BANCA MEDIOLANUM S.p.A.

ANNUAL REPORT AND ACCOUNTS 2013

BANCA MEDIOLANUM
MEDIOLANUM BANKING GROUP

Table of Contents

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

ANNUAL REPORT AND ACCOUNTS 2013

Registered Office Basiglio Milano Tre (MI) Via F. Sforza Pal. Meucci
Share capital of Euro 600,000,000.00 fully paid-up
Tax Registration and Milan Register of Companies No. 02124090164
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BANCA MEDIOLANUM
MEDIOLANUM BANKING GROUP

Corporate Bodies Banca Mediolanum S.p.A.

Board of Directors

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

Board of statutory auditors

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

Secretary of the Board

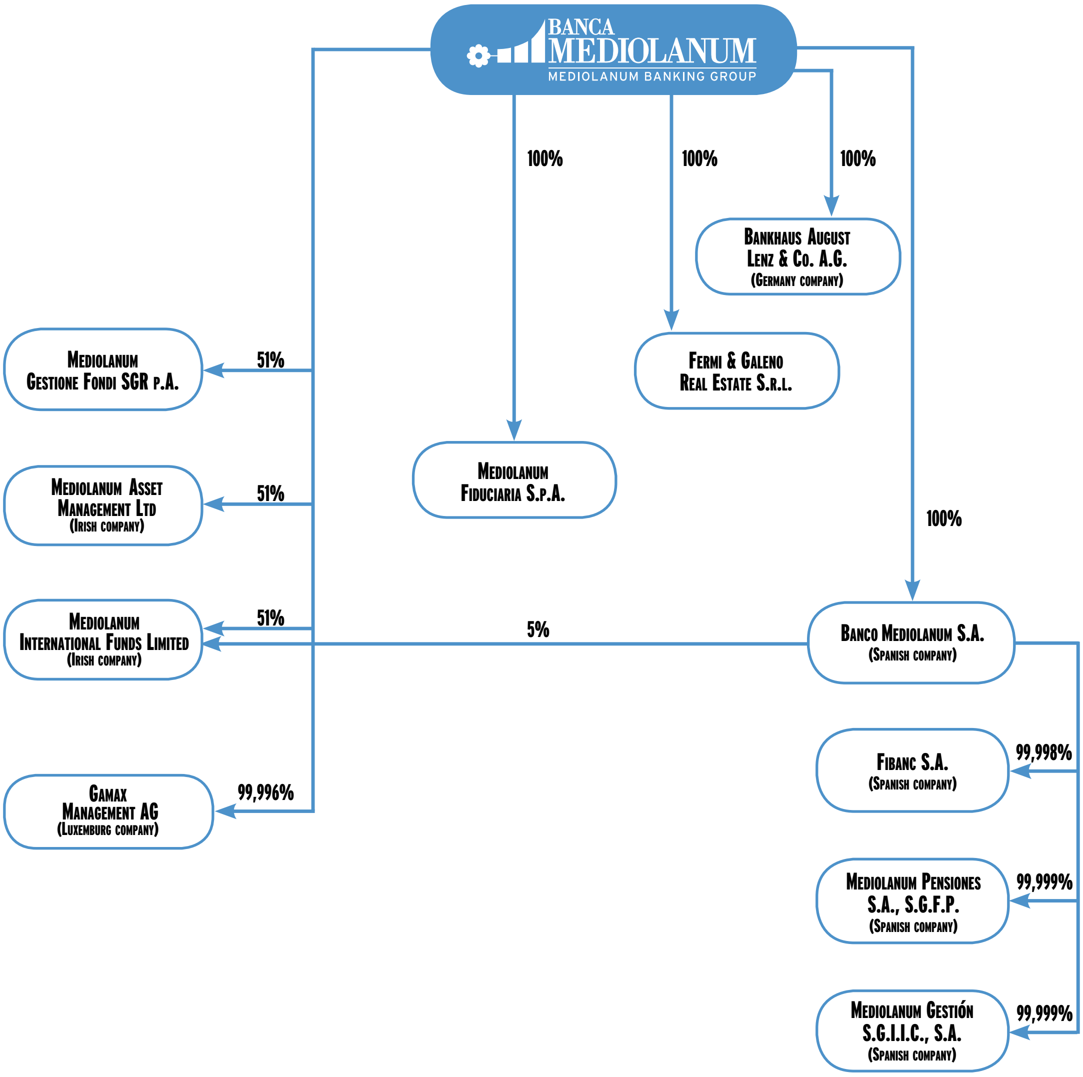
Luca Maria Rovere

Indipendent Auditors

Deloitte & Touche S.p.A.

Group structure

Situation as of December 31, 2013



Separate Annual Financial Statements 2013

Financial Highlights

€/m	Dec. 31, 2013	Dec. 31, 2012	Change %
Total Customer Assets	47,360.0	42,434.3	11.6%
Total Financial Assets	19,640.3	17,064.5	15.1%
Available-for-sale financial assets (AFS)	9,499.4	8,123.5	16.9%
Held to Maturity Investments (HTM)	2,204.8	1,021.0	115.9%
Held for Trading financial assets (HFT)	224.2	330.3	(32.1%)
Loans to customers ex. L&R securities (Lending)	4,967.4	4,422.6	12.3%
Amounts due to customers & securities issued ex. *Cassa di Compensazione e Garanzia (Funding)*	11,200.1	8,897.6	25.9%
Lending/Funding from customers	44%	50%	(10.8%)
Tier 1 Capital ratio	20.51%	19.25%	6.5%

Unit	Dec. 31, 2013	Dec. 31, 2012	Change %
Licensed financial advisors	4,407	4,315	2.1%
Employees	1,714	1,627	5.3%
Current Accounts	729,208	707,609	3.1%

€/m	Dec. 31, 2013	Dec. 31, 2012	Change %
Net inflows	3,339.4	2,258.3	48%
Net inflows AuM	3,001.9	1,552.9	93%
of which Mutual Funds	*4,582.8*	*2,343.3*	*96%*
Net Inflows AuA	337.5	705.5	(52%)
Profit before tax	209.4	230.3	(9.1%)
Income tax	(74.7)	(41.0)	82.2%
Profit for the year	134.7	189.3	(28.8%)

Reclassified Income Statement

€/t	Dec. 31, 2013	Dec. 31, 2012	Difference	
10. Interest income and similar income	466,409	484,700	(18,291)	(4%)
20. Interest expense and similar charges	(219,436)	(209,591)	(9,845)	5%
30. Net interest income	246,973	275,108	(28,135)	(10%)
80. Net income from trading	8,813	38,070	(29,257)	(77%)
90. Net income from hedging	3,755	(4,279)	8,034	ns
100. Gains (losses) on sale or buyback of:	73,383	(1,811)	75,194	ns
a) loans	(2,477)	30	(2,507)	ns
b) available-for-sale financial assets	75,887	(1,986)	77,873	ns
c) held-to-maturity investments	4	30	(26)	(86%)
d) financial liabilities	(27)	115	(142)	ns
Net Financial Income (30+80+90+100)	332,927	307,088	25,839	8%
40. Commission income	452,042	406,807	45,235	11%
50. Commission expense	(395,505)	(331,426)	(64,079)	19%
60. Net commission	56,540	75,382	(18,842)	(25%)
70. Dividends and similar income	155,131	171,007	(15,876)	(9%)
120. Total income	544,598	553,477	(8,879)	(2%)
130. Impairment/reversal of impairment of:	(17,881)	(10,354)	(7,527)	73%
a) loans	(12,964)	(8,709)	(4,255)	49%
b) available-for-sale financial assets	(548)	(1,611)	1,063	(66%)
c) held-to-maturity investments	-	-	-	-
d) other financial instruments	(4,369)	(34)	(4,335)	ns
140. Net income from financial operations	526,717	543,123	(16,406)	(3%)
150. Administrative expenses:	(289,467)	(273,523)	(15,944)	6%
a) staff costs	(116,223)	(109,493)	(6,730)	6%
b) other administrative expenses	(173,243)	(164,030)	(9,213)	6%
160. Net provisions for risks and charges	(17,546)	(35,946)	18,400	(51%)
170. Depreciation and net impairment of tangible assets	(2,984)	(2,526)	(458)	18%
180. Amortisation and net impairment of intangible assets	(7,089)	(6,215)	(874)	14%
190. Other operating income	8,452	14,196	(5,744)	(40%)
200. Operating expenses	(308,632)	(304,015)	(4,617)	1%
210. Profit (loss) on equity investments	(8,725)	(8,821)	96	(1%)
220. Net income at fair value of tangible and intangible assets	-	-	-	-
230. Impairment of goodwill	-	-	-	-
240. Profit (loss) on disposal of investments	30	5	25	500%
250. Profit (loss) before tax on continuing operations	209,383	230,290	(20,907)	(9%)
260. Income tax expense on continuing operations	(74,680)	(41,026)	(33,654)	82%
270. Profit (loss) after tax on continuing operations	134,703	189,264	(54,561)	(29%)
290. Net profit (loss) for the year	134,703	189,264	(54,561)	(29%)

Summary of Business Performance for the year

€/m	Dec. 31, 2013	Dec. 31, 2012	Diff.	Change (%)
Profit for the year	134.7	189.3	(54.6)	(29%)
Of which:				
Net financial income	332.9	307.1	25.8	8%

Interest margin decreased for Euro -28.1 million due to reduction in the spread on market rates, lower profits from trading activities (Euro -29,3 million), which was more than offset by higher gains on the disposal of financial assets available for sale (Euro +77.9 million) and the positive result of hedging (Euro +8.0 million).

Net commission	56.5	75.4	(18.8)	(25%)

Decrease in the commission margin for Euro -18.8 million mainly in relation to the greater allocations for incentives to the sales network (Euro -21.7 million) due to the impressive performance of net deposits of mutual funds.

Dividends	155.1	171.0	(15.9)	(9%)

Lower dividends of the previous year balance distributed by the Irish subsidiaries due to higher payments distributed in the previous year, partially offset by higher dividends distributed in settlement by Mediolanum Gestione Fondi.

Net (impairment)/reversal of impairment	(17.9)	(10.4)	(7.5)	73%

Higher impairment and losses on impaired loans (Euro -3.3 million), performing loans (Euro -0.9 million) were only partly offset by lower impairment of AFS securities (Euro +1.1 million) and charges relating to the Interbank Deposit Protection Fund (Euro -4.3 million).

Administrative expenses	(289.5)	(273.5)	(16.0)	6%
Personnel expenses	*(116.2)*	*(109.5)*	*(6.7)*	*6%*
Other administrative expenses	*(173.3)*	*(164.0)*	*(9.2)*	*6%*
Amortisation & depreciation of tangible and intangible assets	(10.1)	(8.7)	(1.4)	16

Personnel expenses increased following growth in average number of personnel in the period under review (12.31.2013: 1,714 people; 12.31.2012: 1,627 people).

There was also an increase in other administrative expenses, including, in particular, higher costs for IT systems (Euro +8.9 million) related to the development of new technologies for our customers and volume growth in banking business.

Net provisions for risks and charges	(17.5)	(35.9)	18.4	(51%)

During the year, there was a reduction in provisions for risks and charges relative to the previous year, in particular due to fewer provisions for financial crimes (Euro +5.4 million), managerial allowance (Euro 5.1 million), legal disputes (Euro +3.7 million), assistance to the populations impacted by natural disasters (Euro +1.9 million) and contractual obligations towards the sales network (Euro +7.2 million).

Other operating expenses and income	8.4	14.2	(5.8)	(40%)

The main change in the year is mainly due to non-recurring costs for transactions for the early termination of collaboration with the sales network for Euro 5 million.

Taxes	(74.7)	(41.0)	(33.7)	82%

Non-recurring tax charges totalling Euro 39.4 million, of which Euro 29.7 million related to the tax litigation provisions of Euro 9.7 million for additional duties in relation to the higher IRES tax rate for the year 2013 from 27.5% to 36% (stability law 27/12/2013 no. 147); taxes were lower in relation to the lower income tax for the year compared to the previous year (Euro -5.7 million).

Report on Operations

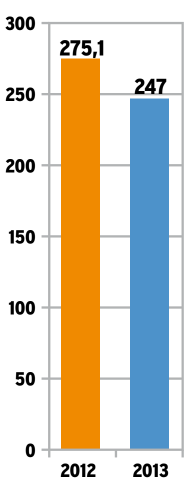
Shareholder,

for the year ended December 31, 2013, Your Bank reported net profit of Euro 134.7 million, down Euro 54.6 million compared to Euro 189.3 million in the prior year.

The reporting year was especially affected by non-recurring tax charges totalling Euro 39.4 million, of which Euro 29.7 million related to the tax litigation provisions and Euro 9.7 million for additional duties in relation to the higher IRES tax rate for the year 2013 from 27.5% to 36% (stability law 27/12/2013 no. 147); net of these factors, the tax burden for the year would record a Euro 5.7 million in relation to the lower gross profit for the year. In fact, pre-tax profit totalled Euro +209.4 million, compared to a gross profit of Euro +230.3 million in the previous year, with a decrease of Euro 20.9 million, mainly due to the lower commission income of (Euro -18.8 million), lower dividends from investments (Euro -15.9 million) and greater net impairments (Euro -7.5 million), partly offset by the increase in net financial income (Euro +25.8 million).

Total net inflows (managed assets and administered assets) amounted to Euro +3,339.4 million versus Euro +2,258.3 million in the prior year.
Net deposits in asset management and placement of third-party structured bonds posted a positive balance of Euro +3,001.9 million compared with a net increase of Euro +1,552.9 in 2012. More specifically, the mutual fund sector had impressive net inflow results up by Euro +4,582.8 million compared to Euro +2,343.3 million for the previous year.
As to administered assets, Mediolanum Plus policies associated with Freedom bank accounts had net outflows of Euro -1,710.7 million versus Euro -1,070.8 million at December 31, 2012.
Other AuA products recorded net inflows of Euro +2,048.2 million versus Euro +1,776.3 million the prior year.
At year end 2013, the bank had 1,042,908 customers versus 1,040,448 at the end of the prior year.

Net interest income
€/m



At December 31, 2013, total balance sheet assets amounted to Euro 19,640.3 million, up Euro 2,575.7 million over the prior year. Customer deposits grew from Euro 8,897.6 million at year end 2012 to Euro 11,200.1 million at December 31, 2013.
Loans to customers, excluding securities, amounted to Euro 4,967.4 million versus Euro 4,422.6 million at December 31, 2012.
Net interest income amounted to Euro 247 million, down Euro 28.1 million (-10%) versus the prior year (2012: Euro 275.1 million), mainly due to the reduction in spreads on market rates only partially offset by total average assets.
Adding net income from trading, net income from hedging and net gains/losses on the sale of available-for-sale financial assets, net financial income amounted to Euro 332.9 million versus Euro 307.1 million in the prior year. The Euro +25.8 million increase was driven by higher gains on disposal of financial assets available for sale (Euro +77.9 million) and the most positive result from hedging activities (Euro +8.0

million), partially offset by lower interest margins (Euro -28.1 million) and lower gains from trading (Euro -29.3 million).
Net commission income declined by Euro 18.8 million from Euro 75.3 million at year end 2012 to Euro 56.5 million at the end of the year under review, largely reflecting greater amounts provided for incentives to the sales network (Euro -21.7 million) due to the exceptional results of net assets under management, in particular regarding mutual funds.
More specifically, as of December 31, 2013 commission income amounted to Euro 452.0 million against Euro 406.8 million the prior year (Euro +45.2 million) due to the increase in operating expenses (Euro +40.1 million) and sales commissions (Euro +19.1 million), partially offset by lower fees from securities placement (Euro -1.8 million) and the reduction of commission on banking services (Euro -3.1 million). Commission expenses amounted to Euro 395.5 million, up Euro 64.1 million versus 331.4 million in the prior year (+19%).

Dividends decreased from Euro 171 million in the prior year to Euro 155.1 million at the end of the year under review (Euro -15.9 million) and impacted by the reduced dividends received from the subsidiary Mediolanum International Funds (Euro -20.9 million) and the subsidiary Mediolanum Asset Management (Euro -6.6 million). This decreases is only offset in part by the greater dividends distributed by the Italian subsidiary Mediolanum Gestione Fondi (Euro +11.5 million).

Net impairment/reversal of impairment was negative for Euro 17.9 million (12.31.2012: Euro -10.4 million), due to higher impairment and losses on impaired loans (Euro -3.3 million), performing loans (Euro -0.9 million) only partly offset by lower impairment of AFS securities (Euro +1.1 million) and charges relating to the Interbank Deposit Protection Fund (Euro -4.3 million).

Operating expenses increased from Euro 304 million in 2012 to Euro 308.6 million at December 31, 2013. In particular, staff costs increased following growth in average number of personnel in the period under review (12.31.2013: 1,714 people; 12.31.2012: 1,627 people). There was also an increase in other administrative expenses, in particular for higher costs for IT systems (Euro +8.9 million) related to the development of new technologies for our customers and volume growth in banking business.

During the year, there was a reduction in provisions for risks and charges relative to the previous year, which rose from Euro -35.9 million to Euro -17.5 million on December 31, 2013, in particular due to fewer provisions for legal disputes (Euro +5.1 million), financial crimes (Euro +5.8 million), assistance to the populations impacted by natural disasters (Euro +1.9 million) and contractual obligations towards the sales network (Euro +7.2 million).

Other operating expenses/income went from Euro +14.2 million at December 31, 2012 to Euro +8.5 million at the end of the year under review. The main change in the year is due to non-recurring costs for transactions for the early termination of collaboration with the sales network for Euro 5 million.

The macroeconomic environment

In 2013 the gradual resolution of the Eurozone crisis in a recovering international economy has renewed investor risk appetite.

Stats confirm growth is no longer characterized by a phase of economic slowdown in the Eurozone, while highlighting the positive acceleration of the cycle in the USA. In the third quarter of 2013, GDP expanded at +4.1% (annualised rate) in the US and +0.1% (non annualised) in the Eurozone, confirming the significant lag between these two regions. Specifically, growth was positive in Germany (+0.3%) and Spain (+0.1%), negative in France (-0.1%) and nil in Italy (0%). Eurozone's recovery and the presence of a sustainable recovery in the manufacturing and services sectors only in the second half of 2013 have been reflected in the Purchasing Managers' Indices (PMI). Conversely, in the US the readings of Institute for Supply Management (ISM) indices for both the manufacturing sector and services stayed above the 50 expansion threshold for the entire year. Both in the US and in Europe, unemployment continues to be a major concern as it weighs on consumer confidence and demand for goods and services. In December, the unemployment rate in the USA decreased to 6.7% versus 7.9% at year end 2012 while in the Euro zone the unemployment rate in December remained at 12% (December 2012: 11.9%). Specifically, the unemployment rate increased in Italy to 12.7% versus 11.5% in the prior year, and 26% in Spain versus 20.3% in the prior year. The unemployment rate in Germany decreased slightly to 6.8% versus 6.9% at December 2012.

In the current economic cycle inflation continues to be subdued. In December, the CPI (annualised) was +0.8% versus +2.2% at year end 2012 in the Eurozone, and +1.5% versus +1.7% at year end 2012 in the US. Excluding food and energy, the CPI was +0.7% (+1.5% in the prior year) and +1.7% (+1.9% in the prior year), respectively. In the same month, the PPI (annualised) was -1.2% in the Eurozone and +0.7% in the US. In the UK the inflation rate fell from 2.7% in the prior year to 2%.

In the final part of 2012, the difficulties in reaching a political agreement to avoid the fiscal cliff in the US and the ensuing concerns about its impact on both US and global growth had brought about market volatility. The agreement reached in extremis in early 2013 contributed to positive figures in January. In February and March, the uncertain outcome of political elections in Italy, the scandal that had affected the party of Prime Minister Mariano Rajoy in Spain, the definition of the rescue package of Cyprus (relevant for the nature of the intervention mechanisms used), the risk of a financial crisis in Slovenia and renewed fears about US and European growth have led to new tensions on the financial markets. In April, the election of the President of the Republic and the formation of a new government in Italy, despite the unfavourable outcome of the elections, have contributed to the reduction in yields of Italy and Spain and rewarded European markets compared to main international listings. Throughout 2013 and especially in the meeting of April 4, the Yen experienced an extraordinary depreciation to all major currencies as a result of new and unexpected measures communicated by the new governor of the Bank of Japan Kuroda in order to centre the inflation target of 2% within the next two years.

By unanimous vote, the Bank of Japan established, as a new target of transactions, the amount of the monetary base, replacing the level of the overnight rate; the central bank also approved the purchase of government securities with maturities up to 40 years for a monthly counter-value of Yen 7,000 billion. Lastly, the "principle of notes" in force since 2001 was suspended temporarily, according to which the amount of bonds held by the BOJ could not exceed the value of banknotes in circulation. In 2013, the new address of the Japanese central bank's monetary policy has been the origin of the extraordinary outperformance of the Tokyo Stock Exchange to other financial markets.

At the end of the session of May 1, the statement of the Federal Reserve made explicit the possibility of both increasing and reducing the bond purchase plan based on the evolution in the economic scenario. The main international government and corporate curves responded with a general increase in yields, following the attempt on the part of operators to anticipate the effects of the expected reduction in the quantitative easing program (tapering). In May and June, the fears of the effects, methods and timing of tapering and the uncertain evolu-

tion of macroeconomic data (from disappointing Purchasing Managers Index in China) led to a correction in equity markets (from the Tokyo Stock Exchange) and an extraordinary volatility in the bond markets. At the meeting on June 18 and 19, the Chairman Bernanke emphasized again that the Fed was ready, in the presence of economic improvement, to reduce the purchase plan by the end of the year and to complete the entire program in mid-2014. Before the determination of the US central bank, the yields of the major bond markets recorded further increases.
On July 9, the rating agency Standard & Poor's downgraded the long-term rating of Italian government debt to BBB from BBB+, maintaining a negative outlook due to the continuing weak economic outlook.
In the summer months, because of a series of better than expected economic data, the Euro area was the protagonist in the financial markets, facilitating the entry of new international capital. The changed attitude of investors resulted in a temporary appreciation of the Euro against major currencies and a marked increase in German yields. The improvement of the economic situation has, in fact, resulted in a lower propensity to holding assets with high reliability by reducing the probabilities associated with extreme risks. In contrast, the emerging area has been subject to strong capital outflows, which led to a sharp depreciation of local currencies.
Contrary to the expectations generated by communications in June and July, in September, the Fed opted to continue the purchase plan, finally favouring a limited reduction in yields on major bond markets (in the meeting of September 5, the ten-year US had reached 3%, the maximum in two years) and moving the expectation of the tapering of the operators to the meeting of December 18. On October 9, President Obama announced the appointment of Vice-Chairman Janet Yellen at the helm of the Federal Reserve. Analysts believe the new Fed chairman in favour of the continuation of monetary stimulus measures adopted by the predecessor Ben Bernanke.
The German election of September 22 showed a clear affirmation of the outgoing Chancellor Angela Merkel and government parties (Christian Democratic Union and Christian Social Union), with approximately 42% of votes and allowed the agreement for a Grosse Koalition (Grand Coalition) with the Social Democrats of the SPD.
In September and October, due to reduced fears of an international crisis in Syria, US analysts' attention was again focused on the performance of political negotiations between Democrats and Republicans on raising the state debt ceiling. The non-approval within the time required for the budget for fiscal year 2013 and 2014 resulted in immediate shutdown of the activity of several agencies, in the absence of federal resources.

In November, Standard & Poor's reduced France's credit rating by one notch (AA+ to AA), taking it from negative to stable outlook. The rating agency justified its decision with the inability of the French government to adopt structural reforms, the huge tax burden and the absence in the political debate of any reference to a possible welfare cut.
The sharp slowdown in inflation in the Eurozone and the temporary worsening of some leading indicators had already fuelled the expectations of a cut in the reference rate by the European Central Bank earlier this year. In the meeting of May 2 and, surprisingly, on November 7, the ECB reduced the refinancing rate, respectively, from 0.75% to 0.5% and from 0.5% to a record low of 0.25%.
In the Fed meeting on December 18, the dissemination of data on a significant improvement in employment and consumer confidence certainly created the conditions for the activation of tapering in the amount of USD 10 billion from January 2014, equally between government securities and securities with underlying mortgages. However, the official communication ensured that the benchmark rate will remain unchanged even when the unemployment rate is "significantly below" the level of 6.5%, "especially if expected inflation continues to remain below the long-term target of 2%". Chairman Bernanke stated that further reductions are likely in the purchase plan, based on the evolution of the scenario. However, he added that the forecast is that the reduction process will continue for most of 2014.

Financial Markets

In 2013, yield spreads between Italian and German government bonds declined, specifically from 318 bps at December 31, 2012 to 220 bps at year end 2013, with a peak last March 27 of 351 bps on 10-year notes and from 200 bps at December 31, 2012 to 104 bps at year end 2013, with a peak last February 26 of 211 bps on 2-year notes. Yields on 2-year and 10-year Italian treasuries fell from 1.99% at the start of the year to 1.26% at December 31, with a peak of 2.29% last June 25, and from 4.50% at the start of the year to 4.12% at December 31, with a peak of 4.90% last February 26.

During the year, the main international governmental curves showed a general increase in yields from the Federal Reserve's press release of May for the reduction of the quantitative easing program (tapering) and following the attempt on the part of operators to anticipate the effects. The yields on two and ten year US government securities passed respectively from 0.24% to 0.38% and from 1.76% to 3.03%, while yields on two and ten year German government yields increased respectively from -0.01% to 0.21% and from 1.32% to 1.93%. Even emerging markets and high yields have suffered an increase in volatility following the announced change in address of the monetary policy of the US central bank. Yields in emerging markets ranged on average from 4.28% at the beginning of the year and 5.47% June 25 to 4.96% at December 31 (Barclays EM Hard Currency Aggregate Yield To Worst index) and in high yield markets from 6.13% at the beginning of the year and 6.97% 25 June to 5.64% December 31 (Barclays US Corporate High Yield to Worst index).

In the fourth quarter of 2013, the dissolution of recent concerns on international economic growth and awareness of the persistence of monetary policy, however, also favourable in 2014 have rewarded equity markets with an average increase of 7.6% (MSCI World Index in dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up 9.9% and up 10.7%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up 5.7%). In Q4, the Italian (FTSE MIB +8.8%) and Spanish (IBEX 35 +7.9%), French (CAC40 +3.7%) and Swiss (SMI 2.3%) markets underperformed the German (DAX +11.1%) market. Emerging markets rose +1.5% (MSCI EM in USD).

In 2013, global equity markets were up +24.1% (MSCI World in US dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up +29.6% and up 38.3%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up 17.4%). Specifically, the Italian (FTSE MIB +16.6%) and Spanish (IBEX 35 +21.4%), French (CAC40 +18%) and Swiss (SMI +20.2%) markets underperformed the German (DAX +25.5%) market. Stock market indices were driven north by cyclical stocks and financials.

Emerging markets declined -5.0% (MSCI EM in USD). The emerging area has been subject to large outflows of international capital both on the equity and bond markets and a sharp depreciation of local currencies, following the attempt by operators to anticipate the effects of the announced Fed tapering.

Listing of the Euro against the US currency reflected both the positive evolution of the European financial crisis and the reduced flexibility and higher operating limits of the European Central Bank with respect to the Federal Reserve: the single currency experienced a period of weakness in the first months of 2013 and benefited from prolonged strengthening as the Eurozone exited the recession in the second half. The Eurodollar went from the listing of 1.32 at the beginning of the year to 1.37 at December 31, 2013 and recorded a trough of 1.28 in March and July and the maximum of 1.38 in October. Listing of the Euro against the British Pound, however, showed a different trend, recording the level of 0.81 in January, 0.87 in March and at the meetings in July and August and 0.83 in December. The performance of the European single currency against the Japanese Yen and the Swiss Franc reflected the policies of the Central Banks of those countries. Throughout 2013, the new course of monetary

policy of the Bank of Japan conducted the listing of the Yen from Euro 114.46 in January to 144.73 in December and against the dollar from 86.75 in January to 105.31 in December; in 2013 the Swiss National Bank oversaw the currency market with the aim to prevent any appreciation of the domestic currency (to Euro 1.21 in January and 1.23 in December). The announced tapering of the Federal Reserve was the basis of the weakness of the main currencies of emerging countries, following the massive outflows of international capital that have affected both the stock and bond markets.
In 2013, Brent oil prices remained essentially flat moving from USD 111.94 per barrel at the beginning of the year to USD 110.82 per barrel at year end, with high volatility that brought it to a high of USD 119.34 on February 12 and a low of USD 96.79 on April 17. In 2013, the price of gold recorded a significant correction, moving from USD 1,675.35 per ounce at the beginning of the year to USD 1,205.65 per ounce in December 2013.

The reference market

Italian households' savings

At the end of the third quarter of 2013, the total financial assets of families in Italy amounted to Euro 3.713 billion, with a year-on-year increase of 1.7%. The trends of the main components may be summarized as follows:
stable and growing:
- the dynamics of notes, coins and bank deposits (both on demand and term), which marked a positive growth rate of 3.8%; the amount of this aggregate on total household financial assets amounted to 32.1% (31.5% the previous year);
- holdings in mutual funds (+17% annualised) and accounted for 8.2% (7.1% the prior year) of total financial assets of households;
- holdings in life insurance, pension funds and severance funds were up 2.8%, with a weight of 18.0% (17.8% in the prior year);
- shares and holdings were up +4.8%, with a weight of 20.7% (20.1% in the prior year);

down:
- bonds have shown a negative change (-10,4%) agreed by the government and bank; the amount of this aggregate on total household financial assets amounted to 16.9% (19.2% the previous year).

Funding

In 2013, in Italy banking funding slightly declined. In particular, Italian banks recorded inflows into euro-denominated current accounts, term deposits net of receivables sales, deposits repayable upon notice, and repurchase agreements (deposits net of operations with central counterparties) and bonds (net of those repurchased by banks) held by resident customers aggregating to Euro 1,729 billion at year end 2013, down -1.9% (vs. +1.6% at the end of December 2012) and a decrease in the stock of funding of about Euro 32.5 billion.
The analysis of the various components shows deposits of resident customers (net of operations with central counterparties and term deposits connected with sales of receivables) were up +1.9% (+6.2% in December 2012; Euro +23 billion year end 2012). Bond holdings were -9.8% in the year (-6.8% in December 2012; -55.6 billion). Before the start of the crisis – in late 2007 – the amount of bank deposits were about Euro 1,513 billion (+216.2

billion from the end of 2007 to the end of 2013); as follows: 1,000.5 billion of customer deposits (+214.9 billion from the end of 2007 to the end of 2013) and 512.2 billion of bonds (+1.3 billion since 2007).

Lending

In 2013, the unfavourable economic situation was reflected both in a weak demand for credit by companies and households, and in tensions in offer associated with the deterioration of credit quality.
At year end 2012, lending (to the private sector and public administrations net of repurchase agreements with central counterparties) was Euro 1,853 billion at year end 2013, down 3.9% (-1.1% at year end 2012). At the end of 2007 – before the start of the crisis – the same aggregate amounted to 1,673 billion; since then bank loans to customers grew by approximately Euro +180 billion in absolute value.
Loans to Italian residents in private sector[1] were also slightly down (-4.2% at year end 2013 from -1.9% at year end 2012). At the end of 2013, loans to residents amounted to Euro 1,591 billion (1,450 million at the end of 2007, about +141 billion since then until the end of 2013).
Loans to households and non-financial companies amounted to about Euro 1,416 billion, down -4% year on year (-2.5% at year end 2012; Euro zone average: -2.3%). At the end of 2007, these loans amounted to 1,279 billion, with an increase in the period under review of nearly +140 billion in absolute value. Maturity analysis shows that short-term lending (due within one year) was down -6.8% (-1.7% year end 2012), while medium/long-term lending (due after more than one year) was down -3% (-2.8% at year end 2012).

Non-performing

In December 2013, gross non-performing loans aggregated to Euro 155.9 billion, increasing by Euro 6.3 billion over November 2013 and about 31 billion versus year end 2012, up about 25% year on year. The ratio of non-performing loans to total loans came to 8.1% in December 2013 (6.3% a year earlier and 2.8% at the end of 2007, prior to the start of the crisis), reaching 14% for smaller operators (11.8% in December 2012), 13.3% for companies (9.7% a year earlier) and 6.5% for households (5.6% in December 2012). Net non-performing loans at year end 2013 amounted to Euro 80.4 billion, some Euro 4.7 billion more than in the prior month and about Euro 15.6 billion more than in December 2012 (+24.1% increase year on year). The ratio of net non-performing loans to total loans was 4.33% (3.36% at December 2012).

Interest and yields

Interest applied to bank deposits of households and non-financial companies slightly decreased, namely from 1.25% at year end 2012 to 0.97% at year end 2013. Average interest on funding from customers (Euro-denominated bank deposits, bonds and repurchase agreements held by households and non-financial companies) was 1.88% in December 2013 (2.08% at December 2012). In the year under review interest rates on repurchase

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

agreements decreased too, from 3.03% in December 2012 to 1.53% in December 2013, while yields on bank bonds increased slightly (3.36% vs. 3.44%).
In 2013, the weighted average rate applied to total loans extended to households and non-financial companies calculated by the Italian Bankers' Association remained substantially stable: from 3.79% to 3.82% at year end.
In the year under review, interest on active bank accounts and Euro-denominated revolving loans to households and non-financial companies also remained stable (5.48% in December 2012 to 5.45% in December 2013).
Interest rates applied to new transactions were down to particularly low levels: in December 2012 the rate applied to Euro-denominated loans extended to non-financial companies was 3.47% (3.65% in December 2012), interest on Euro-denominated home loans to households (average for both fixed and floating-rate loans, considering all the various types of loans) was 3.42% (3.69% in December 2012).
In the last month of 2013 fixed-rate lending accounted for 22.2% (22.8% in December 2012).
The yearly average spread between lending and funding interest rates applied to households and non-financial companies declined to 183 bps in 2013, down -4 bps year on year. Before the beginning of the financial crisis the average spread between lending and funding interest rates exceeded 300 bps.

Customers

At the end of December 2013 the total number of customers holding at least one product of the Mediolanum Group amounted to 1,042,908, of which 878,127 primary holders (broadly in line with the end of 2012 (879,200), as it was affected by some rationalization in 2013 of archives of existing contracts. The number of primary account holders in the business of current accounts increased vs the end of 2012 (570,451 compared to 544,270), credit cards (187,706 compared to 175,584) and mutual funds (304,836 compared to 288,507), due to a stationary number of customers in total, confirming the validity of the proposals of the Mediolanum Group in offering state-of-the-art and innovative solutions to the needs of customers, in a context of an increasingly dynamic market.

Assets under management and under administration

For financial year 2013, total net inflows amounted to Euro 3,339.4 million versus Euro 2,258.3 million in the prior year.
Net deposits in asset management and placement of third-party structured bonds posted a positive balance of Euro +3,001.9 million compared with a net increase of Euro +1,552.9 in 2012. More specifically, the mutual fund sector had impressive net inflow results up by Euro +4,582.8 million compared to Euro +2,343.3 million for the previous year.

As to administered assets, Mediolanum Plus policies associated with Freedom bank accounts had net outflows of Euro 1,710.7 million versus Euro -1,070.8 million at December 31, 2012. Other AuA products recorded net inflows of Euro 2,048.2 million versus Euro +1,776.3 million at the end of the prior year.

The excellent results achieved in terms of net inflows also allowed Banca Mediolanum to remain the Italian market leader in terms of net inflows.

At December 31, 2013, Banca Mediolanum's total assets under management and under administration aggregated to Euro 47,360 million, up about 11.6% from Euro 42,434 million at the end of the prior year.

Funding

In 2013, funding from customers (bank accounts, deposit accounts, repurchase agreements and bonds) continued to grow. The analysis of the various components shows inflows into bank accounts, deposit accounts and repurchase agreements jumped 13% to Euro 13,148.3 million at year end 2013 from Euro 11,634.1 million in the prior year, while Banca Mediolanum notes increased to Euro 187.6 million compared to Euro 94.7 million at the end of 2012.

Freedom Più bank account

The Freedom Più bank account was launched in March 2012. At December 31, 2013 about 75,000 of these accounts had been opened, accounting for about 28% of all new bank accounts opened in the year. Of existing accounts, 26% activated the Term Deposit service.
At year end, Freedom Più account balances aggregated to Euro 3.73 billion, of which Euro 1.48 billion locked up in the Term Deposit accounts.

Freedom One bank account

The Freedom One bank account was launched in September 2012. At December 31, 2013 about 129,000 of these accounts had been opened, accounting for about 68% of all new bank accounts opened in the year. Of current accounts, 10% activated the Term Deposit service, introduced in March 2013 for this type of current account.
In order to develop the acquisition of new clients through additional channel in October 2013 the possibility of opening on-line accounts through the platform inmediolanum.it was introduced, also with the support of the Family Banker network. Online accounts as of December 31, 2013 were approximately 4,000.
At year end, Freedom One account balances aggregated to Euro 1.02 billion, of which Euro 360 million locked up in the Term Deposit accounts.

In Mediolanum deposit account

At December 31, 2013 there were about 117,800 InMediolanum accounts, the deposit account launched in May 2011. Of these, some 38,900 accounts (33%) were opened by new customers.
At year end, balances on InMediolanum deposit accounts aggregated to about Euro 2,1 million, of which 1.8 billion locked up.

Lending

At year end 2013, loans to customers – private individuals and financial institutions other than banks – amounted to Euro 5,428.1 million (12.31.2012: Euro 4,917.8 million), an increase of 10.4%.
The analysis of the year's developments shows that, net of impaired positions, retail lending displayed notable growth driven by increases in personal loans (up +40%), residential loans (up +15%) and overdraft facilities (up +0.4%) which supported the real economy and households also in these times of prolonged crisis. L&R debt securities were down -7%, no syndicated loan was extended to institutional counterparties and those made in past years had been duly repaid.

