available for sale" (Euro -5.67 million).

2. Additional Tier 1 capital (Additional Tier 1 – AT1)

As at December 31, 2014 there are no instruments classified in additional Tier 1 Capital.

3. Tier 2 capital (Tier 2 – T2)

As at December 31, 2014 Tier 2 capital of Banca Mediolanum amounted to Euro 19.99 million and consisted of: Level 2 subordinated liabilities subject to Grandfathering transitional provisions (Euro 18.88 million) net of Tier 2 capital instruments held indirectly (Euro -1.15 million). Tier 2 capital thus determined was adjusted for the expected impacts from the transitional regime (Euro 2.27 million) consisting entirely of the calculated portion of unrealized gains on securities classified as "Financial assets available for sale".

B. Quantitative information

€/t	Dec. 31, 2014	Dec. 31, 2013*
A. Core primary capital (Common Equity Tier 1 – CET1) before the application of prudential filters	832,432	724,926
of which CET1 tools subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 before items to be deducted and effects of the transitional scheme (A +/- B)	832,432	724,926
D. Deductions from CET1	35,824	5,146
E. Transitional scheme – Impact on CET1 (+/-)	(101,371)	-
F. Total core primary capital (Common Equity Tier 1 – CET1) (C – D +/-E)	695,237	719,780
G. Additional Tier 1 – AT1 before items to be deducted and effects of the transitional scheme		
of which AT1 tools subject to transitional provisions	-	-
H. Deductions from AT1	-	-
I. Transitional scheme – Impact on AT1 (+/-)	-	-
L. Total additional Tier 1 – AT1) (G - H +/- I)	-	-
M. Additional Tier 2 – AT1 before items to be deducted and effects of the transitional scheme	17,726	183,624
of which T2 tools subject to transitional provisions	18,879	-
N. Deductions from T2	-	5,146
O. Transitional scheme – Impact on T2 (+/-)	2,267	-
P. Total Tier 2 capital (Tier 2 –T2) (M - N +/- O)	19,993	178,478
Q. Total capital (F + L + P)	715,230	898,258

* The values reported were determined according to the regulations in force as at December 31, 2013.

2.2 Capital adequacy

A. Qualitative information

Capital adequacy assessment is aimed at identifying the amount of free capital, i.e. the portion of capital that is not absorbed by credit and counterparty risk, credit assessment adjustment risk, regulation risk, market risk (trading book risk, currency risk and concentration risk) and operational risk.
As at December 31, 2013, Banca Mediolanum's free capital amounted to Euro 315.22 million.
The ratio between Tier 1 Core Capital and risk-weighted assets (CET1 capital ratio) amounts to 13.90%; the ratio of Tier 1 Capital and risk-weighted assets (Tier 1 capital ratio) amounts to 13.90% and the ratio of Total Own Funds and risk-weighted assets (Total capital ratio) is equal to 14.30%. All capital ratios are higher than the minimum levels of own funds required by the regulations in force equal to 4.50% for CET1 capital ratio, 5.50% for Tier 1 capital ratio and 8.00% for Total capital ratio.
The minimum levels of own funds shall be increased by the reserve of capital preservation that for banks belonging to banking groups is 0.625% until December 31, 2016. This reserve, consisting of Tier 1 Core capital, is aimed at preserving the minimum level of regulatory capital in times of adverse market through the provision of high-quality capital resources in periods not characterized by market tensions.

B. Quantitative information

€/t	Not weighted Dec. 31, 2014	Not weighted Dec. 31, 2013	Weighted/requirements* Dec. 31, 2014	Weighted/requirements* Dec. 31, 2013
A. RISK ASSETS				
A.1 Credit and counterparty risk	24,406,340	19,059,596	3,752,439	3,485,626
1. Standardised approach	24,406,340	19,059,596	3,752,439	3,485,626
2. Approach based on internal ratings	-	-	-	-
3. Securitisation	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			300,195	278,850
B.2 Credit assessment adjustment risk			685	-
B.3 Regulatory risk			-	-
B.4 Market risk			5,791	8,743
1. Standard approach			5,791	8,743
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			93,334	86,666
1. Basic approach			-	-
2. Standardised approach			93,334	86,666
3. Advanced approach			-	-
B.6 Other computational elements			-	(93,565)
B.7 Total prudential requirements			400,006	280,694
C. RWA AND CAPITAL RATIOS				
C.1 Risk-weighted assets (RWA) **			5,000,070	3,508,679
C.2 Core primary capital/RWA (CET1 capital ratio)			13.90%	20.51%
C.3 Regulatory capital/RWA (Tier 1 capital ratio)			13.90%	N.A.
C.4 Total capital/RWA (Total capital ratio)			14.30%	25.60%

(*) The values were determined according to the regulations in force as at December 31, 2013.
(**) RWA are determined by multiplying total prudential requirements (B.7) by 12.5 (reciprocal of the min. coefficient equal to 8%).

