MEDIOLANUM S.p.A.

Half-Year Financial Report at June 30, 2014

MEDIOLANUM
MEDIOLANUM GROUP

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The English version of the Half-Year Financial Report is a translation of the Italian text provided for the convenience of international readers.

Half-Year Financial Report at June 30, 2014

Registered office: Basiglio Milano Tre (MI) - Via F. Sforza - Building Meucci
Share Capital Euro 73,677,688.70 fully paid-in
Tax Registration, VAT and Milan Register of Companies 11667420159

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Mediolanum S.p.A. Corporate Bodies

Board of directors

Carlo Secchi	Chairman of the Board of Directors
Alfredo Messina	Deputy Vice Chairman
Massimo Antonio Doris	Vice Chairman
Ennio Doris	Chief Executive Officer
Luigi Berlusconi	Director
Elena Biffi	Director
Pasquale Cannatelli	Director
Maurizio Carfagna	Director
Edoardo Lombardi	Director
Roberto Maviglia	Director
Mario Molteni	Director
Danilo Pellegrino	Director
Angelo Renoldi	Director
Anna Scarfone	Director
Maria Alessandra Zunino De Pignier	Director

Board of statutory auditors

Stefano Fiorini	Chairman of the Board of Statutory Auditors
Francesca Novati	Statutory Auditor
Riccardo Perotta	Statutory Auditor
Ferdinando Gatti	Alternate Auditor
Francesca Meneghel	Alternate Auditor
Mario Signani	Alternate Auditor

Board secretary

Luca Maria Rovere

Officer responsible for preparing accounting and financial reporting documents

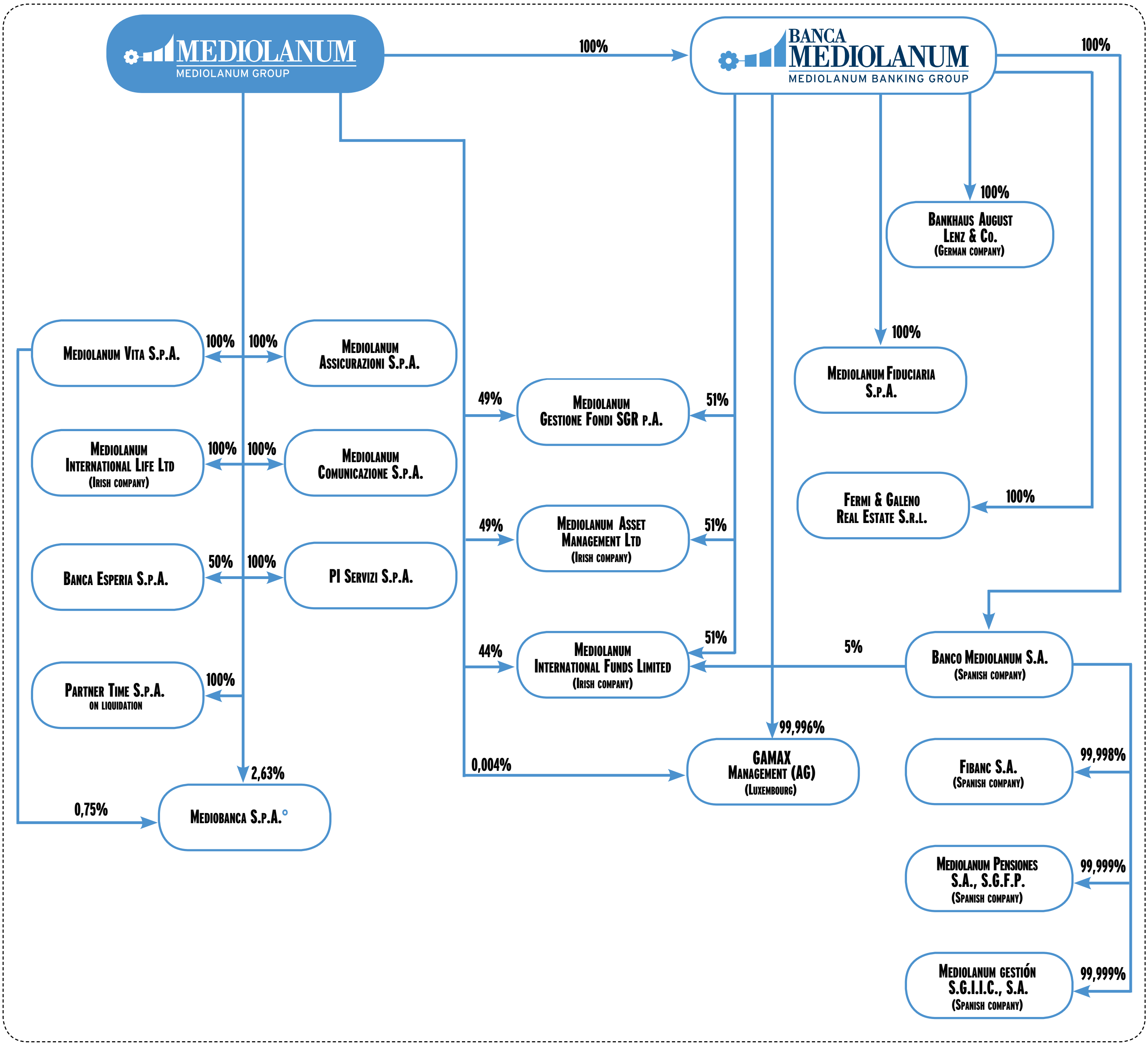
Luigi Del Fabbro

Independent auditors

Deloitte & Touche S.p.A.

Group Structure

Situation as of June 30, 2014



° Since Mediobanca holds treasury shares, total shareholding amounts to 3.442% of voting rights.

Mediolanum Group's Financial Highlights

Data for inflows and assets (*)

€/m	June 30, 2014	June 30, 2013	% change	Dec. 31, 2013
Total customer assets	61,283.7	53,509.7	15%	57,831.8
Consolidated net income	2,148.9	1,087.6	98%	3,681.2
Net inflows Banca Mediolanum	1,890.3	1,233.0	53%	3,752.4
- Net Inflows AuM	1,592.0	1,585.5	-	3,215.5
of which mutual funds and unit-linked	*2,309.0*	*2,391.5*	*(3%)*	*4,376.7*
- Net Inflows AuA	298.3	(352.6)	ns	536.8
Net Inflows Banca Esperia	258.6	(145.4)	ns	(71.2)

(*) The figures relating to the Assets under management & administration refer exclusively to Retail customers while those relating to Banca Esperia were considered in proportion to the ownership percentage (50%).

Income statement

€/m	June 30, 2014	June 30, 2013	% change	Dec. 31, 2013
Gross Pre-tax Profit	214.8	267.3	(20%)	544.1
Taxes for the period	(49.9)	(67.8)	(26%)	(207.5)
Profit for the year	164.9	199.5	(17%)	336.6

Profitability ratios

€	June 30, 2014	June 30, 2013	% change	Dec. 31, 2013
Earnings per share - total	0.224	0.272	(18%)	0.458
Diluted earnings per share (*)	0.222	0.269	(18%)	0.454

(*) Net earnings attributable to holders of ordinary shares divided by the weighted average number of ordinary shares in issue.

Capital Adequacy

€/m	June 30, 2014 (*)	Dec. 31, 2013	% change
Bank-oriented financial conglomerate			
Equity	1,221	1,075	13.6%
Capital Requirements	740	612	20.9%
Equity surplus (deficit)	481	463	3.9%

(*) The banking capital requirements were determined according to the new harmonized framework for banks and investment firms contained in Directive 2013/36/UE (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 data for 2013 presented for comparative purposes for the banking component have been presented in accordance with the legislation in force at the time.

Banca Mediolanum S.p.A.

	June 30, 2014 (*)
Common Equity Tier 1 ratio	18.095%
Tier 1 Ratio	18.095%
Total Capital Ratio	19.226%

(*) The ratios presented in this disclosure may be subject to updating when reporting to the Supervisory Authorities.

Reclassified Consolidated Income Statement at June 30, 2014 (*)

€/t	June 30, 2014	June 30, 2013	Change	Change %
Entry fees	50,800	76,573	(25,773)	(34%)
Management fees	319,492	268,323	51,169	19%
Performance fees	86,604	84,303	2,301	3%
Banking service fees and revenues	53,172	49,236	3,936	8%
Other fees	16,907	17,395	(488)	(3%)
Commission income	526,975	495,830	31,145	6%
Net interest income	115,924	135,477	(19,553)	(14%)
Net income (loss) on investments at fair value	(232)	8,942	(9,174)	ns
Net financial income	115,692	144,419	(28,727)	(20%)
Net life insurance revenues (excluding commissions)	25,597	27,982	(2,385)	(9%)
Valuation Equity method	7,096	639	6,457	ns
Realised gains (losses) on other investments	27,633	42,974	(15,341)	(36%)
Impairment of loans	(6,193)	(5,914)	(279)	5%
Impairment of other investments	(2,503)	(476)	(2,027)	ns
Net income (loss) on other investments	18,937	36,584	(17,647)	(48%)
Other revenues	13,373	10,773	2,600	24%
TOTAL REVENUES	707,670	716,227	(8,557)	(1%)
Network commission expenses	(216,741)	(215,776)	(965)	-
Other commission expenses	(28,141)	(25,342)	(2,799)	11%
Administrative expenses	(227,892)	(198,535)	(29,357)	15%
Amortisation and depreciation	(10,242)	(9,377)	(865)	9%
Net provisions for risks	(9,833)	95	(9,928)	ns
TOTAL COSTS	(492,849)	(448,935)	(43,914)	10%
PROFIT BEFORE TAX	214,821	267,292	(52,471)	(20%)
Taxes for the period	(49,879)	(67,802)	17,923	(26%)
NET PROFIT (LOSS) FOR THE PERIOD	164,942	199,490	(34,548)	(17%)

(*) This income statement has been prepared according to a scheme that reflects the Group's management system that provides for the reclassification of the components of half-year net profit before tax by nature and exposing financial income and expenses related to assets and liabilities for which the investment risk is borne by policyholders in the item "Net insurance income".

Summary of HY Business Performance

€/m	June 30, 2014	June 30, 2013	Change	Change %
Gross profit	214.8	267.3	(52.5)	(20%)
of which:				
Commission income	527.0	495.8	31.1	6%

Net inflows into mutual funds have driven the growth in recurring revenues represented by the management fees (Euro +51.2 million); this growth more than offset the reduction of subscription fees (Euro -25.8 million).
The fees for banking services and performance fees recorded an increase of respectively Euro +3.9 and +2.3 million compared to the HY of comparison.

Net financial income	115.7	144.4	(28.7)	(20%)

The reduction in net financial income (Euro -28.7 million) is affected by the reduction in net interest income (Euro -19.6 million) due to the reduction in spreads on market rates and the reduction in net gains on securities at fair value (Euro -9.2 million).

Net life insurance revenues (excluding commissions)	25.6	28.0	(2.4)	(9%)
Valuation Equity Method	7.1	0.6	6.5	ns

Significant improvement in the contribution to Group results by investments valued using the equity method. The first half of 2013 was particularly affected by the negative result of the investment in Mediobanca (Euro -3.0 million).

Net income (loss) on other investments	18.9	36.6	(17.6)	(48%)

Net income decreased primarily due to lower net gains on disposal of securities available for sale (Euro -17.8 million).

Network commission expenses	(216.7)	(215.8)	(1.0)	-
Other commission expenses	(28.1)	(25.3)	(2.8)	11%

Commission expenses to the network remain broadly stable on the whole.

Administrative expenses	(227.9)	(198.5)	(29.4)	15%

Administrative expenses increased for both the increase in personnel expenses (Euro +5.1 million), mainly due to the higher workforce in HY1 2014 (+100 compared to the comparative period), and for the increase in other administrative expenses (Euro +24.2 million) in relation to additional costs incurred for IT systems for the development of new technologies at the service of customers and support for banking operations.

Net provisions for risks	(9.8)	0.1	(9.9)	ns

Increase in provisions for legal proceedings and offences related to the sales network.

Half-Year Report on Operations

Half-Year Report on Operations

The Mediolanum Group closed HY1 2014 with a net profit of Euro 164.9 million compared to the exceptional net profit HY1 2013 amounted to Euro 199.5 million.
The lower gains realized compared to the comparison period, amounting to Euro -34.5 million, mainly attributable to the reduction in net financial debt (Euro -28.7 million), lower net income from other investments (Euro -17.6 million) and higher administrative expenses (Euro +29.4 million).
In particular, net financial income was affected by the decline in net interest income (Euro -19.6 million) due to the reduction in spreads on market rates and lower net income from investments at fair value (Euro -9.2 million). Net income from other investments also decreased by Euro -17.6 million, mainly due to lower realized gains on securities available for sale amounted to Euro +17.8 million compared to Euro +44.0 million in HY1 2013.

In contrast, the half year under review recorded a major increase in commission income (Euro +31.1 million), mainly due to higher management fees (Euro +51.2 million) due to higher net inflows in mutual funds in the last 12 months. Commission income for fund subscriptions instead recorded a decrease of Euro -25.8 million due to lower gross inflows in mutual funds in HY1 2014, and a different mix in favour of funds with lower subscription fees.

Administrative expenses for the period amounted to Euro 227.9 million compared to Euro 198.5 million in HY1 of the prior year, an increase of Euro +29.4 million, as previously announced by the Company in relation to a number of development projects, particularly in the IT area, planned for the current year. Even staff costs recorded an increase due to the increase in the average workforce in the HY (+100 compared to the comparative period).

The macroeconomic environment

In the period, the performance of financial markets has been affected by the uncertain global economic trends, the declarations of the leading central bankers in terms of monetary policy, the elections to the European Parliament and the persistence of international political and military isolated tensions.
Data relating to economic growth in the first quarter of 2014 fell short of analysts' positive expectations. In the U.S., growth was -2.9% QoQ (annualized), significantly lower than the initial estimate of economists (+1.2%) and the two previous quarters (+4.1% in Q3 and + 2.6% in Q4 of 2013). Many components of the U.S. gross domestic product were affected by temporary distortion, due to the severe weather. In light of the positive indications from recent data with greater predictive value, International Monetary Fund analysts agree that U.S. growth will accelerate in Q2, to settle at around 2.0% in 2014. In the Euro area, growth was +0.2% QoQ (not annualized), lower than the estimate of analysts (+0.4%) and the recording in the previous quarter (+0.3%). In detail, GDP changed at a rate of -0.1% in Italy (from +0.1%), +0.8% in Germany (from +0.4%), +0% in France (from +0.2%), +0.37% in Spain (from +0.17%), -0.6% in Portugal (from +0.5%), -0.6% in the Netherlands (from +0.5%). Like the indices prepared by the Institute for Supply Management (ISM) in the U.S. in Q2 Purchasing Managers Index (PMI) in the Euro area showed the presence of an expansionary phase of the cycle, both in industrial production and in services.
On the demand side, the employment dynamics are the main difficulties of the current economic phase, due to the effects on consumer confidence and demand, and are subject to constant monitoring by financial traders and cen-

tral banks. The unemployment rate is at 6.3% in the USA and 11.6% in the single currency area, in particular, 12.6% in Italy and 6.7% in Germany.
The recent prolonged negative economic phase and the current uncertain economic expansion limit inflationary pressures. In May, consumer prices have increased on an annual basis in the U.S. by 2.1% and in the Euro area by 0.5%.
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 to a new record low of 0.15% and, for the first time, brought the deposit rate to a negative -0.10%. The marginal refinancing rate was also reduced higher than expected by 35 basis points to 0.40% from 0.75%. The Institute has also launched a series of measures to support bank lending to households and non-financial private sector and to ensure liquidity in the system. For the first time, the ECB will carry out a series of long-term operations conditional to loans to non-financial companies (TLTRO, targeted longer-term refinancing operations) maturing in 2018 at a rate equal to the reference plus 10 basis points. In order to improve liquidity in the system, the ECB announced the suspension of the sterilization of bond purchases with the Securities Market Programme (SMP) and the extension of full allocation funding (full allotment) until at least December 2016. On the ABS (Asset-Backed Securities), the President Draghi announced the decision to intensify the preparatory work for the purchase. Draghi stressed the need to monitor the performance of the currency variable in order to control inflation and added that should the need arise in the future, the ECB may activate an additional asset purchase.
At the meeting of June 18, the Federal Reserve kept the refinancing rate unchanged in the range between 0% and 0.25% and announced the fifth reduction in the purchase plan at a rate of Dollars 10 billion. In the months of December, January, March, April and June, the purchase plan was reduced from an initial Dollars 85 billion (45 of Treasuries and 40 of mortgage-backed securities) to Dollars 35 billion (20 of Treasuries and 15 of mortgage-backed Securities), despite the economic stagnation at the beginning of the year. During the press conference, the President Yellen stated that the timing on further reductions of purchases and higher interest rates will be conditioned to the assessments of the Committee on the achievement of their business objectives. Yellen finally pointed out in the U.S. labour market there are no signs of improvement, although the unemployment rate remains high.
In the elections of the European Parliament, for the victory of the Eurosceptic component especially in France and the UK, in Italy, there was the statement of the ruling party. In Germany, despite the unsurprising victory of Merkel's party, however, there was a strong advance of the Eurosceptic party AFD (Alternative für Deutschland), which gained about 7% of votes.
The continuation of international political tensions following the Russian military invasion in the Crimea and the military clashes in Iraqi territory resulted in a modest increase in volatility in the financial markets, with particular reference to the market of raw materials, currencies and emerging markets.

Financial Markets

From December 31 to June 30, the government curve showed a reduction in long-term yields in the USA (from 0.38% to 0.46% 2 years and from 3.03% to 2.53% 10 years) and in Germany (from 0.21% to 0.03% 2 years and 1.93% to 1.25% 10 years); compared to the levels recorded in the last session of 2013, the returns showed an average reduction in both the bond markets emerging from 4.96% to 4.31% (Barclays EM Hard Currency Aggregate Yield To Worst) and high yield bond markets from 5.64% to 4.91% (Barclays US Corporate High Yield To Worst).

The spread between Italian and German debt on the ten-year maturity has risen from an initial 220 basis points as at December 31 to 160 at June 30, while on two-year maturity it has risen from an initial 104 basis points as at December 31 to 57 at June 30. In HY1, the Italian government curve, therefore, recorded the following reductions in yields: from 0.91% to 0.38% at 1 year, from 1.26% to 0.59% at 2 years and from 4.13% to 2.85% at 10 years.
From December 31 to June 30, global equity markets were up +5.0% (MSCI World in US dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up +6.1% and up +5.5%, respectively. Like the US situation, in Europe, stock markets fared well, too, on average (+4.1%). In particular, the Italian (+12.2%) and Spanish (+10.2%) stock markets outperformed the German (+2.9%), French (+3.0%) and English (-0.1%).
The emerging stock markets have produced a positive result of +4.8% (MSCI EM index in dollars); the Tokyo stock market experienced a correction (-6.9%), after the positive performance of the previous year.
During the period, the U.S. dollar towards the single currency showed substantial stability (from 1.3743 at December 31 to 1.3692 at June 30).

Mediolanum Group's performance

Net inflows for the HY for the domestic market had a positive balance of Euro 2,148.9 million versus Euro 1,087.6 million in the prior HY (+98%).
With particular reference to Banca Mediolanum net inflows for the HY were positive for Euro +1,890.3 million compared to Euro +1,233.0 million in HY1 of the previous year (+53%), of which Euro +1,592.0 million referring to AuM.
More specifically, net inflows in mutual funds, either through direct investment or through investments in unit-linked policies, showed a balance of Euro +2,309.0 million (June 30, 2013: Euro +2,391.5 million). In particular, the new "My Life" product has contributed positively to inflows for Euro +302.5 million.
Net inflows in other life insurance products, with the exception of Unit-Linked and Mediolanum Plus policy, were rather negative for Euro -465.0 million (June 30, 2013: Euro -806.6 million).
The Mediolanum Plus policy related to Freedom bank account recorded a negative balance of Euro -438.0 million compared to a negative balance of Euro -1,395.4 million recorded in HY1 of the previous year.
Assets under administration recorded a positive balance for Euro +298.3 million compared to a negative balance of Euro -352.6 million in HY1 of 2013. Excluding the Freedom policies, net inflows for AuA were positive for Euro +736.4 million compared to a positive balance of Euro +1,042.8 million in HY1 2013.
Net inflows of the main networks operating in Italy in HY1 of 2014, published by Il Sole 24 Ore, rank Banca Mediolanum sixth in the standings with a positive balance of Euro +1,263 million.
According to data from net inflows of mutual funds disclosed by Assogestioni, the market share of the Mediolanum Group remained unchanged compared to the end of 2013 (5.29%) while remaining 5th with reference to the volume of assets under management.
At June 30, 2014, total assets managed by the Mediolanum Group achieved the balance of Euro 61,283.7 million, with a growth of Euro 3,451.9 million compared to the balance at the end of 2013 (December 31, 2013: Euro 57,831.8 million) and Euro 7,774.0 million compared to the balance at June 30, 2013 (June 30, 2013: Euro 53,509.7 million).
The number of Banca Mediolanum Family Bankers has reached 4,409 compared to 4,407 at December 31, 2013 also recording a very low annualized turnover (5.2%). The portfolio average per capita managed by each Family Banker amounted to approximately Euro 11.5 million.