Specifically, excluding impaired positions, residential loans were Euro 3,551.5 million at December 31, 2013 (12.31.2012: Euro 3,079.1 million), with an increase of 15% year on year. Not offered to customers for several years now, pure fixed-rate home loans accounted for less than 13% of the home lending book.
Like in prior years, we confirm again for 2013 that Banca Mediolanum has no subprime mortgage loans on its books and under its particularly prudent and disciplined approach to lending it did not enter into any transactions carrying a high level of credit risk. In addition, it can count on key risk mitigation factors in its lending operations, namely: average LTV (Loan to Value) around 56%, predominance of borrowers who are long-standing customers of the Bank, average size of loans around Euro 118.1 thousand, residual maturity just above 20 years and customer base/properties largely in historically low-risk areas and in cities that have been less affected by the decline in housing prices in the past three years.
Customers overdraft facilities amounted to Euro 406.8 million, substantially in line with the prior year (Euro 405 million). Except for so-called "dual months" (overdraft facilities extended to customers for amounts which are double their monthly salary or pension credited to their bank account) which accounted for 10% of total positions, overdrafts are secured by other Mediolanum Group products held by customers that can be sold in the event of customer default under the relevant prior customer authorisation to do so, and together with careful selection, prior checks and prompt collection of any amounts due, mitigate any potential risk of debtor insolvency.
Personal loans amounted to Euro 645.8 million December 31, 2013, up 40% compared to the prior year (Euro 461 million). These types of loans have been disbursed to natural persons for very low amounts and average durations, also providing, as for overdrafts, mitigation of credit risk thanks to the "mandate to sell" issued by the client in respect of products held by the latter at the Mediolanum Group. Other lending (excluding dealings on the MTS market, other "technical" forms to guarantee deposits and inter-company loans) aggregating to about Euro 85 million (-16% over year end 2012) consisted of short/medium-term loans extended to prime Italian institutional counterparties and other exposures to high credit-standing companies related to high net worth customers of the Bank.
As to the quality of the loan portfolio, at year end 2012, net impaired loans (after write-downs) amounted to Euro 41.9 million up about Euro 0.4 million over the prior year's balance of Euro 41.5 million. The 2013 year end balance reflects the provision made in relation to the exposure to the Delta Group in the light of the evolution of its restructuring plan as well as the as well as the increase in write-downs on residential loans to take account of the macroeconomic environment. The final levels of coverage of impaired loans confirm the prudential and extremely realistic attitude also in line with the evolution of the current and future macroeconomic environment. The final levels of coverage of impaired loans confirm the prudential and extremely realistic attitude also in line with the evolution of the current and future macroeconomic environment.

Reflecting both effectiveness of credit management actions and lending growth, the ratio of net impaired loans to total customer loans was down to 0.77% compared to 0.85% in 2012. The Bank's credit risk expressed by this indicator is significantly lower than the level recorded by leading market players.
The very high credit quality of the Bank's loan portfolio is the result, on the one hand, of portfolios being closely monitored and past due/overdrawn customers being invited to promptly honour their obligations, and, on the other hand, of refined policies and tools used to ensure proper assessment of credit standing prior to loan origination including information garnered by sales network members.

All this combined with the low level of impaired items reflects in the Bank's very low cost of credit risk for 2013 (excluding impairment of AFS Securities, network items and deposit protection fund) which is under 20 bps.
Further analysis of credit quality in relation to doubtful loans shows that the ratio of non-performing and watch list loans (before or after write-downs) to total loans extended by the Bank is at excellent levels compared to Italy's banking system. Specifically, the comparison of the gross non-performing loans to total loans ratios on a consistent basis – i.e. eliminating the effect of differences in internal asset valuation methods used by the individual financial institutions – shows that at December 31, 2013 that ratio for Banca Mediolanum was below 0.65% versus 8.1% for the industry (source ABI Italian Bankers Association: Monthly Outlook, February 2014). For residential mortgage loans, that account for about 65% of total loans extended by Banca Mediolanum, the difference is even bigger: for payments that have been overdrawn/past due for 90 days or more, including watch list and non-performing loans, at December 31, 2013 the ratio was 1.1% for Banca Mediolanum versus 7.99% for the market at the end of June 2013 (source Assofin: "Analysis of Residential Mortgage Loans – Measurement of Risk over 6 months in 2013").

Securities brokerage

In 2013, equity and bond markets were characterized by a general increase in stock prices and a fall in yields and spreads of Italian treasuries. Traded volumes and values of customers assets reflected said increase. We saw a recovery in profits of the market for bonds and government securities and an increase in the stock market, particularly in the second half of the year.
As to equities, the FTSEMIB gained 12.6% over 12.31.2012. In particular, in the second half of the year, growth from the low of June 25 was even more significant (+26%). The banking and financial securities sector has benefited in particular, with increases during the year for the leading institutions, of more than 30%.
The total value of the assets held by retail customers at the end of 2013 remained essentially unchanged at Euro 3,624 billion (Euro 3,619 billion at the end of 2012).
The composition of the asset has changed, with an increase of securities that went from Euro 805 million (+18%) and a reduction in debt instruments (-4%), due in particular to sales flows on Government Securities and Bank bonds.
The analysis of bond holdings shows treasuries were down (-9%) from Euro 790 million at year end 2012 to Euro 721 million at year end 2013. Eurobonds increased from Euro 284 million at year end 2012 to Euro 211 million at year end 2013, and bonds issued by Italian banks decreased from Euro 240 million in 2012 to Euro 211 million at year-end. Holdings of Mediolanum Group bonds and MedPlus Certificates remained unchanged, from Euro 1,625 million at December 2012 to Euro 1,638 million at year end 2013.
Placement of Mediolanum Group bonds and MedPlus Certificates in 2013 aggregated to Euro 416 million versus

Euro 486.7 million in 2012, of which Euro 296.1 million relating to Certificates and Euro 119.8 million to Banca Mediolanum S.p.A. notes.
Fees earned on placement of third-party issues amounted to Euro 22.3 million versus Euro 24.1 million in the prior year.

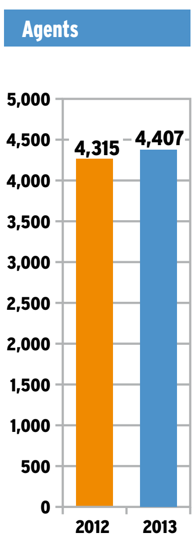
In 2013, the total number of orders executed was 265,582, which was down by 5% from the prior year.
The volumes transacted on Government Securities amounted to Euro 654 million for retail customers only. Government securities were subscribed in placement for Euro 40 million, of which 35 million of the 2 issues of BTP ITALY.
Banca Mediolanum participated as a distributor in the IPO of Moleskine and Moncler shares.
Orders executed on the Italian equity market aggregated to Euro 2,138 million, up about 17% compared to 2012.
Total orders executed on foreign stock markets amounted to Euro 154.2 million (2012: Euro 119.0 million).
At December 31, 2013, discretionary accounts no longer sold since the end of 2007 amounted to Euro 34 million versus Euro 42.7 million at the end of 2012.

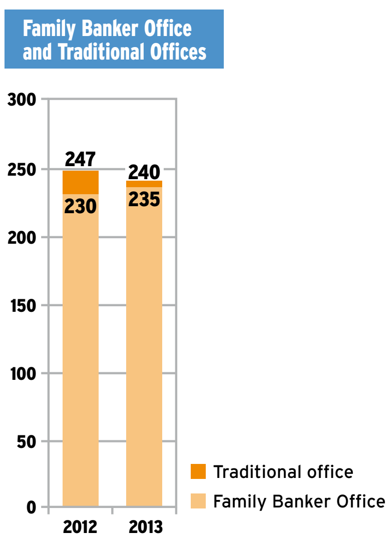
Multi-channel approach, the Banking Services Center and the Internet

In 2013, the use of Direct Channels by customers hit about 33.4 million accesses (+14.5% vs. 2012). About 83.5% of these accesses were made by bank account holders (+2.8% vs. 2012), with a significant increase in transaction orders (about 7.5 million transactions, +10.8% compared to 2012).
This confirms again the customer appreciation of the bank's multi-channel approach. As customers increasingly prefer to operate on their own, about 94% of accesses were made through the Bank's automatic systems: the Internet, the new Mediolanum mobile apps for Apple, Android and Window Phone 7 and the voice portal (B.Med Voice).
Internet accesses were about 66% of total accesses, up 6.5% over 2012.
Accesses through mobile apps account for approximately 17% of total accesses. In particular, in 2013 accesses made by bank customers through mobile apps aggregated to 5,714,000 (up 119% compared to 2,614,000 in 2012). About 56% of these contacts were made through iOS applications and about 41% through Android applications.
Orders made through mobile devices in 2013 were 542,635: +122% against 244,103 in 2012.
Conversely, the number of contacts made via the voice portal declined by -8% as for simple enquiries or transactions, e.g. account balance checks, mobile phone top-ups, this channel has been replaced by the internet and mobile applications.
The increasing usage of "self-banking" services by customers, however, did not bring about a decline in phone calls handled by the Banking Services Center, that were up 5.3% on the prior year, confirming the Banking Services Center as the main channel for more complex enquiries. The level of service was about 86% of phone calls answered in 20 seconds.
Text messaging continues to be much used with over 54.2 million text messages sent to customers, up +13.9% on the prior year. Customers especially appreciate the use of text messaging services as a means to enhance security, e.g. alerts for ATM withdrawals and payments, website log-ins, bank transfers.

In 2013, mobile projects accelerated. Between April and December, Mobile Payment based on NFC SIM technology was tested. The project in collaboration with SIA, CartaSì and Vodafone involved about 90 people including employees, Family Bankers and customers. The objective of the trial was to test the user experience and network of acceptance of new payment instruments, to collect items and guide the design of a commercial solution.
In July 2013, the Send Money service was launched powered by PayPal, the electronic payments giant in the field of e-commerce and peer-to-peer. The functionality available on mobile applications, allows sending money via PayPal to any email address or phone number.

In terms of Internet, in 2013 the possibility of subscribing online bank accounts from the site www.inmediolanum.it was launched, thus expanding the range that already included Conto Deposito (Deposit Account) and Conto Carta (Card Account).





At December 31, 2013, the network of financial advisors, i.e., Family Bankers, consisted of 4,407 people versus 4,315 at year end 2012.
Under the recruitment policy adopted by Banca Mediolanum, people with the potential to become a Family Banker are internally trained at Mediolanum Corporate University. Only those candidates who pass the state exam and become licensed financial advisors can practice as Mediolanum Family Bankers.

Sales network offices and bank branches

At December 31, 2013 the total number of Family Banker Offices was 475, broken down as follows:

	2013	2012
Family Banker Office	235	230
Traditional Offices	240	247
Total	475	477

The distribution of Family Banker Offices is homogeneous in all the Italian regions, proportionally reflecting the presence of Family Bankers in Italy. The regions with the most Family Banker offices are: Lombardy (37), Veneto (37), Emilia Romagna (25), Lazio (21), Sicily (21), Tuscany (19) and Piedmont (15). The Bank branches available to Private Bankers are located in: Milan, Rome and Bologna. These Branches are located on high floors of prestigious buildings in the heart of the city centre, and are particularly dedicated to Private customers.

Overall, also taking into account the small branch at the Registered office in Basiglio (MI), at December 31, 2013, Banca Mediolanum had 4 bank branches.

ATM (automated branches) totalled 4 (3 at the registered office in Basiglio and 1 at the Family Banker Office in Assago).

Sales Network Training

The sales network receives training from Mediolanum Corporate University S.p.A. which provides education and training for the entire Mediolanum Group.
Mediolanum Corporate University has 134 teachers, all managers who have personally contributed to the history of Banca Mediolanum, along with important academics and business consultants chosen in the best national and international scene.
Mediolanum Corporate University aims to be an important point of reference for:

- Family Banker® and all employees of Banca Mediolanum in their continuous professional and personal growth;
- Banca Mediolanum Customers or simply savers and investors, to enhance their economic and financial education;
- the university and academic world, as the ideal partner with which to discuss the issues of negotiation between the parties, the sale and management of the Customer Relationships;
- the partners with which it collaborates and all those who are close to the Mediolanum Community.

In 2013 with regard to the institutional training program, the provision of training on the segment of Private Banker®, has been enriched by optional adherence to technical-professional courses with input from external companies.
Alongside the institutional training program, the cycle of training days continued, which aims to transfer a proven successful operating model based on the bank's proposal to support the management activities of Customers.
In general, the trend of training activities in support of the sales network has a strong focus on content, with fewer days in the classroom.

In 2013, alongside the institutional training program, the series of Mediolanum Business Meeting continued on a fortnightly basis and involved the entire sales network.
In parallel the Mediolanum Business Meeting program continued, already fully operational since last year and dedicated to the professional segment of Global Bankers, or those who choose to pursue a career specifically qualifying the personal customer portfolio, always on a monthly basis. In support of the MBM Global Speakers the training program oriented to the strengthening of technical and communication skills continued.

With regard to training activities on speakers, to support the behavioural segment, in addition to what was achieved for the Mediolanum Business Meeting training program in 2013, there were several editions of highly operational "Train the Trainer" sessions focused on performance, with several follow-up sessions during the year for specific insights.

In 2013 in accordance with business objectives defined by the Company, a training program has been implemented aimed at supporting a project for the insertion of Bankers.
Given the cross-disciplinary role and skills required of the community of managers who take care of training at the local level, they were trained in communication skills and class teaching.

In 2013, the series of conferences, called Share The Bank, also continued, to develop the major social networks. Share the Bank conferences were accompanied, moreover, by operational classrooms aimed at consolidating the social skills of Family Bankers.

In its role of "financial educator", Mediolanum Corporate University decided to hold for Banca Mediolanum customers and retail investors in general, education events focused on topics such as financial planning, the protection of household assets and investments, the achievement and consolidation of financial stability: because the real crises lie in the "unawareness" of the rules of the financial universe. The initiative called "Investire per il mio Futuro" (Investing for my Future) was created to provide opportunities for people to meet and discuss financial and economy-related topics. In 2013, there were 4 sessions attended by about 200 customers, also throughout Italy. True to its vision, Mediolanum Corporate University: "providing a way to excellence", like in 2011, Mediolanum Corporate University held the series of events "Mcu incontra l'Eccellenza" (MCU Meets Excellence) focused on values to support the personal and professional growth of managers and customers. The 18 events were attended by over 9,000 customers.

Mediolanum Corporate University strongly believes that today the real difference between people is determined by their ability to do, or better, to make things happen, and believes that this is the real precondition to improve the environment in which we all work and live.

In addition to training on values, Mediolanum Corporate University has created for Banca Mediolanum Customers a training program on issues related to Social Networks and Communication. There were more than 100 editions in 2013.

LEARNING: AN INTEGRATED APPROACH

Training courses are developed based on an approach that integrates different teaching methods and tools in order to make learning as effective and practical as possible.

An advanced Learning Management System supports and facilitates self-directed study. Self-study provides fundamental preparation prior to entering the classroom where all the ideas and knowledge acquired during the self-study phase turn into a shared experience. On-the-job training follows theoretical training so that what was learned in the structured training sessions is then put to practice in the field.

Training of employees

In 2013, the Mediolanum Group, through Mediolanum Corporate University, the structure dedicated to the management of the educational activities of the Group, organized and managed, for employees, training courses for a total number of classroom hours equal to 89,449 compared to 54,880 in the previous year.

unit	2013	2012	2011	Change % 2012-13
Courses				
Classroom training	106	79	74	34%
Online education	48	68	63	(29%)
Total	154	147	137	5%
Training hours				
Classroom training	59,536	41,430	41,619	44%
Online education	26,368	13,450	19,108	96%
Total training hours	89,449	54,880	60,727	58%

Total hours of training credit were up by 58%. All types of educational programs have seen a significant growth: internal courses (+44%), external courses (+99%), online (+96%), proof of intense planning, coordination and delivery.
In particular, the on-line courses have doubled the volume of activity and insisted on regulatory issues relating to compulsory training courses (IVASS update, anti-money laundering, privacy, transparency, health and safety, MIFID).

Even the allocation of credit hours by category reveals a strong overall increase with particularly high peaks in IT (+164%) and training relating to financial products (+155%) and banking (+77%).

Data relating to individual participation remained consistently homogeneous and show an overall increase of 71%.

The number of courses managed increased further to the considerable figure of 154 (+5%). The figure confirms the continued activities of planning, update and expansion of the training catalogue.
In terms of individual initiatives we can highlight:

- the conclusion of the first year of the second edition of the Executive Master in Business & Banking Administration in collaboration with SDA Bocconi which saw the participation of 21 staff members including managers and executives of the Group;
- the intense training activity aimed at management related to the identification and practical application of the methods, tools and organizational guidelines relating to Project Management;
- a significant activity in the area of innovation with organizations of thematic workshops with SDA Bocconi and Politecnico di Milano.

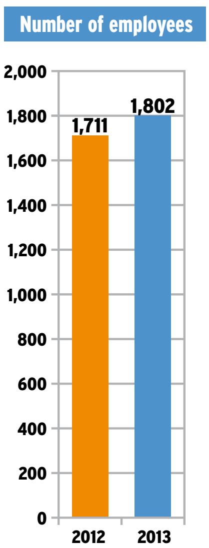
In the coordination and management of resources, a campaign was launched to inform and educate those responsible for human resources on the main features and changes introduced in the process of managing and assessing staff performance. This activity will be completed in early 2014 and will involve more than 200 employees. The inclusion of a large number of apprentices required a special effort in training new employees, particularly articulated to ensure rapid achievement of a level of professionalism in line with the standard of service offered by our assistance facilities.
Together with the completion of the mapping model and assessment of skills and expertise, focus was on the planning and provision of high-level specialist training courses for several categories and professional groups. These programs have a multi-year term and aim to bridge the know-how gap and update and develop this wealth of knowledge.

Employees

In 2013, the change in the workforce of Banca Mediolanum is summarized in the following table:

	Dec. 31, 2013	% of tot.	Dec. 31, 2012	Change	Average age
Senior management	70	3.9%	68	2	44.9
Middle management	225	12.5%	215	10	44.1
Employees	1,507	83.6%	1,428	79	35.5
Total	1,802	100.0%	1,711	91	37.0

Year on year, headcount increased by 91 people.
The main increase in headcount was recorded in Customer Service, as a result of the steady increase in access to banking services by customers, which are increasingly using the Institute as first bank. Specifically, this area included 64 clerical figures dedicated to front-office in direct support of customers, both for traditional telephone channels and for innovative ones.
Regarding middle-office specialists resources increased by 10.
Said positions were mainly filled with people hired under apprenticeship contracts.
In these areas, also during the year, temp work contracts (so called "Interim contracts") were used to variably cope with peaks of activity.
In the context of credit services, which have seen strong consolidation of business activities, 4 new professionals have been inserted.



The Information-Technology function, which saw the launch of major projects related to the innovation of technologies and services, has seen the inclusion of 7 senior specialists.
The Marketing Department has increased its resources by 7 units with high experience, oriented both to the development of new products and the proposal of innovative solutions within the multi-channel model characterizing the bank. The increase in the overall number of executives is due to the acquisition, as well as the internal development of highly professional figures involved in the sectors mentioned above.
The executive staff has grown by 2 people, dedicated to commercial development and of the sales network.
Average age of employees was around 37 years.
Women accounted for 53% of total headcount.
Graduated accounted for 43% of total headcount.

Management and staff development programs in 2013 saw the refinement of the system based on professional categories, within which to pursue the specialized growth of functional skills.
New methods of performance appraisal were also applied and adopted in accordance with the values of accountability also of the same individuals within the processes.
Monitoring of market best practices is constant, with respect to the correct remuneration positioning of the organization both in terms of competitiveness to the market and internal fairness.
Interdepartmental work groups were also activated, with the aim of identifying the methodological guidelines to be used in the management of complex projects.

A specific analysis of the skills and knowledge was completed within the Information Technology structure in order to set organizational and operating models aimed at innovation.
The part of the measurement of organizational performance, managed by Human Resources and Organization, was completed with the identification of the main indicators useful for the definition of the objectives and actions to improve business processes, in terms of organizational efficiency and service quality.
The plans for job rotation, supported by the introduction of the methodology of job posting, through which people voluntarily apply for positions to be filled in the company and therefore visible to all, have impacted more than 5% of the workforce.
In addition to the numerous internal and external education opportunities outlined in the previous section, training and support hours increased to help human resources develop cross-discipline skills, especially those required in operational units, for their all-round professional growth and increased organisational flexibility.

Collaboration continued with major universities in areas such as: Marketing, Finance, Training, Organization and Service Quality.
Recruitment and employer branding agreements with major universities and other specialists in Milan and its surroundings were renewed.
In 2013, students attending university or master's courses in Financial Markets, Marketing and Education took internships and participated in training programs proposed by the bank.

During the year, the teams dedicated to service quality implemented 7 projects, on a voluntary basis, for the improvement of corporate processes and services. The initiatives, in detail, involved 39 people, who were able, after a training course dedicated to total quality, to implement specific initiatives presented directly to top management.
Many activities put in place to ensure well-being in the workplace and work-life balance were proposed once again. Employees and sales network members have largely used the numerous services offered to them e.g. laundry, tailoring services, shoe repairs, driving licence renewal, sale of tickets for events, disease prevention campaigns, courses and special deals. New plans have been developed to help mothers return to work after maternity leave.
The nursery was attended by 126 children of employees within a dedicated structure that is constantly voted for excellence.

Organisation and operations

From an organizational perspective, the year 2013 was characterized by the proliferation of new initiatives for a growing commitment to studies and projects related to legislative and regulatory changes in the banking and insurance sectors.
The Organization Department, in addition to the institutional activity for supervision and efficiency of processes and structures, has dedicated a growing commitment to the specialized support to the above projects and played the role of program management in cross-functional initiatives.
In particular, the Organization Department has been assigned the management of a program (called SMART) of initiatives for the transformation and innovation of the company operating model leveraging the enhancement of support to the sales network, the digitization of operational processes through the adoption of the digital signature and remote technical collaboration as well as the strengthening of Customer Caring using CRM tools and increased levels of service.

The total project activity carried out by the Organization Department has seen an increase of +35% of projects completed over the previous year and 23% of projects under management at year-end. Out of all projects completed, 92% were according to the deadline.
Projects carried out in the year related to:

- regulations (28%);
- analysis and modification of organizational structures (31%);
- transformation and evolution of the operating model (10%);
- support to products and commercial campaigns (21%);
- internal projects and support to IT initiatives (10%).

The project activities have seen a total of 14.5 resources dedicated full-time compared with a total staff of the Division of 24 resources, while the others were dedicated to recurrent activities and supervision of logic safety.
The most significant projects of 2013, in addition to the previously mentioned SMART program currently underway, include:

- review of processes of cost management and cost accounting with the introduction of new applications to support and update internal support regulations;
- self-assessment and gap analysis of business processes and structures with respect to the requirements of Circular 263, Bank of Italy in the implementation of the new Supervisory Provisions;
- enactment of the "related party transactions" process Regulations;
- implementation of new tax rules (stamp duty, report register, reporting movements);
- launch of the new MOM (Middle Office Management) platform to support the digitization of processing Bank Customer claims;
- introduction of the new Identity Management System to automate part of the activities of user profiling of company applications.

Internal Audit

During the year the Internal Audit staff continued their audit work focusing on the assessment of the effectiveness and efficiency of the internal control system as implemented by the various organisational units of the Bank.
Under a service agreement, the Internal Audit staff of the parent company Banca Mediolanum also performed audit work for the subsidiaries Mediolanum Fiduciaria S.p.A. and Mediolanum Gestione Fondi SGR p.A. that do not have an internal audit function. In addition, as part of the parent company's duties of guidance and supervision, for those subsidiaries that do have an internal audit function (Banco Mediolanum, Bankhaus August Lenz, Mediolanum International Funds, Mediolanum Asset Management and Gamax Management AG), the Internal Audit team of Banca Mediolanum regularly exchanged information with the internal audit teams of said subsidiaries, carried out tests, and participated in the meetings of their Audit Committee, where established. Management is committed to promptly remedying any anomalies which audits may reveal and closely monitors (follow-up and audit tracking) the implementation of any corrective action taken.
At December 31, 2013, the Internal Audit team consisted of 15 people (16 at December 31, 2012).

Compliance & Risk Control

For the Bank and – under the relevant service agreements – also for other Group subsidiaries and associates, Banca Mediolanum's Compliance & Risk Control function is responsible for monitoring exposure to financial and credit risks, assessing the impact of operational, legal and reputational risks on financial position, and monitoring capital adequacy in relation to the activities performed.

The team monitors the banking, financial and insurance regulatory environments to ensure compliance and assesses the impact of any changes therein on the business.

Compliance & Risk Control staff coordinate the Internal Capital Adequacy Assessment Process (ICAAP) for those activities specifically attributed to them and falling within the scope of the ICAAP Regulation. The head of the Compliance & Risk Control function reports to the Board of Directors about the overall risk situation in its various aspects.

In 2013 the Compliance & Risk Control function conducted compliance and operational risk assessments to identify any need for mitigation actions strengthening the controls in place.

In view of increasingly fine-tuning risk controls, projects and actions for improvement carried out in the year included increased efficiency and better formalisation of certain organisational processes, automation of certain processes that had been largely manual, activation of additional checkpoints, analysis of new initiatives. A system of indicators for the remote identification of any non-compliance and operational risks as well as controls of the effectiveness of checkpoints in place were further developed. To increasingly promote a control culture across the organisation ample space was given to information and training sessions to that end, including a basic course on compliance titled "il valore della regola" (the value of rules) for operational staff, and other specialist training for control team members.

As part of the usual review and update of risk management and compliance policies special attention was given to reputational risk in order to further strengthen controls of behaviour, factors and circumstances which could adversely impact the image of the Bank and the Group among customers, employees, suppliers, regulators and, generally, the community ("stakeholder").

In 2013, activities covered by ICAAP Regulation (Internal Capital Adequacy Assessment Process) also continued. The report confirms the substantial capital stability of the Mediolanum Banking Group, even in the face of an outbreak of stress scenarios. During the year, the Mediolanum Banking Group continued to participate in monitoring the impact of Basel 3, on a quarterly basis as a result of which there are reassuring indications about the adequacy of the Mediolanum Banking Group to the new requirements of capitalization and liquidity management which will come into force progressively, starting from 2015. Reference is also made to the workforce reviewing process that is involving the internal controls system of the Mediolanum Banking Group, as part of efforts undertaken to comply with the provisions contained in the 15th update of July 2, 2013 of the "New regulations for prudential supervision for banks", which will particularly have an impact on both the organizational structure of the control function of regulatory compliance, and the regulatory jurisdiction, following implementation and as described in the" Self-assessment Report", approved by the Board of Directors of Banca Mediolanum and transmitted to the Bank of Italy. At December 31, 2013, the Compliance & Risk Control function consists of a total of 36 resources (31 at December 31, 2012). This increase in resources is mainly due to the reorganization of the activities related to audits on commercial conduct, even through indicators on the operation of the sales network, which led to the centralization of these activities at the newly established Business Process Monitoring Facility.

The Compliance & Risk Control function is also responsible for oversight of customer complaint analysis and in

particular, assessing whether further risk mitigation measures need to be introduced into organisational processes and procedures upon completion. In this regard, it is noted that the total claims received by Banca Mediolanum S.p.A. that can be handled went, without considering any claims re-opened for replies deemed unsatisfactory by customers, from 4,846 in 2012 to 4,340 at the end of 2013, a decrease of about 10%, due to a general decrease in volumes recorded for all types of claims.
The analysis of the 3,876 complaints examined and solved at December 31, 2013 shows that 690 complaints, accounting for 18% of total complaints, were upheld, and 34 of them were the subject of a settlement with the customer.
The in-depth analysis made by the Compliance & Risk Control function of complaints received, in a limited number of cases prompted the adoption of improvements of specific points of processes or internal procedures.
The analysis of complaints received in the year revealed no procedural, organisational or behavioural deficiencies which would require reporting to Top Management and the Board of Statutory Auditors.

Network Inspection

During the year under review, the Network Inspection staff continued to carry out second level controls and checks on the sales network members to make sure their off-premises activities were in full compliance with the regulations in force.
Checks and inspections were conducted at the Family Banker Offices in the field as well as at corporate Headquarters. Additional checks were conducted via *ad hoc* quantitative and statistical indicators monitoring potential operational and reputational risks related to the sales network activities.
The Network Inspection staff also availed themselves of the assistance of Banking Services Center, representatives who liaise with customers.
Upon completion of checks, actions were planned to remedy any irregularities found and, where necessary, sanctions were applied to the financial advisors involved or their mandate was revoked.
At December 31, 2013, the Network Inspection team consists of a total of 26 resources, with a productivity in line with the previous year and a decrease of two resources overall.

The Banking Services Center staff providing assistance to Network Inspection unit, even by means of remote communication, consisted of 4-6 people.
In 2013, the cases of fault committed by Family Bankers and reported to the Supervisory Board amounted to 27 against 53 cases in 2012, with a strong reduction in the frequency of claims in relation to the average over the past 10 years.
As further protection, in 2013, the Bank renewed the policy taken out to cover any illegal actions committed by the sales force to the detriment of customers.

Anti-money laundering office

The Anti-money Laundering Office, as a function of second-level control, carried out during the year, through the provision of appropriate guidelines, which are shared with other Control Functions, the different corporate structures and the sales network, its role in directing implementation of processes that comply with the legislation on

money laundering, ensuring that business processes are consistent with the objective: in 2013 the activity mainly concerned the recent regulatory changes that will mostly have an impact with effect from January 1, 2014.
The Office also reviewed the activities of the various organizational units regarding anti-money laundering, checking the adjustments of rules and procedures, examining and identifying, also in collaboration with the Compliance & Risk Control function, possible interventions aimed at improving compliance with the regulations.
The function, which has 13 employees, has on the whole analysed the reports received by the Department and the sales network of alleged suspicious transactions to be submitted to the Anti-money Laundering Officer for the evaluation of any reports to the FIU and/or ME, also examining the evidence emerging from the Gianos SOS and GPR procedures and the anomalies detected by the Diana procedure and reports the results.
In collaboration with the Human Resources Division and Mediolanum Corporate University respectively for the training of employees and Family Bankers, there were more than 30 training sessions in anti-money laundering.

Treasury management

At year end 2013, loans to banks aggregated to Euro 1,300 million versus Euro 1,654 million at year end 2012. Interbank lending is concentrated with leading Italian financial institutions.
Investments in securities amounted to Euro 12,595 million up Euro 1,973 million from Euro 10,622 million at year end 2012:

€/m	2013	2012
Held to maturity investments	2,205	1,021
Available-for-sale financial assets	9,499	8,124
Financial assets held for trading	474	587
Financial liabilities from trading	(250)	(257)
Loans & Receivables (banks and customers)	667	1,147
Total	12,595	10,622

The increase in securities held reflects purchases of Italian treasuries to take advantage of their greater yields, but with very short duration to keep interest rate risk low; purchases were concentrated in the early part of the year moving ahead of maturities for securities already held to maximise returns and achieving part of the strong gains to exploit volatility opportunities.
Therefore the weight of government securities out of total securities held increased from 83.5% at year end 2012 to 93.9% at year end 2013, while the weight of floating rate securities out of total holdings increased from 29% at year end 2012 to 36% at year end 2013.
Italian treasuries accounted for 97.7% of total government securities held, followed by Spanish treasuries that accounted for 1.4%.
The portfolio is largely made up of euro-denominated instruments with no exposure to currency risk. In support of the low risk it should be noted that the average duration at the end of 2013 was 1.08 a decrease compared with 1.2 in 2012.

The increase regarded mostly AFS portfolio which were up Euro 1,375 million over the prior year's balance. The balance of the revaluation reserve included in net equity is positive for Euro 73.6 million, with a difference from the previous year of Euro 4.9 million (12.31.2012: Euro 78,6 million). "Held-to-maturity investments" increased by

Euro 1,184 million over the prior year's balance, and Financial assets held for trading net of "Financial liabilities from trading" decreased to Euro 224 down Euro 106 million.
Finally, the category "Loans and Receivables" represented by ABS securities and private banking and government issues in the Euro zone not quoted on active markets, reported a year-end balance of Euro 667 million, with a marked decrease (Euro -480 million compared to the end of 2012 when the balance stood at Euro 1,147 million) related to natural maturity of the securities.

Net interest income increased from Euro 275.1 million in 2012 to Euro 247 million at year end 2013 (Euro -28.1 million).
Net financial income came in at Euro 333 million versus Euro 307.1 million in the prior year. The Euro +25.8 million increase was driven by higher gains on disposal of financial assets available for sale (Euro +77.9 million) and the most positive result from hedging activities (Euro +8.0 million), partially offset by lower interest margins (Euro -28.1 million) and lower gains from trading (Euro -29.3 million).

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

€/m	2013	2012
Net interest income	247	275
Net income from trading	9	38
Net income from hedging	4	(4)
Net gains (losses) on sale of financial assets	73	(2)
Total	333	307

Equity and capital ratios

At December 31, 2013, shareholders' equity, excluding net profit, amounted to Euro 805.6 million versus Euro 780.2 million at December 31, 2012.
The Euro 25.4 million increase reflects the 2012 capital increase (Euro +29.2 million), the movements in equity reserves in connection with stock options (Euro +1.1 million) as well as the decrease in the valuation reserve of available-for-sale financial assets (Euro -4.9 million versus the prior year).
After the approval of the appropriation of net profit for the year 2013 as proposed by the Shareholders' Meeting, Bank's equity totally amounts to Euro 813.3 million up Euro 3.8 million over the prior year.
This corresponds to a net book value of Euro 1.36 per Euro 1 nominal value share each (12.31.2012: Euro 1.35).
Earnings per share (EPS) amount to Euro 0.225 versus Euro 0.315 in 2012.
Total capital ratio (regulatory capital /RWA) was 25.60% (12.31.2012: 21.64%), well above the minimum requirement of 8%.
Total Tier 1 capital ratio (regulatory capital/RWA) increased to 20.51% (12.31.2012: 19.25%).

MEDIOLANUM BANKING GROUP

At December 31, 2013, the Bank's investments in Banking Group companies amounted to Euro 359.7 million, down versus Euro 367.8 million of the prior year. The Euro 8 million decline is mainly due to the decrease of Euro

8.2 million relating to write-downs of the investment in the subsidiary Bankhaus August Lenz A.G. following the loss recorded for financial year 2013.

Impairment test of equity investments

The Board of Directors of the Bank approved the procedures for impairment test at December 31, 2013 to ascertain that the carrying amount in the financial statements at December 31, 2013 of its equity investments in Banco Mediolanum, Gamax Management AG (Gamax) and Bankhaus August Lenz & Co AG (BAL) is stable, or that the same prevent impairment losses in accordance with IAS 36.

For the purpose of impairment test at December 31, 2013, Banca Mediolanum requested the assistance of a primary specialist firm. The valuations were based on cash-flow estimates derived from the 2014-2016 Plans approved by the Board of Directors of Banca Mediolanum on January 16, 2014, and applying industry standard methods best suited for the purposes of the exercise in the specific cases, in accordance with applicable accounting standards.
In their report the independent experts concluded that – with due consideration of the limits inherent in the use of estimates that are uncertain by their very nature and subject to changes in the macroeconomic environment and external circumstances as well as, in the specific case, based on assumptions relating to future events and management actions that may not materialise – their analysis revealed no impairment of the stakes in Banco Mediolanum, Gamax and BAL. Impairment testing details are set out in section 10, Part B, of the Notes.

Equity investments performance

Key information on the performance of the companies in which the Bank has a major stake during the period under review is set out below.

Banco Mediolanum S.A.

For financial year 2013 the Spanish Group reported net profit of Euro 24.7 million versus Euro 30.3 million in the prior year.
In the year under review, gross inflows into asset management products amounted to Euro 538 million, remaining essentially in line with the prior year's balance, and net inflows were +238 million versus +88.2 million in the prior year.

Assets under administration recorded inflows of Euro +212.8 million (12.31.2012: Euro +26,1 million).
At year end, total assets under management and under administration amounted to Euro 2,376.3 million versus Euro 1,799.6 million at December 31, 2012.
The sales network consisted of 690 people (vs. 590 at 12.31.2012), of whom 652 tied advisors (12.31.2012: 551 people).

Bankhaus August Lenz & Co. AG

For financial year 2013 the company reported a net loss of Euro 8.2 million versus Euro 8.4 million in the prior year.
Net inflows of assets under management were positive for Euro +18 million (12.31.2012: Euro +26 million), while net inflows of assets under administration were negative for Euro -13.5 million (12.31.2012: Euro +28,2 million).
At year end, total assets under management and under administration amounted to Euro 231.1 million (12.31.2012: Euro 214,5 million).
The sales network at December 31, 2013 consisted of 46 people, in line with the previous year.

Gamax Management AG

At December 31, 2013, this Luxembourg-based company reported net profit of Euro 5.3 million, up Euro 1 million compared to the prior year's balance.
In 2013 in the retail segment, the company recorded net outflows of Euro -41.9 million versus net outflows of Euro -0.1 million in the prior year. At year end 2013, assets under management amounted to Euro 214 million versus Euro 228.4 million at the end of 2012.

Mediolanum Gestione Fondi SGR p.A.

For financial year 2013, the company reported net profit of Euro 31 million versus Euro 35 million in the same period of the prior year. This variation is mainly due to the effect of the higher tax burden for the year (Euro -4.5 million) in relation to the increase in the IRES rate for fiscal year 2013 from 27.5 to 36% (stability Law 27/12/2013 no. 147).
The excellent results achieved in terms of net inflows amounted to Euro +1,017.9 million (12.31.2012: Euro +577.2 million), and the resulting increase in equity directly managed by the Company amounted to Euro 4,351.6 million compared to Euro 3,377.4 million at December 31, 2012 (+29%) positively influenced the performance in the year that shows, in fact an increase in net commission income for Euro 1.4 million mainly due to the steady growth in revenues (Euro +7.3 million net of management fees), partially offset by the decrease registered in the more volatile component of the income statement related to performance commission (Euro -5.9 million).
Assets managed on mandates from fellow subsidiaries amounted to Euro 13,793.0 million (12.31.2012: Euro 15,016.9 million) down 8% largely owed to declines in Mediolanum Vita policy-associated assets.

Mediolanum International Funds Ltd

At December 31, 2013 the company reported net profit of Euro 302.8 million, up Euro 41 million over the prior year (12.31.2012: Euro 261.4 million), largely due to the increase in management fees earned in the period (Euro +82.5 million).