PART G - BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2014 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

No transaction was concluded after the end of the financial year under review.

PART H - RELATED PARTY TRANSACTIONS

1. Information on key management compensation

€/t	Directors, Executives, General Deputy Executives and Auditors	Other key management
Emoluments and social security contributions	1,488	326
Other compensation	-	76

2. Information on related party transactions

Related party transactions primarily refer to transactions with companies that are part of the Mediolanum Banking Group and specifically:

- the subsidiaries Mediolanum Gestione Fondi SGR. p.A. and Mediolanum International Funds Ltd for the sale of mutual funds;
- the subsidiaries Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A. for the sale of insurance products;
- the associate Mediolanum Life Ltd for the distribution of index-linked insurance products;
- Mediolanum Banking Group companies for the provision of IT, administrative and logistics services;
- the Parent Company Mediolanum S.p.A. in connection with central Group management of tax and corporate affairs.

In addition, personnel was seconded to and from other companies within the Mediolanum Banking Group.
All transactions are made on an arm's length basis at market conditions, except for personnel seconded from Banca Mediolanum to other Group companies and vice versa, that is charged on the basis of actual costs incurred.
An analysis of related party balances as at December 31, 2014 is set out in the table below.

1. Information on related party transactions

€/t	Mediolanum Group Companies	Other related parties
Assets		
Financial assets held for trading	-	3,655
Financial assets measured at fair value	-	-
Available-for-sale financial assets	-	11,033
Held-to-maturity financial assets	-	-
Loans to banks	1,943	-
Loans to customers	32,586	6,526
Other assets	95,352	19
Liabilities		
Amounts due to banks	30,093	100
Amounts due to customers	637,503	39,810
Securities issued	-	-
Financial liabilities held for trading	-	-
Financial liabilities measured at fair value	-	-
Other liabilities	5,435	1,973
Guarantees issued and commitments	-	3,031

Details on related party transactions in excess of Euro 10 thousand made in the year are set out in the table below.

€/t	Mediolanum Group Companies	Other related parties
Income statement		
Interest income and similar income	862	703
Interest expense and similar charges	(1,912)	(136)
Net interest income	(1,051)	567
Commission income	392,041	4
Commission expense	(18)	-
Net commission	392,022	4
Net income from trading	-	-
Dividends	248,826	
Profit (loss) from sale or repurchase of: receivables, AFS, HTM, financial liabilities	-	-
Net result from financial assets and liabilities measured at fair value	-	-
Impairment/reversal of impairment of: receivables, AFS, HTM, other fin. trans.	-	-
Administrative expenses	(2,910)	(3,846)
Other operating income and expenses	(29,084)	85

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

1. Description of equity-settled share-based payment transactions

Equity-settled share-based payment transactions relate to the share capital increases for a consideration resolved by the Parent Company Mediolanum S.p.A. under a stock option plan, which can be implemented on multiple occasions and in different years. The stock option plan and the related capital increases are reserved to the employees, directors and sales network members of Mediolanum S.p.A. and its subsidiaries.

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2014, 718,481 stock options granted in 2006-2011 were exercised for a total of 718,481 Mediolanum S.p.A. shares.

The year's movements in option holdings are set out in the table below. The table includes information required as per Bank of Italy's Circular 262/2005.