HY Commercial Initiatives

In the context of banking offer, the interest paid on amounts held on "InMediolanum" deposit account remained among the highest rates in the market (2.50% in force at June 30, 2014), while those applied to the "Freedom Più" account which remains the main tool to attract new customers who want to combine banking operations complete with a high return on deposits, however, were competitive compared to those offered by other Italian banks (1.85% at June 30, 2014). The "Mediolanum Plus" policy is recording important outflows in favour of the other products of the Group and at June 30, 2014 has achieved a balance of Euro 1.28 billion. Overall, the strategy of acquiring customers through the bank offering is generating excellent results with a growth in the new opening of accounts 34% higher compared to HY1 of the previous year. In HY1 banking customer loyalty also continued with the percentage of account holders who use Banca Mediolanum as "first bank" of 57%.

Regarding loans, total requests of the Riparti Italia campaign were satisfactory, 282 million in mortgages and 71 million in loans. The Riparti Italia Campaign, relating to mortgages and loans for renovation at very favourable terms, with which Customers can take advantage of tax incentives in force, has been extended until September 30, 2014. This initiative has helped to increase total disbursements, which in HY1 included mortgages for 424 million (+33% compared to the same period of 2013), loans for 179 million (in line with 2013).

In mid-May a repricing initiative was launched that involved mortgages, loans and credit facilities for which a significant reduction was expected that places the Bank in an even more competitive position. The spread reduction initiative has also involved the claims in progress, in addition to those already disbursed in the past month before the repricing.

An advertising campaign was launched in June to support the launch of a new service that Banca Mediolanum, first in Italy, provides to customers with the contactless payment service via smartphones.

However, as part of the insurance offer, Mediolanum Vita launched a new product called "My Life" in February. Mediolanum My Life is a financial-insurance unit-linked fully customizable policy, which combines the flexibility of a financial investment with the advantages of an insurance product. In particular, it allows the contractor to implement evolved financial planning of equity through a wide range of Funds among which to allocate the investment, based on the risk appetite, the duration of the investment and return expectations.

This product has been classified as a financial product in accordance with the provisions of international accounting standard IFRS 4, as the insurance risk inherent in the contract has been rated as "not significant" (the threshold → 5% of the contract value). The premiums and liquidations relating to such contracts have thus been reclassified on the basis of the deposit account method in accordance with the provisions of international accounting standards of reference.

Consolidated Inflows, Assets under Management and Assets under Administration

Net inflows

€/m	June 30, 2014	June 30, 2013	Change
ITALY			
Mutual funds	2,309.0	2,391.5	(3%)
of which direct investment in Funds	2,106.9	2,577.7	(18%)
of which through "My Life" Unit Linked	302.5	-	ns
of which through other Unit Linked	(100.4)	(186.2)	(46%)
Other Life Insurance Products (*)	(465.0)	(806.6)	(42%)
Total managed assets inflows	1,844.0	1,584.9	16%
Third-party structured bonds	(252.0)	0.7	ns
Total managed assets + third-party structured bonds	1,592.0	1,585.5	-
Administered assets	736.4	1,042.8	(29%)
"Freedom" life policies	(438.0)	(1,395.4)	(69%)
Total administered assets including "Freedom" policies	298.3	(352.6)	ns
BANCA MEDIOLANUM	1,890.3	1,233.0	53%
ESPERIA BANK GROUP (**)	258.6	(145.4)	ns
Total ITALY	2,148.9	1,087.6	98%
SPAIN	190.0	256.3	(26%)
GERMANY	(10.8)	(39.5)	(73%)
TOTAL FOREIGN MARKETS	179.2	216.8	(17%)
TOTAL NET INFLOWS	2,328.1	1,304.4	78%

(*) Life insurance products with the exception of Unit Linked and "Freedom".
(**) The figures relating to Banca Esperia were considered in proportion to the percentage of 50% ownership.

Assets under management & administration (*)

€/m	June 30, 2014	Dec. 31, 2013	June 30, 2013
ITALY			
Funds and asset management and Unit-Linked Policies	32,425.7	29,157.7	26,239.4
'Freedom' Life Policies	1,284.3	1,722.3	2,037.6
Other Insurance Products	2,368.6	2,790.3	3,172.9
Banking products	14,359.9	13,690.1	12,402.5
BANCA MEDIOLANUM	50,438.4	47,360.3	43,852.5
BANCA ESPERIA GROUP (**)	7,754.5	7,650.0	7,166.5
Total ITALY	58,192.9	55,010.4	51,018.9
SPAIN	2,646.9	2,376.3	2,071.0
GERMANY	443.9	445.2	419.7
TOTAL FOREIGN MARKETS	3,090.8	2.821.5	2,490.7
TOTAL ASSETS UNDER MANAGEMENT & ADMINISTRATION	61,283.7	57,831.8	53,509.7

(*) The figures relating to assets under management & administration refer to Retail customers only.
(**) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held by the Mediolanum Group in that entity, i.e. 50%.

Total assets under administration as at June 30, 2014 amounted to Euro 61,283.7 million, an increase of 6% compared to December 31, 2013 (Euro 57,831.8 billion) and by 15% compared to June 30, 2013 (Euro 53,509.7 million).

The analysis of consolidated inflows, assets under management and under administration by operating segment is set out below.

Italy - Banking

Net inflows of assets under administration at the end of HY1 2014 amounted to Euro +736.4 million compared to Euro +1,042.8 million in HY1 2013 (-29%).

The analysis of assets under administration, on a management basis, is set out in the table below:

€/m	June 30, 2014	June 30, 2013	Change
Customer deposits	10,842.1	8,773.6	24%
Banca Mediolanum bonds	337.6	386.5	(13%)
Third-party structured bonds	1,058.4	1,231.9	(14%)
Securities in custody and under administration	1,923.5	1,903.3	1%
Repurchase agreements	198.3	107.1	85%
Total assets under administration	14,359.9	12,402.5	16%

The number of accounts amounted to 754,354 (of which 115,544 deposit accounts).

Italy - Asset Management

Gross inflows in mutual funds and assets managed amounted to Euro 4,902.7 million, a decrease of 3% compared to the balance of the same period the previous year for Euro 5,049.0 million, mainly due to the decrease in gross inflows of "Best Brands" Funds.

Gross Inflows

€/m	June 30, 2014	June 30, 2013	Change
"Best Brands" funds of funds	2,028.2	3,195.7	(37%)
"Challenge" Funds	281.9	417.5	(32%)
Other Italy-based mutual funds	1,734.3	908.7	91%
Third-party funds and others managed	61.2	11.9	ns
Total direct inflows in mutual funds	4,105.6	4,533.8	(9%)
My Life Unit Linked	303.3	-	ns
Other Unit Linked	493.8	515.2	(4%)
Total gross inflows in mutual funds	4,902.7	5,049.0	(3%)

Net inflows in mutual funds for the HY, amounting to Euro +2,106.9 million, recorded a decrease of 18% compared to HY1 of the previous year (June 30, 2013: Euro +2,577.7 million).
Net inflows related to Unit Linked recorded a positive balance of +202.1 (Euro -186.2 million at the end of HY1 of 2013) and include inflows of the new Unit "My Life".

Net inflows

€/m	June 30, 2014	June 30, 2013	Change
"Best Brands" funds of funds	776.9	2,152.9	(64%)
"Challenge" Funds	(80.6)	(154.8)	(48%)
Other Italy-based mutual funds	1,409.3	636.2	ns
"Real estate" funds	-	-	-
Third-party funds and others managed	1.3	(56.6)	ns
Total direct inflows in mutual funds	2,106.9	2,577.7	(18%)
My Life Unit Linked	302.5	-	ns
Other Unit Linked	(100.4)	(186.2)	(46%)
Total net inflows in mutual funds	2,309.0	2,391.5	(3%)

The analysis of assets managed in Mutual Funds, on a management basis, is set out in the table below:

€/m	June 30, 2014	Dec. 31, 2013	June 30, 2013
"Best brands" funds of funds	12,806.2	11,494.7	9,597,3
"Portfolio" funds of funds	506.1	532.2	543.9
"Challenge" Funds	12,815.2	12,541.3	12,036.1
Hedge funds of funds	178.2	178.1	184.2
Other Italy-based mutual funds	5,377.5	3,803.9	3,346.7
"Real estate" funds	422.0	427.3	432.0
Third-party funds and others managed	437.1	424.5	362.2
Adjustments for own funds included in funds of funds and managed	(537.0)	(566.4)	(568.9)
My Life Unit Linked	301.2	-	-
Other Unit Linked	10,960.7	10,692.3	10,117.5
Adjustments for own funds included in UL	(10,841.5)	(10,370.3)	(9,811.5)
Total mutual funds	32,425.7	29,157.7	26,239.4
of which:			
Equity	50%	54%	55%
Bond	39%	37%	37%
Money market	2%	2%	2%
Balanced	5%	4%	6%
Other	4%	3%	-

As at June 30, 2014 there was an increase in assets under management reaching the balance of Euro 32,425.7 million, an increase of 11% and 24% respectively compared to the figure at the end of the previous year and HY1 2013 (December 31, 2013: Euro 29,157.7 million and June 30, 2013: Euro 26,239.4 million).

Italy - Insurance

LIFE

At the end of 2013, total assets managed amounted to Euro 13,482.6 million versus Euro 13,630.5 million at the end of the HY under review.

€/m	June 30, 2014	Dec. 31, 2013	June 30, 2013
Unit-linked life products	11,261.9	10,692.3	10,117.5
Index-linked life products	1,132.0	1,474.8	1,896.0
Traditional life products	1,236.6	1,315.5	1,277.0
Total Life Products (excluded "Freedom")	13,630.5	13,482.6	13,290.4
"Freedom" Life Policies	*1,284.3*	*1,722.3*	*2,037.6*

The table below shows the breakdown of inflows as at June 30, 2014:

€/m	June 30, 2014	June 30, 2013	Change
Recurring premiums	38.8	26.4	47%
Single premiums and group policies	349.0	46.4	ns
Total new business	387.8	72.8	ns
In-force pension plans	230.8	240.1	(4%)
Other in-force business	200.4	225.1	(11%)
Total in-force business	431.1	465.2	(7%)
Total Premiums written (excluded "Freedom")	818.9	538.0	52%
"Freedom" Premiums written	1,479.4	2,100.7	(30%)
Total gross premiums written	2,298.3	2,638.7	(13%)

Below is a detailed table of liquidations recorded at the end of HY1 2014:

€/m	June 30, 2014	June 30, 2013	Change
Claims	32.3	27.9	16%
Coupons	26.0	32.7	(21%)
Maturities	594.7	751.6	(21%)
Surrenders	428.8	718.5	(40%)
Total liquidations	1,081.8	1,530.7	(29%)

DAMAGES

At June 30, 2014, the volume of premiums written amounted to Euro 26,174 thousand (Euro 21,047 thousand as at June 30, 2013), an increase of +24.4%.
The breakdown is as follows:

€/t	June 30, 2014	June 30, 2013	Change
Class-01 Accident	11,288	9,426	1,862
Class-02 Sickness	8,919	6,671	2,248
Class-07 Transport	2	2	-
Class-08 Fire	2,040	1,650	390
Class-09 Other damages to assets	1,166	993	173
Class-13 General TPL	903	897	6
Class-16 Pecuniary losses	1,450	1,002	448
Class-17 Legal protection	53	58	(5)
Class-18 Assistance	353	348	5
Total Work Premiums	26,174	21,047	5,127
Reinsurance	-	-	-
Total Premiums	26,174	21,047	5,127

The premium growth is mainly attributable to the marketing of products related to mortgages and guaranteed bank loans (Euro +4,560 thousand).
At June 30, the total number of claims paid amounted to Euro 4,823 thousand (Euro 4,409 thousand in HY1 2013), an increase of Euro 413 thousand.
Regarding claims paid in previous years, in the HY under review amounts were substantial with respect to as recorded in the reserve while the new additions to reserves have been carried out in line with the criteria adopted in the preparation of the financial statements at December 31, 2013.

Spain

€/m	June 30, 2014	Dec. 31, 2013	June 30, 2013
Assets under management & administration	2,646.9	2,376.3	2,071.0
Assets under Management	*1,699.0*	*1,462.2*	*1,298.0*
Assets under administration	*947.9*	*914.1*	*772.9*
Gross Inflows AuM	406.8	537.9	231.7
Net inflows	190.0	450.5	256.3
Assets under Management	*195.8*	*237.7*	*112.9*
Assets under administration	*(5.8)*	*212.8*	*143.5*

Assets under management amounted to Euro 2,646.9 million compared to Euro 2,376.3 million at the end of 2013, and Euro 2,071.0 million in HY1 2013.
Net inflows for the HY were positive for Euro +190.0 million compared to a balance of Euro +256.3 million in HY1 2013.

Germany

€/m	June 30, 2014	Dec. 31, 2013	June 30, 2013
Assets under management & administration	443.9	445.2	419.7
Assets under Management	*369.8*	*372.7*	*353.6*
Assets under administration	*74.1*	*72.5*	*66.1*
Gross inflows AuM	33.8	158.4	111.5
Net inflows	(10.8)	(37.6)	(39.5)
Assets under Management	*(11.9)*	*(24.1)*	*(19.0)*
Assets under administration	*1.2*	*(13.5)*	*(20.4)*

Assets under management remain essentially unchanged from the end of 2013 with a balance of Euro 443.9 million, an increase of Euro 24.2 million compared to the figure at June 2013.
Net inflows for HY1 rose from a negative balance of Euro -39.5 million in HY1 2013 with a balance albeit still negative but at Euro -10.8 million at the end of the HY in question.

The Sales Networks

Unit	June 30, 2014	Dec. 31, 2013	June 30, 2013
BANCA MEDIOLANUM	4,409	4,407	4,367
SPAIN	741	690	630
GERMANY	47	46	45
Total	5,197	5,143	5,042

Overall, net sales increased by 54 units from the end of 2013, of which +51 units related to the Spanish network. The network of financial advisors of Banca Mediolanum remains broadly in line with the figure at December 31, 2013 (+2 units).

Reclassified Consolidated Income Statement at June 30, 2014 (*)

€/t	June 30, 2014	June 30, 2013	Change	Change %
Entry fees	50,800	76,573	(25,773)	(34%)
Management fees	319,492	268,323	51,169	19%
Performance fees	86,604	84,303	2,301	3%
Banking service fees and revenues	53,172	49,236	3,936	8%
Other fees	16,907	17,395	(488)	(3%)
Commission income	526,975	495,830	31,145	6%
Net interest income	115,924	135,477	(19,553)	(14%)
Net income (loss) on investments at fair value	(232)	8,942	(9,174)	ns
Net financial income	115,692	144,419	(28,727)	(20%)
Net life insurance revenues (excluding commissions)	25,597	27,982	(2,385)	(9%)
Valuation Equity method	7,096	639	6,457	ns
Realised gains (losses) on other investments	27,633	42,974	(15,341)	(36%)
Impairment of loans	(6,193)	(5,914)	(279)	5%
Impairment of other investments	(2,503)	(476)	(2,027)	ns
Net income (loss) on other investments	18,937	36,584	(17,647)	(48%)
Other revenues	13,373	10,773	2,600	24%
TOTAL REVENUES	707,670	716,227	(8,557)	(1%)
Network commission expenses	(216,741)	(215,776)	(965)	-
Other commission expenses	(28,141)	(25,342)	(2,799)	11%
Administrative expenses	(227,892)	(198,535)	(29,357)	15%
Amortisation and depreciation	(10,242)	(9,377)	(865)	9%
Net provisions for risks	(9,833)	95	(9,928)	ns
TOTAL COSTS	(492,849)	(448,935)	(43,914)	10%
PROFIT BEFORE TAX	214,821	267,292	(52,471)	(20%)
Taxes for the period	(49,879)	(67,802)	17,923	(26%)
NET PROFIT (LOSS) FOR THE PERIOD	164,942	199,490	(34,548)	(17%)

(*) This income statement has been prepared according to a scheme that reflects the Group's management system that provides for the reclassification of the components of half-year net profit before tax by nature and exposing financial income and expenses related to assets and liabilities for which the investment risk is borne by policyholders in the item "Net insurance income".

Commission income recorded an increase of Euro +31.1 million. In particular, net inflows in mutual funds drove the growth in recurring revenues represented by management fees (Euro +51.2 million). This growth more than offset the reduction in subscription fees (Euro -25.8 million).
The fees for banking services and performance fees recorded an increase of respectively Euro +3.9 and +2.3 million compared to the HY of comparison.

The reduction in **net financial income** (Euro -28.7 million) is affected by the reduction in net interest income (Euro -19.6 million) due to the reduction in spreads on market rates and the reduction in net gains on securities at fair value (Euro -9.2 million).

Consolidated equity accounted for using the **Equity Method** significantly improved contribution to the Group result by recording an increase of Euro +6.5 million compared to the comparative period. In particular, HY1 2013 was affected by the negative result of the investment in Mediobanca (Euro -3.0 million pro-quota).

Net income decreased by Euro 17.6 million primarily due to lower gains on disposal of securities available for sale (Euro -17.8 million).

Commission expense to the network as a whole remained fairly stable showing a slight increase of Euro +1.0 million.

Administrative expenses amounted to Euro 227.9 million at the end of the reporting period, a sharp increase compared to the comparative period (Euro +29.4 million). This change is attributable to both higher personnel expenses incurred (Euro +5.1 million), mainly due to the higher workforce in HY1 2014 (+100 compared to the comparative period), and the increase in other administrative expenses (Euro +24.2 million) in relation to additional costs incurred for IT systems for the development of new technologies at the service of customers and support for banking operations.

Net provisions for risks increased by Euro 9.9 million compared to HY1 2013 in relation to higher provisions for litigation and offences related to the sales network.

The analysis of income statement data by operating segment is set out below.

Italy - Banking

€/t	June 30, 2014	June 30, 2013	Change	Change %
Banking service fees and revenues	42,380	40,349	2,031	5%
Other fees	202	2,571	(2,369)	(92%)
Commission income	42,582	42,920	(338)	(1%)
Net interest income	100,865	121,446	(20,581)	(17%)
Net income (loss) on investments at fair value	(4,749)	7,720	(12,469)	ns
Net financial income	96,116	129,166	(33,050)	(26%)
Net income (loss) on other investments	17,223	30,170	(12,947)	ns
Other revenues	5,740	4,744	996	21%
TOTAL REVENUES	161,662	206,999	(45,337)	(22%)
Network commission expenses	(26,043)	(23,156)	(2,887)	12%
Other commission expenses	(6,704)	(6,119)	(585)	10%
Administrative expenses	(109,558)	(90,238)	(19,320)	21%
Amortisation and depreciation	(5,718)	(3,551)	(2,167)	61%
Net provisions for risks	(9,377)	(30)	(9,347)	ns
TOTAL COSTS	(157,400)	(123,094)	(34,306)	28%
PROFIT BEFORE TAX	4,262	83,905	(79,643)	(95%)

Gross pre-tax Profit Italy – Banking recorded a surplus of Euro +4.3 million compared to a balance of Euro +83.9 million in HY1 of the previous year; the result is affected by the reduction of Euro -33.1 million in net financial income and a reduction of Euro -12.9 million in net income from other investments, mainly related to gains on disposal of financial assets available for sale.

Net interest income stood at Euro 96.1 million, a decrease of Euro 33.1 million compared to the comparative period (June 30, 2013: Euro 129.2 million). The difference is primarily due to a decrease in net interest income (-17%) due to the reduction in spreads on market rates and the reduction of profits and losses from net investments at fair value (Euro -12.5 million).

Net income from other investments went from Euro 30.2 million to Euro 17.2 million in the reporting period and are attributable to lower profits on financial assets available for sale (Euro -18.0 million).

Commission income amounted to Euro 42.6 million (June 30, 2014: Euro 42.9 million) remained essentially in line (-1%).

Network commission expense increased 12% to Euro 26.0 million, an increase of Euro +2.9 million compared to the comparable period primarily due to higher commissions related to the provision of mortgages and loans (Euro +1.5 million).

Other costs amounted to Euro 131.4 million and recorded an increase of Euro +31.5 million compared to the comparable period primarily due to the increase in personnel expenses, IT expenses, advertising expenses, expenses related communication activities, as well as higher provisions for offences related to the sales network.