At the end of the year under review, the company reported net inflows of Euro 3,425.6 million (12.31.2012: Euro +1,718,9 million).
At December 31, 2013, total assets under management amounted to Euro 25,517 million compared to Euro 20,952 million at December 31, 2012 (+21.8%).
In October, the company resolved to distribute an interim dividend for a total amount of Euro 200 million versus Euro 207 million in the prior year.

Mediolanum Asset Management Ltd

For financial year 2013 this company reported net profit of Euro 16.2 million up Euro 2 million from Euro 14.2 million at December 31, 2012.
In 2013, the company has not approved the distribution of an interim dividend for the current year while the previous year it had distributed an interim dividend for a total of Euro 10.0 million.

Mediolanum Fiduciaria S.p.A.

For financial year 2013 the company reported a net loss of Euro -512 thousand versus Euro -402 thousand in the prior year. This loss is largely in connection with start-up and operating costs that at year end 2013 had not yet recorded significant revenues given the still small number of mandates received (32).

Tax claims

As you may recall two separate Audit Reports had been issued in past years following the field audit Italy's Tax Police (Milan Office – 1st Revenue Protection Group) started on September 16, 2010 and concluded on February 28, 2011. One Audit Report had been issued on October 29, 2010 claiming a total adjustment of Euro 48.3 million to IRES and IRAP taxable income for tax year 2005; the other on February 28, 2011 claiming a total adjustment of Euro 121.4 million to IRES and IRAP taxable income for tax years from 2006 through 2009, all relating to fees rebated by the Irish subsidiary Mediolanum International Funds Ltd.

On April 29, 2011, the Bank had filed a brief prepared pursuant to section 12, paragraph 7, of Law no. 212 of July 27, 2000 with the IRS Lombardy Office whereby the penalty waiver clause under Article 26 of Italy's Law Decree no. 78 of May 31, 2010. Subsequently, on December 21, 2012 the Bank was notified three Notices of IRES Tax Due and Demands for Payment and as many Notices of IRAP Tax Due and Demands for Payment for tax years 2005, 2006 and 2007, claiming adjustments to taxable income aggregating to Euro 333.5 million, resulting in Euro 110.1 million IRES tax due plus Euro 85.7 million penalties, and Euro 17.5 million IRAP tax due plus Euro 13.6 million penalties.
Banca Mediolanum, even based on the opinion of an external consultant, believes the analysis developed by the IRS in the Notices is illegitimate besides being groundless as to the adjustments to taxable income claimed and illegitimate as to the penalties given that the waiver under Art. 26 of Italy's Law Decree no. 78/2010 was not

applied although the tax administration itself recognised formal compliance of documentation produced within the required deadline.
For the same reasons and considerations set out above in relation to the Audit Reports, the Company started the procedure under the EU Arbitration Convention (Convention 90/436/EEC).
As to the outcome of the claims above, given that the pending issues relate to determinations for which the procedure under the international Arbitration Convention was initiated and considering that the transfer pricing applied by the Company is within the arm's length range as determined by independent economists, in the previous accounts the Board of Directors had believed based, *inter alia*, on the opinion of the external consultant, the risk was only possible and, as pending issues relate to determinations, no sufficiently reliable estimate could be made of the amount of the obligations that may have ultimately resulted for the Company. In the light of the foregoing no provision was made in the separate accounts for the year ended December 31, 2012 as well as in the prior years.
However in 2013, there have been significant changes in the international reference environment, with particularly significant impact on the Company, which is still involved in the European arbitration procedure (90/436/EEC Convention).
In this respect, there is an ongoing thorough review of the rules on intergroup transactions, as reported by the OECD in the document published on July 19, 2013 and entitled "Action Plan on Base Erosion and Profit Shifting" which argues that the current rules allow allocating a lower amount of taxable profits in the jurisdictions in which the revenues are achieved and a greater amount in the jurisdictions in which there are intangible assets, by their nature, easily transferable within the group.
While confirming again the exceptions relating to tax assessments and appropriateness of transfer prices charged by the Company, in the light of the foregoing, such guidelines in the complex dynamics of relationships between states, on the basis of experience, by analogy, also in dispute are slightly different, lead the Company to believe that, also with the opinion of an external consultant, the likelihood of outflow of resources has now become "probable" limited only to relegated management fees. In fact , because of the above revisions in progress at the international level regarding the criteria for determining the intergroup fees, it can not be ruled out that under international procedures implemented by companies prices can be effectively established that fall within a range of values of the free market different than current ones. However, the opinion about the illegality of the sanctions imposed remains confirmed, for the reasons set out above and the exclusion of any obligation to pay back the performance commission, on the basis of established and uniform practice recognized in the reference market.
With regard to the quantification of liabilities, while there have been difficulties in making estimates of items of value such as that concerning the litigation, the Company, with the support of the external consultant, considered it reasonable to reconsider some indications contained in the economic analysis prepared in accordance with article 26 Law Decree no. 78/2010 used to document the transfer pricing policy to Financial authorities.
This economic analysis, conducted on a representative panel of operators with respect to the period 2010-2012, in addition to identifying a median value of relegated management fees between 42.00% and 49.30%, also shows a position of the third quartile included between 55.17% and 58.53%.
The Directors of the Company, with the support of the external consultant, believe that in the procedures there may be a transfer value that falls in the third interquartile above, reasonably estimated at no more than 57% of management fees, to which, on the basis of estimates made with reference to the years 2005-2013, a greater tax burden corresponds for approximately Euro 29.7 million, excluding the application of sanctions for the reasons above.
In light of the foregoing, it was decided to make a provision of Euro 29.7 million in the accounts as of December 31, 2013.

Social and environmental responsibility

For information on the Group's policy on social and environmental responsibility, readers are referred to the Social Report 2013.

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

In Document No. 4 dated March 3, 2010 jointly issued by the Bank of Italy (Italy's Central Bank), CONSOB (stock market regulator) and ISVAP (insurance market regulator), Italian regulators called upon Senior Management to adhere strictly to international accounting and financial reporting standards and applicable legislation and provide complete, clear and timely information about the risks and uncertainties to which their companies are exposed, the capital their companies have to cover those risks and their earnings generation ability. In connection therewith management is making the following disclosures.

As to the entity's ability to continue as a going concern, the management of Banca Mediolanum S.p.A. confirm they reasonably expect the company will continue in operation in the foreseeable future and therefore the financial statements for the year ended December 31, 2013 were prepared based on the going concern assumption. Following their examination of the financial position, result of operations and cash-flows, they also confirm they did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern.

In relation to "Impairment of Assets" (IAS 36), as illustrated above, the impairment method used by Banca Mediolanum included assessment by an independent expert based on current multi-year business plans previously approved by the Board of Directors of the Bank. The impairment process was validated by the Board of Directors of Mediolanum S.p.A. For further details, readers are referred to section 10 in Part B of the Explanatory Notes.

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

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

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

Information on "fair value hierarchy" for positions held at December 31, 2013, including prior year's comparative information, is given in Part A of the Explanatory Notes.

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

Main risks and uncertainties

Readers can find information about the risks and uncertainties to which the Mediolanum Banking Group is exposed in this Report and in the Explanatory Notes.
Specifically, information about the risks related to the performance of the world's economies and financial markets is set out in this Report, under "Macroeconomic Environment", "Financial Markets" and "Outlook". Information on financial risk and operational risk is detailed in Part E of the Explanatory Notes.

Post balance sheet date events

After December 31, 2013, there was no event which could have a significant impact on the financial position, results of operations and cash flows of the Bank.

Outlook

In 2014 the presence of a moderate and accelerating global growth, the persistence of low inflation and the adoption of structural reforms can create an economic and political environment conducive to higher corporate profits. In this context, even within a multi-year period, the equity markets may anticipate and benefit from the expected positive evolution of the economic cycle. The main central banks will continue to ensure low bond yields, in order not to jeopardize the economic results achieved in previous years through the adoption of expansionary monetary policies.
In Italy, the correctness of the path of monetary policy undertaken by the European Central Bank and fiscal consolidation which our country has undergone in recent years is recognized by the markets with the gradual and steady reduction in government yields, more compatible with a sustainable economic recovery.

In such environment, Banca Mediolanum will continue to be focused on its all-around offering of ever more sophisticated products and services to protect the savings and grow the assets of its customers. Income from treasury operations will continue to be linked to the performance of markets.
With due consideration of the developments outlined under "Tax Claims" and of the risks that are inherent in the business conducted by the Bank, barring any exceptional events or circumstances that depend on variables essentially outside the control of Directors and Senior Management – and not in the offing at present – the outlook for 2014 is positive.

Acknowledgements

Shareholder,

for all the activities profitably conducted and the results achieved, we would like to express sincere and heartfelt thanks to Family Bankers and Employees who have contributed to the achievement of these important goals through their activities. A special thanks and appreciation to our Customers for their trust in us and the sole shareholder of Mediolanum S.p.A., which has always progressively taken steps to strengthen the Bank's capital.

Finally, a respectful greeting to the Bank of Italy, who accompanied us with attention and suggestions that are always useful and appreciated, and the European Central Bank, responsible for the start-up of European banking supervision.

Appropriation of net profit for the year

Your Bank's financial statements, which we submit to you for approval together with this Report on Operations, show net profit of Euro 134,703,398.20. Considering the sound capital ratios with Tier 1 at 20.51% for the Bank and at 14.36% for the Banking Group (12.31.2012: 19.25% for the Bank and 12.14% for the Banking Group), we propose to distribute a Euro 0.21167 dividend per share, for a total amount of Euro 127,002,000.00 and to appropriate the rest of the year's net profit as follows:

- Euro 6,735,169.91 to the Legal Reserve, equal to 5% of the year's net profit;
- Euro 966,228.29 to the Extraordinary Reserve.

Basiglio, March 19, 2014

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

Accounts
2013

Statement of financial position

Assets

€	Dec. 31, 2013	Dec. 31, 2012
10. Cash and cash equivalents	1,764,283	1,731,394
20. Financial assets held for trading	474,382,943	587,294,528
40. Available-for-sale financial assets	9,499,445,198	8,123,519,846
50. Held-to-maturity investments	2,204,753,488	1,021,030,566
60. Loans to banks	1,300,827,246	1,654,862,706
70. Loans to customers	5,428,042,742	4,917,775,267
80. Hedging derivatives	2,417,524	1,366,359
100. Equity investments	359,684,654	367,709,475
110. Tangible assets	15,822,693	16,529,518
120. Intangible assets	14,744,863	13,961,299
of which:		
- goodwill	-	-
130. Tax assets	109,739,044	148,007,949
a) current	32,703,074	55,250,783
b) deferred	77,035,970	92,757,166
150. Other Assets	228,659,143	210,758,335
Total Assets	19,640,283,821	17,064,547,242

Liabilities and Shareholders' Equity

€	Dec. 31, 2013	Dec. 31, 2012
10. Amounts due to banks	4,461,893,891	3,460,731,531
20. Amounts due to customers	13,148,259,924	11,634,100,268
30. Securities issued	187,554,116	94,720,056
40. Financial liabilities from trading	250,147,976	256,994,391
50. Financial liabilities at fair value	-	-
60. Hedging derivatives	59,127,226	92,888,407
80. Tax liabilities	135,676,573	111,164,390
a) current	84,513,535	45,774,285
b) deferred	51,163,038	65,390,105
100. Other liabilities	272,128,623	261,272,321
110. Employee completion-of-service entitlements	9,300,431	9,333,049
120. Provisions for risks and charges:	175,876,786	173,892,060
b) other provisions	175,876,786	173,892,060
130. Valuation reserves	73,595,183	78,580,389
160. Reserves	132,019,694	101,606,253
180. Share capital	600,000,000	600,000,000
200. Net profit (loss) for the year (+/-)	134,703,398	189,264,127
Total liabilities and shareholders' equity	19,640,283,821	17,064,547,242

Income Statement

€	Dec. 31, 2013	Dec. 31, 2012
10. Interest income and similar income	466,409,515	484,699,306
20. Interest expense and similar charges	(219,436,101)	(209,590,869)
30. Net interest income	246,973,414	275,108,437
40. Commission income	452,042,070	406,806,507
50. Commission expense	(395,505,387)	(331,426,152)
60. Net commission	56,536,683	75,380,355
70. Dividends and similar income	155,130,655	171,007,002
80. Net income from trading	8,813,289	38,069,650
90. Net income from hedging	3,754,607	(4,279,108)
100. Gains (losses) on sale or buyback of:	73,383,015	(1,810,901)
a) loans	(2,476,874)	30,270
b) available-for-sale financial assets	75,887,222	(1,986,183)
c) held-to-maturity investments	(4)	29,887
d) financial liabilities	(27,329)	115,125
120. Total income	544,591,663	553,475,435
130. Impairment/reversal of impairment of:	(17,880,940)	(10,354,181)
a) loans	(12,963,875)	(8,708,835)
b) available-for-sale financial assets	(547,744)	(1,611,010)
d) other financial instruments	(4,369,321)	(34,336)
140. Net income from financial operations	526,710,723	543,121,254
150. Administrative expenses:	(289,465,653)	(273,524,004)
a) staff costs	(116,222,667)	(109,494,396)
b) other administrative expenses	(173,242,986)	(164,029,608)
160. Net provisions for risks and charges	(17,545,845)	(35,946,454)
170. Depreciation and net impairment of tangible assets	(2,983,546)	(2,526,362)
180. Amortisation and net impairment of intangible assets	(7,089,071)	(6,214,884)
190. Other operating income	8,452,066	14,196,350
200. Operating expenses	(308,632,049)	(304,015,354)
210. Profit (loss) on equity investments	(8,725,004)	(8,820,653)
240. Profit (loss) on disposal of investments	30,184	4,599
250. Profit (loss) before tax on continuing operations	209,383,854	230,289,846
260. Income tax expense on continuing operations	(74,680,456)	(41,025,719)
270. Profit (loss) after tax on continuing operations	134,703,398	189,264,127
290. Net profit (loss) for the year	134,703,398	189,264,127

Statement of Other Comprehensive Income at 31 December 2013

€	Dec. 31, 2013	Dec. 31, 2012
10. Net profit (loss) for the year	134,703,398	189,264,127
Other comprehensive income components, net of income tax without reversals to the income statement		
40. Defined benefit plans	(50,161)	-
Other comprehensive income components, net of income tax with reversals to the income statement		
100. Available-for-sale financial assets	(4,935,045)	221,517,324
130. Total other comprehensive income components, net of income tax	(4,985,206)	221,517,324
140. Comprehensive income (Captions 10+130)	129,718,192	410,781,451

Statement of Changes in Equity

At December 31, 2012

€	Balance at Dec. 31, 2011	Change opening balance	Balance at Jan. 1, 2012	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other allocations
Share capital:					
a) ordinary shares	450,000,000	-	450,000,000	-	-
b) other shares	-	-	-	-	-
Share premium	-	-	-	-	-
Reserves:					
a) retained earnings	96,641,967	-	96,641,967	1,124,003	-
b) other	3,185,042	-	3,185,042	-	-
Valuation reserves	(142,936,935)	-	(142,936,935)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	16,129,003	-	16,129,003	(1,124,003)	(15,005,000)
Shareholders' equity	423,019,077	-	423,019,077	-	(15,005,000)

at December 31, 2013

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

Changes occurred in the year								
	Movements in equity							
Change in reserves	New share issues	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) for the year 2012	Shareholders' equity Dec. 31, 2012
-	150,000,000	-	-	-	-	-	-	600,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	655,241	-	98,421,211
-	-	-	-	-	-	-	-	3,185,042
-	-	-	-	-	-	-	221,517,324	78,580,389
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	189,264,127	189,264,127
-	150,000,000	-	-	-	-	655,241	410,781,451	969,450,769

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

Statement of cash flows

Indirect method

€	Dec. 31, 2013	Dec. 31, 2012
A. OPERATING ACTIVITIES		
1. Management	261,540,691	289,407,030
- net profit (+/-)	134,703,398	189,264,127
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(3,765,053)	(14,772,791)
- gains/losses on hedges (+/-)	(3,754,607)	4,279,108
- impairment/reversal of impairment (+/-)	17,880,941	10,354,180
- net write-downs/write-backs of tangible and intangible assets (+/-)	10,072,617	8,741,247
- provisions for risks and charges and other costs/revenues (+/-)	21,846,621	41,000,672
- Unpaid taxes and tax credits (+/-)	74,680,456	41,025,719
- other adjustments (+/-)	9,876,318	9,514,768
2. Cash generated/used by financial assets	(1,649,488,840)	(2,367,559,497)
- financial assets held for trading	115,978,697	116,939,322
- at fair value	(1,051,165)	(1,366,360)
- available-for-sale financial assets	(1,380,860,398)	(2,179,463,923)
- loans to banks: on demand	40,809,850	155,529,735
- loans to banks: other loans	313,225,610	523,626,082
- loans to customers	(528,148,416)	(860,795,917)
- other assets	(209,443,018)	(122,028,436)
3. Cash generated/used by financial liabilities	2,587,424,843	2,137,852,982
- due to banks: on demand	31,058,345	(185,905,108)
- due to banks: other amounts due	970,104,015	(1,481,745,086)
- amounts due to customers	1,514,159,656	4,049,110,364
- securities issued	92,834,060	(190,910,739)
- financial liabilities held for trading	(6,148,473)	(72,654,595)
- financial liabilities at fair value	(30,006,574)	20,713,710
- other liabilities	15,423,814	(755,564)
Net cash generated by/used in operating activities	1,199,476,694	59,700,515
B. INVESTING ACTIVITIES		
1. Cash generated from	578,686,333	596,193,306
- dividends received from equity investments	155,130,656	171,007,002
- sale of held-to-maturity investments	423,550,212	423,426,700
- sale of tangible assets	5,465	936,230
- sale of intangible assets	-	823,374
2. Cash used for	(1,618,128,137)	(791,693,531)
- acquisition of shareholdings	(700,182)	(23,363,500)
- purchase of held-to-maturity investments	(1,607,273,134)	(755,584,374)
- purchase of tangible assets	(2,282,186)	(2,300,554)
- purchase of intangible assets	(7,872,635)	(10,445,103)
Net cash generated by/used in investing activities	(1,039,441,804)	(195,500,225)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		150,000,000
- dividend distribution and other	(160,002,000)	(15,005,000)
Net cash generated by/used in financing activities	(160,002,000)	134,995,000
NET CASH GENERATED/USED IN THE YEAR	32,889	(804,710)

Legend: (+) generated (-) used

RECONCILIATION

€	Dec. 31, 2013	Dec. 31, 2012
Captions		
Cash and cash equivalents at beginning of the year	1,731,394	2,536,104
Net cash generated/used in the year	32,889	(804,710)
Cash and cash equivalents at end of the year	1,764,283	1,731,394

Explanatory Notes

2013

Notes to the financial statements at December 31, 2013

These notes are structured as follows:

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

PART A - ACCOUNTING POLICIES

A.1 GENERAL

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

Pursuant to Legislative Decree No. 38 of February 28, 2005 the separate financial statements for the year ended December 31, 2013 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.

The consolidated financial statements for the year ended December 31, 2013 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 and updated January 21, 2014, in the exercise of its powers pursuant to Art. 9 of Legislative Decree 38/2005.

Section 2 - Accounting basis

In the preparation of the consolidated financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2013, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.

In applying IAS/IFRS, no departure was made from requirements therein.
These separate financial statements consist of the Statement of financial position, the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Report on Operations.
In accordance with Art. 5 of Legislative Decree 38/2005 the separate financial statements were prepared using the Euro as reporting currency.
The amounts set out in the Accounts are presented in units of Euro, while the amounts set out in the Notes and the Report on Operations are presented in thousands of Euro except where otherwise stated.
The Accounts and the Notes also include comparative information for the year ended December 31, 2012.

Accounts

The Statement of financial position and Income Statement

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

Statement of Other Comprehensive Income

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

Statement of Changes in Equity

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

Statement of Cash Flow

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

Content of the Notes

The Notes set out the information required under the international accounting and financial reporting standards and Bank of Italy's Circular Letter 262/2005, updated January 21, 2014.
In accordance with Bank of Italy's requirements, no explanatory note is provided for items with a nil balance for both the year under review and the prior year.

Section 3 - Post Balance Sheet Date Events

In the period between the end of financial year 2013 and the date on which these financial statements were approved, there was no event – other than those set out in the corresponding section of the Report on Operations to which readers are referred – which could materially impact the business or result of operations of the Bank.

Section 4 - Other information

Information on the business and the results of operations for the year 2013 of the main subsidiaries is set out in the Report on Operations accompanying the consolidated financial statements.
The financial statements of Banca Mediolanum S.p.A. were audited by Deloitte & Touche S.p.A., as per the resolution passed at the General Meeting of April 20, 2011.

Tax consolidation regime

In 2013, the so-called "tax consolidation regime" regulated by articles 117-129 of the Consolidated Income Tax Act introduced into Italy's tax legislation by Legislative Decree 344/2003 was renewed. Under said regime the taxable profits or tax losses, including any withholding taxes, tax deductions and tax credits, of all participating Group companies are consolidated into the Parent Company. The Parent Company, as reporting entity, calculates the consolidated taxable profit by adding the taxable profits/losses of all participating Group companies to its own taxable profit/tax loss.

The Mediolanum Group companies that elected to apply the "tax consolidation regime" calculated their tax base and transferred the resulting taxable income to the Parent Company. Any tax losses of one or more subsidiaries are transferred to the Parent Company if the Group generated taxable income in the year or is expected to generate taxable income in the future.

A.2 – SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

This section presents the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2013.
The accounting policies applied in the preparation of the separate financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as of income and expense, are consistent with those applied in the preparation of the separate financial statements for the year ended December 31, 2012.

New standards, interpretations and amendments to standards adopted beginning from January 1, 2013

The following standards, amendments and interpretations have been adopted by the Company for first time beginning January 1, 2013.
On May 12, 2011, the IASB issued IFRS 13 – Fair Value Measurement that clarifies how fair value is to be measured. IFRS 13 applies any time another IFRS requires or permits fair value valuations or disclosures about measurements based on fair value, with some limited exceptions. In addition, the Standard requires a disclosure concerning fair value measurement (the fair value hierarchy) that is more extensive than that required by IFRS 7. The principle is applicable prospectively as of January 1, 2013. The adoption of the principle has not had significant effects in relation to fair value measurement, but had an impact in terms of reporting on the financial statements of the Company.
On June 16, 2011, the IASB also issued an amendment to IAS 19 "Employee Benefits". The amendment eliminates the option to defer the recognition of actuarial gains/losses under the "corridor" approach, requiring immediate recognition of changes in the plan's net assets/liabilities, recognition in the income statement of service costs, interest cost as well as of actuarial gains/losses resulting from the re-measurement of assets and liabilities in Other comprehensive income. Expected returns on plan assets are replaced by recognition in the income statement of interest income calculated using the discount rate used to measure the obligation. The amended standard also introduces additional information disclosures in the notes to the financial statements. The amended standard will become effective for annual periods beginning on or after January 1, 2013 with retrospective application required. The introduction of the new amended standard had an impact on the Company's equity on its first-time adoption, due to the different requirement for recognition of actuarial gains/losses. At the date of these financial statements, the Company estimates the impact of the adoption of the amended standard will be about Euro 579 thousand reduced costs in the income statement and the concurrent recognition of a negative equity reserve. In relation to the immateriality of the impact resulting from the application of the amendment, the previous year's data have not been restated.
On June 16, 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements. The amendment requires companies to group items of Other comprehensive income according to whether they may be subsequently reclassified to profit or loss. The revised standard is applicable to financial years beginning on or after July 1, 2012. The data for the previous year have been reclassified accordingly.

As a result of adoption of this principle the comparative data was also presented in compliance with the new information requirements.

- On December 16, 2011, the IASB issued amendments to IFRS 7 Financial Instruments: disclosures. Amendments require the provision of information on the effects or potential effects of offsetting financial assets and liabilities on the statement of financial position. The revised standards are applicable to financial years beginning on or after January 1, 2013. Disclosures are to be provided retrospectively. The adoption of the amendments has not entailed the recognition of any effects on these consolidated financial statements.
- On May 17, 2012, the IASB published the Annual Improvements to IFRSs document: 2009-2011 Cycle, which incorporates amendments to Standards in the context of the annual improvement process thereof, focusing on changes deemed necessary but not urgent.

  Below are those that involve a change in the presentation, recognition and measurement of assets and liabilities, excluding those that involve only a change in terminology or editorial changes with minimal effect on accounting, or those that affect standards or interpretations not applicable to the Company:
  - IAS 1 Presentation of financial statements – Comparative information: it should be noted that any additional comparative information shall be presented in accordance with IAS/IFRS. In addition, it is clarified that if an entity changes an accounting policy or makes an adjustment/reclassification retrospectively, the same entity should present statement of financial position at the beginning of the comparative period ("third balance sheet" in the financial statements), while in the notes comparative disclosures are not required for such "third balance sheet", apart from the items concerned;
  - IAS 16 Property, Plant and Equipment – Classification of servicing equipment: it is clarified that servicing equipment should be classified under Property, plant and equipment when used for more than one year, in inventory otherwise;
  - IAS 32 Financial Instruments: Presentation – Direct taxes on distributions to holders of equity instruments and on transaction costs on capital instruments: it is clarified that direct taxes relating to these cases, follow the rules of IAS 12;
  - IAS 34 Interim Financial Reporting – Total assets for reportable segment: it is clarified that the total assets must be reported only if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets of the segment with respect to as reported in the last annual financial statements.

The effective date of the proposed amendments are set for annual periods beginning on or after January 1, 2013 and thereafter, with early application permitted. The application of the amendments did not result in any significant effects in terms of measurement and in terms of reporting on the financial statements of the Company.

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

On May 12, 2011, the IASB issued IFRS 10 – Consolidated Financial Statements superseding SIC-12 Consolidation – Special Purpose Entities' and the requirements relating to consolidated financial statements of IAS 27 – Consolidated and Separate Financial Statements. The amended IAS 27 titled Separate Financial Statements sets out the requirements for accounting treatment of investments in subsidiaries, joint ventures, and associates in separate (non-consolidated) financial statements. The main changes set forth in the new principle are as follows:

- under IFRS 10, there is a single basic standard to consolidate all types of entities, and this standard 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 stronger definition of control with respect to the past was introduced, based on three elements: (a) power on the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such returns;
- IFRS 10 requires an investor, to assess whether it has control over the company acquired, to focus on activities that significantly affect the returns of the same;
- IFRS 10 requires that, in assessing whether control exists, only the substantive rights are considered, i.e. those which are exercised in practice when important decisions must be taken on the company acquired;
- IFRS 10 provides practical guides to aid in assessing whether control exists in complex situations, such as de facto control, potential voting rights, the situations in which it is necessary to establish whether the person who has the power of decision 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 aspects of implementation.

The principle is applied retrospectively as of January 1, 2014. The adoption of the new principle would have had no impact on these financial statements.

- On May 12, 2011, the IASB issued IFRS 11 – Joint Arrangements superseding IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Joint Venturers. The new standard, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements based on the rights and obligations of the arrangement, rather than on the legal form and requires a single method to account for interests in jointly controlled entities in the consolidated financial statements using the equity method. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. The new principle is applicable retrospectively as of January 1, 2014. Following the issue of IFRS 11, IAS 28 – Investments in Associates was amended to include in its scope from the effective date of IFRS 11 also joint ventures (revised IAS 28 Investments in Associates and Joint Ventures). The adoption of the new principle would have had no impact on these financial statements.
- On May 12, 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities. This new standard includes all disclosure requirements for the consolidated financial statements for all interests in other entities, including subsidiaries, joint arrangements, associates, structured entities and unconsolidated entities. The principle is applied retrospectively as of January 1, 2014. The adoption of the new principle would have had no impact on these financial statements. The Company is assessing the potential impact on disclosures relating to shareholdings.
- On December 16, 2011, the IASB issued amendments to IAS 32 – Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities to provide additional guidance on consistent application of IAS 32 regarding offset of financial assets and financial liabilities. The revised standards are applicable retrospectively to financial years beginning on or after January 1, 2014. The adoption of the new principle would have had no impact on these financial statements in terms of measurements and disclosures.
- On June 28, 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document aims to clarify the transitional rules of IFRS 10, Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. These amendments are applicable, together with the principles of reference, from the years beginning on or after January 1, 2014, subject to earlier

application. The adoption of these amendments in these financial statements would have had no impact except for ongoing evaluations on disclosure relating to shareholdings.

- On October 31, 2012 amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" were issued, which introduce an exception to the consolidation of subsidiaries for an investment company, with the exception of cases in which subsidiaries provide services that relate to the investment activities of such companies. In application of these amendments, an investment company must measure its investments in subsidiaries at fair value. To be classified as an investment company, an entity shall:
  - obtain funds from one or more investors with the aim of providing them with investment management services;
  - be committed towards its investors to pursue the commercial purpose of investing funds exclusively to obtain returns from capital appreciation, investment income, or both;
  - measure and evaluate the performance of substantially all investments at fair value.

  These amendments are applicable, together with the standards of reference, from periods beginning on or after January 1, 2014, subject to earlier application. The adoption of these amendments in these financial statements would have had no impact except for ongoing evaluations on disclosure relating to shareholdings.
- On May 29, 2013, the IASB issued some 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 about the recoverable amount of the assets (including goodwill) or cash-generating unit, in the event that their recoverable amount is based on fair value less costs of disposal, only concern the assets for which an impairment loss has been recognized or reversed during the financial year. The amendments shall be effective retrospectively for periods beginning on or after January 1, 2014. The adoption of said amendment would not have had any material impact on the financial statements.
- 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 that has by law or regulation directly (or indirectly) a central counterparty (Central Counterparty - CCP). The amendments should be applied retrospectively for periods beginning on or after January 1, 2014. Early adoption is permitted. The adoption of this amendment would not have had a material impact on these financial statements.
- On November 12, 2009, the IASB published IFRS 9 – Financial Instruments: it was subsequently amended on October 28, 2010. The Standard, applicable as from 1 January 2015 in a retrospective fashion, is the first part of a stage process that aims to entirely replace IAS 39 and introduce new criteria for classifying and measuring financial assets and financial liabilities. More specifically, for financial assets the new standard takes a single approach based on the financial instrument management methods and on the characteristics of contractual cash flow of financial assets in order to determine the measurement criteria, replacing the alternative rules established by IAS 39. For financial liabilities, however, the main change concerns the accounting of changes in fair value of a financial liability designated as a financial liability measured at fair value through profit or loss, in the event that these are due to changes in the creditworthiness of the liability. According to the new Standard, such changes are to be recognised in the statement of other comprehensive income and will no longer pass through the income statement.
- On November 19, 2013, the IASB published the document IFRS 9 Financial Instruments – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 relative to the requirements of the new model of hedge accounting. The document aims to respond to the criticism on the requirements in IAS 39 that are often considered too stringent and not suitable to reflect the risk management policies of the entity. The primary additions to the document include:

- changes for the types of transactions eligible for hedge accounting, in particular spreading the risk of non-financial assets/liabilities eligible to be managed in hedge accounting;
- change in accounting method of forward contracts and derivative options when included in hedge accounting report in order to reduce the volatility of the P/L;
- changes to the effectiveness test as the current form will be replaced with the principle of "economic relationship" between the hedged item and the hedging instrument; In addition, an assessment of the retrospective effectiveness of the hedging report will no longer be required;
- greater flexibility of the new accounting rules is offset by additional requests for information on the risk management activities of the company.

Financial assets held for trading

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

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

Available-for-sale financial assets

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

Held-to-maturity investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Group intends or has the ability to hold to maturity. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as an available-for-sale financial asset.
Held-to-maturity investments are initially recognised on settlement date.
Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.
After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.
Gains or losses of held-to-maturity investments are recognised in the income statement when the financial asset is derecognised or impaired, and through the amortisation process. At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.
If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying

amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Held-to-maturity investments are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and Receivables

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

- **non-performing** – identify the area of formally impaired loans, being exposure to customers that are in a state of insolvency even if not legally or in similar situations;
- **watch list** – these are exposures to borrowers that are experiencing temporary difficulties in meeting their

payment obligations but are expected to make good within a reasonable timeframe. Watch list loans also include exposures other than to nonperforming borrowers or to government entities – that satisfy both the following conditions:

- have been past due and unpaid for over 270 days (over 150 or 180 days for consumer loans with original maturity of less than 36 months, or of 36 months or more, respectively);
- the aggregate exposure as per the previous paragraph and in relation to other payments that are less than 270 days past due – to the same borrower accounts for at least 10% of total exposure to that borrower;

- **restructured** – exposures to borrowers for which a grace period was accorded with concurrent renegotiation of the loan terms and conditions at below market rates, that were in part converted into shares and/or for which a principal reduction was agreed;
- **past due** – exposures to borrowers other than those classified in the categories above, that at the reporting date were over 90 days past due or overdrawn. Total exposure is considered if at the reporting date:
  - the past due/overdrawn amount,

or:

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

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

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

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

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

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

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

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

Hedging

Hedging transactions are intended to offset changes in the fair value or cash flows of an item or group of items, that are attributable to a particular risk, in the event that risk materialises.

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

Hedge effectiveness is assessed at the date the entity prepares its annual or interim financial statements, using:
- prospective tests which support hedge accounting in terms of expected effectiveness;
- retrospective tests which show the degree of hedge effectiveness in the relevant past periods. In other words, they measure how much actual results differed from perfect hedging.

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

Equity investments

This account relates to investments in subsidiaries and associates which are measured at cost.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the subsidiary or associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the income statement. If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Tangible assets

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

Intangible assets

Intangible assets primarily relate to the application software.
Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.
Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Otherwise, the cost is recognised as an expense in the income statement in the year in which it was incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.

At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An intangible asset is derecognised on disposal or when no future economic benefits are expected from it.

Other Assets

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

Current and deferred taxation

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

Provisions for risks and charges

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

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

Debt and securities issued/Other financial liabilities

Other financial liabilities include the various forms of funding from banks and customers as well as bonds issued net of any buybacks.
These financial liabilities are initially recognised when amounts are received or bonds are issued.
They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/ income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.
A financial liability is derecognised when it expires or is extinguished. They are derecognised also when they are bought back. The difference between the carrying amount of the liability and amount paid to buy it is recognised in the income statement.

Financial liabilities held for trading

Financial liabilities held for trading include:
- trading derivatives with negative fair value;
- short positions on securities trading.

These financial liabilities are initially recognised at the time amounts are received.
On initial recognition they are measured at the fair value of the financial instruments which originated the liabilities. The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement. After initial recognition, financial liabilities are measured at fair value.
A financial liability is derecognised when it expires or is extinguished.

Employee completion-of-service entitlements

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

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

Employee pension plan

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

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are initially recognised in the functional currency, applying to the foreign currency amount the exchange rate in effect at the date of the transaction. At each interim or annual reporting date, assets and liabilities denominated in foreign currencies are measured as follows:
- monetary items are translated using the closing rate;
- non-monetary items measured at historical cost are translated applying the exchange rate in effect at the date of the transaction;
- non-monetary items measured at fair value are translated applying the exchange rate in effect at the reporting date.

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

Income Statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.
Specifically:
- commissions are measured on an accrual basis;
- interest income and interest expense are recognised on an accrual basis;
- dividends are recognised in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the income statement only when actually received.

OTHER INFORMATION

Use of estimates

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

- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- identification of loss events as per IAS 39;
- assumptions used for the identification of any objective evidence of impairment of intangible assets and equity investments recognised in the statement of financial position;
- determination of impairment losses on loans and other financial assets;
- estimates to determine technical reserves;
- determination of provisions for risks and charges and for taxes;
- 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 sales network members.

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

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible asset, with the exception of any goodwill for which an annual impairment test is required at least once a year, is tested for impairment in accordance with IAS 36.
An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of its fair value less cost to sell (the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties) and its value in use (i.e. the present value of the future cash flows expected to be derived from the permanent use of the assets and its disposal at the end of its useful life).
If an asset is impaired, the relevant impairment loss is recognised in profit or loss and the depreciation (amortisation) charge for the asset shall be adjusted accordingly in future periods.
If, in a subsequent period, there is any indication that the impairment loss recognised in prior periods no longer exists, the previously recognised impairment loss is reversed.
If there is objective evidence that a financial asset is impaired, the Group applies the provisions of IAS 39, except for financial assets carried at fair value through profit or loss.
Indications of possible impairment include events such as significant financial difficulties of the issuer, default

or delinquency in interest or principal payments, the possibility that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for that financial asset.
A significant or prolonged decline in the market value of an investment in an equity instrument or holdings in UCITS below its cost is also objective evidence of impairment.
Specifically, for equities, there is evidence of impairment where the decline in the original value exceeds one-third or is prolonged for over 36 months.

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

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

Share-based payments

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

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

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

€/t	Type of funding (1)	Reclassified from (2)	Reclassified to (3)	Carrying amount at Dec., 2013 (4)	Fair value at Dec., 2013 (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			80,097	79,683	960	1,077	455	673
		HFT	AFS	70,283	70,283	455	1,033	455	630
		HFT	Loans to customers	9,814	9,400	505	44	-	43

In the year under review there was no reclassification of assets. The information in the table above relates exclusively to reclassifications made in 2008 of financial instruments 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.
Table A.3.2 is not completed as there would be no significant effects on total performance prior to the transfer.

A.4 - FAIR VALUE DISCLOSURES

QUALITATIVE INFORMATION

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

A.4.3 Fair value hierarchy

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

- Level 1: The FV of classified instruments at this level is determined based on quoted prices in active markets;
- Level 2: The FV of classified instruments at this level is determined based on valuation models that use observable inputs in active markets;

- Level 3: The FV of classified instruments at this level is determined based on valuation models that primarily use significant inputs unobservable in active markets.

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

Description of migration between the valuation level of assets

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

The variations observed during the year are shown in the following table:

Company	From Level 1 to Level 2 or vice versa
Banca Mediolanum S.p.A.	In 2013 a security went from level 2 to level 1

The changes are due to the different availability of counterparties exposing executable prices on the dates of observation.

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

Level 2 instruments of Banca Mediolanum S.p.A. mainly consist of bonds of third-party issuers and shares of Hedge Fund of Funds (HfoF) as well as certain derivative instruments. The securities belonging to this category are valued on the basis of market data inputs, either directly or indirectly observable.