€/t	Dec. 31, 2014 Number of options	Dec. 31, 2014 Average prices in the year	Dec. 31, 2014 Average maturity	Dec. 31, 2013 Number of options	Dec. 31, 2013 Average prices in the year	Dec. 31, 2013 Average maturity
A. Opening balance	5,128,599	2.1890	Nov-17	5,058,327	2.1890	June-18
B. Increases	1,425,400	-	-	1,356,900	-	-
B.1 New issues	1,425,400	1.7270	June-25	1,299,200	1.2500	Oct-20
B.2 Other increases	-	-	X	57,700	1.0868	-
C. Decreases	1,134,131	-	-	1,286,628	-	X
C.1 Cancelled	206,270	1.0659	X	183,985	1.1531	X
C.2 Exercised	718,481	3.3616	X	632,638	2.3629	X
C.3 Past due	112,030	5.7425	X	428,000	6.3740	X
C.4 Other decreases	97,350	2.1102	X	42,005	4.1768	X
D. Closing balance	5,419,868	1.3314	Apr-23	5,128,599	2.1890	Nov-17
E. Options exercisable at year end	201,172	1.904	X	727,203	4.4158	X

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to Euro 1,505 thousand and entailed a corresponding increase in the bank's equity reserves.

Basiglio, February 25, 2015

For the Board of Directors
Chief Executive Officer
Massimo Antonio Doris

Fees paid to the independent auditors

Fees paid to the independent auditors

The fees paid to the independent auditors Deloitte & Touche S.p.A. and entities that are part of their network are set out in the table below.

Banca Mediolanum S.p.A.

(in Euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Deloitte & Touche S.p.A.	108,003
Signing tax return	Deloitte & Touche S.p.A.	2,097
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	-
Other services	Deloitte & Touche S.p.A. and other entities that are part of their network	706,056
Total		816,156

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the General Meeting convened to approve the separate financial statements for the year ended December 31, 2014

Dear Shareholders,

in accordance with art. 153 of Legislative Decree 58 February 24, 1998 and art. 2429, paragraph 2, of the Italian Civil Code, the Board of Statutory Auditors, at the meeting convened to approve the separate financial statements for the year ended December 31, 2014, presented the following Report to report on the activities carried out in observance of the duties assigned by art. 149 of the above mentioned legislative decree.

Supervision and control

During the year, we performed our statutory supervisory duties in accordance with the procedures recommended by the National Council of Chartered Accountants and Accounting Experts and the instructions issued by the Supervisory Authorities.

Specifically:

- we monitored compliance with the law, the by-laws and the principles of correct administration, and also acquired knowledge and supervised the adequacy of the organizational, administrative and accounting procedures adopted by the company.
  We satisfied ourselves that the Bank complied with all specific requirements issued by Supervisory Authorities;
- we attended General Meetings and Board of Directors Meetings. We did not become aware of any violations of the law or the by-laws, nor of any transactions which could represent a conflict of interest, were manifestly imprudent or risky or put the company's equity at risk;
- we regularly obtained information from Directors on the company's operations, outlook and transactions that were significant for their size and characteristics;
- we examined the activities conducted by the Compliance team and assessed the adequacy and effectiveness of the internal control system, especially in relation to risk management. Assisted by Internal Audit staff and the independent auditors we satisfied ourselves of the effective operation of the main operational and management units;
- we have seen the adoption of the principals to manage the risk of money laundering and financing of terrorism prepared on the basis of the measures adopted by the Bank of Italy in accordance with Legislative Decree November 21, 2007, no. 231 and
- we have taken note of the activities of the Supervisory Authority also for the introduction of amendments and additions to the organization, management and control model pursuant to requirements introduced by Legislative Decree June 8, 2001 no. 231.

During the course of the supervision described above, no significant facts emerged that require reporting to the external competent Supervisory Authorities or mention in this report.

We acknowledge that we have been constantly updated by the department heads on the resolutions and decisions adopted by the Committees on actions taken with respect to any irregularity found in business management.

We had the usual mutual exchange of information on our respective supervisory and control activities with the independent auditors Deloitte & Touche S.p.A. responsible for auditing the accounting records and the financial statements, in accordance with art. 2409-*septies* of the Civil Code, and art 19 of Legislative Decree January 27, 2010 no. 39.

The independent auditors reported to us on their audit work in accordance with art. 155, paragraph 2, of Legislative Decree 58/1998 and advised us that they did not become aware of any irregularities or events which required reporting to the control functions or to the Supervisory Authorities.

The independent auditors also sent us their report on key matters under art. 19, paragraph 3, of Legislative Decree 39/2010 setting out conclusions in line with the comments above.