Italy – Asset Management

€/t	June 30, 2014	June 30, 2013	Change	Change %
Entry fees	46,433	72.482	(26,049)	(36%)
Management fees	187,023	146,584	40,439	28%
Performance fees	55,241	42,682	12,559	29%
Other fees	15,022	13,414	1,608	12%
Commission income	303,719	275,162	28,557	10%
Net interest income	227	188	39	21%
Net income (loss) on investments at fair value	(4)	1	(5)	ns
Net financial income	223	189	34	18%
Net income (loss) on other investments	(3)	(1)	(2)	ns
Other revenues	119	118	1	1%
TOTAL REVENUES	304,059	275,468	28,591	10%
Network commission expenses	(122,860)	(130,525)	7,665	(6%)
Other commission expenses	(9,298)	(7,877)	(1,421)	18%
Administrative expenses	(49,661)	(42,308)	(7,353)	17%
Amortisation and depreciation	(701)	(1,112)	411	(37%)
Net provisions for risks	(65)	(146)	81	(55%)
TOTAL COSTS	(182,585)	(181,967)	(618)	-
PROFIT BEFORE TAX	121,474	93,501	27,973	30%

Gross pre-tax profit Italy – Asset Management amounted to Euro 121.5 million climbing 30% from HY1 of the prior year (June 30, 2014: Euro 93.5 million).

Commission income amounted to Euro 303.7 million, up (Euro +28.6 million) compared to the same period the previous year, mainly due to the contribution of management fees (Euro +40.4 million) partially offset by lower fund subscription fees (Euro -26.0 million). In HY1 there was also an increase in performance fees due to an increase in the average NAV (Euro +12.6 million) and an increase in other commissions (Euro +1.6 million).

Costs attributable to the segment at the end of the HY were substantially in line from Euro 182.0 million in June 2013 to Euro 182.6 million in the period under review.

Italy - Insurance Segment

€/t	June 30, 2014	June 30, 2013	Change	Change %
Management fees	117,274	110,903	6,371	6%
Performance fees	27,822	38,025	(10,203)	(27%)
Other fees	939	681	258	38%
Commission income	146,035	149,609	(3,574)	(2%)
Net interest income	6,535	12,095	(5,560)	(46%)
Net income (loss) on investments at fair value	4,151	788	3,363	ns
Net financial income	10,686	12,883	(2,197)	(17%)
Net life insurance revenues (excluding commissions)	14,616	18,241	(3,625)	(20%)
Realised gains (losses) on other investments	1,973	(3,335)	5,308	ns
Other revenues	7,278	5,179	2,099	41%
TOTAL REVENUES	180,588	182,578	(1,990)	(1%)
Network commission expenses	(52,511)	(48,983)	(3,528)	7%
Other commission expenses	(3,220)	(3,665)	445	(12%)
Administrative expenses	(45,302)	(44,794)	(508)	1%
Amortisation and depreciation	(2,958)	(3,693)	735	(20%)
Net provisions for risks	(78)	(58)	(20)	34%
TOTAL COSTS	(104,068)	(101,192)	(2,876)	3%
PROFIT BEFORE TAX	76,520	81,386	(4,866)	(6%)

It is recalled that Italy – Insurance for the balances related to June 30, 2014 includes the financial results for Life and Damages, while the comparative HY considers Life for the entire period and Damages only for the period March 31 – June 30, 2013, as Mediolanum Assicurazioni joined the Mediolanum Group March 31, 2013.

Gross pre-tax profit Italy – Insurance amounted to Euro +76.5 million down -6% from HY1 of the prior year at Euro +81.4 million.

Commission income for the HY amounted to Euro 146.0 million (June 30, 2013: Euro 149.6 million), a decrease of Euro 3.6 million, primarily due to lower performance fees (Euro -10.2 million) attributable to the segment and an increase in management fees (Euro +6.4 million).

The **Net financial margin** was positive for Euro +10.7 million, a decrease of Euro -2.2 million compared to HY1 2013. This difference is mainly due to the decrease in net interest income (Euro -5.6 million), partially offset by higher profits on investments at fair value (Euro +3.4 million), due to lower assets under management on the Freedom Policy.

Net insurance income, gross of acquisition costs of investments, increased from Euro 18.2 million in HY1 2013 to Euro 14.6 million in HY1 2014 primarily due to lower inflows related to products of the Life Sector.

Net income from other investments amounted to Euro +2.0 million against the negative balance of HY1 2013 of Euro -3.3 million.

Network commission expense increased by Euro 3.5 million, from Euro 49.0 million in HY1 2013 to Euro 52.5 million at June 30, 2014, primarily due to the volumes resulting from the placement of the new unit-linked policy "My Life" and an increase in the marketing of damage insurance policies.

Italy – Other

€/t	June 30, 2014	June 30, 2013	Change	Change %
Net interest income	(3,626)	(7,575)	3,949	(52%)
Net income (loss) on investments at fair value	1	1	-	-
Net financial income	(3,625)	(7,574)	3,949	(52%)
Valuation Equity method	7,096	639	6,457	ns
Net income (loss) on other investments	-	-	-	-
TOTAL REVENUES	3,471	(6,935)	10,406	ns
PROFIT BEFORE TAX	3,471	(6,935)	10,406	ns

Gross pre-tax profit Italy – Other recorded a profit of Euro +3.5 million (June 30, 2013: Euro -6.9 million).

Net financial income at the end of the period was a loss of Euro -3.6 million compared to Euro -7.6 million in the comparative HY (Euro +3.9 million).

Equity method reports for the period under review, the share of the profits generated by Banca Esperia and Mediobanca totalling Euro +7.1 million (June 30, 2013: Euro 0.6 million) of which Euro +4.0 million generated by Banca Esperia and Euro +3.1 million referred to the HY1 2014 result of Mediobanca (latest data available).

Spain

€/t	June 30, 2014	June 30, 2013	Change	Change %
Entry fees	4,057	3,893	164	4%
Management fees	12,102	7,932	4,170	53%
Performance fees	2,617	2,085	532	26%
Banking service fees and revenues	2,836	2,178	658	30%
Other fees	609	553	56	10%
Commission income	22,221	16,641	5,580	34%
Net interest income	11,599	8,933	2,666	30%
Net income (loss) on investments at fair value	345	473	(128)	(27%)
Net financial income	11,944	9,406	2,538	27%
Net life insurance revenues (excluding commissions)	9,479	8,582	897	10%
Net income (loss) on other investments	(247)	9,750	(9,997)	(103%)
Other revenues	186	526	(340)	(65%)
TOTAL REVENUES	43,583	44,905	(1,322)	(3%)
Network commission expenses	(13,239)	(11,194)	(2,045)	18%
Other commission expenses	(2,093)	(1,605)	(488)	30%
Administrative expenses	(15,283)	(14,338)	(945)	7%
Amortisation and depreciation	(729)	(732)	3	-
Net provisions for risks	(314)	328	(642)	ns
TOTAL COSTS	(31,658)	(27,542)	(4,116)	15%
PROFIT BEFORE TAX	11,925	17,363	(5,438)	(31%)

Gross pre-tax profit Spain recorded a profit of Euro +11.9 million (June 30, 2013: Euro +17.4 million).

Commission income increased by Euro 5.6 million from Euro 16.6 million to Euro 22.2 million at the end of the HY under review (+34%).

Net insurance revenues before acquisition costs came in at Euro 9.5 million versus Euro 8.6 million at June 30, 2013.

Net income from other investments recorded a balance of Euro -0.2 million compared to the positive balance of +9.8 million recorded in HY1 of the previous year in connection with the sale of financial assets available for sale.

Costs attributable to the segment amounted to Euro 31.7 million (June 30, 2013: Euro 27.5 million), an increase of Euro 4.1 million mainly due to higher fees paid to the network (Euro +2.0 million compared to the comparable period).

Germany

€/t	June 30, 2014	June 30, 2013	Change	Change %
Entry fees	310	198	112	57%
Management fees	3,093	2,904	189	6%
Performance fees	924	1,511	(587)	(39%)
Banking service fees and revenues	7,963	6,711	1,252	19%
Other fees	139	177	(38)	(21%)
Commission income	12,429	11,501	928	8%
Net interest income	324	389	(65)	(17%)
Net income (loss) on investments at fair value	24	(41)	65	ns
Net financial income	348	348	-	-
Net life insurance revenues (excluding commissions)	1,502	1,159	343	30%
Net income (loss) on other investments	(9)	-	(9)	ns
Other revenues	85	270	(185)	(69%)
TOTAL REVENUES	14,355	13,278	1,077	8%
Network commission expenses	(2,089)	(1,919)	(170)	9%
Other commission expenses	(6,833)	(6,080)	(753)	12%
Administrative expenses	(8,128)	(6,919)	(1,209)	17%
Amortisation and depreciation	(136)	(289)	153	(53%)
TOTAL COSTS	(17,186)	(15,206)	(1,980)	13%
PROFIT BEFORE TAX	(2,831)	(1,928)	(903)	47%

Gross pre-tax profit Germany recorded a loss of Euro -2.8 million (June 30, 2013: Euro -1.9 million).

Commission income stood at Euro 12.4 million, an increase of Euro 0.9 million compared to HY1 2013 (June 30, 2013: Euro 11.5 million).

Network commission expense amounted to Euro 2.1 million, in line with the comparative period.

Administrative expenses amounted to Euro 8.1 million, an increase of Euro 1.2 million compared to the comparative period (June 30, 2013: Euro 6.9 million), primarily due to higher personnel costs and higher expenses for investments and consulting.

Key corporate events and performance of companies within the Group

On June 18, 2014, the Board of Directors of Banca Mediolanum resolved on the sale of a 3% stake in of the share capital of Mediolanum International Funds Ltd to Bankhaus August Lenz. This transaction will be finalized in the coming weeks. The proposed divestiture fits in 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 in, among other things, confirming the image of our German subsidiary over time.
The sale will take place at book value, corresponding to a value of Euro 79,200.82. Therefore, from a statutory perspective, the sale does not generate any economic effect. The only impacts concern the taxation that will be applied to the gain determined only for tax purposes.
The following are the main results achieved by the Group companies in the HY under review.

Banking operations (including Group product distribution)

Banca Mediolanum S.p.A. – The situation of the accounts at June 30, 2014 showed a net profit of Euro 86.4 million compared to net income for HY1 of the previous year amounted to Euro 67.1 million (+29%).
The result for the HY, before taxes, instead amounted to Euro 83.2 million compared to Euro 84.8 million in the same period the previous year, a decrease of Euro -1.6 million.
In the period under review, there was a decrease in net financial income of Euro -47.7 million, in particular the reduction in market interest rate spreads has led to a decline in net interest income (Euro -20.6 million). Moreover, in the HY there were lower gains on disposal of financial assets available for sale (Euro -15.0 million), lower gains from trading (Euro -6.1 million) and hedging activities (Euro -5.9 million).
In contrast, the HY under review benefited from higher dividends from subsidiaries for Euro +83.5 million, of which Euro 50 million related to the extraordinary distribution of gains from the Spanish subsidiary Banco Mediolanum.
Operating expenses for the HY grew by approximately Euro 33.3 million, of which Euro +4.7 million related to personnel expenses mainly due to higher headcount of the Bank. Other administrative expenses recorded an increase of Euro +22.1 million, due to higher costs for IT systems (Euro +13.3 million) related to the development of new technologies at the service of customers and the growth in the volume of banking operations, expenses for consultancy (Euro +2.0 million), expenses for training for the sales network (Euro +1.6 million) and spending on advertising and promotion (Euro +1.1 million).

Banco Mediolanum SA. – The Spanish banking group ended the HY with a positive consolidated profit of Euro +6.2 million compared to a profit of Euro +9.5 million in HY1 2013.
Net inflows for AuM products recorded a positive balance of Euro +195.8 million versus Euro +112.9 million in HY1 of the previous year. With regard to assets under administration, the half year under review recorded a negative balance of Euro -5.8 million compared to a balance of Euro +143.5 million in the same period the previous year.
At June 30, 2014, total assets under management and under administration amounted to Euro 2,646.9 million versus Euro 2,376.3 million at December 31, 2013.
The sales network consisted of 741 people (vs. 690 at December 31, 2013), of which 703 tied advisors (December 31, 2013: 652 people).

Bankhaus August Lenz & Co. – The German bank closed the HY at June 30, 2014 with a net loss of Euro -5.4 million, compared to the loss in HY1 2013 amounting to Euro -3.9 million.
Net inflows of AuM recorded a positive balance of Euro +8.8 million in the HY (June 30, 2013: Euro +12.7 million) while assets under administration registered a positive balance of Euro +1.2 million (June 30, 2013: Euro -20.4 million).
At the end of the HY under review, total assets under management and under administration of customers amounted to Euro 246.3 million (December 31, 2013: Euro 231.1 million).
At June 30, 2014, the sales network consisted of 47 people (vs. 46 at year end 2013).

Asset Management Companies

Mediolanum International Funds Ltd – The Irish funds company closed the HY at June 30, 2014 with a net profit of Euro +164.1 million, up Euro +17.5 million over the same period the prior year (June 30, 2013: Euro +146.6 million).
Net inflows at June 30, 2014 were positive for Euro +381.8 million (June 30, 2013: Euro +1,765.0 million).
At June 30, 2014, total assets under management amounted to Euro 27,217 million compared to Euro 25,517 million at December 31, 2013 (+6.7%).

Mediolanum Gestione Fondi SGR p.A. – The Italian management company reported a net profit at June 30, 2014 of Euro 14.6 million, a slight increase compared to Euro 14.0 million in HY1 2013. The change is primarily due to higher management fees recorded in HY1 2014.
Net inflows in the period recorded a positive balance of Euro +1,412.6 million compared to Euro +638.5 million in the same period the previous year, an increase of Euro 774.1 million.

Gamax Management A.G. – At June 30, 2014, the Luxembourg-based management company recorded a net profit of Euro +1.8 million, a slight decrease compared to the same period the previous year (June 30, 2013: Euro +2.2 million).
Net inflows in the retail sector in the HY were negative for Euro -20.8 million (June 30, 2013: Euro -31.7 million).
The retail assets under management at the end of the HY amounted to Euro 197.7 million (December 31, 2013: Euro 214 million).

Mediolanum Asset Management Ltd – At June 30, 2014, the Irish company recorded a net profit of Euro +9.0 million compared to Euro +7.9 million in HY1 2013.

Mediolanum Fiduciaria S.p.A. – At June 30, 2014, the company recorded a net loss of Euro 210.2 thousand (June 30, 2013: Euro -290.4 thousand).
At June 30, 2014, assets under management amounted to Euro 63,447 thousand (December 31, 2013: Euro 44,349 thousand).

Fermi & Galeno S.r.l. – The company, which owns the Fermi & Galeno office property leased to Banca Mediolanum S.p.A. and only residually to other Mediolanum Group companies, ended HY1 2014 with a net profit of Euro 700.1 thousand (June 30, 2013: Euro 454.8 thousand).

Insurance Companies

Mediolanum Vita S.p.A. – The result of HY1 2014 determined in accordance with international accounting standards has a net profit of Euro 16.9 million, in line with the result for HY1 2013 (June 30, 2013: Euro 17.1 million).

Overall, new production, including the new product "My Life" amounted to Euro 1,834.4 million at June 30, 2014, down 14.6% compared to the previous year (June 30, 2013: Euro 2,148.3 million), mainly due to lower premiums generated by the "Mediolanum Plus" policy for Euro -621.3 million (-29.6%).

Recurring portfolio premiums also recorded a decrease of Euro -35.0 million (-7.6%).

With reference to liquidations, in the HY there was a decrease compared to the comparative period equal to Euro -1,742 million. In particular, liquidations for individual maturities increased from Euro 469.6 million to Euro 437.2 million in the HY under review, a decrease of Euro -32.4 million, while individual surrenders decreased by Euro -1,710.2 million and amounted to Euro 2,284.9 million (June 30, 2013: Euro 3,995.1 million) of which 835.8 million relating to the "Mediolanum Plus" policy (June 30, 2013: Euro 3,509.4 million). Total liquidations of the "Mediolanum Plus" policy were overall equal to Euro 1,929.8 million, compared with Euro 3,521.4 million in the comparative HY. Excluding this effect, liquidations in the HY would amount to Euro 829.7 million compared to Euro 980.6 million in HY1 2013, a decrease of Euro -150.9 million. At the end of the HY under review, the insured benefits in the form of capital, both for the case of death and survival, relative to individual and group policies amounted to Euro 14,900.2 million (December 31, 2013: Euro 14,836.4 million); insured benefits in the form of annuities, on issue and deferred, instead amounted to Euro 95.3 million (December 31, 2013: Euro 95.1 million).

Mediolanum International Life Ltd – The Irish company achieved a net profit of Euro 6.3 million at the end of HY1 2014, down compared to the same period the previous year (June 30, 2013: Euro +9.2 million).

Net inflows at June 30, 2014 were Euro 120.3 million compared to Euro 92.6 million at June 30, 2013.

Net inflows only in foreign markets (Spain and Germany) amounted to Euro 96 million (June 30, 2013: Euro 69.4 million).

At June 30, 2013, total commitments to policy holders amounted to Euro 2,353 million, down compared to year-end 2013 (December 31, 2013: Euro 2,606 million).

Mediolanum International Life Ltd policies are distributed in Italy by Banca Mediolanum, in Spain by Banco Mediolanum and in Germany through Bankhaus August Lenz.

Mediolanum Assicurazioni S.p.A. – The Company joined the Mediolanum Group with effect from March 31, 2013 and was therefore only fully consolidated from that date.

The situation of IAS/IFRS accounts at June 30, 2014 recorded a net profit of Euro 4.7 million. The results of the subsidiary Mediolanum Assicurazioni for the period March 31, 2013-June 30, 2013 amounted to Euro 971 thousand.

During the period under review, the insurance business has seen an increase in earned premiums (Euro +3.37 million), only partially offset by higher acquisition costs and collection (Euro +1.4 million compared to HY1 2013).

Technical reserves amounted to Euro 87.6 million (December 31, 2013: Euro 79.0 million).

Joint ventures

For HY1 2014, the **Banca Esperia Group** reported consolidated net profit of Euro +7.6 million versus Euro +7.2 million at June 30, 2013.

Net inflows for the HY were positive for Euro +258.6 million compared to a net outflow in HY1 2013 of Euro -145.4 million.

At year end 2013, total assets under management and administration amounted to Euro 15,509 million versus Euro 15,300 million at the end of the HY under review.

Associates

At June 30, 2014 the Mediobanca Group showed a net profit of Euro 395.3 million (for the period July 2013 - March 2014) compared to a net profit of Euro 37.2 million in the same period of the prior year.
Consolidated shareholders' equity as at June 30, 2014, net of minority interests and the result for the year amounted to Euro 7,121.3 million compared to Euro 7,020.5 million at June 30, 2013.

Data updated at June 30, 2014 of the **Mediobanca Group** will only be available from September 17, 2014, at the Board of Directors' meeting that will approve its financial statements at June 30, 2014.

Tax litigation

In relation to the tax dispute for the purposes of IRES and IRAP concerning the level of fee relegation paid by Mediolanum International Fund Ltd in favour of both Banca Mediolanum S.p.A. and Mediolanum Vita S.p.A., there are no new additions with respect to what has been reported in relation to the financial statements for the year ended December 31, 2013.
In this respect, consistent with the approach adopted in the financial statements at December 31, 2013, at the end of the HY under review, provisions were made for a total of Euro 5,435.7 thousand (of which 3,378.0 relating to Banca Mediolanum and 2,057.7 related to Mediolanum Vita) in relation to the greater tax burden required with reference to commission relegation for the HY under review.

Other information

In HY1 2014, according to the resolution passed by the Shareholders' Meeting on April 29, 2014, Mediolanum S.p.A. distributed the dividend balance of Euro 0.15 per share (Euro 0.10 per share had already been distributed in November 2013 as an advance).

Events subsequent to the end of the HY

After June 30, 2014 there was no other material event which could have a significant impact on the financial positions, result of operations or cash flows of the Mediolanum Group.

Outlook

In 2014, the presence of moderate global growth, the persistence of low inflation and the adoption and implementation of structural reforms are creating an economic environment conducive to higher corporate profits. In this context, even within a multi-year period, equity markets anticipate and benefit from the expected positive evolution of the economic cycle. The main central banks will continue to ensure the persistence of low bond yields, in order not to jeopardize the economic results achieved in previous years through the adoption of expansionary monetary policies.

In this context, Mediolanum, thanks to a strategy aimed at achieving higher net flows of savings from retail customers, will be able to accelerate its growth benefiting from higher margins achieved in the field of asset management and a distribution model that is ready to compete in the challenge of the future, or technology. For this reason, Mediolanum is continuing to invest substantially in IT projects and investments.

In light of the foregoing, considering the risks associated with the sector and subject to the occurrence of events of an exceptional nature or substantially dependent on variables that cannot be controlled by the Directors and the Management (however, currently not conceivable), a positive evolution in operations is expected for the year 2014.