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

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

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

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

- implied forward rates in the risk-free rate values for the various maturities;
- implicit volatility in the swaption, cap and floor option prices.

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

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

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

Level 3 assets of the Group are mainly from holdings in Property UCITS and positions in unlisted shares. Level 3 of the fair value of assets and liabilities that are not at fair value on a recurring basis include receivables and payables with customers and banks, as well as properties.

The logic underlying property assessment 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 apart from specifications of counterparties or the property (its intrinsic peculiarities, sector, geographical location and so on).

The starting point for the determination of the FV of property is the lease fee (contractually fixed) that the lessee of the property agrees to pay the lessor for an agreed number of years. These fees are discounted and capitalized using:

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

The first rate is obtained through a linear combination of a market indicator, a spread for the illiquidity risk, a spread for the risk associated with the property investment and a spread for the industry/urban risk (charged to the discounting rates following an asset-dependent logic). The marginal effect of each of the 4 components will therefore reflect the market sensitivity of the evaluator, as well as related predictions and expectations. The 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 derived from the assessor observing the transactions identified in the relevant market.
In accordance with the provisions of existing law, the assets in the property funds are valued by independent experts every six months. The evaluations, assumptions and inputs used by the independent experts are then subject to validation by the risk management of the Company.
The price of the shares, in consideration of their low incidence in the portfolios of competence, is assumed to be equal to historical cost.
In general, the present value of an asset and/or liability is determined by discounting on the reference date or cut-off the flow of interest and capital, allocated to the various maturities, with the yield curve of the cut-off date and relative to the currency of the product.

The present value of fixed-rate exposures is calculated by discounting the capital and interest flows placed on the date on which they are paid.

The current value of variable rate exposures is obtained by discounting the capital and the coupons placed at the repricing date and the fixed spread placed at various dates of liquidation.

For insensitive items the current value is equal to the balance of the exposure at the reporting date.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

	Dec. 31, 2013			Dec. 31, 2012		
€/t	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	438,994	35,379	10	571,638	15,657	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	9,352,626	80,816	66,003	7,883,138	180,652	59,730
4. Hedging derivatives	-	2,418	-	-	1,366	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	9,791,620	118,613	66,013	8,454,776	197,675	59,730
1. Financial liabilities held for trading	231,527	18,621	-	235,672	21,322	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	59,127	-	-	92,888	-
Total	231,527	77,748	-	235,672	114,210	-

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

A.4.5.2 Year's movements in Level 3 financial assets

€/t	Held for trading	At fair value	Available for sale	Hedging derivatives	Tangible assets	Intangible derivatives
1. Opening balance	-	-	59,730	-	-	-
2. Increases	2,229	-	8,341	-	-	-
2.1. Acquisitions	2,184	-	7,819	-	-	-
2.2. Profits recognised:						
2.2.1. Income Statement	45	-	-	-	-	-
- of which gains	-	-	-	-	-	-
2.2.2. Equity Transferred	X	X	522	-	-	-
2.3. From other level	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
3. Decreases	2,219	-	2,068	-	-	-
3.1. Sales	2,187	-	-	-	-	-
3.2. Redemptions	29	-	-	-	-	-
3.3. Losses recognised:						
3.3.1. Income Statement	3	-	517	-	-	-
- of which losses	-	-	517	-	-	-
3.3.2. Equity Transferred	X	X	1,551	-	-	-
3.4. From other level	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-
4. Closing balance	10	-	66,003	-	-	-

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

	Dec. 31, 2013				Dec. 31, 2012			
€/t	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	2,204,753	2,256,170	-	-	1,021,031	844,863	199,813	-
2. Loans to banks	1,300,827	-	204,935	740,891	1,654,863	-	-	1,654,863
3. Loans to customers	5,428,043	109,730	328,092	4,967,374	4,917,775	-	-	4,917,775
4. Tangible assets held for investments	-	-	-	-	-	-	-	-
5. Noncurrent assets and disposal groups	-	-	-	-	-	-	-	-
Total	8,933,623	2,365,900	533,027	5,708,265	7,593,669	844,863	199,813	6,572,638
1. Amounts due to banks	4,461,894	-	-	4,461,894	3,460,732	-	-	3,460,732
2. Amounts due to customers	13,148,260	-	-	13,147,761	11,634,100	-	-	11,634,100
3. Securities issued	187,554	-	189,899	-	94,720	-	92,257	-
4. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
Total	17,797,708	-	189,899	17,609,655	15,189,552	-	92,257	15,094,832

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

PART B - INFORMATION ON THE BALANCE SHEET ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Analysis of cash and cash equivalents

€/t	Dec. 31, 2013	Dec. 31, 2012
a) Cash	1,764	1,731
b) Demand deposits with Central Banks	-	-
Total	1,764	1,731

Cash and cash equivalents amounted to Euro 1,764 thousand, of which Euro 63 thousand in foreign currencies. Cash and cash equivalents consisted of cash balances in Euro and foreign currencies held at the Milano 3 branch as well as banknotes at ATMs located at the Head Office and at the offices of Banca Mediolanum financial advisors.

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2013			Dec. 31, 2012		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Non-derivatives assets						
1. Debt securities	438,992	34,637	10	571,628	13,016	-
1.1 Structured securities	4	27,299	10	4	7,547	-
1.2 Other debt securities	438,988	7,338	-	571,624	5,469	-
2. Equities	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	438,992	34,637	10	571,628	13,016	-
B. Derivatives	-	-	-	-	-	-
1. Financial derivatives	-	743	-	-	2,650	-
1.1 held for trading	-	743	-	-	2,650	-
1.2 measured at fair value	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	-	743	-	-	2,650	-
Total (A+B)	438,992	35,380	10	571,628	15,666	-

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

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Non-derivatives assets		
1. Debt securities	473,639	584,644
a) Governments and Central Banks	92,829	108,858
b) Government agencies	5,397	5,524
c) Banks	328,282	428,382
d) Other issuers	47,131	41,880
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non financial companies	-	-
- other	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total A	473,639	584,644
B. Derivatives	-	-
a) Banks	722	2,630
b) Customers	21	20
Total B	743	2,650
Total (A + B)	474,382	587,294

2.3 Year's movements in financial assets held for trading

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	584,644	-	-	-	584,644
B. Increases	9,782,492	1,384	86	-	9,783,962
B.1 Acquisitions	9,760,533	1,382	86	-	9,762,001
B.2 Increases in fair value	3,131	-	-	-	3,131
B.3 Other increases	18,828	2	-	-	18,830
C. Decreases	9,893,495	1,384	86	-	9,894,965
C.1 Disposals	9,532,746	1,362	85	-	9,534,193
C.2 Redemptions	342,575	-	-	-	342,575
C.3 Decreases in fair value	2,336	-	-	-	2,336
C.4 Reclassified to other portfolios	-	-	-	-	-
C.5 Other decreases	15,838	22	1	-	15,861
D. Closing balance	473,639	-	-	-	473,639

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2013			Dec. 31, 2012		
€/t	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	9,340,784	-	-	7,871,993	104,502	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	9,340,784	-	-	7,871,993	104,502	-
2. Equities	453	-	21,036	351	-	13,218
2.1 Measured at fair value	453	-	-	351	-	-
2.2 Measured at cost	-	-	21,036	-	-	13,218
3. Holdings in UCITS	11,389	80,816	44,967	10,794	76,150	46,512
4. Loans	-	-	-	-	-	-
Total	9,352,626	80,816	66,003	7,883,138	180,652	59,730

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Debt securities	9,340,784	7,976,495
a) Governments and Central Banks	9,225,497	7,667,064
b) Government agencies	-	-
c) Banks	104,392	264,557
d) Other issuers	10,895	44,874
2. Equities	21,489	13,569
a) Banks	-	-
b) Other issuers:	21,489	13,569
- insurance companies	-	-
- financial companies	5,853	5,720
- non financial companies	15,636	7,849
- other	-	-
3. Holdings in UCITS	137,172	133,456
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Non financial companies	-	-
Total	9,499,445	8,123,520

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

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	7,976,495	13,569	133,456	-	8,123,520
B. Increases	7,759,054	7,980	5,784	-	7,772,819
B.1 Acquisitions	7,403,505	7,817	-	-	7,411,322
B.2 Increases in fair value	99,894	133	5,266	-	105,294
B.3 Reversal of impairment	-	30	517	-	548
- through profit or loss	-	X	-	-	-
- in equity	-	30	517	-	548
B4. Reclassified from other portfolios	-	-	-	-	-
B.5 Other changes	255,655	-	-	-	255,655
C. Decreases	6,394,765	60	2,069	-	6,396,894
C.1 Disposals	1,153,053	-	-	-	1,153,053
C.2 Redemptions	4,950,102	-	-	-	4,950,102
C.3 Decreases in fair value	27,443	30	1,551	-	29,024
C.4 Impairment	-	30	518	-	548
- through profit or loss	-	30	518	-	548
- in equity	-	-	-	-	-
C.5 Reclassified to other portfolios	-	-	-	-	-
C.6 Other changes	264,167	-	-	-	264,167
D. Closing balance	9,340,784	21,489	137,172	-	9,499,445

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

5.1 Analysis of held-to-maturity investments

	Dec. 31, 2013				Dec. 31, 2012			
	BV	FV			BV	FV		
€/m		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,204,753	2,256,170	-	-	1,021,031	844,863	199,813	-
- structured	-	-	-	-	100,506	-	99,504	-
- other	2,204,753	2,256,170	-	-	920,525	844,863	100,309	-
2. Loans	-	-	-	-	-	-	-	-

Legend: BV = Book value
FV = Fair value

5.2 Held-to-maturity investments by debtor/issuer

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Debt securities	2,204,753	1,021,031
a) Governments and Central Banks	2,145,112	760,247
b) Other government agencies	-	-
c) Banks	59,641	260,784
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	2,204,753	1,021,031
Fair value	2,256,170	1,044,676

5.4 Analysis of year's movements in held-to-maturity investments

€/t	Debt securities	Loans	Total
A. Opening balance	1,021,031	-	1,021,031
B. Increases	1,607,272	-	1,607,272
B.1 Acquisitions	1,366,356	-	1,366,356
B.2 Reversal of impairment	-	-	-
B.3 Reclassified from other portfolios	-	-	-
B.4 Other increases	240,916	-	240,916
C. Decreases	423,550	-	423,550
C.1 Disposals	-	-	-
C.2 Redemptions	200,000	-	200,000
C.3 Impairment	-	-	-
C.4 Reclassified from other portfolios	-	-	-
C.5 Other decreases	223,550	-	223,550
D. Closing balance	2,204,753	-	2,204,753

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

Section 6 - Loans to banks - Caption 60

6.1 Analysis of loans to banks

	Dec. 31, 2013				Dec. 31, 2012			
	BV	FV			BV	FV		
€/t		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	352,891	-	-	352,891	67,819	-	-	67,819
1. Time deposits	-	X	X	X	-	X	X	X
2. Reserve requirements	352,891	X	X	X	67,819	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans to banks	947,936	-	204,935	740,891	1,587,044	-	-	1,587,044
1. Loans	740,891	-	-	740,891	935,659	-	-	935,659
1.1 Current accounts and demand deposits	20,552	X	X	X	61,362	X	X	X
1.2 Time deposits	-	X	X	X	-	X	X	X
1.3 Other loans:	720,339	X	X	X	874,297	X	X	X
- Repurchase agreements	705,481	X	X	X	862,809	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	14,858	X	X	X	11,488	X	X	X
2. Debt securities	207,045	-	204,935	-	651,385	-	-	-
2.1 Structured notes	-	X	X	X	-	X	X	X
2.2 Other debt securities	207,045	X	X	X	651,385	X	X	X
Total	1,300,827	-	204,935	1,093,782	1,654,863	-	-	1,654,863

Legend:
FV = Fair value
BV = Book value

Section 7 – Loans to customers – Caption 70

The account includes debt securities (L&R) amounting to Euro 109,788 thousand and government securities (L&R) amounting to Euro 350,880 thousand. The caption "Debt securities" includes ABS not quoted in an active market that at present do not show any evidence of impairment.

7.1 Analysis of loans to customers

	Dec. 31, 2013						Dec. 31, 2012					
	Book Value			Fair value			Book Value			Fair value		
		Impaired						Impaired				
€/t	Performing	Acq.	Other	L1	L2	L3	Performing	Acq.	Other	L1	L2	L3
Loans	4,925,456	-	41,919	-	-	4,967,374	4,381,016	-	41,540	-	-	4,422,555
1. Current accounts	406,855	-	4,537	X	X	X	405,055	-	5,785	X	X	X
2. Repurchase agreements	20,403	-	-	X	X	X	53,716	-	-	X	X	X
3. Mortgage loans	3,551,477	-	28,494	X	X	X	3,079,034	-	24,669	X	X	X
4. Credit cards, personal loans & salary-guaranteed loans	645,765	-	2,926	X	X	X	460,958	-	3,245	X	X	X
5. Finance leasing	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	300,956	-	5,962	X	X	X	382,253	-	7,842	X	X	X
Debt securities	460,668	-	-	109,730	328,091	-	495,218	-	-	63,349	388,448	-
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	460,668	-	-	X	X	X	495,218	-	-	X	X	X
Total	5,386,124	-	41,919	109,730	328,091	4,967,374	4,876,234	-	41,541	-	-	-

At December 31, 2013, impaired loans amounted to Euro 41,919 thousand, up Euro 378 thousand over the prior year.

7.2 Analysis of loans to customer by debtor/issuer

	Dec. 31, 2013			Dec. 31, 2012		
		Impaired			Impaired	
€/t	Performing	Purchased	Other	Performing	Purchased	Other
1. Debt securities	460,667	-	-	495,218	-	-
a) Governments	350,880	-	-	350,981	-	-
b) Government agencies	-	-	-	-	-	-
c) Other issuers	109,788	-	-	144,237	-	-
- non financial companies	-	-	-	-	-	-
- financial companies	109,788	-	-	144,237	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to	4,925,456	-	41,919	4,381,016	-	41,541
a) Governments	3	-	13	12	-	-
b) Government agencies	86	-	-	48	-	-
c) Non financial companies	4,925,368	-	41,906	4,380,956	-	41,541
- non financial companies	171,979	-	1,185	191,184	-	327
- financial companies	175,911	-	5,625	263,375	-	7,614
- insurance companies	10,628	-	-	19,353	-	-
- other	4,566,850	-	35,096	3,907,044	-	33,600
Total	5,386,123	-	41,919	4,876,234	-	41,541

7.3 Loans to customers: micro-hedging

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Fair value micro-hedging	467,333	531,339
a) Interest rate risk	467,333	531,339
b) Currency risk	-	-
c) Credit risk	-	-
d) Multiple risks	-	-
2. Cash flows micro-hedging	-	-
a) Interest rate risk	-	-
b) Currency risk	-	-
c) Other	-	-
d) Other hedges	-	-
Total	467,333	531,339

Section 8 – Hedging derivatives - Caption 80

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

€/t	Dec. 31, 2013				Dec. 31, 2012			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	-	2,418	-	70,107		1,366	-	67,829
1) Fair value	-	2,418	-	70,107	-	1,366	-	67,829
2) Cash flow	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	-	2,418	-	70,107	-	1,366	-	67,829

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

8.2 Analysis of hedging derivatives by hedged portfolio and type of hedge (book value)

€/t	Fair value						Cash flows		Investments in foreing operations
	Micro-hedging					Macro-hedgin	Macro-hedgin	Macro-hedgin	
	Interest rate risk	Currency risk	Credit risk	Pricing risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Loans	2,418	-	-	X	-	X	-	X	X
3. Held-to-maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	2,418	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and financial liabilities	X	X	X	X	X	-	X	-	-

Section 10 - Equity investments - Caption 100

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

Denomination	Registered office	Share holding %	Voting rights %
A. Subsidiaries			
Banco Mediolanum S.A.	Barcelona	100.00	100.00
Bankhaus August Lenz & Co. AG	Munich	100.00	100.00
Mediolanum Fiduciaria S.p.A.	Basiglio	100.00	100.00
Fermi e Galeno Real Estate S.r.l.	Basiglio	100.00	100.00
Gamax Management AG	Luxembourg	99.996	99.996
Mediolanum Asset Management Ltd	Dublin	51.00	51.00
Mediolanum Gestione Fondi SGR p.A.	Basiglio	51.00	51.00
Mediolanum International Funds Ltd	Dublin	51.00	51.00
B. Joint Ventures	-	-	-
C. Companies under significant influence	-	-	-

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

€/t	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Book value	Fair value L1	Fair value L2	Fair value L3
A. Subsidiaries								
Mediolanum International Funds Ltd	138,929	710,960	302,774	109,484	1,346	X	X	X
Mediolanum Gestione Fondi SGR p.A.	82,552	119,119	31,029	47,455	2,610	X	X	X
Mediolanum Asset Management Ltd	27,382	45,450	16,187	22,476	1,989	X	X	X
Mediolanum Fiduciaria S.p.A.	1,551	65	(512)	1,361	1,426	X	X	X
Bankhaus August Lenz & Co. AG	123,564	20,299	(8,213)	30,178	28,365	X	X	X
Gamax Management AG	15,571	11,142	5,328	13,743	29,368	X	X	X
Fermi e Galeno Real Estate S.r.l.	23,055	1,873	1,091	22,891	21,800	X	X	X
Banco Mediolanum S.A.	1,619,246	96,181	24,252	219,322	272,780	X	X	X
B. Joint ventures	-	-	-	-	-	-	-	-
C. Companies under significant influence	-	-	-	-	-	-	-	-
Total	2,031,850	1,005,089	371,936	466,910	359,685	-	-	-

10.3 Year's movements in equity investments

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Opening balance	367,709	353,167
B. Increases	700	23,363
B.1 Acquisitions	600	21,700
B.2 Reversal of impairment	-	-
B.3 Revaluations	-	-
B.4 Other changes	100	1,663
C. Decreases	(8,724)	(8,821)
C.1 Sales	-	-
C.2 Impairment	(8,724)	(8,821)
C.3 Other changes	-	-
D. Closing balance	359,685	367,709
E. Total revaluations	-	-
F. Total adjustments	-	-

At December 31, 2013, the Bank's investments in Banking Group companies amounted to Euro 359.7 million, down versus Euro 367.7 million of the prior year. The change for the year, a negative Euro -8 million, is mainly due to impairment for the year of the subsidiary Bankhaus August Lenz AG (Euro -8.2 million).

This section provides disclosures on impairment testing conducted on equity investments at December 31, 2013, in accordance with IAS 36 and the instructions set forth in the document jointly issued by the Bank of Italy, CONSOB and ISVAP on March 3, 2010.
The purpose of impairment testing is to ascertain that the carrying amount of each investment does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.
Impairment testing was conducted with the assistance of an independent valuation expert applying the methods and assumptions set out below.

EQUITY INVESTMENTS TESTED FOR IMPAIRMENT

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

€/m

Equity Investments	% holding	Carrying amount to be tested for impairment
Banco Mediolanum	100%	272.8
Gamax	99.996%	29.4
BAL	100%	28.4

METHODS USED

Like in prior years, the recoverable amount of the investments above was determined by calculating their value in use.

Under IAS 36 value in use can be calculated applying the Discounted Cash Flow (DCF) method. The DCF method determines the value in use of an equity investment, or an entity, by computing the present value of future cash flows (from operations) it is expected to generate over time.

For lenders, it is common practice to apply the Free Cash Flow to Equity (FCFE) model known in Anglo-Saxon countries as Dividend Discount Model (DDM), in the Excess Capital variant, that determines the value of the entity on the basis of the future cash flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific risk. Please note that although the name Dividend Discount Model contains the term "dividend", the cash flows it calculates are not the dividends the entity expects to distribute to its shareholders, but the cash flows potentially available to equity holders net of the assets needed for business operation.

BANCO MEDIOLANUM

The recoverable amount of Banco Mediolanum was determined based on value in use calculated by applying the DDM method to the information set out in the 2014-2016 Business Plan (the 2014-2016 Plan) approved by the Boards of Directors of Banco Mediolanum and Banca Mediolanum S.p.A..

The 2014-2016 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the possible future business developments of Banco Mediolanum.

The 2014-2016 Plan confirmed the strategic lines set out in the previous plan (2013-2015 Plan) according to the new macroeconomic and country-specific and sector scenario, notably the development of Banca Mediolanum's business model in Spain underpinned by the Mediolanum Group management expertise and track record, via sustained development of the sales network with subsequent growth in net inflows, assets under management and administration. In particular, the plan to develop the business model of Banca Mediolanum in Spain in order is confirmed and based on the experience and track record of the management of the Mediolanum Group, with sustained development of the sales network and a consequent growth in net inflows and assets under management.

The previous plan was updated to incorporate most recent expectations in relation to interest rate developments over the plan period and inflows forecasts on the basis of volumes and sales network numbers at December 31, 2013.

Net profit of Banco Mediolanum in 2013 amounted to approximately Euro 25 million (approximately Euro 30 million in 2012), also thanks to the contribution of income components related to corporate treasury activities, with 652 financial advisors (551 in 2012) and Euro 2,430 million in assets under management and administration (Euro 1,853 in 2012).

Specifically, the 2014-2016 Plan was based on the following key assumptions:

- Family Bankers (FB) network growth from 652 people to 1,100 people at year end 2016;
- Growth in assets under management and administration at an average annual rate of 14%;
- Business margin growth at an average annual rate of 5%.

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

- Base scenario: developed using the projections set out in the 2014-2016 Plan;
- Prudential scenario: developed using the projections set out in the Plan with the exclusion of income components related to corporate treasury activities.

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

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (ke) was estimated at 13.0%, based on the following parameters:

- risk-free rate of 4.3% calculated on the basis of average historical 6-month yields on 10-year Spanish treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.22 calculated on the basis of the historical 2-year beta of a panel of comparable entities operating in the Spanish banking market;
- market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with common practice;
- specific risk premium conservatively estimated at 2.5% to take into account the underlying uncertainty in the execution of the plan.

The value of the Banco Mediolanum at the end of the plan period was calculated based on cash flows available in 2016, prudentially excluding in both evaluation scenarios, the contribution of corporate treasury activities, and assuming 2% long-term growth in line with long-term inflationary expectations.

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

With reference to the baseline scenario, sensitivity analyses have been developed assuming the variation of certain parameters used. The recoverable amount of the investment in Banco Mediolanum was found to be equal to the carrying amount of the CGU for the following elements:

- discount rate of 19.1% (increase by 609 bps);
- long term growth of -10.7% (decline by 1,266 bps);
- net profitability 32% lower than 2014-2016 Plan estimates.

Please note that the information and parameters used to determine the recoverable amount of the investment, notably the estimated future cash-flows of Banco Mediolanum and the discount rates applied, are subject to changes, even dramatic, in the macroeconomic environment and market conditions which are unforeseeable at present. The effects that these changes may have on future cash-flows of Banco Mediolanum, as well as on key assumptions used, may cause future results to differ materially from those set out herein.

GAMAX

The recoverable amount of Gamax was determined based on value in use calculated by applying the DDM method to the information set out in the 2014-2016 Business Plan (the 2014-2016 Plan) approved by the Board of Directors of Gamax and Banca Mediolanum S.p.A..

The 2014-2016 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the possible future business developments of Gamax.

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

At December 31, 2013, Gamax reported net profit of Euro 3.9 million, substantially in line with 2012 (Euro 4.1 million).

Specifically, the 2014-2016 Plan was based on the following key assumptions:

- growth in assets under management and administration at an average annual rate of 2%;
- commercial margin increased slightly during the period of the plan;
- net income expected to be substantially stable during the period of the plan.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (Ke) was estimated at 11.1% for the Italian Division and 8.6% for the German Division. Calculations were based on the following parameters:

- risk-free rate of 4.3% calculated on the basis of average historical 6-month yields on 10-year Italian treasuries for the Italian Division, and of 1.8% calculated on the basis of average historical 6-month yields on 10-year German treasuries for the German Division;
- beta coefficient (risk measure of the stock compared to the market) of 1.16 calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with common practice;
- specific risk premium conservatively estimated at 1.0% to take into account underlying uncertainty in the execution of the plan.

The value of Gamax at the end of the plan period was calculated based on cash flows available in 2016, and assuming 2% long-term growth in line with long-term inflationary expectations.

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

Sensitivity to changes in some key assumptions was tested. The recoverable amount of the investment in Gamax was found to be equal to the carrying amount of the CGU for the following elements:

- discount rate of 15.2% for the Italian Division and of 12.7% for the German Division (increase by 410 bps);
- long term growth of -4.0% (decline by 602 bps);
- net profitability 37% lower than 2014-2016 Plan estimates.

BAL

The recoverable amount of BAL was determined based on value in use calculated by applying the DDM method to the information set out in the 2014-2016 Business Plan (the 2014-2016 Plan) approved by the Boards of Directors of BAL and Banca Mediolanum S.p.A..

The 2014-2016 Plan was developed with the support of an independent expert and is based on the plan submitted to BaFin, the German supervisory authority, in November 2013.

At December 31, 2013, BAL recorded a loss of Euro 8.2 million, in line with the figure recorded in the previous year.

Specifically, the 2014-2016 Plan was based on the following key assumptions:

- growth in assets under management and administration at an average annual rate of 12%;
- growth in net business margin at an average annual rate of 22%;
- growth in administrative expenses at an average annual rate of 15%.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (ke) was estimated at 11.1%. Calculations were based on the following parameters:

- risk-free rate of 1.8% calculated on the basis of average historical 6-month yields on 10-year German treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.16 calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with best practice;
- specific risk premium conservatively estimated at 3.5% to take into account the risk of missing plan targets in the light of negative historical data.

The value of BAL at the end of the plan period was calculated based on expected profit in the long term, and assuming 2% long-term growth in line with long-term inflationary expectations.

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

Sensitivity to changes in some key assumptions was tested. The recoverable amount of the investment in BAL was found to be equal to the carrying amount of the CGU for the following elements:

- discount rate of 13.0% (increase by 189 bps);
- long term growth of -0.8% (decline by 283 bps);
- long-term profitability 22% lower than expected.

Section 11 – Tangible assets – Caption 110

11.1 Analysis of tangible assets held for use carried at cost

€/t	Dec. 31, 2013	Dec. 31, 2012
1.1 Property assets	15,823	16,530
a) land	5,440	5,440
b) buildings	4,488	4,681
c) furnishings	1,963	2,356
d) electronic equipment	3,474	3,856
e) other	458	197
1.2 Assets acquired under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total	15,823	16,530

11.5 Year's movements in tangible assets held for use

€/t	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	5,440	8,467	10,814	20,766	506	45,993
A.1 Total net write-downs	-	(3,786)	(8,458)	(16,910)	(309)	(29,463)
A.2 Net opening balance	5,440	4,681	2,356	3,856	197	16,530
B. Increases	-	63	1,078	818	323	2,282
B.1 Acquisitions	-	63	1,078	818	323	2,282
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	(256)	(1,471)	(1,200)	(62)	(2,989)
C.1 Disposals	-	-	(4)	(1)	-	(5)
C.2 Depreciation	-	(256)	(1,467)	(1,199)	(62)	(2,984)
C.3 Impairment:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	5,440	4,488	1,963	3,474	458	15,823
D.1 Total net write-downs	-	(4,042)	(9,774)	(16,814)	(238)	(30,868)
D.2 Gross closing balance	5,440	8,530	11,737	20,288	696	46,691
E. Measured at cost	-	-	-	-	-	-

Tangible assets with unit value lower than Euro 516.46 were fully depreciated in the year. For higher value assets acquired during the financial year, the depreciation rate was reduced by 50% to reflect partial use during the year.

Section 12 – Intangible assets – Caption 120

12.1 Analysis of intangible assets

	Dec. 31, 2013		Dec. 31, 2012	
€/t	Finite	Indefinite	Finite	Indefinite
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	14,745	-	13,961	-
A.2.1 Assets measured at cost:	14,745	-	13,961	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	14,745	-	13,961	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Other internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	14,745	-	13,961	-

12.2 Year's movements in intangible assets

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
€/t		FINITE	INDEF	FINITE	INDEF	
A. Gross opening balance	-	-	-	149,499	-	149,499
A.1 Total net write-downs	-	-	-	(135,538)	-	(135,538)
A.2 Net opening balance	-	-	-	13,961	-	13,961
B. Increases	-	-	-	7,873	-	7,873
B.1 Purchases	-	-	-	7,873	-	7,873
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Reversal of impairment	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- in income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	(7,089)	-	(7,089)
C.1 Disposals	-	-	-	-	-	-
C.2 Amortisation and Impairment	-	-	-	(7,089)	-	(7,089)
- Amortisation	X	-	-	(7,089)	-	(7,089)
- Impairment	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- in income statement	X	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	-	-	-	14,745	-	14,745
D.1 Total net write-downs	-	-	-	(142,474)	-	(142,474)
E. Gross closing balance	-	-	-	157,219	-	157,219
F. Measured at cost	-	-	-	-	-	-

Legend:
FINITE: Finite life
INDEF: Indefinite life

The increase in other intangible assets, amounting to Euro 7,873 thousand, is due to higher costs for IT systems related to the development of new technologies.

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

Current tax assets include tax advances amounting to Euro 20,652 thousand and credits on deferred tax assets for Euro 77,036 thousand paid during 2013.

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

13.1/13.2 Analysis of deferred tax assets and tax liabilities

	FY 2013		FY 2012	
€/t	Amount of temporary differences	Tax rate applied (%)	Amount of temporary differences	Tax rate applied (%)
Deferred tax assets of which:				
Valuation reserve AFS securities	14,778	33.07%	53,298	33.07%
Valuation reserve AFS securities	-	5.57%	-	5.57%
Provisions for risks and charges	123,899	33.07%	120,006	33.07%
Provisions for risks and charges	44,157	27.50%	50,664	27.50%
Expenses deductible in future years	66,164	27.50%	27,639	27.50%
Expenses deductible in future years	2,532	33.07%	(4)	33.07%
Total	251,530		251,603	
Deferred tax liabilities:				
Valuation reserve AFS securities	124,450	33.07%	170,530	33.07%
Valuation reserve AFS securities	258	5.57%	123	5.57%
Income taxable in future years	36,339	27.50%	32,686	27.50%
Future expenses deductible in the year	-	27.50%	-	27.50%
Total	161,047		203,339	
Net deferred tax liabilities (assets)	-	25,873	-	13,454
Deferred tax assets on tax losses for the year	-	-	-	-
Deferred tax arisen on tax losses for the prior year	-	-	-	13,913

13.1/13.2 Analysis of deferred tax assets and tax liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Deferred tax assets		
Charge to the Income Statement	72,149	75,131
Charge to Equity	4,887	17,626
Total deferred tax assets	77,036	92,757
Deferred tax liabilities		
Charge to the Income Statement	(9,993)	(8,989)
Charge to Equity	(41,170)	(56,401)
Total deferred tax liabilities	(51,163)	(65,390)

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	75,131	67,260
2. Increases	28,229	29,531
2.1 Deferred tax assets arisen in the year	28,229	22,701
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) write-backs	-	-
d) other	28,229	22,701
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	6,830
3. Decreases	(31,211)	(21,660)
3.1 Deferred tax assets cancelled in the year	-	-
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	(31,211)	(21,660)
a) Turned into tax credit under Law 214/2011	-	-
b) Other	(31,211)	(21,660)
4. Closing balance	72,149	75,131

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	(8,989)	(8,428)
2. Increases	(1,312)	(1,645)
2.1 Deferred tax liabilities arisen in the year	(1,312)	(1,645)
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(1,312)	(1,645)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	307	1,084
3.1 Deferred tax liabilities cancelled in the year	307	1,084
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	307	1,084
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(9,993)	(8,989)

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	17,626	71,958
2. Increases	594	1,760
2.1 Deferred tax assets arisen in the year	594	1,760
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	594	1,760
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(13,333)	(56,092)
3.1 Deferred tax assets cancelled in the year	(13,333)	(56,092)
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	(13,333)	(56,092)
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	4,887	17,626

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	(56,401)	(1,312)
2. Increases	(22,521)	(81,233)
2.1 Deferred tax liabilities arisen in the year	(22,521)	(81,233)
a) relating to prior years	-	-
b) changes in the accounting policies	-	-
c) other	(22,521)	(81,233)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	37,752	26,144
3.1 Deferred tax liabilities cancelled in the year	37,752	26,144
a) reversals	-	-
b) changes in the accounting policies	-	-
c) other	37,752	26,144
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(41,170)	(56,401)

Section 15 - Other assets - Caption 150

15.1 Analysis of other assets

€/t	Dec. 31, 2013	Dec. 31, 2012
Receivables from tax authorities	48,064	39,534
Receivables from financial advisors	2,542	4,059
Advances to suppliers and professionals	3,763	4,019
Security deposits	608	367
Receivables from employees	386	373
Others receivables	57,632	10,115
Items in transit	64,297	104,838
Accrued income	36,339	32,686
Prepayments	2,871	2,612
Receivables from the parent company, subsidiaries and associates	6,323	5,317
Other assets	5,834	6,838
Total	228,659	210,758

Items in transit primarily related to cheques debited to customers in the first days of 2014 (Euro 19,226 thousand), and miscellaneous items settled in January 2014 (Euro 29,189 thousand). Other receivables include on the other hand, the utilities to be charged to customers' current accounts that have not yet reached maturity (Euro 43,681 thousand).
Receivables from the parent company, subsidiaries and associates and Receivables from companies of the Fininvest Group and the Doris Group related to the following companies:

€/t	Dec. 31, 2013	Dec. 31, 2012
Receivables from Mediolanum Group companies		
parent company:		
- Mediolanum S.p.A.	657	534
subsidiaries:		
- Mediolanum Gestione Fondi SGR p.A.	989	769
- Bankhaus August Lenz & Co. AG	29	57
- Mediolanum International Funds Ltd	255	229
- Banco Mediolanum SA	187	327
- Mediolanum Asset Management Ltd	39	39
- Mediolanum Fiduciaria S.p.A.	66	67
- Fermi & Galeno Real Estate S.r.l.	40	-
associates:		
- Mediolanum Vita S.p.A.	3,149	2,695
- Mediolanum Comunicazione S.p.A.	239	130
- Mediolanum International Life Ltd	129	180
- Mediolanum Assicurazioni S.p.A.	550	250
- Pi Servizi S.p.A.	9	9
- Banca Esperia S.p.A.	7	-
Total	6,345	5,286
Receivables from Fininvest Group and Doris Group companies:		
- Vacanze Italia S.p.A.	(22)	31
Total	(22)	31

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

€/t	Dec. 31, 2013	Dec. 31, 2012
Virtual stamp duty	38,910	39,406
Other	9,154	128
Total	48,064	39,534

Virtual Stamp duty is related to the payment, in April 2013, of the stamp duty advance for the year 2014 net of the balance of stamp duty relating to the current year. Deferred income relates to the portion of charges for different services which accrue in the coming years. Accrued expenses relate to the Tax Benefit New bonus commissions accruing.

Receivables from financial advisors for Euro 54 thousand refer to the estimated realizable value of claims against former financial advisors in respect of commission rebates. The item also includes the amount of Euro 990 thousand equal to the estimated realizable value of claims against former financial advisors for compensation of client claims for tort.

Advances to suppliers essentially consisted of advances paid at the time the related service agreements were entered into.

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Amounts due to central banks	3,992,567	3,025,681
2. Amounts due to banks	469,327	435,051
2.1 Current accounts and demand deposits	38,962	7,904
2.2 Time deposits	429,444	426,328
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other amounts due	921	819
Total	4,461,894	3,460,732
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	4,477,719	3,460,732
Total fair value	4,477,719	3,460,732

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Current accounts and demand deposits	6,971,411	6,058,043
2. Time deposits	3,815,291	2,550,445
3. Loans	2,169,790	2,843,416
3.1 Repurchase agreements	2,169,790	2,843,416
3.2 Other	-	-
4. Commitments to buy back own equity instruments	-	-
5. Other amounts	191,768	182,196
Total	13,148,260	11,634,100
Fair value – level 1	-	-
Fair value – level 2	-	-
Fair value – level 3	13,191,509	11,634,100
Total fair value	13,191,509	11,634,100

Other amounts due consisted entirely of current payables of which Euro 74,214 thousand payable to the sales network (12.31.2012: Euro 60,921 thousand).

Section 3 - Securities issued - Caption 30

3.1 Analysis of securities issued

€/t	Dec. 31, 2013				Dec. 31, 2012			
	Book Value	Fair value			Book Value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	187,554	-	189,899	-	94,720	-	92,257	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	187,554	-	189,899	-	94,720	-	92,257	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	187,554	-	189,899	-	94,720	-	92,257	-

Securities issued included Euro 183,715 thousand subordinated securities and Euro 3,839 thousand notes issued by Banca Mediolanum S.p.A..

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

€/t	Dec. 31, 2013	Dec. 31, 2012
Securities issued: subordinated securities	183,715	93,249
Total	183,715	93,249

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

€/t	Dec. 31, 2013					Dec. 31, 2012				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Non-derivatives liabilities										
1. Due to banks	195,417	212,561	-	-	212,563	189,316	211,103	-	-	211,103
2. Due to customers	17,550	18,964	-	-	18,964	22,660	24,569	-	-	24,569
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Others	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	212,967	231,525	-	-	231,527	211,976	235,672	-	-	235,672
B. Derivatives										
1. Financial derivatives	-	-	18,622	-	-	-	-	21,322	-	-
1.1 Held for trading	X	-	18,622	-	X	X	-	21,322	-	X
1.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	18,622	-	X	X	-	21,322	-	X
Total A+B	X	231,525	18,622	-	X	X	235,672	21,322	-	X

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

A2 Due to customers included short positions in repurchase agreements.