The financial statements and their approval

In relation to the separate financial statements for the year ended December 31, 2014, and the schedules attached thereto, which are presented to you for approval, we assure you that:

a. the financial statements were prepared in compliance with the law, in terms of both form and structure, applying the international accounting and financial reporting standards (IAS/IFRS) in force at December 31, 2014;
b. the financial statements and the contents of the notes are in accordance with the circular no. 262 issued by the Bank of Italy on December 22, 2005 integrated with the subsequent updates and therefore consist of the Statement of financial position, the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, all comparative with the previous year, the Notes in addition to the Report on Operations;
c. the Report on Operations sets out information on the bank's operations including subsidiaries, with details on actions, transactions and projects involving the bank and the entire banking group;
d. the independent auditors completed their audit of the financial statements, including the consistency of information set out in the Report on Operations, and on March 3, 2015 issued their report without any remarks (unqualified opinion).

In consideration of the foregoing, we express our favourable opinion on the approval of the separate financial statements for the year ended December 31, 2014, which show net profit of Euro 144,436,684.14.

Milan, March 4, 2015

Board of Statutory Auditors
(Arnaldo Mauri – Chairman)
(Adriano Alberto Angeli – Statutory Auditor)
(Marco Giuliani – Statutory Auditor)

Independent Auditors' Report

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010

To the Shareholder of
BANCA MEDIOLANUM S.p.A.

1. We have audited the separate financial statements of Banca Mediolanum S.p.A., which comprise the statement of financial position as of December 31, 2014, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and the relative notes. These separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these separate 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 separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall separate financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's separate financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 4, 2014.

3. In our opinion, the separate financial statements give a true and fair view of the financial position of Banca Mediolanum S.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of Banca Mediolanum S.p.A. are responsible for the preparation of the Directors' report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report with the separate financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' report is consistent with the separate financial statements of Banca Mediolanum S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
March 3, 2015

This report has been translated into the English language solely for the convenience of international readers.

General Meeting of Shareholders of March 19, 2015

General Meeting of Shareholders of March 19, 2015

SUMMARY OF RESOLUTIONS

Present for delegation the sole shareholder of Mediolanum S.p.A. for 600,000,000 shares – 100% of the share capital, the Meeting resolved:

- to approve the Report on Operations of the Board of Directors at the Financial Statements as at December 31, 2014;
- to approve the Financial Statements as at December 31, 2014;
- to allocate the profit for the year of Euro 144,436,684.14 as follows:
  - Euro 136,500,000.00 to the shareholders as dividend, for Euro 0.2275 for each of the 600,000,000 shares making up the share capital;
  - Euro 7,221,834.21 to the legal reserve;
  - Euro 714,849.93 to the extraordinary reserve;
- to entrust the administration of the Company to a Board of Directors;
- to set 11 (eleven) as the number of members of the Board of Directors;
- to appoint as Directors for the current year and for the next two and until the date of the Meeting called to approve the Financial Statements as at December 31, 2017:
  - Bruno Bianchi;
  - Luigi Del Fabbro;
  - Annalisa Sara Doris;
  - Ennio Doris;
  - Massimo Antonio Doris;
  - Paolo Gualtieri;
  - Edoardo Lombardi;
  - Antonio Maria Penna;
  - Giovanni Pirovano;
  - Angelo Renoldi;
  - Carlos Javier Tusquets Trias de Bes;
- to confirm as Chairman of the Board of Directors Mr. Ennio Doris*;
- to determine, until new resolution, the total gross annual remuneration payable to the Board of Directors for Euro 1,210,000.00;

* The Board of Directors' meeting held at the end of the Shareholders' Meeting confirmed as Deputy Chairman Mr. Edoardo Lombardi and Mr. Giovanni Pirovano and as CEO Mr. Massimo Antonio Doris.

- to appoint for the current year and for the next two and however until the date of the Meeting called to approve the Financial Statements as at December 31, 2017, the Standing Auditors:
  - Arnaldo Mauri;
  - Adriano Alberto Angeli;
  - Marco Giuliani;
- to appoint for the current year and for the next two and however until the date of the Meeting called to approve the Financial Statements as at December 31, 2017, the Alternate Auditors:
  - Francesca Meneghel;
  - Gianluca Orrù;
- to confirm as Chairman of the Board of Statutory Auditors Mr. Arnaldo Mauri;
- to determine the gross annual remuneration of the Auditors for all the activities they carry out as control body, in the following amount:
  - Euro 75,000.00 to the Chairman of the Board of Statutory Auditors;
  - Euro 50,000.00 to each Statutory Auditor.