Basiglio, July 30, 2014

For the Board of Directors
The Chairman
(Carlo Secchi)

Condensed Consolidated Half-Year Financial Statements

Consolidated Statement of Financial Position

Assets

€/t	June 30, 2014	Dec. 31, 2013
10. Cash and cash equivalents	63,598	60,443
20. Financial assets held for trading	1,505,701	1,135,102
30. Financial assets at fair value	12,965,333	12,751,185
40. Available-for-sale financial assets	13,490,436	12,558,883
50. Held-to-maturity investments	2,508,032	2,517,015
60. Loans to banks	815,573	1,100,559
70. Loans to customers	5,991,753	5,660,508
80. Hedge derivatives	1,116	2,418
100. Equity investments	406,192	391,869
110. Reinsurers' share of technical reserves	72,533	74,675
120. Tangible assets	192,728	193,229
130. Intangible Assets	163,810	162,539
of which:		
- goodwill	125,625	125,625
140. Tax assets	361,830	387,653
a) Current	250,796	267,318
b) Deferred	111,034	120,335
150. Non-current assets and disposal groups	841	868
160. Other Assets	386,282	324,506
Total assets	38,925,758	37,321,452

Liabilities and Shareholders' Equity

€/t	June 30, 2014	Dec. 31, 2013
10. Amounts due to banks	4,989,300	4,950,368
20. Amounts due to customers	14,255,695	12,905,464
30. Securities issued	392,517	369,409
40. Financial liabilities held for trading	429,327	250,867
50. Financial liabilities at fair value	371,581	70,988
60. Hedge derivatives	82,876	59,127
80. Tax liabilities	239,818	238,876
a) Current	98,383	130,351
b) Deferred	141,435	108,525
90. Liabilities associated with assets held for sale	974	962
100. Other liabilities	746,016	662,404
110. Employee completion-of-service entitlements	11,391	11,871
120. Provisions for Risks and Charges:	187,427	187,809
a) severance benefits and similar obligations	586	586
b) other provisions	186,841	187,223
130. Technical reserves	15,392,878	15,962,513
140. Valuation reserve	237,753	100,781
170. Reserves	1,289,075	1,156,097
175. Interim dividend (-)	-	(73,595)
180. Share premium account	62,555	59,376
190. Share Capital	73,678	73,600
200. Treasury shares (-)	(2,045)	(2,045)
210. Shareholders' equity attributable to minority interest (+/-)	-	-
220. Net profit (loss) for the year (+/-)	164,942	336,580
Total liabilities and shareholders' equity	38,925,758	37,321,452

Consolidated income statement

€/t	June 30, 2014	Dec. 31, 2013
10. Interest income and similar income	297,590	343,324
20. Interest expense and similar charges	(123,746)	(125,645)
30. Net interest income	173,844	217,679
40. Commission income	532,816	501,840
50. Commission expense	(235,040)	(229,659)
60. Net commission	297,776	272,181
70. Dividends and similar income	5,092	2,755
80. Net income from trading	8,508	7,072
90. Net income from hedging	(3,041)	2,866
100. Gains (losses) on sale or buyback of:	22,716	37,246
a) loans	28	(20)
b) available-for-sale financial assets	22,714	37,295
d) financial liabilities	(26)	(29)
110. Net result from financial assets and liabilities measured at fair value	399,733	501,120
120. Total income	904,628	1,040,919
130. Net impairment/reversal of impairment of:	(8,696)	(6,390)
a) loans	(6,193)	(5,915)
b) available-for-sale financial assets	(2,468)	(459)
d) other financial instruments	(35)	(16)
140. Net income from financial operations	895,932	1,034,529
150. Net premiums	2,094,509	2,709,484
160. Balance of other income/expenses from insurance activities	(2,540,727)	(3,271,085)
170. Net income from financial and insurance operations	449,714	472,928
180. Administrative expenses:	(220,132)	(191,594)
a) personnel expenses	(86,498)	(81,365)
b) other administrative expenses	(133,634)	(110,229)
190. Net Provisions for risks and charges	(17,383)	(10,258)
200. Depreciation and net impairment of tangible assets	(3,562)	(3,403)
210. Amortisation and net impairment of intangible assets	(6,682)	(5,976)
220. Other operating income/expenses	5,849	4,899
230. Operating expenses	(241,910)	(206,332)
240. Profit (loss) on equity investments	7,096	712
270. Profit (loss) on disposal of investments	(52)	2
280. Profit (loss) before tax on continuing operations	214,848	267,310
290. Income tax expense on continuing operations	(49,878)	(67,801)
300. Profit (loss) after tax on continuing operations	164,970	199,509
310. Profit (loss) after tax of non-current assets pending disposal	(28)	(19)
320. Profit (loss) for the Period	164,942	199,490
340. Profit (loss) for the period attributable to the parent company	164,942	199,490

Consolidated Statement of Other Comprehensive Income

€/t		June 30, 2014	Dec. 31, 2013
10.	Profit (loss) for the Period	164,942	199,490
	Other statement of other comprehensive income, net of income tax without reversals to the income statement		
20.	Tangible assets	-	-
30.	Intangible Assets	-	-
40.	Defined benefit plans	(51)	8
50.	Non-current assets or disposal groups held for sale	-	-
60.	Share of reserves on investments accounted for by the equity method	2,158	-
	Other statement of other comprehensive income, net of income tax with reversals to the income statement		
70.	Hedges of investments in foreign operations	-	-
80.	Exchange differences	-	-
90.	Cash flow hedges	-	-
100.	Available-for-sale financial assets	110,149	(41,931)
110.	Non-current assets or disposal groups held for sale	-	-
120.	Share of reserves on investments accounted for by the equity method	4,941	(2,548)
130.	Total other statement of other comprehensive income, net of income tax	117,197	(44,471)
140.	Comprehensive income (Captions 10+130)	282,139	155,019
150.	Total comprehensive income attributable to minority interests	-	-
160.	Total comprehensive income attributable to the parent company	282,139	155,019

Consolidated Statement of changes in equity

as at June 30, 2013

€/t	Balance at Dec. 31, 2012	Changes to opening balances	Balance at Jan. 1, 2013	Appropriation of result from previous year: Reserves	Appropriation of result from previous year: Dividends and other allocations
Share capital:					
a) ordinary shares	73,434	-	73,434	-	-
b) other shares	-	-	-	-	-
Share premium account	56,497	-	56,497	-	-
Reserves:					
a) retained earnings	736,489	-	736,489	292,280	-
b) other	84,693	-	84,693	-	-
Valuation reserves	120,356	-	120,356	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(2,045)	-	(2,045)	-	-
Net profit (loss) for the year	351,023	-	351,023	(292,280)	(58,743)
Shareholders' equity attributable to the Group	1,420,447	-	1,420,447	-	(58,743)
Shareholders' equity attributable to minority interest	-	-	-	-	-

as at June 30, 2014

€/t	Balance at Dec. 31, 2013	Changes to opening balances	Balance at Jan. 1, 2014	Appropriation of result from previous year: Reserves	Appropriation of result from previous year: Dividends and other allocations
Share capital:					
a) ordinary shares	73,600	-	73,600	-	-
b) other shares	-	-	-	-	-
Share premium account	59,376	-	59,376	-	-
Reserves:					
a) retained earnings	997,809	-	997,809	226,159	-
b) other	84,693	-	84,693	-	-
Valuation reserves	100,781	-	100,781	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(2,045)	-	(2,045)	-	-
Net profit (loss) for the year	336,580	-	336,580	(226,159)	(110,421)
Shareholders' equity attributable to the Group	1,650,794	-	1,650,794	-	(110,421)
Shareholders' equity attributable to minority interest	-	-	-	-	-

Changes occurred in the year									
	Equity operations								
Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Treasury share derivatives	Stock options	Change in shareholding interest	Net profit as at June 30, 2013	Net shareholders' equity as at June 30, 2013
-	39	-	-	-	-	-	-	-	73,473
-	-	-	-	-	-	-	-	-	-
-	1,260	-	-	-	-	-	-	-	57,757
7,358	-	-	-	-	-	1,631	-	-	1,037,758
-	-	-	-	-	-	-	-	-	84,693
-	-	-	-	-	-	-	-	(44,471)	75,885
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2,045)
-	-	-	-	-	-	-	-	199,490	199,490
7,358	1,299	-	-	-	-	1,631	-	155,019	1,527,011
-	-	-	-	-	-	-	-	-	-

Changes occurred in the year									
	Equity operations								
Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Treasury share derivatives	Stock options	Change in shareholding interest	Net profit as at June 30, 2014	Net shareholders' equity as at June 30, 2014
-	78	-	-	-	-	-	-	-	73,678
-	-	-	-	-	-	-	-	-	-
-	3,179	-	-	-	-	-	-	-	62,555
(19,648)	-	-	-	-	-	62	-	-	1,204,382
-	-	-	-	-	-	-	-	-	84,693
19,775	-	-	-	-	-	-	-	117,197	237,753
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2,045)
-	-	-	-	-	-	-	-	164,942	164,942
127	3,257	-	-	-	-	62	-	282,139	1,825,958
-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Cash Flows

Indirect Method

€/t	June 30, 2014	June 30, 2013
A. OPERATIONS		
1. Operations	(243,505)	(241,082)
- result for the period (+/-)	164,942	199,490
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(474,576)	(494,302)
- gains/losses on hedges (+/-)	3,041	(2,866)
- net impairment/reversal of impairment (+/-)	8,696	6,390
- net write-downs/write-backs of tangible and intangible assets (+/-)	10,244	9,379
- provisions for risks and charges and other costs/revenues (+/-)	17,383	10,258
- taxes, duties and unpaid tax credits (+/-)	26,765	30,569
2. Cash generated/used by financial assets	(1,052,264)	(1,620,209)
- Held-for-trading financial assets	(363,595)	50,265
- Financial assets at fair value	260,639	854,865
- Available-for-sale financial assets	(794,581)	(2,111,416)
- Loans to banks: on demand	(16,140)	42,765
- Loans to banks: other loans	301,126	93,739
- Loans to customers	(331,245)	(358,383)
- Other Assets	(108,468)	(192,044)
3. Cash generated/used by financial liabilities	1,407,046	2,945,452
- Due to banks: on demand	2,182	157,546
- Due to banks: other amounts due	36,750	(105,428)
- Due to customers	1,350,231	4,772,491
- Securities issued	23,108	(9,258)
- Held-for-trading financial liabilities	177,276	45,580
- Financial liabilities at fair value	319,613	(27,659)
- Other liabilities	(502,114)	(1,887,820)
Net cash generated by/used in operating activities	111,278	1,084,161
B. INVESTMENT ACTIVITY		
2. Liquidity absorbed by	(1,021)	(1,035,406)
- purchase of held-to-maturity financial assets	-	(1,032,999)
- purchase of tangible assets	(566)	(708)
- purchase of intangible assets	(455)	(1,699)
Net cash generated by/used in investing activities	(1,021)	(1,035,406)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	78	39
- issue/purchase of equity instruments	3,241	2,891
- dividend distribution and other	(110,421)	(58,743)
Net cash generated by/used in financing activities	(107,102)	(55,813)
CASH FLOW GENERATED/ABSORBED IN THE PERIOD	3,155	(7,058)

Legend: (+) generated (-) used

RECONCILIATION STATEMENT

€/t	June 30, 2014	June 30, 2013
Balance sheet items		
Cash and cash equivalents at beginning of the period	60,443	64,345
Total net liquidity generated/absorbed in the period	3,155	(7,058)
Cash and cash equivalents at the end of the period	63,598	57,287

Notes

Notes

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

Pursuant to Legislative Decree No. 38 of February 28, 2005 the consolidated HY financial statements as at June 30, 2014 for the Mediolanum Group were prepared in accordance with 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) 1606 of July 19, 2002 and subsequent.
The Mediolanum Group, under Legislative Decree no. 142 of May 30, 2005, is a financial conglomerate that operates primarily in the banking business.
With the joint press release, the Bank of Italy, IVASS and Consob of August 5, 2013, Mediolanum S.p.A. became part of the bank-oriented financial Conglomerates and consequently moved in the hands of the Bank of Italy as supervision coordinator. The consolidated financial statements for the HY ended June 30, 2014 were prepared also considering 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 amendments for information tables deemed relevant. In light of the inclusion of the Company in the list of bank-oriented conglomerates the figures have been restated for HY1 of the previous year in the form required by the aforementioned sectoral legislation.

Basis of preparation

This consolidated HY Financial Report consists of:

- **a statement of financial position** as at the end of the HY (June 30, 2014) and a comparative statement of financial position as of the end of the previous year (December 31, 2013);
- **an income statement** for the current HY (HY1 2014) compared to the comparative income statement for the corresponding HY of the previous year (HY1 2013);
- **a statement of other comprehensive income** of the HY (HY1 2014) compared to statement of other comprehensive income for the corresponding HY of the previous year (HY1 2013);
- **a statement of changes in equity** for the period between the beginning of the year and the end of the HY of reference, with a comparative statement for the corresponding period of the previous year;
- **a statement of cash flows** for the period between the beginning of the year and the end of the HY of reference, with a comparative statement for the corresponding period of the previous year;
- **notes** containing references to accounting policies adopted and other specific explanatory notes relating to HY operations.

In particular, IAS 34 provides that, in the interest of time, the HY report ("abbreviated financial statements") information may be provided that is more limited than that contained in the annual report and intended primarily to provide an update with respect to last complete annual financial statements. Accordingly, the abbreviated report shall be read in conjunction with the Group's annual consolidated report for the year ended December 31, 2013.

Accounting Principles, Amendments and IFRS Interpretations starting from January 1, 2014

The following accounting principles, amendments and interpretations were applied for the first time by the Group from 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 established by 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 control was introduced and it is more solid than in the past, based on three elements: (a) power on the company acquired; (b) exposure, or rights, at 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 ***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 were issued to **IFRS 10**, **IFRS 12 and IAS 27 "Investments Entities"**, which introduce an exception to the consolidation of subsidiaries for investment companies, except in cases in

which their 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 changes 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 no significant effect on the consolidated financial report of the Group.

OTHER INFORMATION

Use of Estimates

As for year-end 2013, preparation of the HY consolidated financial report in accordance with International Accounting and Financial Reporting Standards (IAS/IFRS) entailed the use of complex valuations and estimates which had an impact on assets, liabilities, revenues and costs recognised as well as on the identification and quantification of potential assets and liabilities. These estimates 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 – IAS 36;
- 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;
- estimates to determine technical reserves;
- 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 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.

A.3 – INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

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

€/t	Reclassified from (2)	Reclassified to (3)	Book value at June 30, 2014 (4)	Fair value at June 30, 2014 (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			12,249	12,455	583	300	-	300
	HFT	Loans to banks	3,594	4,023	429	281	-	281
	HFT	Loans to customers	8,655	8,432	154	19	-	19
C. Other financial assets			23,800	21,309	2,491	-	-	-
	HFT	AFS	23,800	21,309	2,491	-	-	-
Total			36,049	33,764	3,074	300	-	300

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. The information in the table above relates exclusively to reclassifications made in 2008 of financial instruments which were, in part, sold in subsequent periods.

A.4 – FAIR VALUE DISCLOSURES

Fair value disclosures

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 counterparties, on the relevant market at the measurement date.
A financial instrument is regarded as quoted in an active market if the quoted prices are readily and regularly available in the market (as a trading, dealer or broker platform) regulated and said prices represent actual market transactions that regularly occur in normal trading.
If market quotations or other observable inputs are not available alternative valuation models are used (mark to model). The Group uses valuation methods in line with the methods generally accepted and used by the market. The valuation models include techniques based on future cash flows (and the estimation of volatility) and are subject to periodic revision in order to ensure full consistency with the objectives of the valuation.

Fair value hierarchy

The IFRS13 principle establishes a fair value hierarchy according to the degree of observability of the inputs and parameters used for the valuations. 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.

Description of migration between the valuation level of assets

The Companies included in the consolidation adopt a policy defined at the level of the Mediolanum Group for the recognition of the fair value level of individual positions. The policy establishes the rules that each Company uses 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 the valuation process to measure the fair value of instruments classified at levels 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. Securities in this category are valued on the basis of market data, either directly or indirectly observable.
The fair value of bonds is calculated as the sum of the present values at the balance sheet date of the cash flows arising from them. The discount rate is determined 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 that is derived from a weighted average of the observed values for bonds listed on institutional markets of major Italian banks.
If the expected values of the flows are not determined but 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 implicit 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 quota value.
The fair value of level 2 derivative financial instruments (represented by *Amortizing Interest Rate Swap*) is determined by taking into account their level of collateralization: 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 fair value of assets and liabilities not measured at *fair value* on a recurring basis includes customer and bank receivables and payables as well as real estate.
Hedging of index-linked policies pertaining to the insurance company subsidiary Mediolanum Vita, 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. More specifically:
- 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 sensitivity of index-linked hedges to changes in equity risk factors is equal to 1.85% of the notional amount. The sensitivity value is derived from the contracts (derived before the contract price with respect to changes in the risk factor, evaluated numerically on a change of 50 basis points of the relevant factors), and represents the sum of the notional amounts of unit leverage future contracts on the various stock indices of reference.

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;
- capitalization rate of final net income after the final arrangements.

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 four components will therefore reflect the market sensitivity of the assessor, as well as related predictions and expectations on performance of the same. The capitalization 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 deducted by the assessor observing the transactions identified in the relevant market.

In accordance with the provisions of existing law, the assets in the real estate funds are valued by independent experts every HY. The evaluations, assumptions and inputs used by the independent experts are then subject to validation by the Company's risk management.

The price of the shares, also in consideration of their low incidence in the portfolios of competence, is assumed to be equal to historical cost.

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

	June 30, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	1,472,365	26,302	7,034	1,100,271	26,806	8,025
2. Financial assets at fair value	11,292,898	1,149,937	522,498	10,715,215	1,423,027	612,943
3. Available-for-sale financial assets	13,228,152	143,132	119,152	12,296,507	145,089	117,287
4. Hedge derivatives	-	1,116	-	-	2,418	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible Assets	-	-	-	-	-	-
Total	25,993,415	1,320,487	648,684	24,111,993	1,597,340	738,255
1. Held-for-trading financial liabilities	404,554	24,229	544	231,526	18,800	541
2. Financial liabilities at fair value	350,936	16,563	4,082	47,398	19,020	4,570
3. Hedge derivatives	-	82,876	-	-	59,127	-
Total	755.490	123.668	4.626	278.924	96.947	5.111

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

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

€/t	Held-for-trading financial assets	Financial assets at fair value	Available-for-sale financial assets	Hedge derivatives	Tangible assets	Intangible assets
1. Opening balance	8,025	612,943	117,287	-	-	-
2. Increases	68,326	124,216	11,553	-	-	-
2.1. Acquisitions	67,910	98,835	9,157	-	-	-
2.2. Profits recognised:						
2.2.1. Income Statement	378	25,099	-	-	-	-
- of which: gains	205	22,015	-	-	-	-
2.2.2. Shareholders' Equity	X	X	2,375	-	-	-
2.3. Transferred from other levels	-	-	-	-	-	-
2.4. Other increases	38	282	21	-	-	-
3. Decreases	69,317	214,661	9,688	-	-	-
3.1. Sales	68,938	63,666	6,359	-	-	-
3.2. Reimbursements	105	3,341	-	-	-	-
3.3. Losses recognised:						
3.3.1. Income Statement	274	147,654	2,466	-	-	-
- of which: losses	84	10,247	2,466	-	-	-
3.3.2. Shareholders' Equity	X	X	863	-	-	-
3.4. Transferred to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-
4. Inventory	7,034	522,498	119,152	-	-	-

A.4.5.3 Annual changes in financial liabilities at *fair value* (level 3)

€/t	Financial liabilities		
	Held-for-trading	at fair value	Hedge derivatives
1. Opening balance	541	4,570	-
2. Increases	86	-	-
2.1. Issues	-	-	-
2.2. Losses recognised:			
2.2.1. Income Statement	-	-	-
- of which: gains	-	-	-
2.2.2. Shareholders' Equity	X	X	-
2.3. Transferred from other levels	-	-	-
2.4. Other increases	86	-	-
3. Decreases	83	488	-
3.1. Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised:			
3.3.1. Income Statement	-	-	-
- of which: losses	-	-	-
3.3.2. Shareholders' Equity	X	X	-
3.4. Transferred to other levels	-	-	-
3.5. Other decreases	83	488	-
4. Inventory	544	4,082	-

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

	June 30, 2014				Dec. 31, 2013			
	BV	FV			BV	FV		
€/t		L1	L2	L3		L1	L2	L3
1. Held-to-maturity investments	2,508,032	2,636,095	2,000	-	2,517,015	2,592,614	4,015	-
2. Loans to banks	815,573	5,007	109,111	701,667	1,100,559	93,290	222,128	781,680
3. Loans to customers	5,991,753	111,686	344,120	5,527,712	5,660,508	115,132	328,092	5,222,344
4. Tangible assets held for investment purposes	105,079	-	-	105,079	105,831	-	-	121,280
5. Non-current assets and disposal groups	841	-	-	841	868	-	-	868
Total	9,421,278	2,752,788	455,231	6,335,101	9,384,781	2,801,036	554,235	6,126,172
1. Payables due to banks	4,989,300	-	-	4,989,300	4,950,368	-	-	4,950,368
2. Amounts due to customers	14,255,695	-	-	14,256,851	12,905,464	-	-	13,787,557
3. Securities issued	392,517	-	404,542	-	369,409	-	372,821	-
4. Liabilities associated with assets held for sale	974	-	-	974	962	-	-	962
Total	19,638,486	-	404,542	19,247,125	18,226,203	-	372,821	18,738,887

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

Scope of Consolidation

The Consolidated Financial Statements include the accounts of Mediolanum S.p.A. and those of its directly or indirectly controlled subsidiaries. The subsidiaries which are consolidated on a line-by-line basis in accordance with the international accounting standards are set out in the tables below.