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

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

Section 6 - Hedging derivatives - Caption 60

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

	Dec. 31, 2013				Dec. 31, 2012			
	Fair value			NV	Fair value			NV
€/t	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	59,127	-	376,990	-	92,888	-	413,097
1) Fair value	-	59,127	-	376,990	-	92,888	-	413,097
2) Cash flow	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	59,127	-	376,990	-	92,888	-	413,097

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

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

	Fair Value						Cash flows		Investments in foreign operations
	Micro-hedging					Macro-hedging	Macro-hedging	Macro-hedging	
€/t	Interest Rate Risk	Currency risk	Credit risk	Risk of price	Multiple risks				
1. Available for sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans and receivables	59,127	-	-	X	-	X	-	X	X
3. Held-to-until maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	59,127	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and financial liabilities	X	X	X	X	X	-	X	-	-

Section 8 – Tax liabilities – Caption 80

Current tax liabilities related to taxes for the year. The amount set aside represents the "best estimate" of future tax expenses.

€/t	Balance Dec. 31, 2012	Provisions in the year	Other change	Funds used	Balance Dec. 31, 2013
Corporate Income Tax (IRES)	29,855	65,239	-	(29,855)	65,239
Corporate Income Tax (IRAP)	15,919	19,274	-	(15,919)	19,274
Total taxes	45,774	84,513	-	(45,774)	84,513

For information on Deferred tax liabilities readers are referred to Section 13 – Balance Sheet Assets – of these notes.

Section 10 – Other liabilities – Caption 100

10.1 Analysis of other liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Agents' severance benefits	4,372	3,742
Payables to promoters, advisors and dealers	50,474	32,086
Payables to suppliers	35,664	28,163
Payables to parent companies, subsidiaries and associates	4,135	1,108
Payables to Fininvest/Doris Group companies	435	3,607
Due to tax authorities	22,510	20,526
Payables to social security agencies	5,255	5,141
Payables to employees	10,951	9,601
Payables to professionals, directors and auditors	5,730	6,695
Payables for items in transit	105,106	128,464
Deferred income	21,163	19,660
Other liabilities	6,334	2,479
Total	272,129	261,272

Payables for items in transit include payments to other bank accounts ordered by customers and cleared through the Interbank Payment System in the first days of 2013 (Euro 18,082 thousand), payments by direct debit/standing orders of customers (Euro 19,324 thousand), transactions made by customers at post offices (Banco Posta) (Euro 2,182 thousand), payments to be made into the Mediolanum Plus policies (Euro 8,626 thousand) and other items being processed that were cleared in the first days of the new year.

Payables to suppliers and *payables to professionals, directors and auditors* relate to services received, but not yet paid at the balance sheet date.
Payables to professionals, directors and auditors also include amounts payable to Directors and Auditors for compensation not yet paid at the balance sheet date for Euro 25 thousand.

Payables to social security agencies relate to social security contributions of employees (Euro 4,291 thousand) and of financial advisors (Euro 964 thousand).

Payables to employees related to overtime payments, reimbursement of expenses, amounts set aside for bonuses accrued at year end, statutory leaves and vacations unused at December 31, 2013.

Agents' severance benefits relate to the severance entitlements of financial advisors as accrued at balance sheet date. The amounts due will be paid into the related Mediolanum Vita S.p.A. policy account by March 31, 2014 in accordance with the terms of the collective agreement.

Deferred income largely includes commissions on the sale of Mediolanum Plus Certificate products payable in future years.

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

€/t	Dec. 31, 2013	Dec. 31, 2012
Payables to Mediolanum Group companies		
parent company:		
- Mediolanum S.p.A.	178	541
subsidiaries:		
- Mediolanum Gestione Fondi SGR p.A.	54	129
associates:		
- Banco Mediolanum SA	2	-
- Mediolanum Comunicazione S.p.A.	179	89
- Mediolanum Assicurazioni S.p.A.	3,317	2,203
- Mediolanum Vita S.p.A.	405	349
Total	4,135	3,311
Payables to Fininvest/Doris Group companies:		
- Milan A.C.	-	137
- Promoservice Italia S.p.A.	8	8
- Mondadori Pubblicità S.p.A.	44	37
- Vacanze Italia S.p.A.	-	74
- Publitalia '80 S.p.A.	378	1,142
- Mondadori Retail S.p.A.	5	6
Total	435	1,404

Payables to tax authorities relate to the following accounts:

€/t	Dec. 31, 2013	Dec. 31, 2012
Substitute and withholding taxes	22,510	20,209
Other payables	-	317
Total	22,510	20,526

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

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

€/m	Dec. 31, 2013	Dec. 31, 2012
A. Opening balance	9,333	8,829
B. Increases	4,808	5,666
B.1 Provisions for the year	4,301	5,053
B.2 Other increases	507	613
C. Decreases	(4,840)	(5,162)
C.1 Funds used in the year	(4,840)	(4,559)
C.2 Other decreases	-	(603)
D. Closing balance	9,300	9,333
Total	9,300	9,333

Section 12 – Provisions for risks and charges – Caption 120

12.1 Analysis of provisions for risks and charges

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Severance entitlements	-	-
2. Other provisions for risks and charges	175,877	173,892
2.1 Legal proceedings	13,829	16,430
2.2 Staff costs	-	-
2.3 Other	162,048	157,462
Total	175,877	173,892

12.2 Year's movements of provisions for risks and charges

€/t	Severance entitlements provisions	Other	Total
A. Opening balance	-	173,892	173,892
B. Increases	-	39,160	39,160
B.1 Provisions for the year	-	39,160	39,160
B.2 Time-related changes	-	-	-
B.3 Discount rate changes	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	(37,175)	(37,175)
C.1 Used in the year	-	(15,561)	(15,561)
C.2 Discount rate changes	-	-	-
C.3 Other decreases	-	(21,614)	(21,614)
D. Closing balance	-	175,877	175,877

12.4 Analysis of other provisions for risks and charges

€/t	Balance at Dec. 31, 2012	Provisions for the year	Other changes	Used in the year	Balance at Dec. 31, 2013
Provision:					
- legal proceedings	16,430	1,837	(3,974)	(464)	13,828
- other:					
Managerial Allowance	51,364	15,568	(7,716)	(1,093)	58,123
Risks related to FA illegal actions	37,682	5,479	(5,262)	(4,053)	33,846
Customer base entitlements	29,698	5,784	(2,242)	(1,209)	32,031
Portfolio Allowance	18,713	3,429	(1,175)	(2,592)	18,376
Product distribution	9,630	3,216	-	(2,359)	10,487
Other provisions	10,375	3,848	(1,245)	(3,791)	9,187
Total	173,892	39,160	(21,614)	(15,561)	175,877

The table above shows the analysis of other provisions and the year's movements.

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

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

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

At the time of transfer, the regulation requires:

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

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

The Bank pays the outgoing FA at the end of the third year after the date the contract is terminated and charges the same amount to the substitute FA in 3 or 5 years. No interest is applied in either case.
If there is no substitute FA, no allowance is paid to the outgoing FA.
The actuarial calculation based on past data (2002-2012) took account of the effect of any future cash-flow mismatches (due to the different timing between payment and collection and no interest being applied), and also of counterparty risk through the application of a discount rate.

The *Managerial Allowance* is paid to sales network members having managerial roles whose compensation is based on specific commercial parameters. This allowance is paid when the FA meets old age pension requirements – provided that he does not engage in any competitive activities in the two years after he retires –- or in the event of full permanent disability or death of the FA. Similarly to the portfolio and/or structure allowance, the Managerial Allowance is paid within 3 years of the date on which the FA left the sales network.

The actuarial calculation is based on the estimated probability of payment of the allowance for retirement of FAs in managerial roles at year end, as well as the risk of death or full permanent disability of FAs, and takes account of the relationship between the FA's length of service at the date of the calculation and the length of service at the date of occurrence of the events that trigger the payment (pro-rata basis) with the application of a discount rate.

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

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

14.1 Analysis of "Capital" and "Treasury shares"

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Share Capital		
A.1 Ordinary shares	600,000	600,000
A.2 Savings shares	-	-
A.3 Privileged shares	-	-
A.4 Other shares	-	-
B. Treasury Shares		
B.1 Ordinary shares	-	-
B.2 Savings shares	-	-
B.3 Privileged shares	-	-
B.4 Other shares	-	-

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

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

At December 31, 2013, share capital amounted to Euro 600,000 thousand, divided into 600,000,000 ordinary shares with par value Euro 1 each, fully subscribed and paid up.

14.3 Share capital: other information

The company does not hold any treasury shares.

14.4 Retained earnings: other information

Retained earnings amounted to Euro 128,835 thousand and included the legal reserve, the extraordinary reserve, the FTA reserve and other earnings reserves.

An analysis of the company's shareholders' equity by account and utilisation is set out in the table below.

€/t	Amount	Possible utilisation (A, B, C)	Usable amount	Summary of utilisation	
				To cover losses	For over reasons
Share capital:	600,000	-	-	-	-
Capital reserves of which:					
Retained earnings of which:					
- legal reserve	35,648	B	35,648	-	-
- extraordinary reserve	144,935	A B C	144,935	-	-
- FTA reserve	(65,524)	-	(65,524)	-	-
- other reserves (stock options)	13,776	A B	13,776	-	-
Other reserves of which:					
- merger reserve	3,185	-	3,185	-	-
Valutation reserve*	73,595	-	-	-	-
Total	805,615	-	132,020	-	-
of which non-distributable	-	-	49,424	-	-
of which distributable	-	-	82,596	-	-

Legend:
A = Capital increase
B = Loss coverage
C = Distribution to shareholders
(*) Reserve not available under Art. 6 of Legislative Decree 38/2005

OTHER INFORMATION

1. Guarantees issued and commitments

€/t	Dec. 31, 2013	Dec. 31, 2012
1) Financial guarantees:	25,035	22,641
a) Banks	25,035	22,611
b) Customers	-	30
2) Commercial guarantees:	52,411	39,600
a) Banks	7,288	5,943
b) Customers	45,123	33,657
3) Irrevocable commitments to disburse funds	69,527	80,663
a) Banks	67	250
i) with certain drawdown	67	250
ii) with possible drawdown	-	-
b) Customers	69,460	80,413
i) with certain drawdown	329	3,649
ii) with possible drawdown	69,131	76,764
4) Commitments underlying credit derivatives: protection sold	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	-	-
Total	146,973	142,904

2. Assets pledged to secure own liabilities and commitments

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Financial assets held for trading	109,985	252,848
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	4,236,028	4,252,795
4. Held-to-maturity investments	1,799,325	852,583
5. Loans to banks	207,045	438,015
6. Loans to customers	210,828	495,217
7. Tangible assets	-	-
Total	6,563,211	6,291,458

4. Brokerage and asset management on behalf of third parties

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Orders executed on behalf of customers		
a) purchases	2,010,219	1,393,465
1. settled	2,010,219	1,393,465
2. not settled	-	-
b) sales	2,849,634	2,054,631
1. settled	2,849,634	2,054,631
2. not settled	-	-
2. Asset management		
a) Individual	33,117	37,872
b) Collective	-	-
3. Securities in custody and under administration		
a) Securities in custody and under administration custodian bank services (excluding managed assets)	-	-
1. securities issued by entities incl. in consolidated accounts	-	-
2. other securities	-	-
b) custodian bank services (other than managed assets): other	6,311,630	6,901,196
1. securities issued by entities incl. in consolidated accounts	177,763	88,639
2. other securities	6,133,867	6,812,556
c) Third-party securities held by other custodians	5,614,185	6,010,050
d) Own securities held by other custodians	12,793,118	10,960,335
4. Other	-	-

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/t	Debt securities	Loans	Other assets	Dec. 31, 2013	Dec. 31, 2012
1. Financial assets held for trading	11,152	-	-	11,152	20,380
2. Available-for-sale financial assets	253,078	-	X	253,078	288,310
3. Held-to-maturity investments	57,847	-	X	57,847	20,202
4. Loans to banks	8,665	5,131	-	13,796	30,717
5. Loans to customers	3,942	126,537	-	130,479	124,666
6. Financial assets at fair value	-	-	X	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other Assets	X	X	57	57	424
Total	334,684	131,668	57	466,409	484,699

1.3 Interest expense and similar charges: other information

€/t	Dec. 31, 2013	Dec. 31, 2012
Interest expense and similar charges on:		
1.3.1) financial assets in foreign currency	2,133	1,433
1.3.2) finance leases	-	-
Total	2,133	1,433

1.4 Analysis of interest expense and similar charges

€/t	Payables	Securities	Other	Dec. 31, 2013	Dec. 31, 2012
1. Amounts due to central banks	(16,886)	X	-	(16,886)	(27,196)
2. Amounts due to banks	(2,597)	X	-	(2,597)	(7,569)
3. Amounts due to customers	(171,169)	X	-	(171,169)	(144,235)
4. Securities issued	X	(4,866)	-	(4,866)	(6,206)
5. Financial liabilities held for trading	(8,506)	-	-	(8,506)	(9,822)
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and funds	X	X	(283)	(283)	(11)
8. Hedging derivatives	X	X	(15,129)	(15,129)	(14,552)
Total	(199,158)	(4,866)	(15,412)	(219,436)	(209,591)

1.5 Interest and similar expenses: differentials on hedging transactions

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Positive differences arising on hedging	765	2,643
A.1 fair value micro-hedging of assets	765	2,643
B. Negative differences arising on hedging	(15,894)	(17,195)
B.1 fair value micro-hedging of assets	(15,894)	(17,195)
C. Balance (A-B)	(15,129)	(14,552)

1.6 Interest expense on foreign currency liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Interest expense on foreign currency liabilities	(322)	(199)
Total	(322)	(199)

Section 2 - Commission - Captions 40 and 50

2.1 Analysis of commission income

€/t	Dec. 31, 2013	Dec. 31, 2012
a) Guarantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	416,016	368,540
1. financial instruments brokerage	26	106
2. currency brokerage	-	-
3. portfolio management	308	411
3.1. individual portfolio management	308	411
3.2. collective portfolio management	-	-
4. securities in custody and under administration	3,603	3,772
5. custodian bank	-	-
6. sale of securities	22,286	24,106
7. receipt and transmission of orders	5,687	5,473
8. consulting activities	-	-
8.1 investment advice	-	-
8.2 financial structure advice	-	-
9. services to third parties	384,106	334,672
9.1 portfolio management	283,391	224,137
9.1.1. individual portfolio management	-	-
9.1.2. collective portfolio management	283,391	224,137
9.2 insurance products	90,504	99,583
9.3 other products	10,211	10,952
d) Collection and payment services	7,507	8,026
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Bank accounts custodian and management services	16,006	19,993
j) Other services	12,514	10,247
Total	452,042	406,806

2.2 Commission income: distribution channels of products and services

€/t	Dec. 31, 2013	Dec. 31, 2012
a) at own branches		
1. portfolio management	-	-
2. sale of securities	-	-
3. services and products of third parties	-	-
b) off-premises sales		
1. portfolio management	283,699	224,548
2. sale of securities	22,286	24,106
3. services and products of third parties	100,714	110,535
c) other distribution channels		
1. portfolio management	-	-
2. sale of securities	-	-
3. services and products of third parties	-	-

2.3 Analysis of commission expense

€/t	Dec. 31, 2013	Dec. 31, 2012
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services	(370,123)	(308,152)
1. financial instruments brokerage	-	-
2. currency brokerage	-	-
3. portfolio management:	(190)	(253)
3.1 own	-	-
3.2 on mandates from third parties	(190)	(253)
4. securities in custody and under administration	(455)	(529)
5. financial instruments brokerage	-	-
6. off-premises sales of securities, products and services	(369,478)	(307,370)
d) Collection and payment services	(11,685)	(11,136)
e) Other services	(13,697)	(12,138)
Total	(395,505)	(331,426)

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

	Dec. 31, 2013		Dec. 31, 2012	
€/t	Dividends	Income from holdings	Dividends	Income from holdings
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	1,083	627	667	834
C. Financial assets at fair value	-	-	-	-
D. Equity investments	153,421	X	169,506	X
Total	154,504	627	170,173	834

This item includes almost all the dividends of the subsidiaries: Mediolanum International Funds Ltd, Mediolanum Gestione Fondi SGR p.A., Gamax Management (AG) and Mediolanum Asset Management Ltd. These dividends relate to Euro 51,421 thousand for 2012, whose approval of distribution and related collection was in 2013 and Euro 102,000 thousand refer to the interim dividend disbursed in 2013 by the subsidiary Mediolanum International Funds Ltd. in October 2013.

Section 4 - Net income from trading - Caption 80

4.1 Analysis of net income from trading

€/t	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	3,133	6,402	(2,356)	(2,775)	4,404
1.1 Debt securities	3,133	6,400	(2,356)	(2,753)	4,424
1.2 Equities	-	2	-	(21)	(19)
1.3 Holdings in UCITS	-	-	-	(1)	(1)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	3,973	3,341	(698)	(78)	6,538
2.1 Debt securities	3,973	3,341	(698)	(78)	6,538
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	238
4. Derivatives	-	7,667	(288)	(10,621)	(2,367)
4.1 Financial derivatives:	-	7,667	(288)	(10,621)	(2,367)
- Debt securities & interest rates	-	7,667	(288)	(10,621)	(3,242)
- Equities & stock indices	-	-	-	-	-
- Currencies and gold	X	X	X	X	875
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	7,106	17,410	(3,342)	(13,474)	8,813

Section 5 - Net income from hedging - Caption 90

5.1 Analysis of net income from hedging

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Income from:		
A.1 Fair value hedging derivatives	34,590	-
A.2 Hedged financial assets (fair value)	-	20,945
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedging financial derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	34,590	20,945
B. Expenses related to:		
B.1 Fair value hedging derivatives	-	(25,224)
B.2 Hedged financial assets (fair value)	(30,835)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedging financial derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total expense from hedging (B)	(30,835)	(25,224)
C. Net income from hedging (A-B)	3,755	(4,279)

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

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2013			Dec. 31, 2012		
€/t	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Loans to banks	-	(2,476)	(2,476)	-	-	-
2. Loans to customers	16	(17)	(1)	132	(102)	30
3. Available-for-sale financial assets	77,276	(1,389)	75,887	14,447	(16,433)	(1,986)
3.1 Debt securities	77,276	(1,389)	75,887	14,014	(16,382)	(2,368)
3.2 Equities	-	-	-	-	-	-
3.3 Holdings in UCITS	-	-	-	433	(51)	382
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	30	-	30
Total assets	77,292	(3,882)	73,410	14,609	(16,535)	(1,926)
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	25	(52)	(27)	118	(3)	115
Total liabilities	25	(52)	(27)	118	(3)	115

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

8.1 Analysis of net impairment of loans

	Impairment (1)			Reversal of impairment (2)					
	Individual			Individual		Portfolio			
€/t	Cancellations	Other	Of portfolio	A	B	A	B	Dec. 31, 2013	Dec. 31, 2012
A. Loans to banks									
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers									
Impaired loans purchased									
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other loans									
- Loans	(2,614)	(11,683)	(1,964)	-	3,297	-	-	(12,964)	(8,709)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(2,614)	(11,683)	(1,964)	-	3,297	-	-	(12,964)	(8,709)

8.2 Analysis of net impairment of available for sale financial assets

	Impairment (1)		Reversal of impairment (2)			
	Individual		Individual			
€/t	Cancellations	Other	A	B	Dec. 31, 2013	Dec. 31, 2012
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(30)	-	-	(30)	(3)
C. Holdings in UCITS	-	(518)	X	X	(518)	(1,608)
D. Loans to banks	-	-	X	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(548)	-	-	(548)	(1,611)

Legend:
A = Interest
B = Other

8.4 Analysis of net impairment of other financial items

€/t	Impairment (1)			Impairment (2)				Dec. 31, 2013	Dec. 31, 2012
	Individual			Individual		Portfolio			
	Cancellations	Other	Portfolio	A	B	A	B		
A. Guarantees issued	(1,777)	(2,542)	(58)	-	8	-	-	(4,369)	(34)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-	-
E. Total	(1,777)	(2,542)	(58)	-	8	-	-	(4,369)	(34)

Legend:
A = Interest
B = Other

The impairment relates primarily to the approval of the Interbank Deposit Protection Fund.

Section 9 - Administrative expenses - Caption 150

9.1 Analysis of staff costs

€/t	Dec. 31, 2013	Dec. 31, 2012
1) Employees	(115,259)	(109,653)
a) wages and salaries	(81,276)	(76,910)
b) social security contributions	(23,386)	(21,815)
c) completion of service entitlements	-	-
d) pensions	-	-
e) allocation to employee severance indemnity	(4,301)	(5,054)
f) allocation to pensions and similar commitments	-	-
- defined contribution plan	-	-
- defined benefit plan	-	-
g) external supplementary pension funds:	(1,026)	(979)
- defined contribution plan	(1,026)	(979)
- defined benefit plan	-	-
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	(5,270)	(4,895)
2) Other personnel	(2,758)	(1,373)
3) Directors and auditors	(2,074)	(1,971)
4) Retirees	-	-
5) Recoveries of expenses for employees seconded to other entities	6,473	7,548
6) Reimbursement of expenses for employees seconded to the company	(2,605)	(4,045)
Total	(116,223)	(109,494)

9.2 Average number of employees by category

	Dec. 31, 2013	Dec. 31, 2012
1) Employees	1,714	1,627
a) Senior management	66	67
b) Middle management	213	204
c) Other employees	1,435	1,356
2) Other personnel	3	26
Total	1,717	1,653

9.5 Analysis of other administrative expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
IT systems	(51,369)	(42,453)
Infoprovider services	(4,311)	(4,453)
Financial Services fees and expenses	(2,736)	(2,522)
Miscellaneous services	(15,301)	(13,021)
Intercompany services	(173)	(224)
Taxes	(877)	(618)
Television and internet communication services	(4,309)	(6,285)
Network advisory services and collaborations	(1,500)	(1,631)
Rentals	(13,153)	(12,475)
Maintenance and repairs	(3,288)	(2,107)
Telephone and postal expenses	(10,495)	(9,454)
Other consulting and collaboration	(13,562)	(18,050)
Contributions to "Punti Mediolanum"	(1,100)	(1,193)
Consumables	(4,467)	(4,032)
Insurance companies	(1,720)	(1,770)
Membership fees	(813)	(674)
Advertising and promotional expenses	(24,100)	(25,782)
Organization of conventions	(10,310)	(6,273)
Consulting, education and training network for Sales network	(1,234)	(1,628)
Company canteen	(197)	(204)
Energy utilities	(1,424)	(1,559)
Business expenses, gifts and other services	(3,923)	(4,680)
Market Research	(761)	(400)
Recruitment and selection of employees	(272)	(152)
Travel expenses	(663)	(183)
Recruitment and selection of financial advisors	(70)	(31)
Other administrative expenses	(1,115)	(2,176)
Total	(173,243)	(164,030)

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

10.1 Analysis of net provisions for risks and charges

€/t	Dec. 31, 2013	Dec. 31, 2012
Other provisions for risks and charges:		
Portfolio Allowance	(2,254)	(3,016)
Customer base entitlements	(3,542)	(4,870)
Risks for FA illegal actions	(217)	(5,572)
Product distribution	(3,216)	(1,408)
Legal proceedings	2,179	(1,517)
Managerial Allowance	(7,851)	(12,942)
Other net provisions for risks and charges	(2,645)	(6,621)
Total	(17,546)	(35,946)

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

11.1. Analysis of depreciation and net impairment of tangible assets

€/t	Depreciation (a)	Impairment (b)	Reversal of impairment (c)	Net income (a + b + c)
A. Tangible assets				
A.1 Owned	(2,984)	-	-	(2,984)
- held for use	(2,984)	-	-	(2,984)
- held for investment purposes	-	-	-	-
A.2 Under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(2,984)	-	-	(2,984)

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

12.1 Analysis of amortisation and net impairment of intangible assets

€/t	Amortisation (a)	Impairment (b)	Reversal of impairment (c)	Net income (a + b + c)
A. Intangible assets				
A.1 Owned	(7,089)	-	-	(7,089)
- Internally generated	-	-	-	-
- Other	(7,089)	-	-	(7,089)
A.2 Under finance leases	-	-	-	-
Total	(7,089)	-	-	(7,089)

Section 13 - Other operating income and expenses - Caption 190

13.1/13.2 Analysis of other operating income and expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
Other operating income		
Recovery of expenses for contracts and services rendered	11,740	9,944
Rental income on properties owned	360	340
Recharge of costs to customers	2,929	2,091
Recharge of costs to promoters	54	140
Other income	5,388	8,167
Total "Other operating income"	20,471	20,682
Other operating expenses		
Compensations and Settlements	(8,398)	(3,169)
Amortisation of expenses for improvements of third-party assets	(1,073)	(1,003)
Other expense	(2,548)	(2,314)
Total "Other operating expenses"	(12,019)	(6,486)
NET Total "Other operating income/expenses"	8,452	14,196

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

14.1 Analysis of profit (loss) on equity investments

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Gains	-	-
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversal of impairment	-	-
4. Other income	-	-
B. Losses	(8,725)	(8,821)
1. Decrease in value	(8,725)	(8,821)
2. Impairment	-	-
3. Losses on sale	-	-
4. Other expense	-	-
Net gains (losses)	(8,725)	(8,821)

At year end 2013, the Bank adjusted the carrying amount of the investment in the subsidiary Bankhaus August Lenz & Co. A.G. for Euro 8,213 thousand and in the subsidiary Mediolanum Fiduciaria S.p.A. for Euro 512 thousand.

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

17.1 Analysis of profit (loss) on disposal of investments

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	30	5
- Gains on sale	30	5
- Losses on sale	-	-
Net gains (losses)	30	5

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

18.1 Analysis of income tax expense on continuing operations

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Current taxes (-)	(84,514)	(45,774)
2. Change in prior years' current taxes (+/-)	(93)	4,270
3. Change in current tax for the year (+)	-	-
3. *bis* Change in current tax for the year for tax credits under the law n. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	10,931	1,039
5. Change in deferred tax liabilities (+/-)	(1,004)	(561)
6. Income tax expense for the year (-) (-1+/-2+3+3*bis*+/-4+/-5)	(74,680)	(41,026)

18.2 Reconciliation between the theoretical tax expense and the effective tax expense

€/t	rate %	taxable amount	tax
Calculation of taxable income (IRES)			
Profit before tax	-	209,384	-
Theoretical tax	36,00	-	75,378
Temporary differences taxable in following years	-	(3,652)	-
Temporary differences deductible in following years	-	97,397	-
Prior years' temporary differences	-	(58,951)	-
Permanent differences	-	(130,162)	-
Total taxable income	-	114,015	-
Current tax expense for the year	-	-	41,045
Fiscal consolidation adjustments	-	-	(1,115)
Prior years' taxes	-	-	126,013
Other changes	-	-	25,309
Current tax expense recognised in the income statement	-	-	65,366
Average rate on profit before tax	N.A.	-	-

PART D - INFORMATION ON COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

€/t		Dec. 31, 2013		
		Gross amount	Income tax on income	Net amount
10.	Net profit (loss) for the year	X	X	134,703
	Other comprehensive income components without reversals to the income statement			
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	(50)	-	(50)
50.	Non current assets held for sale	-	-	-
60.	Share of reserves on investments accounted for in equity	-	-	-
	Other comprehensive income components with reversals to the income statement			
70.	Hedges of investments in foreign operations:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange differences:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
90.	Cash flow hedges:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
100.	Available-for-sale financial assets:	(7,428)	2,493	(4,935)
	a) changes in fair value	76,269	(25,194)	51,075
	b) reversals to the income statement	(83,697)	27,687	(56,010)
	- impairment	547	(173)	375
	- realised gains/losses	(84,244)	27,860	(56,385)
	c) other changes	-	-	-
110.	Noncurrent assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
120.	Share of reserves on investments accounted for in equity:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	- impairment	-	-	-
	- realised gains/losses	-	-	-
	c) other changes	-	-	-
130.	Total other comprehensive income components	(7,478)	2,493	(4,985)
140.	Comprehensive income (Captions 10+130)			129,718

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

The Internal Capital Adequacy Assessment Process (ICAAP)

Under Basel II Pillar 2 (Title III of Bank of Italy's Circular 263/2006) 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 requirements;
• 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

In accordance with supervisory requirements and in line with best practices, Banca Mediolanum's ICAAP entails the following steps:
1. identification of risks for assessment;
2. measurement/assessment of individual risks and related internal capital level;
3. measurement of the overall internal capital level;
4. determination of overall capital level and reconciliation to regulatory capital.

Key Risks Mapping

In accordance with Bank of Italy's Circular 263/2006 and subsequent updates, 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 starting point is risk measurement followed by the definition of relevant thresholds for risks for which there is a capital charge requirement as well as for other risks for which there is no capital charge requirement but must be analysed and monitored.

First pillar risks

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

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

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

Second pillar risks

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

Interest Rate Risk
Interest rate risk arising from 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.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General

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

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 Credit Corporate unit, the Watchlist unit, the Credit Operations unit and the Credit Policy and Monitoring unit. The Short-term lending team is responsible for all processes relating to approval and granting of overdrafts, loans, endorsements as well as for management of guarantees.

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

This team prepares and submits reports to the Head of the Division and the Service Engineering & Analysis unit and collaborates with the Credit Policy and Monitoring unit in the preparation of Short-term Lending Policy and Rules.

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

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

The Watchlist team deals with customers in difficulty ensuring that suitable solutions are found and implemented in a timely manner in accordance with policies and rules. The Watchlist team is informed of any amounts in arrears collected by foreign lenders that are part of the Group.

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

The Credit Policy and Monitoring team sees to the preparation of credit management policies and strategies proposals, defining the methodological principles and the technical rules for credit risk management and developing models for estimating and measuring credit risk in close coordination with the Compliance & Risk Control function. The team also prepares periodic reports on credit monitoring results highlighting key developments and trends.

2. Credit risk management

2.1 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.

2.2 Credit risk measurement, management and control

Credit quality is monitored by regularly assessing, in each stage of the lending process, whether there is evidence of risk in accordance with specific operating procedures.
In the lending process it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, the Bank, as part of its loan application analysis, gathers all information needed to assess the consistency of the borrower's income and exposure (including existing commitments) with the type and purpose of the loan or other financing. In that examination, the entity uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. All collateral is subject to regular review. All loans are subject to regular review by the competent units within the Bank. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors of the respective companies.

2.3 Credit risk mitigation techniques

Loans extended by the Banking Group entities are secured by collaterals received from borrowers. Collaterals primarily consist of mortgages over property and pledge over financial instruments, plus conditional sale, endorsements, patronage letter and other forms of security, such as surety bonds. Although secondary to the assessment of the borrower's creditworthiness, in the assessment of credit risk great emphasis is placed on the appraised value of the collateral received from the obligor and the prudential adjustments applied are properly differentiated according to the type of collateral whose value is subject to regular review against its market value.
The Banking Group does not offset credit risk exposures against positive balances of on or off-balance sheet captions.
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, 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.

As to pledges, the financial asset that is directly or indirectly pledged as security must be one of the following:

- bank account balances held with our bank;
- treasuries or securities guaranteed by governments, and securities that are accepted as guarantee by central banks;
- holdings in mutual funds and open-end investment companies;
- liens on insurance policies issued by the Mediolanum Group;
- assets in discretionary accounts managed by our Bank;
- bonds and certificates of deposit issued by our Bank or other Banks;
- repo transactions relating to listed bonds, treasuries or accepted as guarantee by central banks, with retail customers;
- listed bonds;
- listed equities.

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

Credit risk on mortgage loans is mitigated by the property given as collateral. Properties given as loan collateral must be located in Italy and be residential properties.
Semi-residential properties are accepted provided that they satisfy the following requirements:

- the non-residential portion does not exceed 40% of the estimated property value;
- the property is located in a residential area;
- the borrower is self-employed and intends to use the property as his/her primary residence.

In all these instances Loan-to-Value shall not exceed 70%.
The bank applies a disciplined approach to lending and adequate checks e.g. it checks the accurateness and completeness of the property appraisal as this is crucial to get a true view of risk. The bank requires that 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 experts 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 non-performing, 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.
The process for the identification of the groups of loans to be collectively assessed under IAS is in line with the credit risk approach under Bank of Italy's Circular 263 of December 27, 2006 and subsequent updates. Specifically, the risk parameters under said regulation, i.e. probability of default (PD) by rating class and Loss Given Default (LGD), are significant parameters for the classification of loans into groups with similar credit risk characteristics and for the calculation of provisions.
At present, the grouping of loans for the purpose of collective assessment is by rating and client segment (Retail/ Corporate).
The calculation of the impairment loss is made applying a Basel-oriented approach, i.e. impairment is approximated to the concept of Expected Loss (EL) as set out in the relevant regulations. Expected Loss is the average loss the Bank expects to incur on an exposure, over a year, as a result of the deterioration of credit quality or default of the borrower.

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

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

where:

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

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

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

Counterparty risk

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

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

Concentration Risk

Concentration risk, as defined in regulations, is the exposure to individual counterparties, groups of individual or related counterparties or counterparties in the same industry, business sector or geographical location. Concentration risk thus falls within the wider category of credit risk. As required by the Banking Supervisor (Bank of Italy) the Banking Group's exposure to concentration risk in monitored only for the "Business & Others" Portfolio. The Group exposure in that portfolio is of limited size and relevance. By contrast, the capital requirement on the geo-sector concentration risk is monitored on the entire portfolio of Banca Mediolanum in accordance with the policy in force.

In addition, the 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 263/2006,Title V Chapter 1), 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.

Impaired financial assets

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

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

In accordance with the discretionary guidance of national supervisory authorities, each entity within the Group classifies troubled positions according to their level of risk.

Each entity has dedicated problem loan management units that apply operating procedures and take action according to the severity of the problem.

To determine "default" Banca Mediolanum refers to the definition of "impaired loans" used for the purpose of financial reporting. Impaired loans include:

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

Nonperforming 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. These exposures are recognised irrespective of any security taken.

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) 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. An additional impaired loan category was introduced by the Bank of Italy (Circular 262 of December 22, 2005 "The Financial Statements of Banks: Instructions for the preparation of financial statement"), i.e. over 90 days past due loans. These consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers other than those classified in the categories above (nonperforming, watch list, restructured) that at the reporting date were over 90 days past due or overdrawn. For recognition in this category, both following conditions are to be satisfied:

the borrower is past due more than 90 days in a row (to determine actual past due borrowers, overdrawn/unpaid amounts can be offset against balances in credit under other loans/credit facilities extended to the same borrower);

the maximum value of daily past due/overdrawn amounts and the mean value of daily past due/overdrawn amounts in the last quarter is 5% or more of total exposure.

When the borrower is a government entity that exceeded the limits above yet the overdrawn/past due amount does not exceed Euro 10,000, the relevant exposure is not classified as past due.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

€/t	Non performing	Watch list	Restructured	Past due impaired	Past due not impaired	Other assets	Total
1. Financial assets held for trading	-	-	-	2	-	474,382	474,384
2. Available-for-sale financial assets	-	-	-	-	-	9,340,784	9,340,784
3. Held-to-maturity investments	-	-	-	-	-	2,204,753	2,204,753
4. Loans to banks	-	-	-	-	-	1,300,827	1,300,827
5. Loans to customers	11,091	16,648	5,855	8,323	65,538	5,320,587	5,428,043
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	2,418	2,418
Total at Dec. 31, 2013	11,091	16,648	5,855	8,325	65,538	18,643,752	18,751,207
Total at Dec. 31, 2012	8,919	18,905	7,842	5,876	16,117,282	15,448,605	15,490,147

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

€/t	Impaired assets			Performing			Total (Net exposure)
	Gross exposure	Individual impairment	Net exposure	Gross exposure	Portfolio exposure	Net exposure	
1. Financial assets held for trading	-	-	-	X	X	474,383	474,383
2. Available-for-sale financial assets	-	-	-	9,340,784	-	9,340,784	9,340,784
3. Held-to-maturity investments	-	-	-	2,204,753	-	2,204,753	2,204,753
4. Loans to banks	-	-	-	1,300,827	-	1,300,827	1,300,827
5. Loans to customers	74,177	(32,260)	41,917	5,393,125	(7,000)	5,386,125	5,428,043
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	2,418	2,418
Total at Dec. 31, 2013	74,177	(32,260)	41,917	18,239,489	(7,000)	18,709,290	18,751,207
Total at Dec. 31, 2012	69,008	(27,467)	41,541	15,533,658	(5,036)	16,117,282	16,158,824

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

€/t	Exposure subject to renegotiation under Collective Agreements: Past due up to 3 months	Past due 3 to 6 months	Past due up to 6 months within 1 year	Past due 1 year	Not overdue	Other exposures: Past due up to 3 months	Past due 3 to 6 months	Past due up to 6 months within 1 year	Past due 1 year	Not overdue	Total (Net exposure)
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	474,382	474,382
2. Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	9,340,784	9,340,784
3. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	2,204,753	2,204,753
4. Loans to banks	-	-	-	-	-	-	-	-	-	1,300,827	1,300,827
5. Loans to customers	4,883	62	-	-	106,900	59,516	347	730	-	5,213,688	5,386,125
6. Financial assets at fair value	-	-	-	-	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-	2,418	2,418
Total at Dec. 31, 2013	4,883	62	-	-	106,900	59,516	347	730	-	18,536,852	18,709,290

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

€/t	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On-balance sheet exposures				
a) Non performing	-	-	X	-
b) Watch list	-	-	X	-
c) Restructured	-	-	X	-
d) Past due impaired	-	-	X	-
e) Other assets	1,793,143	X	-	1,793,143
Total A	1,793,143	-	-	1,793,143
B. Off-balance sheet exposures				
a) Impaired	-	-	X	-
b) Other	35,462	X	-	35,462
Total B	35,462	-	X	35,462
Total (A + B)	1,828,605			1,828,605

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

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

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

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

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

€/t	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On-balance sheet exposures				
a) Non performing	29,736	(18,646)	X	11,090
b) Watch list	23,496	(6,848)	X	16,648
c) Restructured	11,579	(5,723)	X	5,856
d) Past due impaired	9,366	(1,043)	X	8,323
e) Other assets	16,919,986	X	(7,000)	16,912,986
Total A	16,994,163	(32,260)	(7,000)	16,954,904
B. Off-balance sheet exposures				
a) Impaired	4	-	X	4
b) Other	148,817	X	(123)	148,694
Total B	148,821	-	(123)	148,698

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

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

€/t	Non performing	Watch list	Restructured	Past due
A. Opening gross balance	23,719	25,315	13,463	6,511
- of which: loans sold but not derecognised	-	-	-	-
B. Increases	10,100	15,085	2	26,250
B.1 reclassified from performing loans	382	7,302	-	25,195
B.2 reclassified from other impaired loan	6,559	7,026	-	98
B.3 other increases	3,159	757	2	957
C. Decreases	4,083	16,904	1,886	23,395
C.1 reclassified to performing loans	-	2,697	-	11,116
C.2 cancellations	2,884	-	-	-
C.3 receipts	1,199	7,574	1,886	5,229
C.4 proceeds from sale	-	-	-	-
C.4 *bis* losses from sale	-	-	-	-
C.5 reclassified to other impaired loan categories	-	6,633	-	7,050
C.6 other decreases	-	-	-	-
D. Closing gross balance	29,736	23,496	11,579	9,366
- of which: loans sold but not derecognised	-	-	-	-

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

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

€/t	Non performing	Watch list	Restructured exposures	Past due impaired
A. Net impairment at beginning of the year	14,801	6,410	5,620	636
- of which: loans sold but not derecognised	-	-	-	-
B. Increases	7,390	4,343	248	1,019
B.1 Impairment	5,208	4,185	248	992
B.1 *bis* losses from sale	-	-	-	-
B.2 reclassified from other impaired loan categories	2,182	158	-	27
B.3 other increases	-	-	-	-
C. Decreases	3,545	3,905	145	612
C.1 Reversal of impairment from revaluation	219	344	145	231
C.2 Reversal of impairment from receipts	441	1,368	-	207
C.2 *bis* profit from sale	-	-	-	-
C.3 cancellations	2,885	-	-	-
C.4 reclassified to other impaired loan categories	-	2,193	-	174
C.5 other decreases	-	-	-	-
D. Net impairment at end of the year	18,646	6,848	5,723	1,043
- of which: loans sold but not derecognised	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

	External rating class							
€/t	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On-balance sheet credit exposures	191,301	149,635	11,679,623	244,674	67,043	-	6,552,944	18,885,219
B. Derivatives	-	-	-	-	-	-	3,160	3,160
B.1 Financial derivatives	-	-	-	-	-	-	3,160	3,160
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	83	113	-	-	-	77,249	77,446
D. Commitments to disburse funds	-	-	-	540	5	-	68,982	69,527
E. Others	-	-	-	-	-	-	34,027	34,027
Total	191,301	149,719	11,679,735	245,214	67,048	-	6,736,362	19,069,379

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

The Bank does not have internal rating models.