Group companies that are directly owned by Mediolanum S.p.A. and consolidated on a line-by-line basis:

€/t Company	Share capital	% holding	Registered office	Business
Mediolanum Vita S.p.A.	87,720	100.00%	Basiglio	Life Insurance
Mediolanum Assicurazioni S.p.A.	25,800	100.00%	Basiglio	Damages Insurance
Mediolanum Comunicazione S.p.A.	775	100.00%	Basiglio	Audio/film/TV production
PI Servizi S.p.A.	517	100.00%	Basiglio	Real estate brokerage
Mediolanum International Life Ltd	1,395	100.00%	Dublin	Life Insurance
Banca Mediolanum S.p.A.	600,000	100.00%	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.00%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	44.00%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	49.00%	Dublin	Asset management and advice
Gamax Management AG	2,000	0.004%	Luxembourg	Fund management

Group companies that are indirectly owned by Mediolanum S.p.A. through Banca Mediolanum S.p.A. and consolidated on a line-by-line basis:

€/t Company	Share capital	% holding	Registered office	Business
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00%	Basiglio	Fund management
Mediolanum Fiduciaria S.p.A.	240	100.00%	Basiglio	Trust company
Mediolanum International Funds Ltd	150	51.00%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.00%	Dublin	Asset management and advice
Gamax Management AG	2,000	99.996%	Luxembourg	Fund management
Banco Mediolanum S.A.	86,032	100.00%	Barcelona	Banking
Bankhaus August Lenz & Co. AG	20,000	100.00%	Munich	Banking
Fermi & Galeno Real Estate S.r.l.	10	100.00%	Basiglio	Management of real estate funds

Group companies that are indirectly owned by Banca Mediolanum S.p.A. through Banco Mediolanum S.A. and consolidated on a line-by-line basis:

€/t Company	Share capital	% holding	Registered office	Business
Mediolanum Gestion S.G.I.I.C. S.A.	2,506	100.00%	Barcelona	Fund management
Fibanc S.A.	301	100.00%	Barcelona	Financial Advice
Mediolanum Pensiones S.G.F.P. S.A.	902	100.00%	Barcelona	Pension Fund management
Mediolanum International Funds Ltd	150	5.00%	Dublin	Fund management

Mediolanum S.p.A. associates accounted for using the equity method:

€/t Company	Share capital	% holding	Registered office	Business
Mediobanca S.p.A.	430,565	3.44%	Milan	Banking

Mediolanum S.p.A. jointly owned entities accounted for using the equity method:

€/t Company	Share capital	% holding	Registered office	Business
Banca Esperia S.p.A.	63,000	50.00%	Milan	Banking

PART B - INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	June 30, 2014			Dec. 31, 2013		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Non-derivatives						
1. Debt securities	1,472,309	24,830	4,048	1,100,215	25,350	5,542
1.1 Structured notes	-	4,969	4,048	4	5,331	5,542
1.2 Other debt securities	1,472,309	19,861	-	1,100,211	20,019	-
2. Capital securities	48	-	-	-	-	-
3. Holdings in UCITS	-	-	-	56	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	1,472,357	24,830	4,048	1,100,271	25,350	5,542
B. Derivatives	-	-	-	-	-	-
1. Financial derivatives:	8	1,472	2,986	-	1,456	2,483
1.1 held for trading	8	851	2,846	-	742	2,304
1.2 associated with fair value option	-	621	140	-	714	179
1.3 others	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	8	1,472	2,986	-	1,456	2,483
Total (A+B)	1,472,365	26,302	7,034	1,100,271	26,806	8,025

Section 3 - Financial assets measured at fair value - Caption 30

3.1 Analysis of financial assets measured at fair value

	June 30, 2014			Dec. 31, 2013		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	316,577	1,049,786	522,498	330,049	1,323,599	612,943
1.1 Structured notes	271,068	817,741	508,532	276,704	927,634	588,705
1.2 Other debt securities	45,509	232,045	13,966	53,345	395,965	24,238
2. Capital securities	-	-	-	-	-	-
3. Holdings in UCITS	10,976,322	100,149	-	10,385,166	99,428	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	11,292,898	1,149,937	522,498	10,715,215	1,423,027	612,943

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

4.1 Analysis of available-for-sale financial assets

	June 30, 2014			Dec. 31, 2013		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	13,199,855	63,284	284	12,269,767	64,273	263
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	13,199,855	63,284	284	12,269,767	64,273	263
2. Capital securities	5,024	-	38,806	5,254	-	38,834
2.1 Measured at fair value	5,024	-	715	5,254	-	741
2.2 Measured at cost	-	-	38,091	-	-	38,093
3. Holdings in UCITS	23,273	79,848	80,062	21,486	80,816	78,190
4. Loans	-	-	-	-	-	-
Total	13,228,152	143,132	119,152	12,296,507	145,089	117,287

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

5.1 Analysis of held-to-maturity financial assets

	June 30, 2014				Dec. 31, 2013			
	BV	FV			BV	FV		
€/t		L1	L2	L3		L1	L2	L3
1. Debt securities	2,508,032	2,636,095	2,000	-	2,517,015	2,592,614	4,015	-
- structured	-	-	-	-	-	-	-	-
- others	2,508,032	2,636,095	2,000	-	2,517,015	2,592,614	4,015	-
2. Loans	-	-	-	-	-	-	-	-
Total	2,508,032	2,636,095	2,000	-	2,517,015	2,592,614	4,015	-

Legend:
FV= Fair value
BV= Book value

Section 6 - Loans to banks - Caption 60

6.1 Analysis of loans to banks

	June 30, 2014				Dec. 31, 2013			
	BV	FV			BV	FV		
€/t		L1	L2	L3		L1	L2	L3
A. Loans to central banks	132,208	-	-	132,208	369,774	-	-	369,774
1. Time deposits	-	X	X	X	12,000	X	X	X
2. Reserve requirements	132,208	X	X	X	357,774	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Others	-	X	X	X	-	X	X	X
B. Loans to banks	683,365	5,007	109,111	569,459	730,785	93,290	222,128	411,906
1. Loans	569,384	-	-	569,382	411,833	-	-	411,833
1.1 Current accounts and demand deposits	79,385	X	X	X	63,245	X	X	X
1.2 Time deposits	74,359	X	X	X	54,903	X	X	X
1.3 Other loans:	415,640	X	X	X	293,685	X	X	X
- Repurchase agreements	395,445	X	X	X	277,173	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Others	20,195	X	X	X	16,512	X	X	X
2. Debt securities	113,981	5,007	109,111	77	318,952	93,290	222,128	73
2.1 Structured notes	-	X	X	X	-	X	X	X
2.1 Other debt securities	113,981	X	X	X	318,952	X	X	X
Total	815,573	5,007	109,111	701,667	1,100,559	93,290	222,128	781,680

Legend:
FV= Fair value
BV= Book value

Section 7 - Loans to customers - Caption 70

7.1 Analysis of loans to customers

	June 30, 2014						Dec. 31, 2013					
	Book value			Fair value			Book value			Fair value		
		Impaired						Impaired				
€/t	Performing	Purch.	Others	L1	L2	L3	Performing	Purch.	Others	L1	L2	L3
Loans	5,474,178	-	52,274	-	-	5,515,239	5,147,215	-	46,954	-	-	5,222,149
1. Current accounts	400,718	-	4,473	X	X	X	418,148	-	4,810	X	X	X
2. Repurchase agreements	37,741	-	-	X	X	X	20,403	-	-	X	X	X
3. Mortgages	4,015,526	-	38,367	X	X	X	3,675,984	-	32,696	X	X	X
4. Credit cards, personal loans & salary-guaranteed loans	712,972	-	4,407	X	X	X	650,973	-	2,978	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	307,221	-	5,027	X	X	X	381,707	-	6,470	X	X	X
Debt securities	465,301	-	-	111,686	344,120	185	466,339	-	-	115,132	328,092	195
8. Structured notes	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	465,301	-	-	X	X	X	466,339	-	-	X	X	X
Total	5,939,479	-	52,274	111,686	344,120	5,515,424	5,613,554	-	46,954	115,132	328,092	5,222,344

Receivables from customers amounted to Euro 5,991.8 million at June 30, 2014, an increase of about Euro +331.2 over the comparative period mainly due to the increase in loans to customers for disbursement of mortgages (Euro +345.2 million).

Section 10 – Equity investments – Caption 100

€/t	June 30, 2014	Dec. 31, 2013
Mediobanca S.p.A.	308,528	301,462
Banca Esperia S.p.A.	97,664	90,407
Total	406,192	391,869

The variation in the HY is related to the valuation using the equity method of the shareholding in Banca Esperia on the basis of its consolidated shareholders' equity at June 30, 2014 (available data related to Mediobanca updated as at March 31, 2014).
The impact on the income statement recorded a positive balance of Euro 7.1 million (June 30, 2014: Euro 0.7 million).
In particular, with reference to the value of the investment in Mediobanca Group in the period under review, there was no need to perform an impairment test to verify the value of the investment as there were no indicators of impairment thereof.

Section 13 – Intangible assets – Caption 130

As at June 30, 2014, total "Goodwill" amounted to Euro 125.6 million; in the HY under review, there was no need to perform an impairment test for goodwill as there are no indicators of potential impairment of the *cash generating unit* to which said goodwill has been allocated.

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/t	June 30, 2014	Dec. 31, 2013
1. Amounts due to central banks	4,161,170	4,252,588
2. Payables vs banks	828,130	697,780
2.1 Current accounts and demand deposits	34,323	32,141
2.2 Time deposits	472,538	410,647
2.3 Loans	317,730	251,537
2.3.1 Repurchase agreements	62,811	8
2.3.2 Others	254,919	251,529
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other payables	3,539	3,455
Total	4,989,300	4,950,368
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	4,989,300	4,950,368
Total Fair value	4,989,300	4,950,368

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/t	June 30, 2014	Dec. 31, 2013
1. Current accounts and demand deposits	7,279,613	6,750,953
2. Time deposits	4,240,255	3,819,600
3. Loans	2,600,984	2,215,299
3.1 Repurchase agreements	2,600,133	2,212,650
3.2 Others	851	2,649
4. Commitments to buy back own equity instruments	-	-
5. Other payables	134,843	119,612
Total	14,255,695	12,905,464
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	14,256,851	13,787,557
Fair value	14,256,851	13,787,557

Amounts due to customers were up by 10.5% compared to the figure for the previous year. This variation is mainly due to the increase in amounts due to customers for current accounts/demand deposits (Euro +528.7 million), time deposits (Euro +420.7 million) and the increase in the balance of repurchase transactions (Euro +387.5 million).

Section 3 – Securities issued – Caption 30

3.1 Analysis of securities issued

	June 30, 2014				Dec. 31, 2013			
	Book	Fair value			Book	Fair value		
€/t	value	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3
A. Securities	-	-	-	-	-	-	-	-
1. Securities	392,517	-	404,542	-	369,409	-	372,821	-
1.1 structured	53,921	-	53,921	-	95,372	-	95,372	-
1.2 others	338,596	-	350,621	-	274,037	-	277,449	-
2. Others securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	392,517	-	404,542	-	369,409	-	372,821	-

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

	June 30, 2014			Dec. 31, 2013		
	FV			FV		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Non-derivatives liabilities	-		-	-	-	-
1. Payables due to banks	-	-	-	212,562	-	-
2. Amounts due to customers	404,527	-	-	18,964	-	-
3. Debt securities	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-
3.2.2 Others	-	-	-	-	-	-
Total A	404,527	-	-	231,526	-	-
B. Derivatives	-	-	-	-	-	-
1. Financial derivatives	27	24,229	544	-	18,800	541
1.1 For trading	27	24,229	544	-	18,800	541
1.2 Associated with fair value option	-	-	-	-	-	-
1.3 Others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-
2.2 Associated with fair value option	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-
Total B	27	24,229	544	-	18,800	541
Total A+B	404,554	24,229	544	231,526	18,800	541

Legend:
FV = Fair value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 5 - Financial liabilities measured at fair value - Caption 50

5.1. Analysis of financial liabilities measured at fair value

€/t	June 30, 2014				Dec. 31, 2013			
	NV	FV			NV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Payables due to banks	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Others	-	-	-	-	-	-	-	-
2. Amounts due to customers	371,581	350,936	16,563	4,082	70,988	47,398	19,020	4,570
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Others	371,581	350,936	16,563	4,082	70,988	47,398	19,020	4,570
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	-	-	-	-
3.2 Others	-	-	-	-	-	-	-	-
Total	371,581	350,936	16,563	4,082	70,988	47,398	19,020	4,570

Legend:
FV = Fair value
NV = Nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/t	June 30, 2014	Dec. 31, 2013
1. Severance entitlements	586	586
2. Other provisions for risks and charges	186,841	187,223
2.1 Legal proceedings	23,806	22,187
2.2 Personnel expenses	-	-
2.3 Others	163,035	165,036
Total	187,427	187,809

Section 13 – Technical reserves – Caption 130

13.1 Analysis of technical reserves

€/t	Insurance	Reinsurance	June 30, 2014	Dec. 31, 2013
A. Damages	87,576	99	87,675	79,002
A.1 Premium reserves	65,133	-	65,133	56,685
A.2 Accident reserves	20,574	99	20,673	20,721
A.3 Other reserves	1,869	-	1,869	1,596
B. Life	2,615,069	-	2,615,069	3,105,935
B.1 Mathematical reserves	2,482,851	-	2,482,851	2,923,998
B.2 Reserves for sums to be paid	84,173	-	84,173	152,682
B.3 Other reserves	48,045	-	48,045	29,255
C. Technical reserves under which the investment risk is borne by the insurance company	12,690,134	-	12,690,134	12,777,576
C.1 Reserves for contracts whose performance is linked to investment funds and market indices	12,690,134	-	12,690,134	12,777,576
C.2 Reserves relating to the administration of pension funds	-	-	-	-
D. Total technical reserves	15,392,779	99	15,392,878	15,962,513

Section 15 – Group Shareholders' equity – Captions 140, 160, 170, 180, 190, 200 and 220

15.5 Other informations

€/t	June 30, 2014	Dec. 31, 2013
Share Capital	73,678	73,600
Share premium account	62,555	59,376
Reserves	1,289,075	1,156,097
Interim dividend (-)	-	(73,595)
Valuation reserve	237,753	100,781
Treasury shares (-)	(2,045)	(2,045)
Profit (loss) for the period	164,942	336,580
Total Net Equity	1,825,958	1,650,794

The valuation reserve recorded a total increase of Euro +137.0 million compared to the end of year 2013 from a positive balance of Euro 100.8 million at the end of 2013 to a positive balance of Euro 237.8 million at June 30, 2014 and includes a shadow accounting reserve for Euro 27.2 million.

PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/t	Debt securities	Loans	Other	June 30, 2014	June 30, 2013
1. Held-for-trading financial assets	5,436	-	99	5,535	5,820
2. Financial assets at fair value	39,063	-	-	39,063	47,559
3. Available-for-sale financial assets	136,752	-	-	136,752	183,601
4. Held-to-maturity investments	35,503	-	-	35,503	32,530
5. Loans to banks	2,384	(57)	-	2,327	10,344
6. Loans to customers	2,200	75,982	132	78,314	63,488
7. Hedge derivatives	X	X	-	-	-
8. Other Assets	X	X	96	96	(18)
Total	221,338	75,925	327	297,590	343,324

1.4 Analysis of Interest expense and similar charges

€/t	Payables	Securities	Other	June 30, 2014	June 30, 2013
1. Amounts due to central banks	(4,256)	X	-	(4,256)	(10,460)
2. Payables vs banks	(1,207)	X	-	(1,207)	(1,247)
3. Amounts due to customers	(93,487)	X	-	(93,487)	(87,757)
4. Securities issued	X	(7,435)	-	(7,435)	(6,836)
5. Held-for-trading financial liabilities	(5,245)	-	-	(5,245)	(4,762)
6. Financial liabilities at *fair value*	(6)	-	-	(6)	(25)
7. Other liabilities and funds	X	X	(5,232)	(5,232)	(6,855)
8. Hedge derivatives	X	X	(6,878)	(6,878)	(7,703)
Total	(104,201)	(7,435)	(12,110)	(123,746)	(125,645)

Section 2 – Commissions – Captions 40 and 50

2.1 Analysis of commission income

€/t	June 30, 2014	June 30, 2013
a) Guarantees issued	35	35
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	468,821	440,771
1. financial instruments brokerage	1,562	1,151
2. currency brokerage	1	1
3. portfolio management	434,409	408,459
3.1 individual portfolio management	4,324	2,488
3.2 collective	430,085	405,971
4. securities in custody and under administration	1,957	2,022
5. custodian bank	515	357
6. sale of securities	13,140	12,311
7. receipt and transmission of orders	3,895	3,114
8. consulting activities	-	-
8.1 investment consulting	-	-
8.2 financial structure consulting	-	-
9. services to third parties	13,342	13,356
9.1 portfolio management	2,280	195
9.1.1. individual	-	-
9.1.2. collective	2,280	195
9.2 insurance products	204	2,620
9.3 other products	10,858	10,541
d) Collection and payment services	11,889	10,520
e) Servicing for securitization transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Bank accounts custodian and management services	8,262	9,602
j) Other services	43,809	40,912
Total	532,816	501,840

2.2 Analysis of commission expense

€/t	June 30, 2014	June 30, 2013
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services	(199,117)	(208,872)
1. financial instruments brokerage	(1,053)	(952)
2. currency brokerage	-	-
3. asset management	(2,298)	(2,526)
3.1 own	(1,382)	(1,884)
3.2 on mandates from third parties	(916)	(642)
4. securities in custody and under administration	(431)	(378)
5. financial instruments brokerage	(12,935)	(12,036)
6. off-premises sales of financial instruments, products and services	(182,400)	(192,980)
d) Collection and payment services	(12,396)	(10,840)
e) Other services	(23,527)	(9,947)
Total	(235,040)	(229,659)

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

	June 30, 2014		June 30, 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	3,536	1,556	1,412	1,343
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-	X	-	X
Total	3,536	1,556	1,412	1,343

Section 4 – Net income from trading – Caption 80

4.1 Analysis of net income from trading

€/t	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)] June 30, 2014
1. Held-for-trading financial assets	13,760	7,645	(454)	(933)	20,018
1.1 Debt securities	13,760	7,624	(448)	(910)	20,026
1.2 Equities investiments	-	-	(6)	(23)	(29)
1.3 Holdings in UCITS	-	21	-	-	21
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Held-for-trading financial liabilities	1,629	679	(2,813)	(1,561)	(2,066)
2.1 Debt securities	1,629	679	(2,813)	(1,561)	(2,066)
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	38
4. Derivative instruments	204	3,586	(6,506)	(7,417)	(9,482)
4.1 Financial derivatives:	204	3,586	(6,506)	(7,417)	(9,482)
- debt securities and interest rates	90	3,562	(6,454)	(7,375)	(10,177)
- equities and stock indices	114	24	(52)	(42)	44
- currencies and gold	X	X	X	X	651
- others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	15,593	11,910	(9,773)	(9,911)	8,508

Section 7 - Net result from financial assets and liabilities measured at fair value - Caption 110

€/t	Gains (A)	Gains on disposal (B)	Losses (C)	Losses on disposal (D)	Net income [(A+B)-(C+D)] June 30, 2014
1. Financial Assets	491,757	19,899	(18,272)	(88,922)	404,462
1.1 Debt securities	42,161	6,964	(7,811)	(5,634)	35,680
1.2 Equities	-	-	-	-	-
1.3 Holdings in UCITS	449,596	12,935	(10,461)	(83,288)	368,782
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	(4,729)	-	(4,729)
2.1 Debt securities	-	-	(4,729)	-	(4,729)
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	X	X	X	X	-
4. Credit and financial derivatives	-	-	-	-	-
Total	491,757	19,899	(23,001)	(88,922)	399,733

Section 9 - Net premiums - Caption 150

9.1 Analysis of net premiums written

€/t	Insurance	Reinsurance	June 30, 2014	June 30, 2013
A. Life				
A.1 Gross premiums booked (+)	2,079,700	-	2,079,700	2,704,260
A.2 Reinsurance premiums (-)	(1,497)	X	(1,497)	(1,472)
A.3 Total	2,078,203	-	2,078,203	2,702,788
B. Damages				
B.1 Gross premiums booked (+)	26,009	-	26,009	10,698
B.2 Reinsurance premiums (-)	(1,257)	X	(1,257)	(581)
B.3 Change in the gross amount for premiums reserve (+/-)	(8,447)	-	(8,447)	(3,484)
B.4 Change in premiums reserve borne by reinsurers (+/-)	1	-	1	63
B.5 Total	16,306	-	16,306	6,696
C. Total net premiums written	2,094,509	-	2,094,509	2,709,484

Concerning premiums not accounted for IFRS 4 relating to the product "My Life" reference is made to as described in the Report on Operations.