A.3 Analysis of secured exposures by type of collateral

A.3.1 Secured loans to banks

€/t	Net exposure	Real guarantees (1): Property, Mortgages	Real guarantees (1): Property, finance leases	Real guarantees (1): Securities	Real guarantees (1): Other real guarantees	Personal guarantees (2): Credit derivatives: CLN	Personal guarantees (2): Credit derivatives: Other derivatives: Governments and Central Banks	Personal guarantees (2): Credit derivatives: Other derivatives: Other government agencies	Personal guarantees (2): Credit derivatives: Other derivatives: Banks	Personal guarantees (2): Credit derivatives: Other derivatives: Non financial companies	Personal guarantees (2): Endorsements: Governments and Central Banks	Personal guarantees (2): Endorsements: Other government agencies	Personal guarantees (2): Endorsements: Banks	Personal guarantees (2): Endorsements: Non financial companies	Total (1)+(2)
1. Secured on-balance sheet exposures	705,482	-	-	705,559	-	-	-	-	-	-	-	-	-	-	705,559
1.1 entirely secured	705,482	-	-	705,559	-	-	-	-	-	-	-	-	-	-	705,559
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured "Off-balance sheet" credit exposures:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking Group – Secured credit exposures to customers

€/t	Net exposure	Real guarantees (1): Property, Mortgages	Real guarantees (1): Property, finance leases	Real guarantees (1): Securities	Real guarantees (1): Other real guarantees	Personal guarantees (2): Credit derivatives: CLN	Personal guarantees (2): Credit derivatives: Other derivatives: Governments and Central Banks	Personal guarantees (2): Credit derivatives: Other derivatives: Other government agencies	Personal guarantees (2): Credit derivatives: Other derivatives: Banks	Personal guarantees (2): Credit derivatives: Other derivatives: Non financial companies	Personal guarantees (2): Endorsements: Governments and Central Banks	Personal guarantees (2): Endorsements: Other government agencies	Personal guarantees (2): Endorsements: Banks	Personal guarantees (2): Endorsements: Non financial companies	Total (1)+(2)
1. Secured on-balance sheet exposures	3,667,532	6,588,402	-	20,403	14,732	-	-	-	-	-	-	1,802	-	40,872	6,666,211
1.1. entirely secured	3,595,600	6,532,071	-	20,403	-	-	-	-	-	-	-	2	-	26,303	6,578,779
- of which impaired	25,576	57,737	-	-	-	-	-	-	-	-	-	2	-	148	57,887
1.2. partly secured	71,932	56,331	-	-	14,732	-	-	-	-	-	-	1,800	-	14,569	87,432
- of which impaired	3,419	7,229	-	-	-	-	-	-	-	-	-	58	-	334	7,621
2. Secured "Off-balance sheet" credit exposures:	2,326	771	-	-	-	-	-	-	-	-	-	-	-	1,534	2,305
2.1. entirely secured	2,288	771	-	-	-	-	-	-	-	-	-	-	-	1,517	2,288
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partly secured	38	-	-	-	-	-	-	-	-	-	-	-	-	17	17
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

€/t	Government			Other agencies		
	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On-balance sheet exposures						
A.1 Non performing	-	-	X	-	-	X
A.2 Watch list	-	-	X	-	-	X
A.3 Restructured exposures	-	-	X	-	-	X
A.4 Past due exposures	13	(2)	X	-	-	X
A.5 Other exposures	11,814,321	X	-	5,483	X	-
Total A	11,814,334	(2)	-	5,483	-	-
B. Off-balance sheet exposures						
B.1 Non performing	-	-	X	-	-	X
B.2 Watch list	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X
B.4 Other exposures	-	X	-	-	X	-
Total B	-	-	-	-	-	-
Total (A+B) at Dec. 31, 2013	11,814,334	(2)	-	5,483	-	-
Total (A+B) at Dec. 31, 2012	8,887,191	-	-	5,572	-	-

	Financial company			Insurance companies			Non-financial companies			Other companies		
	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
	-	-	X	-	-	X	218	(368)	X	10,872	(18,278)	X
	-	-	X	-	-	X	620	(216)	X	16,028	(6,632)	X
	5,626	(5,723)	X	-	-	X	230	-	X	-	-	X
	-	-	X	-	-	X	115	(17)	X	8,195	(1,024)	X
	332,831	X	(11)	10,627	X	-	182,874	X	(1,245)	4,566,850	X	(5,744)
	338,456	(5,723)	(11)	10,627	-	-	184,057	(601)	(1,245)	4,601,945	(25,934)	(5,744)
	-	-	X	-	-	X	-	-	X	-	-	X
	-	-	X	-	-	X	-	-	X	-	-	X
	-	-	X	-	-	X	-	-	X	4	-	X
	839	X	-	19,232	X	(55)	4,584	X	(31)	90,013	X	(37)
	839	-	-	19,232	-	(55)	4,584	-	(31)	90,017	-	(37)
	339,295	(5,723)	(11)	29,859	-	(55)	188,641	(601)	(1,276)	4,691,962	(25,934)	(5,781)
	485,819	(5,620)	(11)	30,322	-	(31)	211,441	(373)	(578)	4,040,024	(21,482)	(4,481)

B.2 Geographical distribution of on-balance sheet and off-balance sheet customer loans (book value)

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment
A. On-balance sheet exposures										
A.1 Non performing	11,090	(18,644)	-	(2)	-	-	-	-	-	-
A.2 Watch list	16,647	(6,846)	1	(2)	-	-	-	-	-	-
A.3 Restructured exposures	5,855	(5,723)	-	-	-	-	-	-	-	-
A.4 Past due exposures	8,323	(1,043)	-	-	-	-	-	-	-	-
A.5 Other exposures	16,540,437	(6,988)	369,353	(12)	807	-	337	-	2,053	-
Total A	16,582,353	(39,244)	369,354	(16)	807	-	337	-	2,053	-
B. Off-balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	4	-	-	-	-	-	-	-	-	-
B.4 Other exposures	111,672	(123)	2,996	-	-	-	-	-	-	-
Total B	111,676	(123)	2,996	-	-	-	-	-	-	-
Total A+B at Dec. 31, 2013	16,694,029	(39,367)	372,351	(16)	807	-	337	-	2,053	-
Total A+B at Dec. 31, 2012	13,235,634	(32,564)	419,456	(12)	841	-	295	-	4,143	-

B.3 Geographical distribution of on-balance sheet and off-balance sheet bank loans (book value)

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Net Impairment	Net exposure	Net Impairment	Net exposure	Net Impairment	Net exposure	Net Impairment	Net exposure	Net Impairment
A. On-balance sheet exposures										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1,153,828	-	634,205	-	986	-	4	-	4,121	-
Total A	1,153,828	-	634,205	-	986	-	4	-	4,121	-
B. Off-balance sheet exposure	-	-	-	-	-	-	-	-	-	-
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	25,127	-	10,335	-	-	-	-	-	-	-
Total B	25,127	-	10,335	-	-	-	-	-	-	-
Total A+B at Dec. 31, 2013	1,178,955	-	644,540	-	986	-	4	-	4,121	-
Total A+B at Dec. 31, 2012	1,695,938	-	942,586	-	605	-	25	-	2,206	-

B.4 Large exposures

	Nominal value	Weighted
a) Book value	14,171,315	635,851
c) Number	-	13

The number and amount of large exposures were determined in accordance with the rules set out in Circular 263 of December 27, 2006 and Circular 155 of December 18, 1991, as amended. Said rules require reporting of large exposures at nominal value.

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transaction

Qualitative Information

During the year Banca Mediolanum traded exclusively in securitised notes.

C.1.1 Analysis of exposures in connection with securitisation transactions by quality of underlying assets

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

C.1.2 Analysis of exposures arising from major own securitisations by type of securitised asset and by type of exposure

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

C.1.3 Analysis of exposures arising from major third-party securitisations by type of securitised asset and by type of exposure

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

C.1.4 Analysis of exposures arising from securitisations by financial asset category and by type

€/t	Financial assets held for trading	Financial assets analysed fair value	Available for sale financial assets	Held-to-maturity investments	Receivables from	Dec. 31, 2013	Dec. 31, 2012
1. On-balance sheet	-	-	-	-	9,813	9,813	44,282
- Senior	-	-	-	-	9,813	9,813	44,282
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet	-	-	-	-	-	-	-
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.1.5 Total amount of securitized assets underlying junior securities or other forms of credit support

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

C.1.6 SPV investments

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

C.1.7 Servicer activities – collection of securitized loans and redemption of securities issued by the SPV

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

C.2 Sale transactions

A. Financial assets sold and not derecognized entirely

Quantitative Information

C.2.1 Financial assets sold but not derecognized: book value and full value

€/t	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to Customers			Dec. 31, 2013	Dec. 31, 2012
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Non-derivatives assets	6,267	-	-	-	-	-	2,163,845	-	-	-	-	-	-	-	-	-	-	-	2,170,112	2,590,061
1. Debt securities	6,267	-	-	-	-	-	2,163,845	-	-	-	-	-	-	-	-	-	-	-	2,170,112	2,590,061
2. Equities	-	-	-	-	-	-	-	-	-	-	x	x	x	x	x	x	x	x	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	-	x	x	x	x	x	x	x	x	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	x	x	-	x	x	x	x	x	x	x	x	x	x	-	-
Total at Dec. 31, 2013	6,267	-	-	-	-	-	2,163,845	-	-	-	-	-	-	-	-	-	-	-	2,170,112	x
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	x
Total at Dec. 31, 2012	-	-	-	-	-	-	2,532,909	-	-	57,152	-	-	-	-	-	-	-	-	x	2,590,061
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	x	-

Legend:
A = Financial assets sold, fully recognised on the Statement of financial position (book value)
B = Financial assets sold, partly recognised on the Statement of financial position (book value)
C = Financial assets sold, partly recognised on the Statement of financial position (full value)

C.2.2 Analysis of financial liabilities against financial assets that are sold but not derecognised

€/t	Financial assets held for trading	Financial assets analysed fair value	Available for sale financial sale	Held-to-maturity investments	Loans to banks	Loans to Customers	Total
1. Amounts due to customers	6,240	-	2,163,550	-	-	-	2,169,790
a) fully recognised assets	6,240	-	2,163,550	-	-	-	2,169,790
b) partly recognised assets	-	-	-	-	-	-	-
2. Amounts due to banks	-	-	-	-	-	-	-
a) fully recognised assets	-	-	-	-	-	-	-
b) partly recognised assets	-	-	-	-	-	-	-
Total at Dec. 31, 2013	6,240	-	2,163,550	-	-	-	2,169,790
Total at Dec. 31, 2012	-	-	2,843,416	-	-	-	2,843,416

C.2.3 Sale transactions with liabilities having recourse only to the assets sold: fair value

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

Credit Risk Stress Testing

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

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

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

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

SECTION 2 – MARKET RISK

2.1. Interest rate risk and pricing risk - Trading book

Qualitative information

A. General

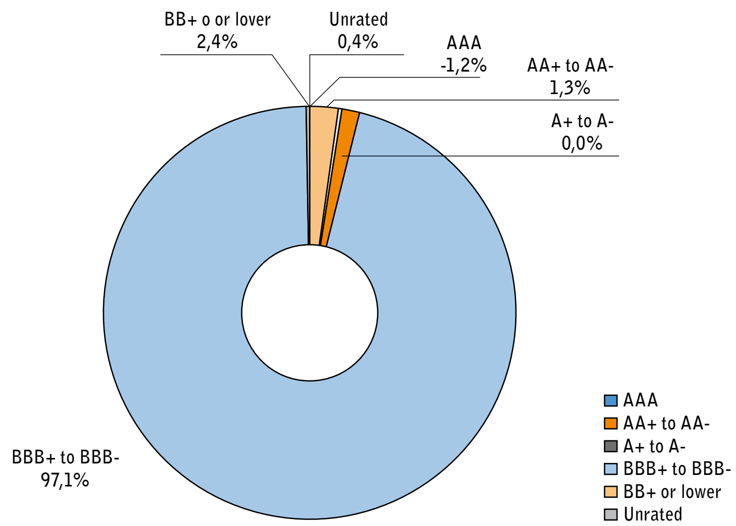
Banca Mediolanum's trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.
Specifically, the trading book consists of positions held by those Bank's functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Board of Directors, in accordance with internal policies. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.
The reduced credit rating of underlying assets was exclusively due to domestic sovereign debt exposure and Italy's credit rating downgrade in 2013. Given the predominance of domestic treasuries, however, the risk of default for the Bank's securities portfolio is relatively low.
Rating analysis of Banca Mediolanum's entire securities portfolio, including both the trading book and the banking book, is set out below.

Banca Mediolanum's Securities Portfolio – RATING COMPOSITION (S&P equivalent)
(YE 2013 vs. YE 2012)

€/t	2013	%	2012	%	Change (%)
Total Portfolio	12,428,409	100%	10,397,802	100%	20%
AAA	(143,424)	(1.2%)	(100,005)	(1.0%)	43%
AA+ to AA-	160,581	1.3%	233,924	2.2%	(31%)
A+ to A-	1,964	0.0%	2,967,122	28.5%	(100%)
BBB+ to BBB-	12,068,522	97.1%	7,285,441	70.1%	66%
BB+ or lower	293,270	2.4%	-	0.0%	100%
Unrated	47,497	0.4%	11,320	0.1%	320%

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

Rating Composition portfolio Banca Mediolanum S.p.A.



B. Interest rate risk measurement and management

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

HFT Portfolio – MARKET RISK
(YE 2013 vs. YE 2012)

€/t	2013	2012	Change (%)
Nominal value	246,003	349,744	(30%)
Market value	237,080	333,081	(29%)
Duration	0.92	0.92	0%
VaR99% 1(*)	1,212	1,200	(1%)

(*) The figure for 2012 has been recalculated using the current methodology.

Quantitative information

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

	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
1.1 Debt securities	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	6,240	4,878	31,693	142,801	36,312	10,773	-
2.1 Repurchase agreements	-	6,240	-	-	-	-	-	-
2.2 Other liabilities	-	-	4,878	31,693	142,801	36,312	10,773	-
3. Financial derivatives		463,388	7,282	14,936	23,974	21,212	45,723	
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	20,665	6,356	-	-	-	-	-
+ Short positions	-	6,355	-	13,048	7,608	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	189,795	-	-	-	-	-	-
+ Short positions	-	246,573	926	1,888	16,366	21,212	45,723	-

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

	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		737,744						
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	439,711	-	-	-	-	-	-
+ Short positions	-	298,033	-	-	-	-	-	-

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

	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		390,476						
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	195,509	-	-	-	-	-	-
+ Short positions	-	194,968	-	-	-	-	-	-

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

	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		156						
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	156	-	-	-	-	-	-

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

	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		517						
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	343	-	-	-	-	-	-
+ Short positions	-	174	-	-	-	-	-	-

Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives – SOUTH AFRICAN AND NAMIBIAN RAND

	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		43						
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	43	-	-	-	-	-	-

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

	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		106						
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	63	-	-	-	-	-	-
+ Short positions	-	43	-	-	-	-	-	-

2.2 Interest rate risk and pricing risk – banking book

Qualitative information

A. General

Banca Mediolanum's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, available-for-sale financial assets and held-to-maturity investments (category IAS: Held to Maturity).
Banking book interest rate risk exposures are measured and managed by the Banking Group's Parent Company using an ALM model.
Risk management activities include, inter alia, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of Banca Mediolanum S.p.A.
Interest rate risk is the risk of potential impact of unexpected interest rate changes on the Bank's current earnings and equity. This risk is typical of banking book positions.

The Banking Book consists of on and off-balance sheet captions that are not held for trading.

The goals pursued by the interest rate risk management system are to:

- ensure the stability of net interest income, minimising any adverse impact of changes in interest rates (earnings perspective), largely with near-term focus. The stability of net interest income is mainly influenced by re-pricing risk, yield curve risk, basis risk, re-fixing risk and optionality risk;
- protect the economic value, i.e. the present value of expected cash flows from assets and liabilities. The economic value perspective is focused on the potential medium/long-term effects of changes in interest rates and is mainly associated with re-pricing risk;
- ensure that interest rate risk that has been taken or can be taken be properly identified, measured, monitored and managed in accordance with uniform methods and procedures shared across the Group;
- make sure that risk measurement models are commensurate with actual earnings generated by the various risk owners;
- ensure that the quality of risk measurement and management systems is aligned with market standards and best practices;
- define risk limits and licences for the various levels of responsibility;
- ensure the generation of accurate data and reports by the various officers responsible for risk management and control at the different levels within the organisation;
- ensure compliance with requirements established by domestic and international supervisory authorities.

The definition of limits and licences reflects the risk appetite of the organisation and permits to control that practices at the various levels within the organisation are aligned with the strategic guidelines and policies adopted by the Board of Directors.

The application of the principles above led to the definition of the following indicators:

- net interest income sensitivity to parallel shifts in the yield curve;
- economic value sensitivity to parallel shifts in the yield curve.

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

Asset Liability Management

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

Movements in annual net interest income
(Data as of December 31, 2012)

€/t	Balance	+100bps	-100bps
Total assets (*)	17,709,787	85,910	(54,294)
Total liabilities (*)	(17,596,490)	(106,708)	62,648
Off-balance sheet positions (hedging derivatives)	70,106,53	3,361,78	(2,049,56)
YEAR'S MOVEMENT	-	(17,437)	6,304

(*) Excludes the values of balance sheet captions insensitive to the change in interest rate.

B. Fair Value Hedges

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

Hedge Ratio
(YE 2013 vs. YE 2012)

	2013	2012	Change (%)
Hedging changes ratio on hedged portfolio	111%	111%	0%

C. Cash Flow Hedges

There are no cash flow hedges as defined under IAS.

Quantitative information

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	2,147,871	6,194,955	3,471,242	2,470,402	3,519,467	124,976	290,529	-
1.1 Debt securities	652,864	2,214,891	3,464,964	2,457,686	3,420,118	-	2,727	-
- with early redemption option	-	3,656	-	-	-	-	2,507	-
- other	652,864	2,211,235	3,464,964	2,457,686	3,420,118	-	220	-
1.2 Loans to banks	21,224	1,070,253	-	-	-	-	-	-
1.3 Loans to customers	1,473,783	2,909,811	6,278	12,716	99,349	124,976	287,802	-
- current accounts	409,437	81	363	295	500	703	-	-
- other loans	1,064,346	2,909,730	5,915	12,421	98,849	124,273	287,802	-
- with early redemption option	793,525	2,889,251	5,728	11,413	93,969	121,276	287,802	-
- other	270,821	20,479	187	1,008	4,880	2,997	-	-
2. Non-derivative liabilities	10,184,496	4,533,654	740,765	2,133,406	2,934	120,630	-	-
2.1 Amounts due to customers	7,125,308	3,450,008	601,055	1,927,778	-	-	-	-
- current accounts	6,937,422	1,289,368	598,647	1,927,276	-	-	-	-
- other payables	187,886	2,160,640	2,408	502	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	187,886	2,160,640	2,408	502	-	-	-	-
2.2 Amounts due to banks	3,059,188	1,057,929	101,437	205,628	-	-	-	-
- current accounts	15,753	-	-	-	-	-	-	-
- other payables	3,043,435	1,057,929	101,437	205,628	-	-	-	-
2.3 Securities issued	-	25,717	38,273	-	2,934	120,630	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	25,717	38,273	-	2,934	120,630	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	3,216	566,503	13,857	24,827	548,019	970,680	1,303,167	-
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	3,868	10,188	16,345	283,423	455,106	569,217	-
+ Short positions	3,216	185,884	2	1,005	198,922	430,003	522,982	-
- Other								
+ Long positions	-	376,990	-	-	-	-	-	-
+ Short positions	-	3,629	3,669	7,478	65,674	85,571	210,969	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	725	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	712	-	-	-	-	-	-	-
1.3 Loans to customers	13	-	-	-	-	-	-	-
- current accounts	13	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	56,399	14,503	-	-	-	-	-	-
2.1 Amounts due to customers	33,195	-	-	-	-	-	-	-
- current accounts	33,195	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	23,204	14,503	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	23,204	14,503	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	-	44,957	-	-	-	-	-	-
+ Long positions	-	22,478	-	-	-	-	-	-
+ Short positions	-	22,478	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	254	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	254	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	130	-	-	-	-	-	-	-
2.1 Amounts due to customers	130	-	-	-	-	-	-	-
- current accounts	130	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	691	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	691	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	664	-	-	-	-	-	-	-
2.1 Amounts due to customers	664	-	-	-	-	-	-	-
- current accounts	664	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	25	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	25	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Amounts due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (reprising date) of financial assets and financial liabilities – SOUTH AFRICAN AND NAMIBIAN RANDA

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	63	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	63	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Amounts due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	560	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	560	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	5	-	-	-	-	-	-	-
2.1 Amounts due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	5	-	-	-	-	-	-	-
- current accounts	5	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2.3 Currency risk

Qualitative information

A. Currency Risk - General information, Measurement and Management

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

B. Currency Risk-Hedges

There are no cash flow hedges as defined under IAS.

Quantitative information

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

	Currency					
€/t	US Dollar	Swiss Franc	GB Pound	Canadian Dollar	South African and Namibian Rand	Other currencies
A. Financial assets	725	254	1,070	25	63	560
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans to banks	712	254	691	25	63	560
A.4 Loans to customers	13	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	36	22	20	-	-	-
C. Financial liabilities	70,902	130	664	-	-	5
C.1 Due to banks	37,707	-	-	-	-	5
C.2 Due to customers	33,195	130	664	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	-	-
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Others	-	-	-	-	-	-
+ Long positions	220,229	97,757	-	173	-	63
+ Short positions	150,141	97,513	96	174	43	43
Total assets	220,990	98,033	1,090	198	63	623
Total liabilities	221,043	97,643	760	174	43	48
Imbalance (+/-)	53	(390)	(330)	(24)	(20)	(575)

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

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

2.4 Derivative financial instruments

A. Financial derivatives

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

€/t	Dec. 31, 2013 Counterparties OTC	Dec. 31, 2013 Central Counterparties	Dec. 31, 2012 Counterparties OTC	Dec. 31, 2012 Central Counterparties
1. Debt securities and interest rates	87,434	26,615	69,587	41,770
a) Options	-	-	-	-
b) Swap	87,029	-	69,583	-
c) Forward	405	-	4	-
d) Futures	-	26,615	-	41,770
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	370,612	-	252,743	-
a) Options	-	-	-	-
b) Swap	367,191	-	252,364	-
c) Forward	3,421	-	379	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	458,047	26,615	322,330	41,770
Average amount	39,626	1,926	92,112	2,883

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

A.2.1 Hedging derivatives

	Dec. 31, 2013		Dec. 31, 2012	
€/t	Counterparties OTC	Central Counterparties	Counterparties OTC	Central Counterparties
1. Debt securities and interest rates	447,097	-	480,926	-
a) Options	70,107	-	67,829	-
b) Swap	376,990	-	413,097	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	447,097	-	480,926	-
Average amount	206,862	-	420,530	-

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

	Positive fair value			
	Dec. 31, 2013		Dec. 31, 2012	
€/t	Counterparties OTC	Central Counterparties	Counterparties OTC	Central Counterparties
A. Trading book	743	-	2,629	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	717	-	2,620	-
d) Equity swap	-	-	-	-
e) Forward	26	-	-	-
f) Futures	-	-	9	-
g) Other	-	-	-	-
B. Banking book hedging derivatives	2,418	-	1,366	-
a) Options	2,418	-	1,366	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	3,160	-	3,995	-

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

€/t	Negative fair value			
	Dec. 31, 2013		Dec. 31, 2012	
	Counterparties OTC	Central Counterparties	Counterparties OTC	Central Counterparties
A. Trading book	18,621	-	21,321	-
a) Options	-	-	-	-
b) Interest rate swap	17,551	-	17,264	-
c) Cross currency swap	1,070	-	4,057	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book hedging derivatives	59,127	-	92,888	-
a) Options	-	-	-	-
b) Interest rate swap	59,127	-	92,888	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	77,748	-	114,209	-

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

€/t	Governments and Central Banks	Other government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Non financial companies
1. Debt securities and interest rates	-	-	105,743	-		-	330
- notional amount	-	-	87,105	-	-	-	329
- positive fair value	-	-	-	-	-	-	1
- negative fair value	-	-	17,551	-	-	-	-
- future exposure	-	-	1,086	-	-	-	-
2. Equities and stock indices	-	-	-	-	-	-	-
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	-	-	251,474	122,962	-	1,484	182
- notional amount	-	-	247,887	121,093	-	1,450	182
- positive fair value	-	-	721	-	-	19	-
- negative fair value	-	-	412	658	-	-	-
- future exposure	-	-	2,454	1,211	-	15	-
4. Others	-	-	-	-	-	-	-
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

€/t	Governments and Central Banks	Other government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Non financial companies
1. Debt securities and interest rates	-	-	-	-	-	-	-
- notional amount	-	-	447,097	-	-	-	-
- positive fair value	-	-	2,418	-	-	-	-
- negative fair value	-	-	59,127	-	-	-	-
- future exposure	-	-	5,828	-	-	-	-
2. Equities and stock indices	-	-	-	-	-	-	-
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual life of OTC Financial derivatives: notional values

€/t	Within 1 year	1 to 5 years	Over 5 years	Total
A. Trading book	374,746	16,366	66,934	458,047
A.1 Financial derivatives on debt securities and interest rates	4,134	16,366	66,934	87,434
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	370,612	-	-	370,612
A.4 Financial derivatives on other values	-	-	-	-
B. Banking book	14,776	65,674	366,647	447,097
B.1 Financial derivatives on debt securities and interest rates	14,776	65,674	366,647	447,097
B.2 Financial derivatives on equities and stock indices	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total at Dec. 31, 2013	389,522	82,040	433,581	905,144
Total at Dec. 31, 2012	270,410	79,360	453,487	803,256

Credit derivatives

During the year the Bank did not trade in credit derivatives and at December 31, 2013 it did not hold any positions in those instruments.

SECTION 3 - LIQUIDITY RISK

Qualitative information

A. Liquidity Risk – General information, Measurement and Management

The Mediolanum Banking Group's liquidity management model is structured in a manner that ensures adequate levels of liquidity in the short term as well as in the medium and long term. Given the types of assets held, their duration as well as the type of funding, the Banking Group has no short-term liquidity concerns. From a structural viewpoint, Banca Mediolanum can rely on a stable core funding and is only marginally exposed to volatility. This is evidenced also by Bank's econometric projections of 'on demand positions'. In addition to its sound core funding represented by bank deposits, Banca Mediolanum has been focusing on bond issues and term deposits for medium-term funding.
The liquidity risk management framework is approved by the Board of Directors of the Parent Company and implemented across the Group (where applicable). Liquidity risk is monitored by the Risk Control unit applying dedicated policies and procedures, including operating and structural limits, a maturity ladder as well as a contingency funding plan under the broader Asset Liability Management model of the Banking Group. In compliance with Basel II Second Pillar requirements, and in view of the implementation of Basel III, all internal procedures for liquidity risk management have been reviewed. Under the liquidity risk management policy Banca Mediolanum implemented a control procedure which entails the generation of daily reports for monitoring operational liquidity limits in treasury management and quarterly reports for monitoring the bank's structural liquidity in the aggregate. The method used to manage operational liquidity is derived from the Maturity Mismatch Approach and is based on the monitoring of cumulative gaps generated by Net Flows and Counterbalancing Capacity as assessed using an operational Maturity Ladder. Structural liquidity is monitored by determining the long term ratio (Net Stable, Funding, Ratio) in accordance with the rules defined by the European Banking Authority (EBA) in relation to the new Basel III liquidity risk requirements.
In 2013, Banca Mediolanum continued its quarterly monitoring as promoted by the EBA for compliance with Basel III liquidity risk management and capital requirements.

Quantitative information

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	870,330	228,108	456,309	1,432,936	307,991	335,292	2,855,160	9,299,966	2,864,702	352,867
A.1 Government securities	4,199	48	409,000	913,607	172,994	97,983	2,390,244	7,867,731	37,018	-
A.2 Other debt securities	837	66	14,355	15,253	68,343	132,808	266,438	349,743	25,811	-
A.3 Holdings in UCITS	137,172	-	-	-	-	-	-	-	-	-
A.4 Loans	728,122	227,994	32,954	504,076	66,654	104,501	198,478	1,082,492	2,801,873	352,867
- Banks	21,249	207,589	32,954	477,461	-	-	-	-	-	352,867
- Customers	706,873	20,405	-	26,615	66,654	104,501	198,478	1,082,492	2,801,873	-
Non-derivative liabilities	7,143,914	1,489,646	1,305,057	217,327	1,508,622	716,063	2,216,878	3,205,090	174,055	-
B.1 Current accounts and deposits	6,951,225	81,649	204,688	216,184	900,360	707,044	2,181,453	-	-	-
- Banks	13,408	-	44,864	4,520	58,549	101,596	206,459	-	-	-
- Customers	6,937,817	81,649	159,824	211,664	841,811	605,448	1,974,994	-	-	-
B.2 Debt securities	-	-	-	-	1,021	1,692	2,696	59,956	126,571	-
B.3 Other liabilities	192,689	1,407,997	1,100,369	1,143	607,241	7,327	32,729	3,145,134	47,484	-
Off-balance sheet	17,551	3,117	-	1,469	198,366	-	-	19,392	7,608	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	1,236	-	1,469	70,655	-	-	6,345	-	-
- Short positions	-	1,882	-	-	127,711	-	-	13,048	7,608	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	17,551	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	725	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	725	-	-	-	-	-	-	-	-	-
- Banks	712	-	-	-	-	-	-	-	-	-
- Customers	13	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	56,399	-	-	14,505	-	-	-	-	-	-
B.1 Current accounts and deposits	56,399	-	-	14,505	-	-	-	-	-	-
- Banks	23,204	-	-	14,505	-	-	-	-	-	-
- Customers	33,195	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet	-	47,011	196,055	1,450	170,810	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	1,245	97,890	-	121,093	-	-	-	-	-
- Short positions	-	809	98,165	1,450	49,717	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	(22,478)	-	-	-	-	-	-	-	-
- Short positions	-	22,478	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	254	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	254	-	-	-	-	-	-	-	-	-
- Banks	254	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	130	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	130	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	130	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet	-	64	195,206	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	5	97,752	-	-	-	-	-	-	-
- Short positions	-	59	97,454	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees receivede	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	691	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	691	-	-	-	-	-	-	-	-	-
- Banks	691	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	664	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	664	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	664	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	96	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	96	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	25	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	25	-	-	-	-	-	-	-	-	-
- Banks	25	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet	-	346	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	173	-	-	-	-	-	-	-	-
- Short positions	-	174	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – SOUTH AFRICAN AND NAMIBIAN RAND

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	62	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	62	-	-	-	-	-	-	-	-	-
- Banks	62	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet	-	43	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	43	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	555	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	555	-	-	-	-	-	-	-	-	-
- Banks	555	-	-	-	-	-	-	-	-	-
- Customer	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	5	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	5	-	-	-	-	-	-	-	-	-
- Banks	5	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet	-	106	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	63	-	-	-	-	-	-	-	-
- Short positions	-	43	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Liquidity Risk Stress Testing

In addition to monitoring liquidity on a daily basis, the Mediolanum Banking Group also conducts stress scenario simulations.

Stress scenarios are run for both systemic events (Market Stress Scenarios) and bank specific events (Bank Specific Stress Scenarios) in relation to the macroeconomic environment, commercial policies and customer behaviour.

Generally, the systemic events tested in stress scenario simulations may include:

- a financial market shock that brings about a significant change in interest rates and exchange rates;
- a crisis in a geographical area or market (e.g. emerging markets or Eurozone Mediterranean markets), identified by a fall in major stock market indices;
- a systemic shock like the one after 9/11 which significantly restricts access to money markets;
- scarce liquidity in the interbank market.

Bank specific events may include:

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

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

SECTION 4 - OPERATIONAL RISK

Qualitative information

A. Operational risk: General information, measurement and management

The Compliance and Risk Control team coordinates with Network Inspectors and the Anti-Money Laundering team for management and control of operational risk associated with the activities carried out by the Sales Network, and with Accounting and Finance officers for verification of capital adequacy vis-à-vis operational risk capital requirements.

Within the Compliance and Risk Control function operational risk controls are carried out by the Risk Assessment and Mitigation and Risk Control teams. Specifically:

- the Risk Assessment and Mitigation sector is responsible for assessing both non-compliance, reputational and operational risk exposures of the various organisational units through integrated risk assessment as well as for developing a system of recurring second level controls;
- the Risk Control sector is responsible for assessing and monitoring exposures to operational risk through collection and analysis of operational loss data.

These teams coordinate their work with the Compliance unit team.

The Compliance and Risk Control function is separate and independent of operating units and reports directly to the Parent Company's Senior Management.

In consideration of the characteristics and the type of business conducted by Banca Mediolanum, special attention is given to risks associated with the operation of the Sales Network and the multiple channels, i.e. also those channels which enable access and transactions from a remote location. These risks are managed, inter alia, through local controls and procedures for risk assessment, management, prevention and mitigation.

In line with what is required by industry regulations, Banca Mediolanum adopted and regularly updates a specific framework for the management of operational risk.

The reference framework for the management and control of operational risk is composed of four basic processes:

1. Identification;
2. Measurement;
3. Monitoring, Control and Reporting;
4. Management.

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

The identification is the activity of finding and collecting information relating to operational risks through the coordinated and consistent processing of all relevant sources of information. The aim is the establishment of a comprehensive information base.

The identification is done through the definition and classification of the information needed for the integrated management of operational risks.

The information necessary for this purpose are:

- qualitative and quantitative assessments of the risk exposure of key business processes, as part of the annual risk self-assessment conducted by the Risk Assessment and Mitigation Sector of the Compliance and Risk Control function;
- actual internal loss data, together with all information relevant to the measurement and management of risks

(including recoveries from insurance and direct), collected through the process of Loss Data Collection by the Risk Control Sector of the Compliance and Risk Control function;
- preliminary analysis, of the Risk Assessment and Mitigation Sector of the Compliance and Risk Control function, of the risk exposure to the entry into new businesses or new contracts/commercial agreements, as well as a result of organizational changes/regulations.

Measurement is the activity of analysis and optimization of risk. It is an activity aimed at the complete knowledge of the overall risk profile of the company leading to the quantification of:
- Economic capital: internal risk measurement through a rating system that enables to steer and calibrate risk management and mitigation according to the potential economic impact and the current risk management framework. This exercise is based on the outcome of risk identification analyses and applies an actuarial statistical model;
- Regulatory capital: calculated in accordance with capital requirements indicated by supervisory authorities (Bank of Italy's Circular 263 of December 27, 2006 on new capital requirements for Banks). Based on the examination of the results of self-assessment, initially made on November 7, 2007, and then reviewed on an annual basis (latest results examined on March 19, 2014), the Board of Directors resolved to apply the standardised approach to Banca Mediolanum operational risk capital measurements on an individual basis. This decision was made considering that Banca Mediolanum meets both quantitative and qualitative requirements for the adoption of said approach. Notice thereof was duly given to the Bank of Italy, as required by the new capital requirements.

The macro-process of "Monitoring, Control and Reporting" consists of the following processes:
- Monitoring and Control: analysis of actual exposure vs. estimated exposure to operational risk; identification of mitigating actions; fine tuning of risk assessment models;
- Reporting: preparation of regular reports to Organisational Units, Senior Management, and the Board of Directors.

The macro-process of "Management" entails the periodic assessment of risk control and mitigation strategies. Depending on the nature and size of risk, in accordance with the risk appetite approved by management, the bank decides whether it can take the risk, adopt risk mitigation or transfer the risk to third parties. In 2013, the risk assessment process covered nearly all of the activities, identifying some 1,300 operational risk checkpoints. About 83% of checkpoints were judged to be adequate or in need of being just better formalised. Mitigation actions were taken in relation to controls that were judged to be unsatisfactory or in need of improvement.

COMPLIANCE RISK

It is the risk of legal penalties or fines, financial losses or reputational damage resulting from failed compliance with statutes, regulations, codes of conduct, self discipline or internal rules. Across the Mediolanum Banking Group, Banca Mediolanum S.p.A. defined a single compliance risk management framework that entrusts the Compliance sector with the responsibility of ensuring compliance within the Parent Company as well as for supervision, guidance and control of Group companies within its remit.

The scope of work of the Compliance sector has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance Model and in relation to specific regulatory areas.

The different steps of the main Compliance cycle, provided by the Group Compliance Policy, include the following activities:

- Planning: annual planning of compliance risk management activities (compliance plan).
- Regulatory alert: analysis of regulatory changes and information on their possible impact on the bank's business to the relevant organisational units.
- Mapping rules: identification in continuation of applicable regulatory requirements and associated penalties for the enhancement of the legal/regulatory aspect and size of the business, i.e. risks that insist on activities.
- Valuation Risk Impact: assignment of a risk "inherent" (or Risk Impact) to each risk event whose occurrence could result in a direct or indirect punitive, financial or reputational damage.
- Guidance and advice: preparation of opinions as well as assistance for education sessions.
- Compliance Assessment Mapping of processes, procedures, innovative projects, products, contracts.
- Effectiveness audits, "ongoing", of compliance with the regulations, even through analysis of specific "indicators".
- Mitigation actions: planning of corrective actions to mitigate any identified risk.
- Reporting: preparation of information on compliance matters for Senior Management and/or Supervisory Authorities.

In carrying out its activities, the Compliance Sector relies on the support of the Risk Assessment and Mitigation Sector with particular reference to those relating to compliance assessment, effectiveness audits and the identification of any mitigation measures to be undertaken.

STRATEGIC RISK

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

Strategic risk may arise from:

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

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

REPUTATIONAL RISK

Under the new regulations governing capital requirements for banks, reputational risk is classified among 'other risks' that are difficult to measure in relation to which banks put in place adequate controls and mitigation measures. 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.

Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:

- the materialisation of other risks (e.g. market risk, liquidity risk, legal risk or strategic risk) not adequately kept in check;

- the occurrence of operational risk events (e.g. malfunctioning, disservice) with impact on the stakeholders' perception of the bank;
- failed compliance with statutes, regulations and codes of conducts, including those that may be outside the purview of the Compliance function;
- internal or external communications being ineffectively or inappropriately handled;
- the behaviour of corporate officers, employees or sales network members.

More generally, internal events include all events directly associated with the processes in place and the business conducted by the Bank as well as any management or operational choices made by the Bank (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).

External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the Bank. These events are not directly associated with processes in place or business conducted by the Bank, but are related to the circulation of negative opinions or information about the Bank or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the Bank and its management). The materialisation of reputational risk may also have effects on other risks (e.g. liquidity risk, in the event of a significant decline in the number of customers as a consequence of the damaged reputation of the Bank).

Banca Mediolanum recognises the reputation of the Bank is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, its reputation is managed and protected through:

- the identification of the values that are embedded across the organisation;
- the promotion of a corporate culture built on integrity, fairness and compliance at all levels of the organisation;
- the adoption of a reputational risk governance and control model.

The process of identifying, assessing and mitigating exposure to reputational risk is conducted by the Risk Assessment and Mitigation Sector of the Compliance and Risk Control Function, as part of the aforementioned integrated risk assessment activities carried out annually on various organizational units with respect to operational and compliance risk. On this occasion, the employees of the Risk Assessment and Mitigation Sector require the Heads of Organizational Units whose activities have an impact on the critical values perceived by stakeholders, a qualitative assessment of exposure to reputational risk, also analysing other data or documents that might lead to better compliance assessment of safeguards in place. Among these elements particularly important factors are complaints received from customers, complaints and inquiries received by the Supervisory Authority, the customer satisfaction analysis, satisfaction surveys, etc.

PART F - INFORMATION ON CAPITAL

SECTION 1 - CORPORATE CAPITAL

Information on key management compensation

A. Qualitative information

In accordance with strategic guidelines for growth, Banca Mediolanum takes all measures needed to ensure adequate capital levels and controls thereof. By continuously monitoring capital levels the Bank prevents any tensions that may arise in the future.
Supervisory regulations in force allow a 25% reduction of the Total capital requirement of individual banks that are part of a banking group provided that the Total capital requirement is met at consolidated level.
At December 31, 2013 the total capital requirement was met at consolidated level and therefore Banca Mediolanum applied said reduction.

B. Quantitative information

B.1 Analysis of corporate equity

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Share Capital	600,000	600,000
2. b) Share premium account	-	-
3. Reserves	132,020	101,606
- retained earnings	52,609	41,995
a) legal	35,648	26,185
b) statutory	-	-
c) treasury Shares	-	-
d) other	16,961	15,810
- other	79,411	59,612
4. Equity instruments	-	-
5. (Treasury Shares)	-	-
6. Valuation reserves	73,595	78,580
- Available-for-sale financial assets	73,645	78,580
- Tangible assets	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets and disposal groups	-	-
- Actuarial gains (losses) relating to defined benefit plans	(50)	-
- Share of valuation reserves on investments accounted for by the equity method	-	-
- Special revaluation statutes	-	-
7. Net profit (loss)	134,703	189,264
Total	940,318	969,450

B.2 Analysis of valuation reserves relating to available-for-sale financial assets

	Dec. 31, 2013		Dec. 31, 2012	
€/t	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt securities	77,678	(5,614)	112,045	(32,087)
2. Equities	242	-	116	-
3. Holdings in UCITS	5,616	(4,277)	2,091	(3,585)
4. Loans	-	-	-	-
Total	83,536	(9,891)	114,252	(35,672)

B.3 Year's movements in the valuation reserve relating to available-for-sale financial assets

€/t	Debt securities	Equities	Holdings in UCITS	Loans
1. Opening balance	79,958	116	(1,494)	-
2. Increases	67,704	155	3,871	-
2.1 Increase in fair value	66,859	126	3,525	-
2.2 Reclassification to the income statement from reserves:	845	29	346	-
- impairment	-	29	346	-
- realised	845	-	-	-
2.3 Other changes	-	-	-	-
3. Decreases	75,598	29	1,038	-
3.1 Decrease in fair value	18,368	29	1,038	-
3.2 Impairment	-	-	-	-
3.3 Reclassification to the income statement from positive reserves: - realised	57,230	-	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	72,064	242	1,339	-

SECTION 2 CAPITAL AND CAPITAL REQUIREMENTS

2.1 Regulatory capital

In its Circular 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular incorporates the international capital requirements that were introduced following the adoption of the international accounting and financial reporting standards (IAS/IFRS). To safeguard the quality of regulatory capital and reduce the potential volatility, certain prudential filters are applied to financial data.

On May 18, 2010 the Bank of Italy issued new requirements for the treatment of valuation reserves relating to debt securities in the 'available-for-sale (AFS) financial assets' portfolio for the purpose of calculating 'prudential filters'.

In accordance with CEBS guidelines (2004), the Bank of Italy introduced the option of fully neutralising gains and losses on the reserves relating to debt securities in the AFS portfolio with prior notice thereof to the supervisor.

The provisions of the measure apply only to securities issued by Central governments of EU countries.
The option is allowed for securities already in the AFS portfolio on December 31, 2009, or purchased after December 31, 2009, but before the adoption of said treatment option, and directly recognised in the AFS assets category. The deadline for adopting the treatment option was June 30, 2010.
On June 23, 2010, the Board of Directors of Banca Mediolanum adopted said treatment option pursuant to the Provision of May 18, 2010.
In the determination of Regulatory capital at December 31, 2013, the adoption of this option resulted in a decrease of the positive elements of Tier 2 capital amounting to Euro 35,593 thousand resulting in a decline of the same amount in regulatory capital as at December 31, 2013.
With reference to the application in Italy of Regulation (EU) No. 575/2013 (RRC) and the 2013/36/UE Directive (CRD), on January 16, 2014, the Board of Directors of Banca Mediolanum S.p.A. resolved to exercise the option provided for by Part II, Chapter 14 (Transitional Provisions in own funds), Section II, para. 2 last paragraph of the Bank of Italy's Circular 285 of December 17, 2013.
As a result of the exercise of said power and as of January 1, 2014, Banca Mediolanum S.p.A. and the Mediolanum Banking Group will not include in any element of own funds, profits or losses not realized related to exposures to the central government classified as "Financial assets available for sale", for the entire period covered by the CRR.

A. Qualitative information

The bank's regulatory capital was determined in accordance with the instructions set out in the Bank of Italy's Circular 155/1991 as subsequently amended.
Regulatory capital is the sum of core capital (Tier 1 capital), included in the calculation without restrictions, supplementary capital (Tier 2), which cannot exceed the amount of Tier 1 capital before deductions, and Tier 3 capital. This aggregate can only be used to cover the capital requirements for market risks (net of counterparty risk and settlement risk relating to the "portfolio for regulatory purposes") and up to 71.4% of said requirements on market risks. Shareholdings, non-innovative, innovative, hybrid capital instruments and subordinated assets held in other banks and financial companies, shareholdings in and subordinated instruments issued by insurance companies are deducted from said aggregates. Regulatory capital also includes assets classified as non-current assets, e.g. shareholdings, as well as assets and liabilities held for sale, e.g. subordinated liabilities.

1. Tier 1 capital

At December 31, 2013, Tier 1 capital consists of the following positive elements: share capital (Euro 600.00 million), equity reserves (Euro 132.02 million) and profit for the period, net of dividends to be distributed (Euro 7.70 million) and the following negative components: intangible assets (Euro 14.74 million) and other negative items (Euro 0.05 million). Negative components of Tier 1 capital (Euro 5.15 million) consisted of 50% of the registered shares in an open-ended collective investment scheme.

2. Tier 2 capital

At December 31, 2013 Tier 2 capital consists of the positive valuation reserves (net of tax) related to equity securities classified as "Financial assets available for sale" (Euro 0.99 million), from the net positive valuation reserves (net of tax) related to debt securities classified as "Financial assets available for sale" (Euro 0.88 million) and level 2 subordinated liabilities (Euro 182.69 million). The negative elements of Tier 2 capital consist of 50%

of the shares registered in an open-ended collective investment scheme (Euro 5.15 million) and negative filters consisting of the excluded portion, 50%, of positive reserves on equities classified as "Financial assets available for sale" (Euro 0.49 million) and the excluded portion, 50%, of positive reserves on debt securities classified as "Financial assets available for sale" (Euro 0.44 million).

3. Tier 3 capital

At December 31, 2013, Banca Mediolanum's capital did not include any instruments falling within Tier 3 capital. No regulatory capital component included assets or liabilities classified as non-current assets or disposal groups.

B. Quantitative information

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Tier 1 before prudential filters	724,926	716,908
B. Tier 1 prudential filters:	-	(1,675)
B1 - Positive IAS/IFRS prudential filters (+)	-	(1,675)
B2 - Negative IAS/IFRS prudential filters (-)	-	-
C. Tier 1 capital before items to be deducted (A+B)	724,926	715,233
D. Deductions from Tier 1 capital	5,146	5,073
E. Total TIER1 (C-D)	719,780	710,160
F. Tier 2 before prudential filters	184,559	93,408
G. Tier 2 prudential filters:	(935)	(184)
G1 - Positive prudential filters IAS/IFRS (+)	-	-
G2 - Negative prudential filters IAS/IFRS (-)	(935)	(184)
H. Tier 2 capital before items to be deducted (F+G)	183,624	93,224
I. Deductions from Tier 2 capital	5,146	5,073
L. Total TIER2 (H-I)	178,478	88,151
M. Deductions from Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E + L - M)	898,258	798,311
O. TIER 3 capital	-	-
P. Regulatory capital included TIER3 (N + O)	898,258	798,311

2.2 Capital adequacy

A. Qualitative information

Capital adequacy assessment is aimed at identifying the amount of free capital, i.e. the portion of capital that is not absorbed by credit risk (solvency ratio), market risk (trading book risk, currency risk and concentration risk) and operational risk.

At December 31, 2013 the "free capital" of Banca Mediolanum, net of the 25% reduction provided for Italian banks belonging to banking groups, amounted to Euro 617.56 million; Tier 1 capital ratio (core capital/RWA) was 20.51% and Total capital ratio (regulatory capital/RWA) was 25.60%, above the minimum requirement of 8%.

B. Quantitative information

	Not weighted		Weighted/requirements	
€/t	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
A. Risk assets				
A.1 Credit and counterparty risk	19,059,596	16,225,464	3,485,626	3,888,943
1. Standard approach	19,059,596	16,225,464	3,485,626	3,888,943
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk			278,850	311,115
B.2 Market risks			8,743	9,232
1. Standard approach			8,743	9,232
2. Internal models			-	-
3. Concentration Risk			-	-
B.3 Operational Risk			86,666	73,090
1. Basic approach			-	-
2. Standard approach			86,666	73,090
3. Advanced approach			-	-
B.4 Other prudential requirements			-	-
B.5 Other calculation approaches			(93,565)	(98,359)
B.6 Total prudential requirements			280,694	295,078
C. Risk activities and regulatory coefficients				
C.1 Risk-weighted assets			3,508,675	3,688,476
C.2 Core capital/risk-weighted assets (Tier 1 capital ratio)			20,51%	19,25%
C.3 Regulatory capital including TIER 3/risk-weighted assets (Total capital ratio)			25,60%	21,64%

PART G – BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2013 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

No transaction was concluded after the end of the financial year under review.

PART H – RELATED PARTY TRANSACTIONS

1. Information on key management compensation

€/t	Directors, Statutory Auditors, Deputy/General Managers	Other key management
Emoluments and social security contributions	2,887	-
Other compensation	212	-

2. Information on related party transactions

Related party transactions primarily refer to transactions with companies that are part of the Mediolanum Banking Group and specifically:

- the subsidiaries Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd for the sale of mutual funds;
- the fellow subsidiaries Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A. for the sale of insurance products;
- the associate Mediolanum Life Ltd for the distribution of index linked insurance products;
- Mediolanum Banking Group companies for the provision of IT, administrative and logistics services;
- the Parent Company Mediolanum S.p.A. in connection with central Group management of tax and corporate affairs.

In addition, personnel was seconded to and from other companies within the Mediolanum Banking Group.
All transactions are made on an arm's length basis at market conditions, except for personnel seconded from Banca Mediolanum to other Group companies and vice versa, that is charged on the basis of actual costs incurred.

An analysis of related party balances at December 31, 2013 is set out in the table below.

€/t	Financial assets held for trading	Loans to customers	Loans to banks	Other assets	Financial liabilities held for trading	Amounts due to customers	Amounts due to banks	Other liabilities	Guarantees
(a) Parent Company	29,185	-	-	12,691	-	36,226	-	40,108	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-	-	-	-
(c) Subsidiaries	-	18,513	505,257	1,606	-	39,970	26,091	68	-
(d) Associates	-	-	-	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-	-	-	-
(f) Management with key responsibility	-	-	-	-	-	-	-	-	-
(g) Other related parties	3,066	10,623	-	40,512	-	861,771	604	4,456	
Total	32,251	29,136	505,257	54,808	-	937,967	26,695	44,633	-

Details on related party transactions in excess of Euro 10 thousand made in the year are set out in the table below.

€/t	Revenues
Interest and similar income	
Banco Mediolanum S.A.	1,642
Mediaset S.p.A.	739
Commission income on the sale of securities	
Mediolanum S.p.A.	630
Commission income on the sale of insurance products	
Mediolanum Vita S.p.A.	72,872
Mediolanum International Life Ltd	6,071
Mediolanum Assicurazioni S.p.A.	11,542
Commission income on the sale of mutual funds	
Mediolanum International Funds Ltd	229,999
Mediolanum Gestione Fondi SGR p.A.	52,186
Commission income on the sale of pension funds	
Mediolanum Gestione Fondi SGR p.A.	610
Commission income on collection, payment and other services	
Mediolanum Vita S.p.A.	524
Mediolanum Fiduciaria S.p.A.	17
Mediolanum International Life ltd	17
Dividends from Group companies	
Mediolanum International Funds Ltd	129,540
Gamax Management AG	4,000
Mediolanum Asset Management	2,040
Mediolanum Gestione Fondi SGR p.A.	17,841
Income on key personnel	
Mediolanum S.p.A.	340
Mediolanum Vita S.p.A.	3,559
Mediolanum Assicurazioni S.p.A.	462
Banco Mediolanum S.A.	751
Mediolanum International Funds Ltd	406
Mediolanum Comunicazione S.p.A.	45
Mediolanum Gestione Fondi SGR p.A.	410
Bankhaus August Lenz	91
Mediolanum International Life Ltd	189
Mediolanum Fiduciaria S.p.A.	145
Income from Group companies for centrally provided services	
Mediolanum Fiduciaria S.p.A.	96
Mediolanum Vita S.p.A.	5,412
Mediolanum Gestione Fondi SGR p.A.	2,534
Mediolanum Comunicazione S.p.A.	514
Mediolanum S.p.A.	1,506
Mediolanum Assicurazioni S.p.A.	871
Mediolanum International Life Ltd	381
Vacanze Italia S.p.A.	20
Mediolanum International Funds Ltd	33
Mediolanum Asset Management	157
Bankhaus August Lenz	25
Banco Mediolanum S.A.	14
Fermi & Galeno Real Estate S.r.l.	20
Pi Servizi S.p.A.	20

€/t	Revenues
Other income from rentals and miscellaneous recoveries	
Mediolanum Vita S.p.A.	214
Mediolanum S.p.A.	148
Mediolanum Assicurazioni S.p.A.	80
Mediolanum Comunicazione S.p.A.	44
Mediolanum Fiduciaria S.p.A.	16
Fermi & Galeno Real Estate S.r.l.	25
Mediolanum Gestione Fondi SGR p.A.	24
Banco Mediolanum S.A.	46
Bankhaus August Lenz AG	19

€/t	Revenues
Interest expense and similar charges	
Mediolanum Vita S.p.A.	1,093
Mediolanum S.p.A.	244
Mediolanum International Life Ltd	322
Banco Mediolanum S.A.	67
Bankhaus August Lenz	578
Gamax Management AG	63
Mediolanum International Funds Ltd	58
Mediolanum Assicurazioni S.p.A.	33
Mediolanum Gestione Fondi SGR p.A.	97
Commissions payable for third-party asset management	
Mediolanum Gestione Fondi SGR p.A.	21
Net expense for key personnel	
Mediolanum Gestione Fondi SGR p.A.	148
Mediolanum Vita S.p.A.	740
Mediolanum Assicurazioni S.p.A.	1,039
Mediolanum S.p.A.	587
Mediolanum Comunicazione S.p.A.	91
Television and internet communications expenses for technical services	
Mediolanum Comunicazione S.p.A.	3,000
Promoservice Italia S.p.A.	80
Rentals	
Mediolanum Vita S.p.A.	1,504
Mediolanum Gestione Fondi SGR p.A.	374
Fermi & Galeno Real Estate S.r.l.	1,659
Miscellaneous insurance expenses	
Mediolanum Assicurazioni S.p.A.	27,490
Mediolanum Vita S.p.A.	2,897
Audiovisual advertising and promotions	
Mediolanum Comunicazioni S.p.A.	12
Mondadori Pubblicità S.p.A.	188
Promoservice Italia S.p.A.	604
Publitalia '80 S.p.A.	4,031
Organisation of exhibitions and conventions	
Mediolanum Comunicazione S.p.A.	740
Business expenses, gifts and other services	
Mediolanum S.p.A.	171
Mediolanum Comunicazione S.p.A.	41
Mediolanum Gestione Fondi SGR p.A.	16
Vacanze Italia S.p.A.	47
Mediolanum Vita S.p.A.	105
Milan A.C. S.p.A.	20
Operating expenses	
Mediolanum Gestione Fondi SGR p.A.	31
Mediolanum Comunicazione S.p.A.	43

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

1. Description of equity-settled share-based payment transactions

Equity-settled share-based payment transactions relate to the share capital increases for a consideration resolved by the Parent Company Mediolanum S.p.A. and reserved to the employees, directors and collaborators of Mediolanum S.p.A. and its subsidiaries under a stock option plan, which can be implemented on multiple occasions and in different years.

For details on the stock option plan readers are referred to the relevant section in the Notes to the consolidated financial statements.

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2013, 632,638 stock options granted in 2006-2010 were exercised for a Total of 632,638 Mediolanum S.p.A. shares.
The table below shows movements in option holdings in the year as per Bank of Italy's Circular 262/2005.

	Dec. 31, 2013			Dec. 31, 2012		
€/t	Number of options	Average prices per FY	Average maturity	Number of options	Average prices per FY	Average maturity
A. Opening balance	5,058,327	2.1890	June-18	5,463,168	2.3945	Sept-17
B. Increases	1,356,900	-		1,297,805	-	-
B.1 New issues	1,299,200	1.2500	Oct-20	1,233,500	1.1040	Nov-18
B.2 Other changes	57,500	1.0868	X	64,305	5.2734	-
C. Decrease	1,286,628	-		(1,702,646)	-	X
C.1 Cancelled	183,985	1.1531	X	(792,096)	1.4169	X
C.2 Exercised (*)	632,638	2.3629	X	(518,550)	1.0330	X
C.3 Maturities	428,000	6.3740	X	(392,000)	5.2310	X
C.4 Other changes	42,005	4.1768	X	-	-	X
D. Closing balance	5,128,599	2.1890	Nov-17	5,058,327	2.1890	June-18
E. Options exercisable at year-end	727,203	4.416	X	1,585,206	4.6133	X

(*) Average market price per share on the exercise date was Euro 5.14.

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to Euro 1,151 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 19, 2014

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the General Meeting convened to approve the separate financial statements for the year ended December 31, 2013

Dear Shareholders,

in accordance with art. 153 of Legislative Decree 58 of 24.02.1998 and art. 2429, paragraph 2, of the Italian Civil Code, the Board of Statutory Auditors, at the meeting convened to approve the financial statements for the year ended December 31, 2013, presented the following Report to report on the activities carried out in observance of the duties assigned by art. 149 of the above mentioned legislative decree.

Supervision and control

During the year, we performed our statutory supervisory duties in accordance with the procedures recommended by the National Council of Accountants and the instructions issued by the Supervisory Authorities.
Specifically:

- We saw to compliance with the law and the bylaws as well as adherence to principles of proper management; we gathered information and saw to the adequacy of the company's organisational structure, accounting and reporting system.
  We satisfied ourselves that the Bank complied with all specific requirements issued by Supervisory Authorities;
- We attended General Meetings and Board of Directors Meetings. We did not become aware of any violations of the law or the bylaws, nor of any transactions which could represent a conflict of interest, were manifestly imprudent or risky or put the company's equity at risk;
- We regularly obtained information from Directors on the company's operations, outlook and transactions that were significant for their size and characteristics;
- We examined the activities conducted by the Compliance team and assessed the adequacy and effectiveness of the internal control system, especially in relation to risk management. Assisted by Internal Audit staff and the independent auditors we satisfied ourselves of the effective operation of the main operational and management units;
- We have seen the adoption of the principals to manage the risk of money laundering and financing of terrorism prepared on the basis of the measures adopted by the Bank of Italy in accordance with Legislative Decree no. 231 of November 21, 2007; and
- We have taken note of the activities of the Supervisory Body also for the introduction of amendments and additions to the organization, management and control model pursuant to requirements introduced by Legislative Decree no. 231 of June 8, 2001.

During the course of supervision described above, no significant facts emerged that require reporting to the external competent supervisory bodies or mention in this report.

We acknowledge that we have been constantly updated by the department heads on the resolutions and decisions adopted by the Committees on actions taken with respect to any irregularity found in business management.

We had the usual mutual exchange of information on our respective supervisory and control activities with the independent auditors Deloitte & Touche S.p.A. responsible for auditing the accounting records and the financial statements, in accordance with art. 2409-*septies* of the Civil Code, and art. 19 of Legislative Decree no. 39 of January 27, 2010.
The independent auditors reported to us on their audit work in accordance with art. 155, paragraph 2, of Legislative Decree 58/1998 and advised us that they did not become aware of any irregularities or events which required reporting to the control functions or to the Supervisory Authorities. The independent auditors also sent us their report on key matters under art. 19, paragraph 3, of Legislative Decree 39/2010 setting out conclusions in line with the comments above.

The financial statements and their approval

In relation to the separate financial statements for the year ended December 31, 2013, and the schedules attached thereto, which are presented to you for approval, we assure you that:

a. the financial statements were prepared in compliance with the law, in terms of both form and structure, applying the International Accounting and Financial Reporting Standards (IAS/IFRS) in force at December 31, 2013;
b. the financial statements and the contents of the notes are in accordance with the circular no. 262 issued by the Bank of Italy on December 22, 2005 integrated with the update of November 18, 2009 and January 21, 2014, and therefore consist of the Statement of Financial Position, the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, all comparative with the previous year, the Explanatory Notes in addition to the Directors' Report;
c. the Directors' Report sets out information on the bank's operations including subsidiaries, with details on actions, transactions and projects involving the parent company and the entire banking group;
d. the independent auditors completed their audit of the financial statements, including the consistency of information set out in the Directors' Report, and on April 4, 2014 issued their report without any remarks (unqualified opinion).

In consideration of the foregoing, we express our favourable opinion on the approval of the financial statements for the year ended December 31, 2013, which show net profit of Euro 134,703,398.20.

Milan, 09 April 2014

Board of Statutory Auditors
(Arnaldo Mauri – Chairman)
(Adriano Alberto Angeli – Statutory Auditor)
(Marco Giuliani – Statutory Auditor)

Independent Auditors' Report

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010

To the Shareholder of BANCA MEDIOLANUM S.p.A.

1. We have audited the financial statements of Banca Mediolanum S.p.A., which comprise the statement of financial position as of December 31, 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and the relative notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 26, 2013.

3. In our opinion, the financial statements give a true and fair view of the financial position of Banca Mediolanum S.p.A. as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of Banca Mediolanum S.p.A. are responsible for the preparation of the Directors' report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' report is consistent with the financial statements of Banca Mediolanum S.p.A. as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
April 4, 2014

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

Annual General Meeting of April 28, 2014

Annual General Meeting of April 28, 2014

RESOLUTION ABSTRACT

Present for delegation is the Sole Shareholder of Mediolanum S.p.A. for 600,000,000 shares - 100% of the share capital, the shareholders resolved:

- to approve the Directors' Report to the financial statements for the year ended 31.12.2013;
- to approve the financial statements for the year ended 31.12.2013;
- to appropriate net profit for the year amounting to Euro 134,703,398.20 as follows:
  - Euro 127,002,000.00 to shareholders as a dividend at the rate of Euro 0.21167 for each of the 600,000,000 shares making up the share capital;
  - Euro 6,735,169.91 to the legal reserve;
  - Euro 966,228.29 to the extraordinary reserve;
- to appoint as Director to maturity of the entire Board – to replace another resigning director – and precisely until approval of the financial statements at 31.12.2014, Mr. Antonio Maria Penna;
- to approve the document "Group Compensation Policies" and the Board of Directors' Report to the Shareholders' Meeting.

Consolidated Annual Financial Statements 2013

Financial Highlights

€/m	Dec. 31, 2013	Dec. 31, 2012	Change %
Total Customer Assets	50,181.9	44,676.8	12%
Total Financial Assets	20,845.9	17,731.2	18%
Available-for-sale financial assets (AFS)	10,856.4	9,196.4	18%
Held to Maturity Investments (HTM)	2,208.8	1,025.0	115%
Held for Trading financial assets (HFT)	224.3	330.3	(32%)
Loans to customers ex. L&R securities (Lending)	5,203.6	4,637.8	12%
Amounts due to customers and securities issued ex. Compensazione e Garanzia (Funding)	11,850.2	9,286.3	28%
Lending/Funding from customers	44%	50%	(12%)
Tier 1 Capital ratio	14.36%	12.14%	18%

Number	Dec. 31, 2013	Dec. 31, 2012	Change %
Licensed financial advisors	5,143	4,951	4%

€/m	Dec. 31, 2013	Dec. 31, 2012	Change %
Net inflows	3,752.4	2,427.2	55%
Assets under Management	3,215.5	1,667.3	93%
of which Mutual Funds	*4,756.0*	*2,379.8*	*100%*
Assets under Administration	536.8	759.8	(29%)
Profit before tax	491.7	433.2	14%
Income tax	(147.9)	(105.3)	40%
Profit for the year	343.8	327.9	5%
Profit attributable to minority interests	156.3	139.1	12%
Net profit attributable to the Parent Company	187,5	188.8	(1%)

Reclassified Consolidated Income Statement

€/t	Dec. 31, 2013	Dec. 31, 2012	Difference	
10. Interest income and similar income	500,489	526,019	(25,530)	(5%)
20. Interest expenses and similar charges	(229,393)	(215,565)	(13,828)	6%
30. Net interest income	271,096	310,454	(39,358)	(13%)
80. Net income from trading	9,547	38,678	(29,131)	(75%)
90. Net income from hedginga	3,755	(4,279)	8,034	(188%)
100. Gains (losses) on sale or buyback of:	84,391	18,548	65,843	355%
a) loans	(2,477)	30	(2,507)	(8,357%)
b) available-for-sale financial assets	86,895	18,373	68,522	373%
c) held-to-maturity investments	-	30	(30)	(100%)
d) financial liabilities	(27)	115	(142)	(123%)
Net financial income (30+80+90+100)	368,789	363,401	5,388	1%
40. Commission income	1,064,931	937,025	127,906	14%
50. Commission expenses	(549,485)	(461,061)	(88,424)	19%
60. Net commission	515,446	475,964	39,482	8%
70. Dividends and similar income	2,017	1,847	170	9%
120. Total income	886,252	841,213	45,039	5%
130. Net impairment/reversal of impairment of:	(18,563)	(11,317)	(7,246)	64%
a) loans	(13,367)	(8,862)	(4,505)	51%
b) available-for-sale financial assets	(827)	(2,421)	1,594	(66%)
c) held-to-maturity investments	-	-	-	-
d) other financial transactions	(4,369)	(34)	(4,335)	12,750%
140. Net income from financial operations	867,689	829,896	37,793	5%
180. Administrative expenses:	(347,237)	(327,901)	(19,336)	6%
a) staff costs	(147,291)	(139,794)	(7,497)	5%
b) other administrative expenses	(199,946)	(188,107)	(11,839)	6%
190. Net provisions for risks and charges	(17,951)	(48,445)	30,494	(63%)
200. Depreciation and net impairment of tangible assets	(4,965)	(4,252)	(713)	17%
210. Amortisation and net impairment of intangible assets	(7,964)	(7,042)	(922)	13%
220. Other operating expenses/income	6,408	11,948	(5,540)	(46%)
230. Operating costs	(371,709)	(375,692)	3,983	(1%)
260. Impairment of goodwill	(4,261)	(21,054)	16,793	(80%)
270. Profit (Loss) on disposal of investments	30	5	25	500%
280. Net profit (loss) before tax on continuing operations	491,749	433,155	58,594	14%
290. Income tax expense on continuing operations	(147,868)	(105,269)	(42,599)	40%
300. Net profit (loss) after tax on continuing operations	343,881	327,886	15,995	5%
320. Net profit (loss) for the year	343,881	327,886	15,995	5%
330. Net profit (loss) for the year attributable to minority interests	(156,356)	(139,114)	(17,242)	12%
340. Net profit (loss) for the year attributable to the Parent Company	187,525	188,772	(1,247)	(1%)

Summary of Business Performance for the year

€/t	Dec. 31, 2013	Dec. 31, 2012	Diff.	Change (%)
Profit before tax	343.8	327.9	15.9	5%
Of which:				
Net financial income	368.8	363.4	5.4	1%

Interest margin decreased for Euro -39.4 million due to the reduction in the spread on market rates and lower profits from trading activities (Euro -29.1 million), which was more than offset by higher gains on the disposal of financial assets available for sale (Euro +68.5 million) and the positive result of hedging (Euro +8.0 million).

Net commission income	515.4	476.0	39.5	8%

Increase in commission income (Euro +127.9 million) with particular reference to higher management fees (Euro +98.9 million) generated by higher assets under management (Euro +21.0 million) and performance (Euro +9.7 million); increase in commission expenses (Euro -88.4 million), particularly for more relegations to the sales network on product subscription and management (Euro -45 million), higher management fees paid to insurance subsidiaries for increase in assets (Euro -7.4 million), and finally higher costs for incentives to the sales network in relation to the outstanding results of net inflows of the assets under management sector (-21.7 million).

Net (impairment)/reversal of impairment	(18.6)	(11.3)	(7.3)	64%

Higher impairment and losses on impaired loans (Euro -2.1 million) and charges relating to the Interbank Deposit Protection Fund (Euro -4.3 million).

Administrative expenses	(347.2)	(327.9)	(19.3)	6%
Personnel expenses	(147.3)	(139.8)	(7.5)	5%
Other administrative expenses	(199.9)	(188.1)	(11.8)	6%
Amortisation and depreciation of tangible and intangible assets	(12.9)	(11.3)	(1.6)	14%

Personnel expenses increased following growth in average number of personnel in the period under review (12.31.2013: 2,090 people; 12.31.2012: 1,929 people).
There was also an increase in other administrative expenses, including, in particular, higher costs for IT systems (Euro +8.9 million) related to the development of new technologies for our customers and volume growth of banking operations.

Net provisions for risks and charges	(17.9)	(48.4)	+30.5	(63%)

During the year, there was a reduction in provisions for risks and charges relative to the previous year, in particular due to fewer provisions for legal disputes (Euro +16.9 million), financial crimes (Euro +5.4 million), assistance to the populations impacted by natural disasters (Euro +1.9 million) and contractual obligations towards the sales network (Euro +7.2 million).
It should be noted that the provisions for legal proceedings in 2012 were affected by exceptional provisions relating to Banco Mediolanum litigation (Euro 12.2 million).

Other operating expenses and income	6.4	11.9	(5.5)	(46%)

The main change in the year is due to non-recurring costs for transactions for the early termination of collaboration with the sales network for Euro 5 million.

Impairment of goodwill	(4.3)	(21.1)	+16.8	n.s.

The year is affected by zeroing goodwill for the CGU Germany determined based on the three-year plan from 2014 to 2016. In the year 2012, by contrast, an adjustment was made to goodwill for the CGU Spain (Banco Mediolanum) determined on the basis of the three-year plan from 2013 to 2015.

Taxes	(147.9)	(105.3)	(42.6)	40%

Non-recurring tax charges totalling Euro 43.9 million, of which Euro 29.7 million related to the tax litigation provisions of Banca Mediolanum of Euro 14.2 million for additional duties in relation to the higher IRES tax rate for the year 2013 from 27.5% to 36% (stability law 27/12/2013 no. 147); taxes were lower in relation to the lower gross profit for the year compared to the previous year (Euro +1.3 million).

Report on Operations

Dear Shareholder,

the Mediolanum Banking Group consolidated financial statements for the year ended December 31, 2013 show net profit on continuing operations before minority interests of Euro 343.8 million versus Euro 327.9 million in the prior year, an increase of Euro 15.9 million.

The reporting year was especially affected by non-recurring tax charges totalling Euro 43.9 million, of which Euro 29.7 million related to the tax litigation provisions of Euro 14.2 million for additional duties in relation to the higher IRES tax rate for the year 2013 from 27.5% to 36% (stability law 27/12/2013 no. 147); net of these factors, the tax burden for the year would record a Euro 1.3 million decrease.

Excluding these non-recurring items, net income for the year would have amounted to Euro 387.7 million, an increase from the previous year of Euro 59.8 million.

In fact, the consolidated profit before tax amounted to Euro +491.7 million, an increase of Euro +58.5 million compared to the balance of the previous year of Euro +433.2 million. In particular, during the year under review we are witnessing a significant increase in net commission income (Euro +39.5 million), thanks to growth in assets under management in mutual funds, due to the exceptional results achieved in 2012-2013 in terms of net inflows, and benefits from higher realized gains on disposal of financial assets available for sale (Euro +68.5 million), partially offset by a decrease in net interest income (Euro -39.4 million) and lower profits derived from trading (Euro -29.1 million).

The other economic variables that affected the year consist of lower net provisions for risks and charges (Euro -30.5 million), with particular reference to legal disputes (Euro +16.9 million) and by administrative expenses (Euro +19.3 million) for higher personnel costs due to a growth in the number of staff and higher administrative expenses, in particular for IT services related to the development of new technologies for customers.

Finally, with regard to goodwill as a result of the impairment test an impairment was performed on the CGU Germany (Bankhaus August Lenz and Gamax) for an amount of Euro 4.3 million while in the previous year the impairment process had resulted in an impairment of goodwill of the CGU Spain for a total of Euro 21.1 million.

At December 31, 2013, net profit attributable to the Parent Company amounted to Euro 187.5 million versus Euro 188.8 million in the prior year.

The consolidated financial statements for the year ended December 31, 2013 include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with Art. 64 of the Consolidated Banking Act. The methods and scope of consolidation are detailed in the Notes to the consolidated financial statements.

The consolidated financial statements for the year ended December 31, 2013 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 (2nd amendment on January 21, 2014), in the exercise of its powers pursuant to Art. 9 of Legislative Decree 38/2005.

The macroeconomic environment

In 2013 the gradual resolution of the Eurozone crisis in a recovering international economy has renewed investor risk appetite.

Stats confirm growth is no longer characterized by a phase of economic slowdown in the Eurozone, while highlighting the positive acceleration of the cycle in the USA. In the third quarter of 2013, GDP expanded at +4.1% (annualised rate) in the US and +0.1% (non annualised) in the Eurozone, confirming the significant lag between these two regions. Specifically, growth was positive in Germany (+0.3%) and Spain (+0.1%), negative in France (-0.1%) and nil in Italy (0%). Eurozone's recovery and the presence of a sustainable recovery in the manufacturing and services sectors only in the second half of 2013 have been reflected in the Purchasing Managers' Indices (PMI). Conversely, in the US the readings of Institute for Supply Management (ISM) indices for both the manufacturing sector and services stayed above the 50 expansion threshold for the entire year. Both in the US and in Europe, unemployment continues to be a major concern as it weighs on consumer confidence and demand for goods and services. In December, the unemployment rate in the USA decreased to 6.7% versus 7.9% at year end 2012 while in the Euro zone the unemployment rate in December remained at 12% (December 2012: 11.9%). Specifically, the unemployment rate increased in Italy to 12.7% versus 11.5% in the prior year, and 26% in Spain versus 20.3% in the prior year. The unemployment rate in Germany decreased slightly to 6.8% versus 6.9% at December 2012.