Section 10 – Balance of other income and expense from insurance activities – Caption 160

10.1 Analysis of balance of other income and expenses from insurance activities

€/t	June 30, 2014	June 30, 2013
1. Net change in technical reserves	522,068	1,779,374
2. Claims paid during the year	(3,061,983)	(5,050,876)
3. Other income and expenses (net) from insurance activities	(812)	417
Total	(2,540,727)	(3,271,085)

10.2 Analysis of "Net change in technical reserves"

€/t	June 30, 2014	June 30, 2013
1. Life		
A. Mathematical reserves	628,963	1,878,269
A.1 Gross annual	631,101	1,880,359
A.2 Reinsurers' share (-)	(2,138)	(2,090)
B. Other technical reserves	(2,193)	1,901
B.1 Gross annual	(2,193)	1,901
B.2 Reinsurers' share	-	-
C. Technical reserves under which the investment risk is borne by the policyholder	(104,565)	(100,776)
C.1 Gross annual	(104,565)	(100,776)
C.2 Reinsurers' share (-)	-	-
Total "life insurance reserves"	522,205	1,779,394
2. Damages		
Changes in other technical reserves of life insurance other than the provision for claims, net of reinsurance	(137)	(20)
Total Life and Damage reserves	522,068	1,779,374

10.3 Analysis of "Claims during the year"

€/t	June 30, 2014	June 30, 2013
Life: expenses relating to claims, net of reinsurance		
A. Amounts paid	(3,126,436)	(5,103,771)
A.1 Gross annual	(3,129,600)	(5,108,335)
A.2 Reinsurers' share (-)	3,164	4,564
B. Change in reserve for outstanding claims	68,246	55,182
B.1 Gross annual	68,509	55,190
B.2 Reinsurers' share (-)	(263)	(8)
Total Life	(3,058,190)	(5,048,589)
Damages: expenses relating to claims, net of recoveries and reinsurance		
C. Amounts paid	(3,880)	(1,817)
C.1 Gross annual	(4,361)	(2,185)
C.2 Reinsurers' share (-)	481	368
D. Change in recoveries net of the portion attributable to reinsurers	(82)	(94)
E. Change in claims reserve	169	(376)
E.1 Gross annual	49	(220)
E.2 Reinsurers' share (-)	120	(156)
Total Damages Claims	(3,793)	(2,287)

Section 11 – Administrative expenses – Caption 180

11.1 Analysis of personnel expenses

€/t	June 30, 2014	June 30, 2013
1) Employees	(80,072)	(74,844)
a) salaries and wages	(56,489)	(53,053)
b) social security	(16,648)	(15,588)
c) indemnities	(4)	(35)
d) pensions	-	-
e) provision for completion of service entitlements	(2,721)	(2,396)
f) directors' termination benefits and similar provisions:	(17)	(16)
- defined contribution plan	(17)	(16)
- defined benefit plan	-	-
g) external supplementary pension funds:	(727)	(675)
- defined contribution plan	(685)	(585)
- defined benefit plan	(42)	(90)
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	(3,466)	(3,081)
2) Other personnel	(2,612)	(1,755)
3) Directors and Statutory Auditors	(3,814)	(4,763)
4) Retired personnel	-	(3)
Total	(86,498)	(81,365)

11.2 Average number of employees by category

Unit	June 30, 2014	June 30, 2013
1) Employees	2,356	2,215
a) executives	90	100
b) middle managers	337	313
c) other employees	1,929	1,802
2) Other personnel	-	41
Total	2,356	2,256

11.5 Analysis of other administrative expenses

€/t	June 30, 2014	June 30, 2013
IT systems	(43,847)	(32,166)
Infoprovider services	(3,260)	(2,759)
Fees and expenses financial services	(1,354)	(1,384)
Miscellaneous services	(11,769)	(9,027)
Intra-group services	(1,367)	(943)
Taxes and Charges	(1,678)	(1,312)
Television communication and Internet services	(1,076)	(1,282)
Network advisory services and collaborations	(1,384)	(1,906)
Rentals	(6,495)	(6,013)
Maintenance and repairs	(1,752)	(1,879)
Telephone and postal expenses	(7,148)	(7,073)
Other consulting and collaboration	(11,500)	(9,454)
Contributions to "Punti Mediolanum"	(546)	(479)
Consumables	(4,122)	(3,002)
Insurance companies	(1,365)	(1,129)
Member contributions	(2,246)	(2,787)
Advertising and promotional expenses	(16,054)	(14,388)
Organization conventions	(5,978)	(6,023)
Consulting, education and training Sales network	(2,551)	(463)
Canteen	(63)	(76)
Energy utilities	(788)	(752)
Entertainment expenses, gifts and donations	(2,217)	(2,317)
Market Research	(789)	(373)
Employee recruitment	(850)	(270)
Travel expenses	(670)	(569)
Recruitment of financial advisors	(12)	(16)
Other administrative expenses	(2,753)	(2,387)
Total	(133,634)	(110,229)

Other administrative expenses showed a sharp increase of Euro +23.4 million, mainly due to the increase in expenses incurred for IT systems (Euro +11.7 million), higher expenses for consulting and training of the sales network (Euro +2.1 million) and higher expenses for consulting and collaboration (Euro +2.0 million).

Section 12 – Net provisions for risks and charges – Caption 190

12.1. Analysis of net provisions for risks and charges

€/t	June 30, 2014	June 30, 2013
Portfolio Indemnity	(357)	(1,166)
Supplementary customer allowances	(3,301)	(3,370)
Risks for financial advisor offences	(6,046)	(1,478)
Future charges on products distributed	(1,041)	(2,216)
Legal proceedings	(1,432)	3,009
Managerial allowance	(1,359)	(3,868)
Other fund provisions for risks and charges	(3,847)	(1,169)
Total	(17,383)	(10,258)

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk Management and Internal Control System

For the purpose of this section it is considered that Banking Group shall refer to Banca Mediolanum and its subsidiaries and insurance industry shall refer to the companies: Mediolanum Vita, Mediolanum Assicurazioni and Mediolanum International Life Ltd.
The Group's internal control system consists of the set of rules, procedures and functions established to ensure the effectiveness and efficiency of corporate processes, the protection of company's assets and the proper management of customer assets, the reliability and integrity of accounting and management information as well as compliance with internal and external rules, statutes and regulations. The various companies within the Mediolanum Group operate a comprehensive, effective internal control system in accordance with applicable regulations and the business they conduct.
The Board of Directors and management play a key role in the establishment of an adequate risk management framework and the implementation of an effective internal control system.
The control system is organized according to different levels, with different levels of responsibility. Specifically, the internal control system is built around the following three main lines of defence:

- line controls: made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. These controls are carried out by operational units or embedded in automated procedures, and they are part of back-office activities;
- risk or second-level controls: performed by units other than operating units that contribute to the definition of risk measurement methods, control of operating limits of officers to whom authorities are delegated, and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of responsibility. This second line of defence is tailored to the risk profile of the individual business and includes controls over credit risk, market risk, capital risk, investment risk, operational risk, compliance risk and reputational risk;
- internal audit or third-level controls: entails the periodic assessment of the completeness, effectiveness and adequacy of the internal control system in relation to the nature of the business and the level of risks undertaken. These controls are the responsibility of the Internal Audit function which is separate and independent of operating units.

For the performance of their duties, control staff is granted access to all corporate structures as well as to any information they may need to assess outsourced activities. The Board of Directors and the Board of Statutory Auditors receive regular reports on internal control work so that they can promptly take suitable corrective measures if deficiencies are detected.

Risk Control Organisational Structure

Integrated risk management is represented by the set of rules, functions, structures, resources, processes and procedures designed to ensure, in accordance with sound and prudent management, the achievement of different purposes including the containment of risk within the limits set out in the framework of reference for the determination of risk appetite on the part of all the companies that are part of the Conglomerate.

Therefore in all Group companies there is supervision of all types of first and second pillar risks, according to different methodologies both in relation to the nature of the activities of each Company, and in relation to the principle of proportionality. These principals are formalized in policy documents, which are inflected in specific procedures and implemented in adequate IT processes and tools.
The results of the risk supervision activities are brought to the attention of the individual Boards of Directors of various companies of the Group at least quarterly. In particular, at the Internal Control Committee of Mediolanum S.p.A. there is an informative summary of the integrated reporting at Conglomerate level on the control of risks that characterize the latter.
In June, the Board of Directors of Banca Mediolanum approved the Risk Appetite Framework (RAF) document that appears to be the framework that determines the risk appetite, tolerance thresholds, risk limits, the government risk policies, processes of reference needed to define and implement them, consistent with the maximum acceptable risk, the business model and the strategic plan adopted by the Group.
This document was subsequently brought to the attention of the Internal Control Committee of the Company Mediolanum S.p.A., together with the RAF Dashboard reporting document that is the tool to monitor strategic risk indicators monthly, monitored at individual and Group level.
It is also reported that during HY1 of the year, the Board of Directors of Banca Mediolanum has approved a total reorganization of the internal control functions, to comply with "New regulations for the prudential supervision of banks" 15th update of Circular 263 with the establishment of the Risk Management Function effectively implementing the general principles of organization defined by the Supervisory Authority in the aforementioned Circular, by separation of the corporate compliance and risk management functions and to strengthen supervision on the overall risks of the Conglomerate.
In order to ensure closer proximity to the business, the Risk Management Function of Banca Mediolanum has remained as the unit which provides outsourced services also to Mediolanum S.p.A. and which also performs coordination tasks of the Group. Specific Risk Management functions have also been incorporated in the Companies Mediolanum Vita, Mediolanum Assicurazioni, the Management Company Mediolanum Gestione Fondi, which functionally report to the homologous Function of the Parent Company.
The Group risk management framework has been developed taking into account the nature of the business as well as statutory and regulatory requirements and is continually reviewed and upgraded to keep abreast of any changes in the internal and external regulatory and business environment.
The Group risk management framework, together with related corroborative information, was examined and approved by the Audit Committee, Senior Management and the Board of Directors of the Parent Company.

Underlying principles

The following general principles form the bedrock of the Group risk management framework:

- completeness in the types and location of risks;
- segregation of duties between the Risk Management function and Operating Units, in accordance with the proportionality principle, which entails an implementation approach by subsidiaries commensurate with the size of the entity;
- sharing and coherence among all organizational units and/or companies belonging to the same group regarding the use of models and uniform methodologies for the collection of data and information and for the analysis and measurement of risks;

- timely and consistent analysis and measurement of risks; subsequent preparation of reports to support control and decision-making processes;
- transparency and dissemination of models, methods and criteria applied in the analysis and measurement of risks to promote a control culture within the organisation and understanding of the reasons underlying the choices made;
- delegation of risk management authorities and responsibilities from the Board of Directors to the Operating Units for their direct management of the risks to which corporate processes are exposed.

To ensure adherence to the principles above and have a comprehensive risk management framework, the Mediolanum Group has adopted a set of risk policies.

The main purposes of risk policies are to:

- ensure that any material breaches/anomalies be promptly identified by the internal control system and adequate corrective/mitigating actions be taken;
- ensure the consistent application of risk management principles and rules across the Group;
- promote a risk management culture at all levels of the organisation and encourage consistent, knowledgeable operating choices and practices, in a structured way.

The Risk Management function of Banca Mediolanum provides risk management and compliance services to Mediolanum S.p.A. under a specific service agreement. The Compliance & Risk Control function of Banca Mediolanum is organised into four operating units: Group Coordination, Reporting and Quantitative Modelling, Credit Risk Management, Financial Risk Management, Operational Risk Management.

Risk Management Function

The function mainly performs the following activities:

- definition and maintenance of the framework for controlling and managing all risks of the Bank (financial, credit and operational), in accordance with the guidelines of the Board of Directors and regulatory provisions in force;
- definition and development of quantitative methods aimed at establishing and managing first and second pillar significant risk of Banca Mediolanum;
- preparation of internal rules, policies and regulations related to all first and second pillar significant risks;
- proposition of quantitative and qualitative parameters necessary for the definition of the RAF, including stress scenarios needed to define the risk tolerance;
- continuous verification of the adequacy of the RAF;
- supervision of the specialist regulations of competence and implementation of actions for adaptation, in collaboration with other company functions;
- risk monitoring and definition of related management policies, and preparation of controlling reports to the Board of Directors following as defined in the Risk Appetite Framework;
- collection of operational loss events;
- assessment for all relevant first and second pillar risks, of the congruity of economic capital;
- assessment of the risk profile of products placed by Banca Mediolanum for the conduct of audits required by MIFID (both for the Group's products and third-party products);
- preparation of periodic information on the Bank's risk for the Board of Directors;
- quantitative specialist support to functions responsible for capital management.

Financial Instruments' classification method and principles

Pursuant to IFRS7, exposures are analysed in relation to three main types of risk:

1. **Credit Risk.** Credit risk is the risk of loss arising from the deterioration in the creditworthiness up to default of either retail customers or institutional counterparties of whom the bank is a creditor in its investment activities, as a result of which debtors fail to meet all or part of their contractual obligations.
2. **Market Risks.** Market risk is the risk of potential losses, which may also be significant, from adverse movements in market rates and prices to which the Mediolanum Group companies are exposed in their investment activities, such as interest rates, exchange rates, equity prices, volatility, bond spreads.
3. **Liquidity Risks.** 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 (wide bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential that an entity will be unable to obtain adequate funding. Pursuant to Basel II Second Pillar Supervisory Review of the Internal Capital Adequacy Assessment Process (ICAAP), the regulator requires banking organisations to put in place liquidity risk measurement and management policies and processes.

Information on risks is set out below.

Risk management at Conglomerate level

For financial conglomerates that engage in both insurance and banking, the traditional approach applied by regulators and supervisors to ensure that enough capital is held against risks has been to consider the risk profile of each business (insurance and banking) and set forth capital requirements against the specific risks to which each business is exposed. The insurance business is subject to Solvency II requirements and the banking business to the ICAAP process. At conglomerate level, compliance with these requirements is compounded by assessment, analysis and monitoring of risk concentration.

Risk concentration indicates an exposure with the potential to produce losses that are large enough to threaten the solvency or financial position of the conglomerate entities. Management and control of risk concentration is carried out by aggregating the exposures of all Conglomerate entities to the same counterparty, be it public or private, regardless of the form of exposure.

Quarterly reports with particulars on the most significant exposures of the Conglomerate to the same counterparties are sent to the Supervisory Authorities.

Owing to their pervasive nature a common risk framework was adopted at Group level for strategic risk, operational risk, compliance risk and reputational risk. Said framework is applied to the various entities within the Group under a proportionate approach according to the characteristics of the specific business and related statutory and regulatory requirements.

Given the common framework information about strategic risk, operational risk, compliance risk and reputational risk provided in the following pages relates to the entire Group while the information about financial risk and credit risk is given separately for the insurance business and banking business.

Insurance – Financial Risk and Credit Risk

Introduction

The Group conducts insurance business through three entities: the Italian companies Mediolanum Vita and Mediolanum Assicurazioni and the Irish company Mediolanum International Life LTD.
The risk management models are tailored to the complexity of the business and the characteristics of the products sold. In certain instances, e.g. class III products dealt with by Mediolanum Vita and Mediolanum International Life, control processes are geared to protect the policyholders who bear the investment risk thereof, through the validation of pricing models and control of issuers' solvency. The Irish company has limited free capital which is mainly invested in term deposits held with other Mediolanum Group companies. The Irish company has limited free capital which is mainly invested in term deposits held with other Mediolanum Group companies. As for any Index-Linked residues as a result of redemptions, they will be freed up quickly with the counterparties and thus the residual counterparty risk in free equity can be considered marginal. The concentration and credit risk are also monitored at Group level through "Credit VAR" method (for a detail on control methods and processes, reference is made to the section commenting Index Linked contracts).
Overall portfolio risk is also monitored for the Italian insurance company Mediolanum Vita as it offers a broader, more diversified portfolio of products (prevalence of class I products, class III products, and residual portfolio of products in class).
Mediolanum Assicurazioni S.p.A. is a Company operating in the Damages segment with portfolio management linked mainly to hedge the claims reserve, in relation to which risk control activities are performed. These activities are carried out both by the operating structures of each Company, and by the neo second level control functions, set up in HY1 of the year following review of the organizational structure by Banca Mediolanum following the implementation of the supervisory regulation provisions.

Free Capital and Traditional Portfolio

The controls currently in place monitor the value of underlying assets ex-ante and ex-post.
In the traditional reserve portfolio the risk of asset-liability mismatch is periodically assessed by Mediolanum Vita using an Asset Liability Management (ALM) stochastic model.

Asset Liability Management

As mentioned in the previous paragraph, only the company Mediolanum Vita S.p.A. uses an advanced procedure to improve the measurement and management of ALM.

In particular, the model in question is based on stochastic dynamic financial analysis (DFA) which allows evaluating how the situation of the company may change if several scenarios and strategic decisions vary. It allows projections not only of possible future scenarios but also of their probability. The software generates stochastic projections of the flows of assets and liabilities in the company's traditional portfolio. To that end, at each assessment date 1,000 Market-Consistent financial scenarios are generated. Each of these scenarios shows the possible developments of risk factors over a 20-year horizon. The system allows ex-ante modelling for:

- current and future asset allocation;
- type of securities to be bought/sold;
- ranking of securities to be bought/sold;
- liabilities paid up and lapse rate assumptions;
- return targets;
- actions to be taken to meet return targets.

Through ad-hoc reports generated by the system, it is possible to monitor the long-term impact of management investment choices on the company's profitability and solvency.

Key Risks Mapping

Group insurance entities' exposure to financial risks arises from investments made to attain the strategic goals pursued by these entities both in terms of income generation and levels of technical reserves. In particular, key financial risks essentially consist of market risk – mainly interest rate risk and, to a limited extent, credit risk counterparty risk. The latter is principally in connection with derivate contracts and is mitigated via collateralisation under ISDA/CSA agreements as per the relevant policy. Risk analysis also includes liquidity risk, regulatory compliance risk and, last but not least, reputational risk.
Since the risk exposures of the Italian Life Insurance Company are more significant than those of the Irish Company, risk management disclosures set out in the next sections focus on Mediolanum Vita.
Similarly, also for the Company Mediolanum Assicurazioni, which operates in the damage segment, the main results of the monitoring of controls carried out during the year will be outlined.

Solvency II

The Mediolanum Group started the implementation of its Solvency II compliance project several years ago. The project, conducted at Group level, involves all business functions in different ways. The current project aims to implement all rules required to comply with the requirements of the three pillars on which the regulation is based.

- first pillar: related to the calculation of the solvency margin according to a "risk-based" methodology;
- second pillar: the so-called ORSA (Own Risk and Solvency Assessment) process, relative to the control tools such as-quantitative that the companies shall obtain to ensure solvency;
- third pillar: relating to public disclosure requirements to various stakeholders.

In line with as provided by the regulations, the Mediolanum Group aims to implement a system for the calculation of the Solvency Capital Requirement (SCR) and to review risk management processes. The Mediolanum Group is now completing the infrastructure for the calculation of the first pillar capital requirement, the ORSA process as well as reviewing its risk appetite and internal risk governance. The Solvency II project will deliver a more risk-based management system for the insurance business rounding out the Mediolanum Group's overall risk management system which is built on strong foundations including Basel II compliance and the ICAAP process in the Banking Group. Over the years the Mediolanum Group has participated in all quantitative impact studies (QIS) required by European insurance authorities and as part of its ORSA project it has developed initial projections of prospective capital levels applying Solvency II required methods.

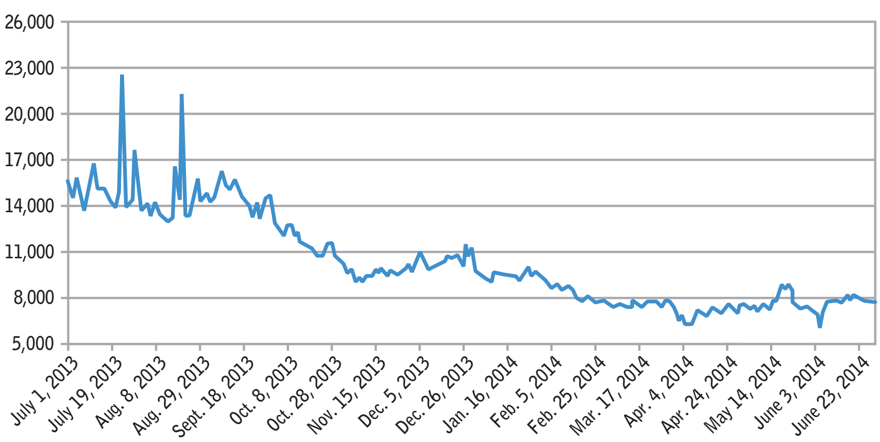
MEDIOLANUM VITA

Market Risk

Market risk associated with the traditional portfolio of the Italian Life Insurance Company is managed in accordance with regulatory requirements and market best practice, applying Value at Risk measurement and management processes based on guidelines and general rules set out in the financial risk control policy.

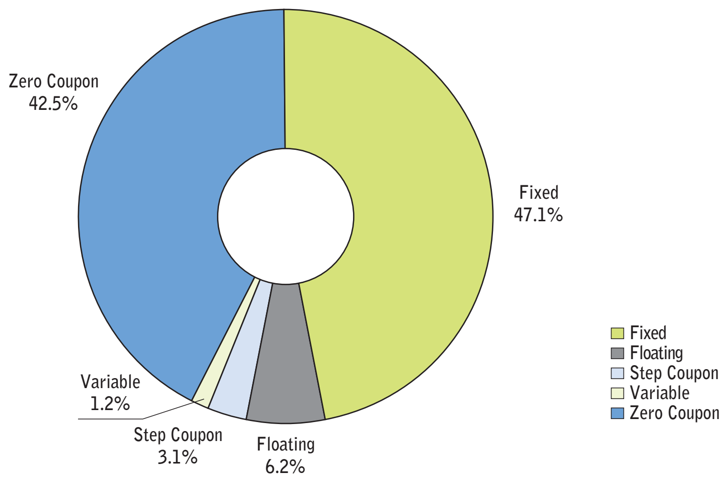
The chart below shows Value at Risk (VaR) in HY1 2014:

VaR Mediolanum Vita S.p.A. portfolio (figures in €/t)



The chart below sets out an analysis of the Italian Life Insurance Company portfolio by type of assets.

Analysis of the Mediolanum Vita S.p.A. portfolio by type of assets (June 2014)



Credit risk

The risk that over the life of a financial instrument linked to an insurance product there may be an event which changes the repayment ability (creditworthiness) of the counterparty (issuer) and consequently the value of the credit position. Credit risk can be divided into two components: insolvency and migration risk. Insolvency risk is the risk of not being able to fully collect a certain number of future payments as a result of the insolvency of the debtor; migration risk relates to the risk of a decline in the value of the instrument as a result of the deterioration of the credit standing/rating of the debtor.

The credit risk for Mediolanum Vita can emerge mainly from the issuer risk as a result of the default of the securities in the portfolio. Please note that the securities portfolio of Mediolanum Vita is characterized by the predominance of domestic government securities with respect to other issuers resulting from exposure to the irrelevant default risk.

Mediolanum Vita securities portfolio - RATING COMPOSITION (S&P Equivalent)
Spot data (June 2014 vs December 2013)

€/t	June 2014	(%)	December 2013	(%)	Change (%)
Total Portfolio	2,333,985	100%	2,578,663	100%	(9%)
AAA	-	-	-	-	not available
AA+ to AA-	15,082	0.6%	14,033	0.5%	7%
A+ to A-	42,938	1.8%	73,387	2.9%	(41%)
BBB+ to BBB-	2,146,237	92.0%	2,168,496	84.1%	(1%)
BB+ or lower	120,180	5.1%	313,388	12.2%	(62%)
Unrated	9,548	0.4%	9,360	0.4%	2%

NOTE: the value of the securities portfolio does not include residual Index Linked Policies Funds, Shares and Rights.
The issuer rating is represented.

The analysis of the Mediolanum Vita portfolio by IAS/IFRS category is set out below:

Mediolanum Vita securities portfolio - POSITION
Spot data (June 2014 vs December 2013)

€/t	2014	2013	Change (%)
HFT			
Nominal value	740,138	590,321	25%
Market value	745,981	591,804	26%
AFS			
Nominal value	1,151,229	1,524,591	(24%)
Market value	1,226,767	1,568,807	(22%)
HTM			
Nominal value	308,856	308,856	-
Market value	336,066	308,410	9%
L&R			
Nominal value	27,757	112,287	(75%)
Market value	25,170	109,643	(77%)
TOTAL			
Nominal value	2,227,981	2,536,056	(12%)
Market value	2,333,985	2,578,663	(9%)

NOTE: the value of the securities portfolio does not include residual Index Linked Policies Funds, Shares and Rights.

Investments to the benefit of policyholders who bear the investment risk and in connection with pension fund management

These investments consists of holdings in Proprietary Insurance Funds (under Unit-Linked policies), financial instruments – notes and derivative instruments – (under Index-Linked policies) and individual pension plans that are an insurance product linked to holdings in Irish UCITS. For these products the amounts payable by Life Insurers are linked to changes in the value of units of one or more proprietary funds, which in turn depends on changes in the price of the underlying financial assets or in the price of the financial instruments.

The competent functions manage risk by ensuring that regulatory limits (e.g. exposure limits, asset quality and volatility) are not exceeded.

For class III products – Unit and Index-Linked policies – the use of derivatives is allowed to protect related technical reserves. Derivatives and the related assets approximate at best possible the value of technical reserves.

The Mediolanum Vita pension product does not offer guarantees of a financial nature; therefore up until the time conversion into annuities occurs, the amount of accrued capital is always entirely correlated to the value of the holdings in the UCITS into which the contributions paid are invested.

Index Linked Portfolio – Credit Risk

The teams of each insurance entity within the Group monitor exposure to credit risk also for Index Linked contracts, as this type of insurance investment entails customer exposure to two or three counterparties (the bond issuer, the option counterparty and in some cases the swap counterparty).

For the Index Linked portfolio credit risk analysis includes measurements of both nominal value and market value of exposures. For each counterparty, the probability of default (PD) is assessed on the basis of the 1-year CDS spread quote at the end of the month and Loss Given Default (LGD, set at 60% according to best market practice). PD times LGD and exposure gives the expected loss for each counterparty. The 1-year expected losses due to default in the Index Linked portfolio is computed by aggregating all expected losses.

Index Linked Portfolio – Credit VaR

In addition to expected losses (EL) also unexpected losses (UL) are computed for credit risk. Unexpected losses are unusual losses that occur rarely and have a high severity. Unexpected losses are calculated with the statistical methodology of the VaR Credit to the Credit Metrics©: unexpected losses are the difference between the 99th percentile in loss distribution, i.e. Credit VaR, and expected losses as defined above. The distribution of losses due to default is calculated via 100,000 Monte Carlo simulations, which take account not only of the probability of default of individual issuers ("specific risk"), but also the default correlation between the counterparties ("systemic risk").

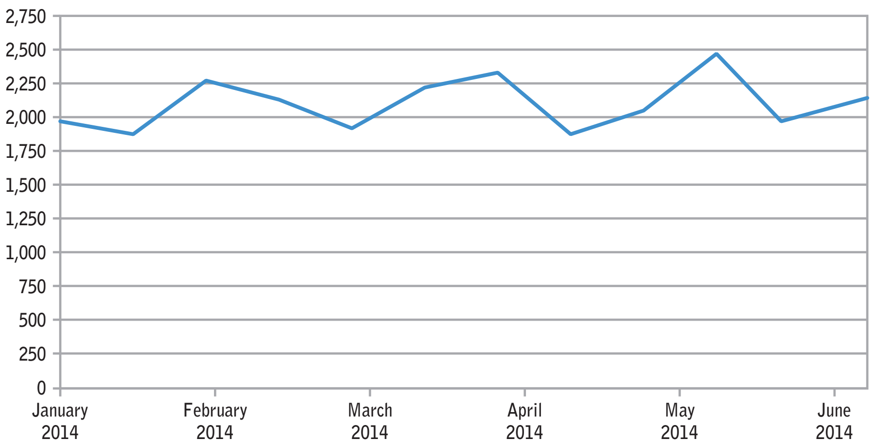
MEDIOLANUM ASSICURAZIONI S.p.A.

Market Risk

In compliance with current regulations and *best* market *practices*, market risk in the portfolio of Mediolanum Assicurazioni S.p.A. are managed through a measurement and control process based on a Value at Risk methodology according to the guidelines and rules set out in the control policy adopted by the Company.

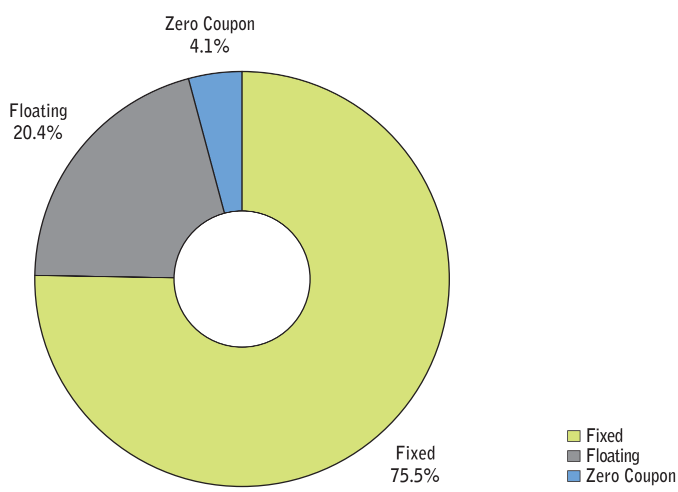
The chart below shows Value at Risk (VaR) in HY1 2014.

VaR Mediolanum Assicurazioni S.p.A. portfolio



The chart below sets out an analysis of the Mediolanum Assicurazioni S.p.A. portfolio by type of assets.

Analysis of the Mediolanum Assicurazione S.p.A. portfolio by type of assets (June 2014)



Credit risk

The risk that over the life of a financial instrument linked to an insurance product there may be an event which changes the repayment ability (creditworthiness) of the counterparty (issuer) and consequently the value of the credit position. Credit risk can be divided into two components: insolvency and migration risk. Insolvency risk is the risk of not being able to fully collect a certain number of future payments as a result of the insolvency of the debtor; migration risk relates to the risk of a decline in the value of the instrument as a result of the deterioration of the credit standing/rating of the debtor.

The credit risk for Mediolanum Assicurazioni, in line with the other companies of the Group, may emerge mainly from the issuer risk as a result of the default of the securities in the portfolio. Please note that the securities portfolio is characterized by the predominance of domestic government securities with respect to other issuers resulting from exposure to the irrelevant default risk.

Mediolanum Assicurazioni securities portfolio - RATING COMPOSITION (S&P Equivalent)
Spot data (June 2014 vs December 2013)

€/t	2014	(%)	2013	(%)	Change (%)
Total Portfolio	96,552	100%	96,230	100%	-
AAA	-	-	-	-	not available
AA+ to AA-	-	-	-	-	not available
A+ to A-	-	-	1,489	1.5%	(100%)
BBB+ to BBB-	91,269	94.5%	85,103	88.4%	7%
BB+ or lower	4,218	4.4%	7,123	7.4%	(69%)
Unrated	1,065	1.1%	2,516	2.6%	(136%)

NOTE: the value of the securities portfolio does not include residual portions of Funds, Shares and Rights.
The issuer rating is represented.

The analysis of the Mediolanum Assicurazioni S.p.A. portfolio by IAS/IFRS category is set out below:

Mediolanum Assicurazioni securities portfolio - POSITION
Spot data (June 2014 vs December 2013)

€/t	2014	2013	Change (%)
HFT			
Nominal value	22,200	16,250	37%
Market value	24,276	16,586	46%
AFS			
Nominal value	52,250	59,250	(12%)
Market value	55,008	60,926	(10%)
HTM			
Nominal value	10,500	12,500	(16%)
Market value	11,503	13,198	(13%)
L&R			
Nominal value	5,833	5,839	-
Market value	5,765	5,520	4%
TOTAL			
Nominal value	90,783	93,839	-
Market value	96,552	96,230	-

NOTE: the value of the securities portfolio does not include residual portions of Funds, Shares and Rights.

Banking – Financial Risk and Credit Risk

Risk Appetite Framework and mapping of major risks

Banca Mediolanum within the general guidelines on the internal control system of the Mediolanum Group has formalized during HY1 of the year, the Risk Appetite Framework (RAF) document that appears to be the framework of reference that determines the risk appetite, the tolerance thresholds, the risk limits, the governance risk policies, processes of reference as needed to define and implement consistent with the maximum acceptable risk, the business model and the strategic plan adopted by the Group.

Government policy of risks therefore represents a strategic component of the RAF, allowing the connection with the overall strategic plan. However, the risk management process contributes to the implementation of the RAF. The RAF also includes the ICAAP process that represents one of the business processes through which the risk appetite framework is implemented.

The methodological approach for the Risk Appetite Framework takes into account:

- the elements of the operating environment and strategic objectives, analysed and classified with a dedicated "business driver" model;
- significant risks for the banking entities of the Group, through the analysis of methods and metrics for measuring risk that have allowed us to define the framework of the opportunities for measuring and monitoring risks within the Bank in close interaction with the ICAAP process;
- the integrated vision of the objectives, context and methods of risk measurement that allows identifying the extent that are intended and that can be monitored in terms of "risk appetite", thus defining the risk appetite indicators, which are reported on a regular basis to the Board of Directors through the Risk Appetite Dashboard.

For the Group the Risk Appetite indicators were divided into high level strategic indicators for the monitoring of strategic – financial objectives and operational indicators dedicated to the monitoring of the management of operational activities in line with the strategic objectives.

The strategic indicators thus have the function of supporting top management in the pursuit of the Group's strategic – financial objectives and consistent with the above function are the subject of an annual review process integrated with the planning and budgeting, as regards the monitoring of objectives established in the plan.

These indicators are monitored on a monthly basis and shared with the Board of Directors through the Risk Appetite Dashboard in order to monitor compliance with the established thresholds, which are approved, together with the indicators themselves, by the Board on the proposal of the competent Functions with the support of Risk Management.

However, operational indicators have the function of supporting the Heads of the operational activities in the management of their areas of responsibility in line with the strategic objectives. Consequently indicators and related thresholds are agreed with the Heads themselves and summarized in a dedicated operational report.

In accordance with Bank of Italy's Circular 285/13 and subsequent updates and RAF guidelines, the process for the identification of the key risks for the Mediolanum 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 Internal Capital Adequacy Assessment Process (ICAAP)

Under Basel II Pillar 2 (initially regulated by Title III of Bank of Italy's Circular 263/2006 and currently regulated by Bank of Italy's Circular no. 285 of December 17, 2013) banks are required to have a process (Internal Capital Adequacy Assessment Process, ICAAP) 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 rests with corporate governance bodies.

The Supervisory Review Process (SRP)

The Supervisory Review Process (SRP) entails two integrated steps. 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 Own Funds.

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 Risks

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

Concentration risk is the risk arising from exposure to individual counter-parties, groups of related counter-parties or counter-parties in the same industry, business segment or geographical area.

Interest Rate Risk

Interest rate risk arising on activities other than trading: the risk of potential movements 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 (wide bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential 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.

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.

Credit Risk

General aspects

Lending, be it the provision of home loans or consumer credit, or in other forms to meet other financing needs, is part of the business of the Mediolanum Banking Group. Consistently with the Group mission, lending complements the Group primary business i.e. the distribution of banking, asset management, insurance and retirement savings products. The Group 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.
Banca Mediolanum Lending Division is responsible for ensuring adequate implementation of the Bank's credit policy in compliance with laws and regulations in force. This division is organised into the Short-term lending unit, the Medium/Long-term lending unit, the Watchlist unit, the Credit Operations unit and the Credit Policy and Monitoring unit.

Credit risk management – Organisational aspects

The 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.

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 entity-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, each entity within the Group, 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. Particular focus is on valuation of guarantees.
All loans are subject to regular review by the competent units within each Group entity. 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 collective impairment at June 30, 2014 was calculated using the new statistical models, broken down by type of customer, which update some parameters (in particular, PD – Probability of Default and LGD – Loss Given Default) in order to align them with the actual risk of the customer portfolio of Banca Mediolanum; the economic impact on collective write-downs resulting from the application of such models is marginal.

Credit risk mitigation techniques

Loans extended by the Banking Group entities 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. 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.
The Banking Group 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 the Mediolanum Banking Group. Credit risk is inherent in the Business Operations Management 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, gold – 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 the Mediolanum Banking Group, 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.
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 appraisal is made by independent professionally qualified valuers who have entered into an agreement with Banca Mediolanum.
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

The Mediolanum Banking Group 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.
Banca Mediolanum individually tests for impairment all exposures classified as nonperforming, watch list and over 90 days past due loans (pursuant to Bank of Italy's instructions) irrespective of their significance. In fact, these are exposures for which there is objective evidence of impairment as per §64 of IAS 39. Other exposures, i.e. performing loans, are collectively tested for impairment. Only for monitoring purposes a Euro 1,000,000 threshold is set for the determination of the significance of the individual exposure. Any exposure in excess of said threshold is examined separately and individually.
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.

Banca Mediolanum treats nonperforming, watch list, restructured and over 90 days past due exposures in accordance with the different level of risk of the respective category, taking account of the type and value of any security taken and other key indicators of potential risk based on management expertise and conservative estimates.
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.

Impaired financial assets

Each Group entity, within its sphere of independence, has its own 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.
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.

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 the appropriate instruments and proce-

dures for the management of collateral with respect to derivatives. Current trading activities of the relevant agreements of *Credit Support Annex* constitute the main exercise on 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, the banking group's exposure to concentration risk is monitored only for the 'Business & Others' Portfolio. The Group exposure in that portfolio is of limited size and relevance. In addition, the Banking Group put in place a system for monitoring concentration risk on a weekly basis in accordance with rules governing management of large exposures.

In accordance with regulations in force (Bank of Italy's Circular 285/2013, second part, Chapter 10, Section 1 and subsequent updates), for large exposures the Mediolanum Banking Group has set the maximum limit for each exposure at 25% of consolidated regulatory capital. Said limit is the only large exposures regulatory limit applicable to the Mediolanum Banking Group based on volumes and characteristics.

Banca Mediolanum has defined operating licences and limits in accordance with the Institutional Counterparty Credit Risk Policy. These operating licences and limits represent Banca Mediolanum'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.

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:

- supervised intermediaries;
- 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.

Market Risk

Interest Rate Risk and Pricing Risk – Trading Book

General aspects

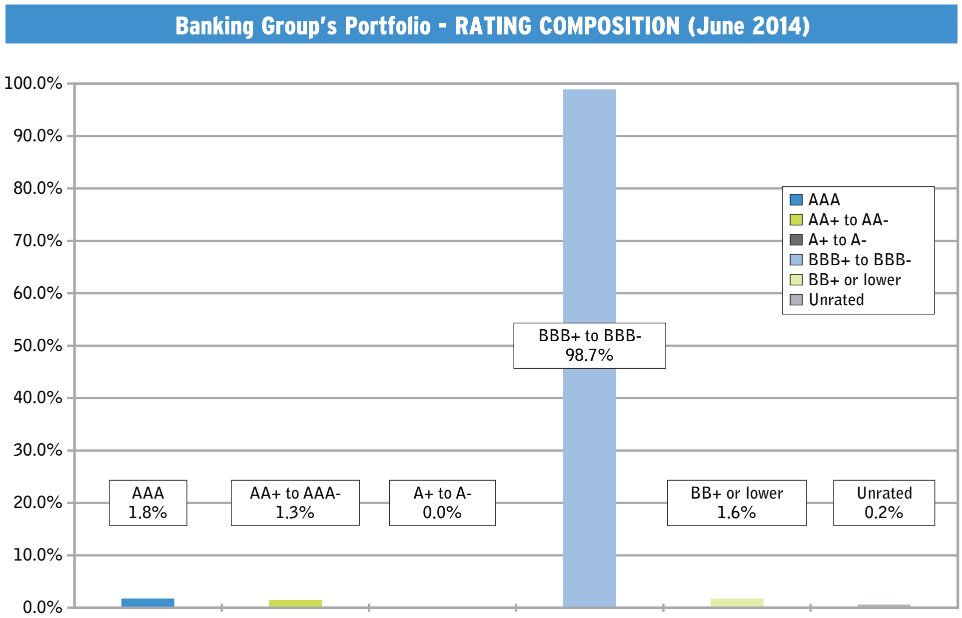
The Banking Group's trading book, as defined by Supervisory Authorities, consists of financial instruments subject to capital requirements for market risk. According to this classification, at present only Banca Mediolanum has a true trading book.

Specifically, the trading book consists of positions held by those Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the Banking Group's Parent Company guidelines. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.
It should be noted that the portfolio of the Banking Group is characterized by the predominance of domestic government bonds relative to other issuers, represented in the table from the rating assigned to the country, thus presenting a relatively low default risk. Rating analysis for the entire Mediolanum Banking Group's securities portfolio, including both the trading book and the banking book, is set out below.

Banking Group securities portfolio - RATING COMPOSITION (S&P Equivalent)
Spot data (June 2014 vs December 2013)

€/t	2014	%	2013	%	Change (%)
Total Portfolio	14,929,641	100%	13,772,210	100%	8%
AAA	(267,519)	(1.8%)	(138,725)	(1.0%)	93%
AA+ to AA-	188,760	1.3%	167,579	1.2%	13%
A+ to A-	3,252	-	2,899	-	12%
BBB+ to BBB-	14,737,451	98.7%	13,385,550	97.2%	10%
BB+ or lower	232,540	1.6%	305,425	2.2%	(24%)
Unrated	35,158	0.2%	49,480	0.4%	(29%)

NOTE: the value of the securities portfolio does not include residual Index Linked Policies Funds, Shares and Rights.
For this year, the issuer rating is represented.



Interest Rate Risk and Pricing Risk - Measurement and Management

The Parent Company's Risk Management function is responsible for ensuring that the various entities use consistent methods in assessing financial risk exposure. It also contributes to the definition of lending and operating limits. However, each entity within the Group is directly responsible for the control of the risks assumed. Risks are to be in accordance with the policies approved by the respective 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

Spot year end data (June 2014 vs December 2013)

€/t	2014	2013	Change (%)
Nominal value	250,614	246,003	2%
Market value	226,568	237,080	(4%)
Duration	1.50	0.92	63%
VaR 99% - 1 d	2,653	1,212	119%

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	Restruc-tured	Past due impaired	Past due not impaired	Other assets	Total
1. Held-for-trading financial assets	-	-	-	-	-	1,505,653	1,505,653
2. Available-for-sale financial assets	-	-	-	-	-	13,263,424	13,263,424
3. Held-to-maturity investments	-	-	-	-	-	2,508,032	2,508,032
4. Loans to banks	-	-	-	-	-	815,572	815,572
5. Loans to customers	13,205	25,167	4,999	8,903	81,719	5,857,761	5,991,754
6. Financial assets at fair value	-	-	-	-	-	1,888,862	1,888,862
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedge derivatives	-	-	-	-	-	1,116	1,116
Total June 30, 2014	13,205	25,167	4,999	8,903	81,719	25,840,420	25,974,413
Total Dec. 31, 2013	11,315	21,459	5,855	8,325	65,538	24,903,953	25,016,445

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

€/t	Impaired assets			Performing			Total (Net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Held-for-trading financial assets	-	-	-	-	-	1,505,653	1,505,653
2. Available-for-sale financial assets	-	-	-	13,263,424	-	13,263,424	13,263,424
3. Held-to-maturity investments	-	-	-	2,508,032	-	2,508,032	2,508,032
4. Loans to banks	-	-	-	815,572	-	815,572	815,572
5. Loans to customers	91,226	38,952	52,274	5,948,075	8,595	5,939,480	5,991,753
6. Financial assets at fair value	-	-	-	-	-	1,888,862	1,888,862
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedge derivatives	-	-	-	-	-	1,116	1,116
Total June 30, 2014	91,226	38,952	52,274	22,535,102	8,595	25,922,139	25,974,413
Total Dec. 31, 2013	82,928	35,977	46,951	21,573,578	8,141	24,969,491	25,016,442

Insurance Risks – Life

An analysis of life insurance reserves by contract maturity is set out in the table below:

€/t	Insurance	Investment	Total
within one year	1,063,674	3,265	1,066,939
1 to 2 years	905,488	2,125	907,613
2 to 3 years	726,385	-	726,385
3 to 4 years	426,182	-	426,182
over 5 years	9,508,593		9,508,593
whole life	2,544,493	366,883	2,911,376
Total	15,174,815	372,273	15,547,088

The total includes mathematical reserves and technical reserves for contracts under which the risk is borne by the policyholder amounting respectively to Euro 878,382 and 12,702,958 thousand, the reserve for other technical items amounting to Euro 324,054 thousand and investment contracts financial liabilities amounting to Euro 371,581 thousand.

An analysis of insurance technical reserves by level of guarantee offered is set out in the table below:

€/t	June 30, 2014
Liabilities with interest rate guarantee	2,139,248
0%	1,298,239
2%	14,521
3%	122,594
4%	703,894
Liabilities without interest rate guarantee	13,407,841
Total	15,547,089

PART F - INFORMATION ON CONSOLIDATED EQUITY

Own Funds for Supervisory purposes at June 30, 2014 of the Mediolanum Banking Group

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 regulatory innovations of Basel 3 establish more stringent rules for the calculation of the Own Funds and levels of capital adequacy of 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 (CRD 4) and a Regulation (CRR).

With the approval by the European Parliament, the complete package (Directive 2013/36/UE "CRD 4" 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 4/CRR and introduces supervisory rules on aspects not harmonized at EU level.

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%.

On April 1, 2014, legislative decree no. 53 of March 4, 2014 on the supplementary supervision of financial companies in a financial conglomerate was published in the Official Gazette. This Decree provides for the inclusion of the mixed financial holding companies within the scope of banking groups. In particular, under the new article 67-bis of the TUB (Consolidated Banking Law) if these companies are placed at the top of bank-oriented financial conglomerates, they assume the status of parent company and are subject to, among other things, the provisions regarding supervision on a consolidated basis (article 61, paragraph 3) . Therefore, under the Mediolanum S.p.A. new legislation has acquired the status of parent company of the Mediolanum S.p.A. banking group and on May 28, 2014 submitted a formal request to the Bank of Italy for the registration of banking groups pursuant to article 64 TUB and received the related confirmation at today's date.
By virtue of the foregoing, in effect from June 30, 2014, the company is thus required to carry out the calculation for the determination of the Own Funds for Supervisory purposes and the related capital ratios under the new discipline that recently entered into force - Regulation no. 575/2013 (EU) Basel 3 discipline.

In this regard, on July 14, 2014 the Company submitted a formal request to the Bank of Italy in order to qualify for the exemption, under article 49 of said Regulation, from the deduction of the instruments of own funds held related to subsidiaries wholly belonging to the insurance industry. On July 28, 2014, the application was formally accepted by the Supervisory Authority.

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. This option was also used to determine the Own Funds of Mediolanum S.p.A. The following are details of the companies included in the consolidation, and related consolidation method foreseen by regulatory provisions in force:

	Company	Holding	Consolidation method
Mixed financial company Parent company	MEDIOLANUM S.p.A.	100.000%	Full
Banking group companies	BANCA MEDIOLANUM S.p.A.	100.000%	Full
	BANKHAUS AUGUST LENZ & Co	100.000%	Full
	BANCO MEDIOLANUM S.A.	100.000%	Full
	MEDIOLANUM FIDUCIARIA S.p.A.	100.000%	Full
	FERMI & GALENO REAL ESTATE S.r.l.	100.000%	Full
	GAMAX MANAGEMENT (AG)	100.000%	Full
	MEDIOLANUM GESTIONE FONDI SGR P.A.	100.000%	Full
	MEDIOLANUM ASSET MANAGEMENT Ltd	100.000%	Full
	MEDIOLANUM INTERNATIONAL FUNDS Limited	100.000%	Full
	FIBANC S.A.	99.998%	Full
	MEDIOLANUM PENSIONES S.A. SGFP	99.999%	Full
	MEDIOLANUM GESTION SGIIC S.A.	99.999%	Full
	MEDIOLANUM COMUNICAZIONE S.p.A.	100.000%	Full
Subsidiaries and investee companies providing insurance business	MEDIOLANUM VITA S.p.A.	100.000%	Equity
	MEDIOLANUM ASSICURAZIONI S.p.A.	100.000%	Equity
	MEDIOLANUM INTERNATIONAL LIFE Ltd	100.000%	Equity
Other bank shareholdings	BANCA ESPERIA S.p.A.	50.000%	Proportional
	MEDIOBANCA S.p.A. (*)	3.380%	Equity
Subsidiaries and investees and entities in businesses other than the banking, financial, instrumental and insurance business	PARTNER TIME S.p.A. in liquidation	100.000%	Equity
	PI SERVIZI S.p.A.	100.000%	Equity

(*) By virtue of the possession of treasury shares by Mediobanca S.p.A.
The total shareholding is 3.442%.

The consolidated result at June 30, 2014 of Mediolanum S.p.A. has been used to determine the computable profit for the calculation of the Own Funds.
At the end of HY1 2014, said profit amounted to Euro 164.9 million, of which Euro 82.47 million is the estimate of the dividends that will be placed in distribution by virtue of said net profit. Therefore, the residual profit computable in the calculation of the Own Funds amounted to Euro 82.47 million.

The following is the scheme to determine the Own Funds and consolidated capital requirements as at June 30, 2014.

€/t	June 30, 2014
Tier 1 primary capital (Common Equity Tier 1 - CET1)	1,727,176
CET1 Tools subject to transitional provisions (Grandfathering)	-
Deductions	(484,076)
TOTAL TIER 1 PRIMARY CAPITAL	*1,243,100*
Additional Tier 1 capital (Additional Tier 1 - AT1)	-
TOTAL CLASS 1 CAPITAL	*1,243,100*
Tier 2 capital (Tier 2 - T2)	220,984
Deductions	(143,274)
TOTAL CLASS 2 CAPITAL	*77,710*
TOTAL OWN FUNDS	*1,320,810*

€/t	June 30, 2014 (*)
Tier 1 Primary Capital (CET1)	1,243,100
Tier 1 capital (T1)	1,243,100
Total Own Funds	1,320,810
Total Risk-Weighted Assets	6,869,919
Common Equity Tier 1 ratio	18.095%
Tier 1 Ratio	18.095%
Total Capital Ratio	19.226%

(*) The ratios presented in this disclosure may be subject to updating when reporting to the Supervisory Authorities.

Capital adequacy of the financial conglomerate Mediolanum S.p.A.

With reference to the Financial Conglomerate Mediolanum, the calculation of capital adequacy as at June 30, 2014, according to the provisions of supplementary supervision in force, shows that in the face of the conglomerate capital requirements amounted to Euro 740 million, the conglomerate's equity to hedge the required margin amounted to Euro 1,221 million, with a surplus of Euro 481 million.

€/m	June 30, 2014 (*)	Dec. 31, 2013	Change %
Bank-oriented financial conglomerate			
Equity	1,221	1,075	13.6%
Capital Requirements	740	612	20.9%
Equity surplus (deficit)	481	463	3.9%

(*) The banking capital requirements were determined according to the new harmonized framework for banks and investment firms contained in Directive 2013/36/UE (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).

PART H - RELATED PARTY TRANSACTIONS

Transactions with related parties are part of the ordinary business of companies within the Mediolanum Group. These transactions are made at arm's length and in the interests of the individual entities. These transactions relate primarily to transactions with associates, and in particular the Mediobanca Group and other related parties mainly represented by the Directors and the companies of the Doris and Fininvest Groups. The following are the principal balances outstanding at the end of the period with related parties other than the companies fully consolidated in these financial statements.

1. Information on related party transactions

€/t	Associates	Other related parties
Assets		
Available-for-sale financial assets	4,425	32,416
Held-for-trading financial assets	-	4,968
Financial assets at fair value through profit or loss	-	202,609
Held-to-maturity financial assets	-	-
Loans to banks	-	-
Loans to customers	-	7,047
Other Assets	-	-
Liabilities		
Payables vs banks	-	(88)
Amounts due to customers	(151)	(29,175)
Held-for-trading financial liabilities	-	-
Other liabilities	(284)	(394)
Guarantees issued/received and commitments	-	(94)

€/t	Associates	Other related parties
Income Statement		
Interest income	499	1,115
Interest expense	-	(99)
Net interest income	499	1,016
Commission income	-	30
Commission expense	(1,631)	(953)
Net commission	(1,631)	(923)
Net income (expenses) on financial instruments at fair value through profit and loss	125	9,792
Administrative expenses	-	(4,457)
Realized gains (losses)	-	106
Other operating income and expenses	-	2,312
Services and other costs	-	(3,572)

2. Key management compensation

€/t	Directors, Executives, General Deputy Executives and Auditors	Other key management
Emoluments and social security contributions	5,238	110
Other fees	-	-

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Stock option plans

In HY1 2014, 775,080 new Mediolanum dividend-bearing ordinary shares were issued following the exercise of stock options by Directors and Sales Network people of companies within the Mediolanum Group.
This has resulted in an increase in the ordinary share capital of Mediolanum of Euro 77.5 thousand.
Overall expenses in HY related to stock option plans amounted to Euro 62 thousand (June 30, 2013: Euro 1,631.2 thousand).

PART L - SEGMENTAL INFORMATION

Segment reporting

This section presents consolidated financial data reported by operating segment. In compliance with IFRS 8, segment reporting reflects the management system of the Mediolanum Group (so-called "management reporting approach"), and is consistent with the information disclosed to the market and to the various stakeholders.

Note on the method applied to segment reporting

Pursuant to IFRS 8, for the purpose of segment reporting of consolidated results the Mediolanum Group identified the following operating segments:

- ITALY – BANKING
- ITALY – ASSET MANAGEMENT
- ITALY – INSURANCE
- ITALY – OTHER
- SPAIN
- GERMANY

For the purpose of segment reporting income and expense items were directly assigned to the specific operating segment by product. Indirect costs and other residual items were spread over the various segments applying allocation policies.

INCOME STATEMENT DATA BY OPERATING SEGMENT AS AT JUNE 30, 2014

	ITALY					
€/t	Banking	Asset Management	Insurance	Other	Consolidation adjustments	Total
Entry fees	-	46,433	-	-	-	46,433
Management fees	-	187,023	117,274	-	-	304,297
Performance fees	-	55,241	27,822	-	-	83,063
Banking service fees and revenues	42,380	-	-	-	-	42,380
Other fees	202	15,022	939	-	-	16,163
Commission income	42,582	303,719	146,035	-	-	492,336
Net interest income	100,865	227	6,535	(3,626)	-	104,001
Net income (loss) on investments at fair value	(4,749)	(4)	4,151	1	-	(601)
Net financial income	96,116	223	10,686	(3,625)	-	103,400
Net insurance revenues (excluding commissions)	-	-	14,616	-	-	14,616
Equity method valuation	-	-	-	7,096	-	7,096
Realised gains (losses) on other investments	23,554	120	3,936	-	-	27,610
Impairment of loans	(6,005)	-	91	-	-	(5,914)
Impairment of other investments	(326)	(123)	(2,054)	-	-	(2,503)
Net income (loss) on other investments	17,223	(3)	1,973	-	-	19,193
Other revenues	5,740	119	7,278	-	-	13,138
TOTAL REVENUES	161,662	304,059	180,588	3,471	-	649,779
Network commission expenses	(26,043)	(122,860)	(52,511)	-	-	(201,413)
Other commission expenses	(6,704)	(9,298)	(3,220)	-	-	(19,222)
Administrative expenses	(109,558)	(49,661)	(45,302)	-	-	(204,521)
Amortisation and depreciation	(5,718)	(701)	(2,958)	-	-	(9,377)
Net provisions for risks	(9,377)	(65)	(78)	-	-	(9,519)
TOTAL COSTS	(157,399)	(182,585)	(104,068)	-	-	(444,052)
PROFIT BEFORE TAX	4,262	121,474	76,520	3,471	-	205,727
Taxes for the period	-	-	-	-	-	(47,945)
NET PROFIT FOR THE PERIOD	-	-	-	-	-	157,782

ABROAD			
Spain	Germany	Consolidation adjustments	Total
4,057	310	-	50,800
12,102	3,093	-	319,492
2,617	924	-	86,604
2,836	7,963	(7)	53,172
609	139	(4)	16,907
22,221	12,429	(11)	526,975
11,599	324	-	115,924
345	24	-	(232)
11,944	348	-	115,692
9,479	1,502	-	25,597
-	-	-	7,096
23	-	-	27,633
(270)	(9)	-	(6,193)
-	-	-	(2,503)
(247)	(9)	-	18,937
186	85	(36)	13,373
43,583	14,355	(47)	707,670
(13,239)	(2,089)	-	(216,741)
(2,093)	(6,833)	7	(28,141)
(15,283)	(8,128)	40	(227,892)
(729)	(136)	-	(10,242)
(314)	-	-	(9,833)
(31,658)	(17,186)	47	(492,849)
11,925	(2,831)	-	214,821
(1,721)	(213)	-	(49,879)
10,204	(3,044)	-	164,942

INCOME STATEMENT DATA BY OPERATING SEGMENT AS AT JUNE 30, 2013

	ITALY					
€/t	Banking	Asset Management	Insurance	Other	Consolidation adjustments	Total
Entry fees	-	72,482	-	-	-	72,482
Management fees	-	146,584	110,903	-	-	257,486
Performance fees	-	42,682	38,025	-	-	80,707
Banking service fees and revenues	40,349	-	-	-	-	40,349
Other fees	2,571	13,414	681	-	-	16,666
Commission income	42,920	275,162	149,609	-	-	467,690
Net interest income	121,446	188	12,095	(7,575)	-	126,155
Net income (loss) on investments at fair value	7,720	1	788	1	-	8,510
Net financial income	129,166	189	12,883	(7,574)	-	134,665
Net insurance revenues (excluding commissions)	-	-	18,241	-	-	18,241
Equity method valuation	-	-	-	639	-	639
Realised gains (losses) on other investments	36,261	142	(3,357)	-	-	33,046
Impairment of loans	(5,736)	-	-	-	-	(5,736)
Impairment of other investments	(355)	(143)	22	-	-	(476)
Net income (loss) on other investments	30,170	(1)	(3,335)	-	-	26,834
Other revenues	4,744	118	5,179	-	-	10,041
TOTAL REVENUES	206,999	275,468	182,578	(6,935)	-	658,110
Network commission expenses	(23,156)	(130,525)	(48,983)	-	-	(202,663)
Other commission expenses	(6,119)	(7,877)	(3,665)	-	-	(17,661)
Administrative expenses	(90,238)	(42,308)	(44,794)	-	-	(177,340)
Amortisation and depreciation	(3,551)	(1,112)	(3,693)	-	-	(8,356)
Net provisions for risks	(30)	(146)	(58)	-	-	(233)
TOTAL COSTS	(123,094)	(181,967)	(101,192)	-	-	(406,253)
PROFIT BEFORE TAX	83,905	93,501	81,386	(6,935)	-	251,857
Taxes for the period	-	-	-	-	-	(63,666)
NET PROFIT FOR THE PERIOD	-	-	-	-	-	188,191

	ABROAD			
	Spain	Germany	Consolidation adjustments	Total
	3,893	198	-	76,573
	7,932	2,904	-	268,323
	2,085	1,511	-	84,303
	2,178	6,711	(2)	49,236
	553	177	-	17,395
	16,641	11,501	(2)	495,830
	8,933	389	-	135,477
	473	(41)	-	8,942
	9,406	348	-	144,419
	8,582	1,159	-	27,982
	-	-	-	639
	9,928	-	-	42,974
	(178)	-	-	(5,914)
	-	-	-	(476)
	9,750	-	-	36,584
	526	270	(64)	10,773
	44,905	13,278	(66)	716,227
	(11,194)	(1,919)	-	(215,776)
	(1,605)	(6,080)	4	(25,342)
	(14,338)	(6,919)	62	(198,535)
	(732)	(289)	-	(9,377)
	328	-	-	95
	(27,542)	(15,206)	66	(448,935)
	17,363	(1,928)	-	267,292
	(3,883)	(253)	-	(67,802)
	13,480	(2,181)	-	199,490

Independent Auditors' Report

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AUDITORS' REVIEW REPORT ON THE
CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

To the Shareholders of
MEDIOLANUM S.p.A.

1. We have reviewed the condensed consolidated half-year financial statements of Mediolanum S.p.A. and subsidiaries (the "Mediolanum Group"), which comprise the consolidated statement of financial position as of June 30, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the six-month period then ended and the related notes. The Company's Directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard (IAS 34) applicable to the interim financial reporting as adopted by the European Union. Our responsibility is to issue a report on these condensed consolidated half-year financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-year interim financial statements under Resolution N. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the condensed consolidated half-year financial statements.

   The condensed consolidated half-year financial statements present for comparative purposes data related to previous year condensed consolidated half-year financial statements. As explained in the notes, the Directors have reclassified certain comparative data related to the prior year condensed consolidated half-year financial statements with respect to the data previously reported and reviewed by us, on which we issued auditors' review reports dated August 28, 2013. These reclassifications and related disclosures included in the notes to the condensed consolidated half-year financial statements have been reviewed by us for the purpose of limited review on condensed consolidated half-year financial statements as of June 30, 2014.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of Mediolanum Group as of June 30, 2014 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
August 28, 2014

This report has been translated into the English language solely for the convenience of international readers.

Responsibility Statements

Responsibility Statements pursuant to section 154-bis, paragraph 5, Legislative Decree 58/98

We, the undersigned Ennio Doris, Chief Executive Officer, and Luigi Del Fabbro, Chief Financial Officer responsible for Mediolanum S.p.A. accounting and financial reporting, also pursuant to section 154 bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998, hereby confirm to the best of our knowledge:

- the adequacy in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures as the basis for preparation of the Half-Year Financial Statements abbreviated, in HY1 2014.

The adequacy of accounting and financial reporting procedures in the preparation of the HY financial statements abbreviated at June 30, 2014 was assessed applying a process defined by Mediolanum S.p.A. in accordance with the Internal Control – Integrated Framework Model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally accepted framework.

We also confirm that:

- the abbreviated HY financial statements:
  - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
  - correspond to the accounting books and records;
  - provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation;
  - the Half-Year Report on Operations contains references to the significant events occurred in the first six months of the year and their incidence on the HY Abbreviated Financial Statements, as well as a description of the principal risks and uncertainties for the remaining six months of the year, as well as information on significant related-party transactions.

Basiglio, July 30, 2014

Chief Executive Officer
(*Ennio Doris*)

Executive responsible for
accounting and financial reporting
(*Luigi Del Fabbro*)