In the current economic cycle inflation continues to be subdued. In December, the CPI (annualised) was +0.8% versus +2.2% at year end 2012 in the Eurozone, and +1.5% versus +1.7% at year end 2012 in the US. Excluding food and energy, the CPI was +0.7% (+1.5% in the prior year) and +1.7% (+1.9% in the prior year), respectively. In the same month, the PPI (annualised) was -1.2% in the Eurozone and +0.7% in the US. In the UK the inflation rate fell from 2.7% in the prior year to 2%.

In the final part of 2012, the difficulties in reaching a political agreement to avoid the fiscal cliff in the US and the ensuing concerns about its impact on both US and global growth had brought about market volatility. The agreement reached in extremis in early 2013 contributed to positive figures in January. In February and March, the uncertain outcome of political elections in Italy, the scandal that had affected the party of Prime Minister Mariano Rajoy in Spain, the definition of the rescue package of Cyprus (relevant for the nature of the intervention mechanisms used), the risk of a financial crisis in Slovenia and renewed fears about US and European growth have led to new tensions on the financial markets. In April, the election of the President of the Republic and the formation of a new government in Italy, despite the unfavourable outcome of the elections, have contributed to the reduction in yields of Italy and Spain and rewarded European markets compared to main international listings.

Throughout 2013 and especially in the meeting of April 4, the Yen experienced an extraordinary depreciation to all major currencies as a result of new and unexpected measures communicated by the new governor of the Bank of Japan Kuroda in order to centre the inflation target of 2% within the next two years. By unanimous vote, the Bank of Japan established, as a new target of transactions, the amount of the monetary base, replacing the level of the overnight rate; the central bank also approved the purchase of government securities with maturities up to 40 years for a monthly counter-value of Yen 7,000 billion. Lastly, the "principle of notes" in force since 2001 was suspended temporarily, according to which the amount of bonds held by the BOJ could not exceed the value of banknotes in circulation. In 2013, the new address of the Japanese central bank's monetary policy has been the origin of the extraordinary outperformance of the Tokyo Stock Exchange to other financial markets.

At the end of the session of May 1, the statement of the Federal Reserve made explicit the possibility of both increasing and reducing the bond purchase plan based on the evolution in the economic scenario. The main international government and corporate curves responded with a general increase in yields, following the attempt on the part of

operators to anticipate the effects of the expected reduction in the quantitative easing program (tapering). In May and June, the fears of the effects, methods and timing of tapering and the uncertain evolution of macroeconomic data (from disappointing Purchasing Managers Index in China) led to a correction in equity markets (from the Tokyo Stock Exchange) and an extraordinary volatility in the bond markets. At the meeting on June 18 and 19, the Chairman Bernanke emphasized again that the Fed was ready, in the presence of economic improvement, to reduce the purchase plan by the end of the year and to complete the entire program in mid-2014. Before the determination of the US central bank, the yields of the major bond markets recorded further increases.
On July 9, the rating agency Standard & Poor's downgraded the long-term rating of Italian government debt to BBB from BBB+, maintaining a negative outlook due to the continuing weak economic outlook.
In the summer months, because of a series of better than expected economic data, the Euro area was the protagonist in the financial markets, facilitating the entry of new international capital. The changed attitude of investors resulted in a temporary appreciation of the Euro against major currencies and a marked increase in German yields. The improvement of the economic situation has, in fact, resulted in a lower propensity to holding assets with high reliability by reducing the probabilities associated with extreme risks. In contrast, the emerging area has been subject to strong capital outflows, which led to a sharp depreciation of local currencies.
Contrary to the expectations generated by communications in June and July, in September, the Fed opted to continue the purchase plan, finally favouring a limited reduction in yields on major bond markets (in the meeting of September 5, the ten-year US had reached 3%, the maximum in two years) and moving the expectation of the tapering of the operators to the meeting of December 18. On October 9, President Obama announced the appointment of Vice-Chairman Janet Yellen at the helm of the Federal Reserve. Analysts believe the new Fed chairman in favour of the continuation of monetary stimulus measures adopted by the predecessor Ben Bernanke.
The German election of September 22 showed a clear affirmation of the outgoing Chancellor Angela Merkel and government parties (Christian Democratic Union and Christian Social Union), with approximately 42% of votes and allowed the agreement for a Grosse Koalition (Grand Coalition) with the Social Democrats of the SPD.
In September and October, due to reduced fears of an international crisis in Syria, US analysts' attention was again focused on the performance of political negotiations between Democrats and Republicans on raising the state debt ceiling. The non-approval within the time required for the budget for fiscal year 2013 and 2014 resulted in immediate shutdown of the activity of several agencies, in the absence of federal resources.
In November, Standard & Poor's reduced France's credit rating by one notch (AA+ to AA), taking it from negative to stable outlook. The rating agency justified its decision with the inability of the French government to adopt structural reforms, the huge tax burden and the absence in the political debate of any reference to a possible welfare cut.
The sharp slowdown in inflation in the Eurozone and the temporary worsening of some leading indicators had already fuelled the expectations of a cut in the reference rate by the European Central Bank earlier this year. In the meeting of May 2 and, surprisingly, on November 7, the ECB reduced the refinancing rate, respectively, from 0.75% to 0.5% and from 0.5% to a record low of 0.25%.
In the Fed meeting on December 18, the dissemination of data on a significant improvement in employment and consumer confidence certainly created the conditions for the activation of tapering in the amount of USD 10 billion from January 2014, equally between government securities and securities with underlying mortgages. However, the official communication ensured that the benchmark rate will remain unchanged even when the unemployment rate is "significantly below" the level of 6.5%, "especially if expected inflation continues to remain below the long-term target of 2%". Chairman Bernanke stated that further reductions are likely in the purchase plan, based on the evolution of the scenario. However, he added that the forecast is that the reduction process will continue for most of 2014.
In 2013, yield spreads between Italian and German government bonds declined, specifically from 318 bps at

December 31, 2012 to 220 bps at year end 2013, with a peak last March 27 of 351 bps on 10-year notes and from 200 bps at December 31, 2012 to 104 bps at year end 2013, with a peak last February 26 of 211 bps on 2-year notes. Yields on 2-year and 10-year Italian treasuries fell from 1.99% at the start of the year to 1.26% at December 31, with a peak of 2.29% last June 25, and from 4.50% at the start of the year to 4.12% at December 31, with a peak of 4.90% last February 26.

During the year, the main international governmental curves showed a general increase in yields from the Federal Reserve's press release of May for the reduction of the quantitative easing program (tapering) and following the attempt on the part of operators to anticipate the effects. The yields on two and ten year US government securities passed respectively from 0.24% to 0.38% and from 1.76% to 3.03%, while yields on two and ten year German government yields increased respectively from -0.01% to 0.21% and from 1.32% to 1.93%. Even emerging markets and high yields have suffered an increase in volatility following the announced change in address of the monetary policy of the US central bank. Yields in emerging markets ranged on average from 4.28% at the beginning of the year and 5.47% June 25 to 4.96% at December 31 (Barclays EM Hard Currency Aggregate Yield To Worst index) and in high yield markets from 6.13% at the beginning of the year and 6.97% 25 June to 5.64% December 31 (Barclays US Corporate High Yield to Worst index).

In the fourth quarter of 2013, the dissolution of recent concerns on international economic growth and awareness of the persistence of monetary policy, however, also favourable in 2014 have rewarded equity markets with an average increase of 7.6% (MSCI World Index in dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up 9.9% and up 10.7%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up 5.7%). In Q4, the Italian (FTSE MIB +8.8%) and Spanish (IBEX 35 +7.9%), French (CAC40 +3.7%) and Swiss (SMI 2.3%) markets underperformed the German (DAX +11.1%) market. Emerging markets rose +1.5% (MSCI EM in USD).

In 2013, global equity markets were up +24.1% (MSCI World in US dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up +29.6% and up 38.3%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up 17.4%). Specifically, the Italian (FTSE MIB +16.6%) and Spanish (IBEX 35 +21.4%), French (CAC40 +18%) and Swiss (SMI +20.2%) markets underperformed the German (DAX +25.5%) market. Stock market indices were driven north by cyclical stocks and financials.

Emerging markets declined -5.0% (MSCI EM in USD). The emerging area has been subject to large outflows of international capital both on the equity and bond markets and a sharp depreciation of local currencies, following the attempt by operators to anticipate the effects of the announced Fed tapering.

Listing of the Euro against the US currency reflected both the positive evolution of the European financial crisis and the reduced flexibility and higher operating limits of the European Central Bank with respect to the Federal Reserve: the single currency experienced a period of weakness in the first months of 2013 and benefited from prolonged strengthening as the Eurozone exited the recession in the second half. The Eurodollar went from the listing of 1.32 at the beginning of the year to 1.37 at December 31, 2013 and recorded a trough of 1.28 in March and July and the maximum of 1.38 in October. Listing of the Euro against the British Pound, however, showed a different trend, recording the level of 0.81 in January, 0.87 in March and at the meetings in July and August and 0.83 in December. The performance of the European single currency against the Japanese Yen and the Swiss Franc reflected the policies of the Central Banks of those countries. Throughout 2013, the new course of monetary policy of the Bank of Japan conducted the listing of the Yen from Euro 114.46 in January to 144.73 in December and against the dollar from 86.75 in January to 105.31 in December; in 2013 the Swiss National Bank oversaw the currency market with the aim to prevent any appreciation of the domestic currency (to Euro 1.21 in January and 1.23 in December). The announced tapering of the Federal Reserve was the basis of the weakness of the main

currencies of emerging countries, following the massive outflows of international capital that have affected both the stock and bond markets.
In 2013, Brent oil prices remained essentially flat moving from USD 111.94 per barrel at the beginning of the year to USD 110.82 per barrel at year end, with high volatility that brought it to a high of USD 119.34 on February 12 and a low of USD 96.79 on April 17. In 2013, the price of gold recorded a significant correction, moving from USD 1,675.35 per ounce at the beginning of the year to USD 1,205.65 per ounce in December 2013.

The reference market

Italian households' savings

At the end of the third quarter of 2013, the total financial assets of families in Italy amounted to Euro 3.713 billion, with a year-on-year increase of 1.7%. The trends of the main components may be summarized as follows:
stable and growing:
- the dynamics of notes, coins and bank deposits (both on demand and term), which marked a positive growth rate of 3.8%; the amount of this aggregate on total household financial assets amounted to 32.1% (31.5% the previous year);
- holdings in mutual funds (+17% annualised) and accounted for 8.2% (7.1% the prior year) of total financial assets of households;
- holdings in life insurance, pension funds and severance funds were up 2.8%, with a weight of 18.0% (17.8% in the prior year);
- shares and holdings were up +4.8%, with a weight of 20.7% (20.1% in the prior year);

down:
- bonds have shown a negative change (-10,4%) agreed by the government and bank; the amount of this aggregate on total household financial assets amounted to 16.9% (19.2% the previous year).

In 2013, in Italy banking funding slightly declined. In particular, Italian banks recorded inflows into euro-denominated current accounts, term deposits net of receivables sales, deposits repayable upon notice, and repurchase agreements (deposits net of operations with central counterparties) and bonds (net of those repurchased by banks) held by resident customers aggregating to Euro 1,729 billion at year end 2013, down -1.9% (vs. +1.6% at the end of December 2012) and a decrease in the stock of funding of about Euro 32.5 billion.
The analysis of the various components shows deposits of resident customers (net of operations with central counterparties and term deposits connected with sales of receivables) were up +1.9% (+6.2% in December 2012; Euro +23 billion year end 2012). Bond holdings were -9.8% in the year (-6.8% in December 2012; -55.6 billion). Before the start of the crisis – in late 2007 – the amount of bank deposits were about Euro 1,513 billion (+216.2 billion from the end of 2007 to the end of 2013); as follows: 1,000.5 billion of customer deposits (+214.9 billion from the end of 2007 to the end of 2013) and 512.2 billion of bonds (+1.3 billion since 2007).

Lending

In 2013, the unfavourable economic situation was reflected both in a weak demand for credit by companies and households, and in tensions in offer associated with the deterioration of credit quality.

At year end 2012, lending (to the private sector and public administrations net of repurchase agreements with central counterparties) was Euro 1,853 billion at year end 2013, down 3.9% (-1.1% at year end 2012). At the end of 2007 – before the start of the crisis – the same aggregate amounted to 1,673 billion; since then bank loans to customers grew by approximately Euro +180 billion in absolute value.

Loans to Italian residents in private sector[1] were also slightly down (-4.2% at year end 2013 from -1.9% at year end 2012). At the end of 2013, loans to residents amounted to Euro 1,591 billion (1,450 million at the end of 2007, about +141 billion since then until the end of 2013).

Loans to households and non-financial companies amounted to about Euro 1,416 billion, down -4% year on year (-2.5% at year end 2012; Euro zone average: -2.3%). At the end of 2007, these loans amounted to 1,279 billion, with an increase in the period under review of nearly +140 billion in absolute value. Maturity analysis shows that short-term lending (due within one year) was down -6.8% (-1.7% year end 2012), while medium/long-term lending (due after more than one year) was down -3% (-2.8% at year end 2012).

Non-performing

In December 2013, gross non-performing loans aggregated to Euro 155.9 billion, increasing by Euro 6.3 billion over November 2013 and about 31 billion versus year end 2012, up about 25% year on year. The ratio of non-performing loans to total loans came to 8.1% in December 2013 (6.3% a year earlier and 2.8% at the end of 2007, prior to the start of the crisis), reaching 14% for smaller operators (11.8% in December 2012), 13.3% for companies (9.7% a year earlier) and 6.5% for households (5.6% in December 2012).

Net non-performing loans at year end 2013 amounted to Euro 80.4 billion, some Euro 4.7 billion more than in the prior month and about Euro 15.6 billion more than in December 2012 (+24.1% increase year on year). The ratio of net non-performing loans to total loans was 4.33% (3.36% at December 2012).

Interest and yields

Interest applied to bank deposits of households and non-financial companies slightly decreased, namely from 1.25% at year end 2012 to 0.97% at year end 2013. Average interest on funding from customers (Euro-denominated bank deposits, bonds and repurchase agreements held by households and non-financial companies) was 1.88% in December 2013 (2.08% at December 2012). In the year under review interest rates on repurchase agreements decreased too, from 3.03% in December 2012 to 1.53% in December 2013, while yields on bank bonds increased slightly (3.36% vs. 3.44%).

In 2013, the weighted average rate applied to total loans extended to households and non-financial companies calculated by the Italian Bankers' Association remained substantially stable: from 3.79% to 3.82% at year end. In the year under review, interest on active bank accounts and Euro-denominated revolving loans to households and non-financial companies also remained stable (5.48% in December 2012 to 5.45% in December 2013).

Interest rates applied to new transactions were down to particularly low levels: in December 2012 the rate applied to Euro-denominated loans extended to non-financial companies was 3.47% (3.65% in December 2012), interest

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

on Euro-denominated home loans to households (average for both fixed and floating-rate loans, considering all the various types of loans) was 3.42% (3.69% in December 2012).
In the last month of 2013 fixed-rate lending accounted for 22.2% (22.8% in December 2012).
The yearly average spread between lending and funding interest rates applied to households and non-financial companies declined to 183 bps in 2013, down -4 bps year on year. Before the beginning of the financial crisis the average spread between lending and funding interest rates exceeded 300 bps.

MEDIOLANUM BANKING GROUP

At December 31, 2013, the composition of the Mediolanum Banking Group, of which your Bank is the Parent Company, remained essentially unchanged over the prior year.

REVIEW OF OPERATIONS

For the year ended December 31, 2013, the Mediolanum Banking Group reported profit before tax of Euro 491.7 million up Euro 58.5 million from Euro 433.2 million in the prior year.
Net interest income amounted to Euro 271.1 million, down 13% (Euro -39.4 million) versus the prior year (2011: Euro 310.5 million), mainly due to the reduction in interest rate spreads in the market.
Adding net income from trading, net income from hedging and gains on the sale of available-for-sale financial assets, net financial income came in at Euro 368.8 million versus Euro 363.4 million in the prior year, recording higher gains on sale of available-for-sale financial assets (Euro +68.5 million) and lower income from trading (Euro 29.1 million).
Commission income amounted to Euro 1,064.9 million (12.31.2012: Euro 937.0 million) up Euro +127.9 million with particular reference to higher management fees (Euro +98.9 million) generated by higher assets under management, (Euro +21.0 million) for inflows of mutual funds and higher performance fees for Euro 8 million.
Commission expenses amounted to Euro 549.5 million (12.31.2012: Euro 461.1 million) up Euro 88.4 million particularly for more relegations to the sales network on product subscription and management (Euro +45 million) and incentives to the sales network in relation to the outstanding results of net inflows of mutual funds (Euro +21.7 million).
Total income for the year came in at Euro +886.3 million, up Euro 45.1 million versus 2012 (Euro +841.2 million).
Net impairment/reversal of impairment was negative for Euro -18.6 million (12.31.2012: Euro -11.3 million), mainly due to higher impairment and losses on impaired loans (Euro +2.1 million) and charges relating to the Interbank Deposit Protection Fund (Euro 4.3 million).
Operating expenses amounted to Euro 371.7 million (12.31.2012: Euro 375.7 million) with a decrease of Euro 4 million.
In particular, during the year, there was a reduction in provisions for risks and charges (Euro -30.5 million) from Euro 48.4 million to Euro 17.9 million with a decrease of Euro +30.5 million for fewer provisions for legal disputes (Euro -16.9 million), financial crimes (Euro -5.4 million) and lower provisions for contractual obligations towards the sales network. It should be noted that the provisions for legal disputes in 2012 were affected by exceptional provisions relating to Banco Mediolanum litigation (Euro 11.8 million).
On the other hand there was an increase in staff costs (Euro +7.5 million) due to the increase in the average

number of personnel for the period of 2,090 compared to 1,627 in the comparable period and an increase in other administrative expenses (Euro 11.8 million) mainly due to expenses for IT services.
Other net income decreased from Euro 11.9 million to Euro 6.4 million almost exclusively as a result of non-recurring transactions for early termination of relationships with some of the sales staff (Euro +5 million).

At December 31, 2013, total consolidated balance sheet assets amounted to Euro 20,845.9 million (12.31.2012: Euro 17,731.2 million).
Loans to customers, excluding securities, amounted to Euro 5,203.6 million versus Euro 4,637.8 million at December 31, 2012.
In particular, retail lending grew driven by residential loans, loans while debt securities classified as "Loans and Receivables" decreased.
Customer deposits grew from Euro 9,286.3 million at year end 2012 to Euro 11,850.2 million at December 31, 2013.
Notes issued grew from Euro 94.7 million at 12.31.2012 to Euro 187.6 million at year end 2013.
At December 31, 2013, loans to banks, largely Italian banks and marginally Eurozone banks under the supervision of the European Central Bank, amounted to Euro 943.5 million versus Euro 1,083.0 million at year end 2012.
Funding from banks increased from Euro 3,511.5 million in the prior year to Euro 4,696.3 million at the end of the year under review (Euro +1,184.8 million).
Net interbank exposure amounted to Euro 3,752.8 million versus Euro 2,428.5 million in the prior year.

At year end 2013, investments in securities amounted to Euro 13,957.3 million, up Euro 2,259 million from Euro 11,698.3 million at year end 2012:

€/m	2013	2012
Held to Maturity Investments	2,208.8	1,025.0
Available-for-sale financial assets	10,856.4	9,196.4
Financial assets held for trading	474.4	587.3
Financial liabilities held for trading	(250.1)	(257.0)
Loans and Receivables (banks and customers)	667.7	1,146.6
Total	13,957.3	11,698.3

Investments in securities increased along two main lines: first, focusing on purchases of government securities, mostly Italian treasuries to take advantage of their greater yields; second, increasing exposure to fixed-rate securities versus floating-rate securities.
The increase regarded mostly available-for-sale financial assets which were up Euro +1,660 million over the prior year's balance.
The AFS valuation reserve amounted to a negative balance of Euro -93.5 million versus a negative balance of Euro -91.1 million in the prior year.
Held-to-Maturity Investments increased by Euro 1,183.8 million over the prior year's balance of Euro 1,025.0 million to Euro 2,208.8 million.
Financial assets held for trading net of financial liabilities held for trading were down Euro 105.9 million over the prior year's balance of Euro 330.3 million to Euro 224.4 million.
Finally, the category "Loans and Receivables" represented by ABS securities and private banking and government issues in the Euro zone not quoted on active markets, went from Euro 1,146.6 million in the prior year to Euro 667.7 million at year-end related to natural maturity of the securities.

Consolidated Inflows, Assets under Management and Assets under Administration

Net inflow

€/t	Dec. 31, 2013	Dec. 31, 2012	Change
ITALY			
Life Insurance products	(1,514.9)	(991.2)	(523.7)
Asset Management products	4,582.8	2,343.3	2,239.5
Total managed assets inflows	3,068.9	1,352.2	1,716.7
Third-party structured bonds	(67.0)	200.7	(267.7)
Total managed assets + third-party structured bonds	3,001.9	1,552.9	1,449.0
"Freedom" Life Policies	(1,710.7)	(1,070.8)	(639.9)
Administered assets	2,048.2	1,776.3	271.9
TOTAL - ITALY	3,339.4	2,258.3	1,081.1
SPAIN	450.5	114.4	336.1
GERMANY	(37.6)	54.5	(92.1)
TOTAL FOREIGN MARKETS	413.0	168.9	244.1
TOTAL NET INFLOWS	3,752.4	2,427.2	1,325.0

Assets under Management and under Administration(*)

(*) The figures relate to retail customers only.

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
ITALY			
Life Products	13,482.6	13,795.7	(313.1)
"Freedom" Life Policies	1,722.3	3,433.0	(1,710.7)
Asset Management products	28,835.6	23,384.4	(5,451.2)
Banking products	13,690.1	11,336.5	2,353.6
Consolidation adjustments	(10,370.3)	(9,515.3)	(855.0)
TOTAL - ITALY	47,360.4	42,434.3	4,926,1
SPAIN	2,376.3	1,799.6	576.7
GERMANY	445.2	442.9	2.3
TOTAL FOREIGN MARKETS	2,821.5	2,242.5	579.0
TOTAL ASSETS UNDER MANAGEMENT AND ADMINISTRATION	50,181.9	44,676.8	5,505.1

The Sales Networks

Numer	Dec. 31, 2013	Dec. 31, 2012	Change
Italy	4,407	4,315	92
Spain	690	590	100
Germany	46	46	-
Total	5,143	4,951	192

Performance of Mediolanum Banking Group companies

For information on the performance of Mediolanum Banking Group companies in the year under review, readers are referred to the section "Equity Investments" in the Report on Operations in the 2013 separate financial statements of the Parent Company.

Intercompany and related party transactions

There were no atypical or unusual transactions as related party transactions, including intercompany transactions, that are part of the Group's ordinary business, were made at arm's length in consideration of the features of goods and services provided.
In accordance with Art. 2391 bis of the Italian Civil Code, Art. 71 bis of Consob Regulation 11971/99 (Regulation for Issuers) and the recommendations set out in the Code of Conduct, adopted by the company under resolutions passed by the Board of Directors, related party disclosures are set out in the relevant section of the Notes.

Tax claims

As you may recall two separate Audit Reports had been issued in past years following the field audit Italy's Tax Police (Milan Office - 1st Revenue Protection Group) started on September 16, 2010 and concluded on February 28, 2011. One Audit Report had been issued on October 29, 2010 claiming a total adjustment of Euro 48.3 million to IRES and IRAP taxable income for tax year 2005, the other on February 28, 2011 claiming a total adjustment of Euro 121.4 million to IRES and IRAP taxable income for tax years from 2006 through 2009, all relating to fees rebated by the Irish subsidiary Mediolanum International Funds Ltd.
On April 29, 2011, the Bank had filed a brief prepared pursuant to section 12, paragraph 7, Act 212 of July 27, 2000 with the IRS Lombardy Office whereby the Bank had asserted the illegitimacy of the claims and its law-abiding conduct, requesting in any case the application of the penalty waiver clause under Article 26 of Italy's Decree Law 78 of May 31, 2010.
Subsequently, on December 21, 2012 the Bank was notified three Notices of IRES Tax Due and Demands for Payment and as many Notices of IRAP Tax Due and Demands for Payment for tax years 2005, 2006 and 2007, claiming adjustments to taxable income aggregating to Euro 333.5 million, resulting in Euro 110.1 million IRES tax due plus Euro 85.7 million penalties, and Euro 17.5 million IRAP tax due plus Euro 13.6 million penalties.
Banca Mediolanum, even based on the opinion of an independent advisor, believes the analysis developed by the IRS in the Notices is illegitimate besides being groundless as to the adjustments to taxable income claimed and illegitimate as to the penalties given that the waiver under Art. 26 of Decree Law 78/2010 was not applied although the tax administration itself recognised formal compliance of documentation produced within the required deadline.
For the same reasons and considerations set out above in relation to the Audit Reports, the Company started the procedure under the EU Arbitration Convention (Convention 90/436/EEC).
As to the outcome of the claims above, given that the pending issues relate to determinations for which the procedure under the international Arbitration Convention was initiated and considering that the transfer pricing applied by the Company is within the arm's length range as determined by independent economists, in the previous

accounts the Board of Directors had believed based, inter alia, on the opinion of an independent advisor, the risk was only possible and, as pending issues relate to determinations, no sufficiently reliable estimate could be made of the amount of the obligations that may have ultimately resulted for the Company. In the light of the foregoing no provision was made in the separate accounts for the year ended December 31, 2012 as well as in the prior years. However in 2013, there have been significant changes in the international reference environment, with particularly significant impact on the Company, which is still involved in the European arbitration procedure (90/436/EEC Agreement).

In this respect, there is an ongoing thorough review of the rules on intergroup transactions, as reported by the OECD in the document published on July 19, 2013 and entitled "Action Plan on Base Erosion and Profit Shifting" which argues that the current rules allow allocating a lower amount of taxable profits in the jurisdictions in which the revenues are achieved and a greater amount in the jurisdictions in which there are intangible assets, by their nature, easily transferable within the group.

While confirming again the exceptions relating to tax assessments and appropriateness of transfer prices charged by the Company, in the light of the foregoing, such guidelines in the complex dynamics of relationships between states, on the basis of experience, by analogy, also in dispute that are slightly different, lead the Company to believe that, also with the opinion of an external consultant, the likelihood of outflow of resources has now become "probable" limited only to relegated management fees.

In fact, because of the above revisions in progress at the international level regarding the criteria for determining the intergroup fees, it cannot be ruled out that under international procedures implemented by companies prices can be effectively established that fall within a range of values of the free market different than current ones. However, the opinion about the illegality of the sanctions imposed remains confirmed, for the reasons set out above and the exclusion of any obligation to pay back the performance commission, on the basis of established and uniform practice recognized in the reference market.

With regard to the quantification of liabilities, while there have been difficulties in making estimates of items of value such as that concerning the litigation, the Company, with the support of an external consultant, considered it reasonable to reconsider some indications contained in the economic analysis prepared in accordance with Article 26 Decree Law 78/2010 used to document the transfer pricing policy to Financial authorities.

This economic analysis, conducted on a representative panel of operators with respect to the period 2010-2012, in addition to identifying a median value of relegated management fees between 42.00% and 49.30%, also shows a position of the third quartile included between 55.17% and 58.53%.

The Directors of the Company, with the support of an external consultant, believe that in the procedures there may be a transfer value that falls in the third interquartile above, reasonably estimated at no more than 57% of management fees, to which, on the basis of estimates made with reference to the years 2005-2013, a greater tax burden corresponds for approximately Euro 29.7 million, excluding the application of sanctions for the reasons above.

In light of the foregoing, it was decided to make a provision of Euro 29.7 million in the accounts at December 31, 2013.

Equity and capital ratios

At December 31, 2012, shareholders' equity attributable to the Mediolanum Banking Group after minority interests and excluding net profit, amounted to Euro 911.5 million versus Euro 878.1 million at 12.31.2012.
The Euro 33.4 million change reflects the 2012 profit reserve allocation (Euro +29.2 million) and the movements in equity reserves in connection with stock options (Euro +1.7 million) as well as the change in the valuation reserve of available-for-sale financial assets (Euro +2.5 million). After the approval by the shareholders at the AGM of the appropriation of net profit for the year 2013 as proposed by the Board of Directors, the Banking Group's equity amounts to Euro 972 million up Euro 65.1 million over the prior year.
Total capital ratio (regulatory capital/RWA) was 18.02% (12.31.2012: 13.84%), well above the minimum requirement of 8%.
Tier 1 capital ratio was 14.36% (12.31.2012: 12.14%).

Impairment test

The Board of Directors of the Bank approved the procedures for impairment review at December 31, 2013 conducted to ascertain the carrying amount of the Cash Generating Units (CGUs) Spain, Germany and Italy (Asset Management).
The purpose of impairment testing is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher, in accordance with IAS 36.
For the purpose of impairment testing at December 31, 2013, Banca Mediolanum requested the assistance of a primary specialist firm. The valuations were based on cash-flow estimates derived from the 2014-2016 Plans approved by the Board of Directors of Banca Mediolanum on January 16, 2014, applying industry standard methods best suited for the purposes of the exercise in the specific cases, in accordance with applicable accounting standards.
In the report the independent expert stated that based on the analysis of the recoverable amount of goodwill carried on the consolidated statement of financial position of the Mediolanum Banking Group and allocated to the CGUs above, the recoverable amount of goodwill allocated to CGU Spain and to CGU Italy Asset Management did not show any evidence of impairment, while the recoverable amount allocated to CGU Germany was lower than the amount at which it was carried in the consolidated accounts.
However, given the nature of the balance sheet assets and liabilities pertaining to the CGU under review, the independent expert did not detect substantial differences between the carrying amount and fair value and therefore sees no need for further impairment in addition to the full impairment of the goodwill allocated. Based on these results the directors recognised an impairment charge of Euro 4.3 million on goodwill allocated to CGU Germany.

Post balance sheet date events

After December 31, 2013, there was no event which could have a significant impact on the financial position, results of operations and cash flows of the Mediolanum Banking Group.

Outlook

In 2014 the presence of a moderate and accelerating global growth, the persistence of low inflation and the adoption of structural reforms can create an economic and political environment conducive to higher corporate profits. In this context, even within a multi-year period, the equity markets may anticipate and benefit from the expected positive evolution of the economic cycle. The main central banks will continue to ensure low bond yields, in order not to jeopardize the economic results achieved in previous years through the adoption of expansionary monetary policies. In such an environment, the Mediolanum Banking Group will continue to be focused on its all-around offering of ever more sophisticated products and services to protect the savings of its customers. Income from treasury operations will continue to be linked to the performance of markets.
With due consideration of the developments outlined under "Tax Claims" and of the risks that are inherent in the business conducted by the Bank, barring any exceptional events or circumstances that depend on variables essentially outside the control of Directors and Senior Management – and not in the offing at present – the outlook for 2014 is positive.

Basiglio, March 19, 2014

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

Consolidated Accounts 2013

Statement of financial position

Assets

€/t	Dec. 31, 2013	Dec. 31, 2012
10. Cash and cash equivalents	60,428	64,333
20. Financial assets held for trading	474,406	587,308
40. Available-for-sale financial assets	10,856,431	9,196,449
50. Held-to-maturity investments	2,208,768	1,025,038
60. Loans to banks	943,460	1,082,992
70. Loans to customers	5,664,283	5,133,041
80. Hedging derivatives	2,418	1,366
120. Tangible assets	62,228	63,879
130. Intangible assets	189,567	192,741
of which:		
- goodwill	173,163	177,424
140. Tax assets:	139,801	161,380
a) current	55,268	59,228
b) advanced	84,533	102,152
150. Non-current assets and disposal groups	661	670
160. Other Assets	243,404	221,964
Total assets	20,845,855	17,731,161

Liabilities and Shareholders' Equity

€/t	Dec. 31, 2013	Dec. 31, 2012
10. Amounts due to banks	4,696,305	3,511,473
20. Amounts due to customers	13,798,413	12.022,709
30. Securities issued	187,554	94,720
40. Financial liabilities held for trading	250,147	256,994
60. Hedging derivatives	59,127	92,888
80. Tax liabilities:	169,928	141,053
a) current	107,194	66,506
b) deferred	62,734	74,547
100. Other liabilities	306,810	288,218
110. Employee completion-of-service entitlements	9,547	9,613
120. Provisions for risks and charges:	186,555	189,749
a) severance benefits and similar obligations	586	1,540
b) other provisions	185,969	188,209
140. Valuation reserves	93,535	91,051
170. Reserves	217,969	187,029
190. Share Capital	600,000	600,000
210. Shareholders' equity attributable to minority interest (+/-)	82,440	56,892
220. Net profit (loss) for the year (+/-)	187,525	188,772
Total liabilities and shareholders' equity	20,845,855	17,731,161

Income Statement

€/t	Dec. 31, 2013	Dec. 31, 2012
10. Interest income and similar income	500,489	526,019
20. Interest expense and similar charges	(229,393)	(215,564)
30. Net interest income	271,096	310,455
40. Commission income	1,064,931	937,025
50. Commission expense	(549,485)	(461,061)
60. Net commission	515,446	475,964
70. Dividends and similar income	2,017	1,847
80. Net income from trading	9,547	38,678
90. Net income from hedging	3,755	(4,279)
100. Gains (losses) on sale or buyback of:	84,391	18,548
a) loans	(2,477)	30
b) available-for-sale financial assets	86,895	18,373
c) held-to-maturity investments	-	30
d) financial liabilities	(27)	115
120. Total income	886,252	841,213
130. Impairment/reversal of impairment of:	(18,563)	(11,317)
a) loans	(13,367)	(8,862)
b) available-for-sale financial assets	(827)	(2,421)
d) other financial instruments	(4,369)	(34)
140. Net income from financial operations	867,689	829,896
170. Net income from financial and insurance operations	867,689	829,896
180. Administrative expenses:	(347,237)	(327,901)
a) staff costs	(147,291)	(139,794)
b) other administrative expenses	(199,946)	(188,107)
190. Net Provisions for risks and charges	(17,951)	(48,445)
200. Depreciation and net impairment of tangible assets	(4,965)	(4,252)
210. Amortisation and net impairment of intangible assets	(7,964)	(7,042)
220. Other operating income/expenses	6,408	11,948
230. Operating expenses	(371,709)	(375,692)
260. Impairment of goodwill	(4,261)	(21,054)
270. Profit (loss) on disposal of investments	30	5
280. Net profit (loss) before tax on continuing operations	491,749	433,155
290. Income tax expense on continuing operations	(147,868)	(105,269)
300. Net profit (loss) after tax on continuing operations	343,881	327,886
320. Net profit (loss) for the year	343,881	327,886
330. Net profit (loss) for the year attributable to minority interests	156,356	139,114
340. Net profit (loss) for the year attributable to the Parent Company	187,525	188,772

Statement of Other Comprehensive Income

€		Dec. 31, 2013	Dec. 31, 2012
10.	Net profit (loss) for the year	343,881	327,886
	Other statement of other comprehensive income, net of income tax without reversals to the income statement		
40.	Defined benefit plans	(8)	-
	Other statement of other comprehensive income, net of income tax with reversals to the income statement		
100.	Available-for-sale financial assets	2,514	243,742
130.	Total other statement of other comprehensive income, net of income tax	2,506	243,742
140.	Comprehensive income (Captions 10+130)	346,387	571,628
150.	Total comprehensive income attributable to minority interests	156,378	139,264
160.	Total comprehensive income attributable to the Parent Company	190,009	432,364

Statement of changes in equity

At December 31, 2012

€/t	Balance at Dec. 31, 2011	Adjustment to opening balance	Balance at Jan. 1, 2012	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:					
a) ordinary shares	450,000	-	450,000	-	-
b) other shares	-	-	-	-	-
Share issue premium	-	-	-	-	-
Reserves:					
a) retained earnings	173,781	-	173,781	8,721	-
b) other	2,897	-	2,897	-	-
Valuation reserves	(152,541)	-	(152,541)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net Profit (Loss) for the year	23,726	-	23,726	(8,721)	(15,005)
Group equity	497,863	-	497,863	-	(15,005)
Shareholders' equity attributable to minority interest	61,867	-	61,867	-	(48,287)

At December 31, 2013

€/t	Balance at Dec. 31, 2012	Adjustment to opening balance	Balance at Jan. 1, 2013	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:					
a) ordinary shares	600,000	-	600,000	-	-
b) other shares	-	-	-	-	-
Share issue premium	-	-	-	-	-
Reserves:					
a) retained earnings	184,140	-	184,140	28,770	-
b) other	2,889	-	2,889	-	-
Valuation reserves	91,051	-	91,051	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net Profit (Loss) for the year	188,772	-	188,772	(28,770)	(160,002)
Group equity	1,066,852	-	1,066,852	-	(160,002)
Shareholders' equity attributable to minority interest	56,892	-	56.892	-	(42,861)

Changes occurred in the year									
	Movements in equity								
Change in reserves	Purchase of Share issues Treasury Shares	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Derivatives treasury shares	Stock options	Change in shareholding interest	Net profit at Dec. 31, 2012	Shareholders' equity at Dec. 31, 2012
-	150,000	-	-	-	-	-	-	-	600,000
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,638	-	-	184,140
(8)	-	-	-	-	-	-	-	-	2,889
-	-	-	-	-	-	-	-	243,592	91,051
-	-	-	-		-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	188,772	188,772
(8)	150,000	-	-	-	-	1,638	-	432,364	1,066,852
-	-	-	(95,980)	-	-	28	-	139,264	56,892

Changes occurred in the year									
	Movements in equity								
Change in reserves	Purchase of Share issues Treasury Shares	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Derivatives treasury shares	Stock options	Change in shareholding interest	Net profit at Dec. 31, 2013	Shareholders' equity at Dec. 31, 2013
-	-	-	-	-	-	-	-	-	600,000
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
							-		
-	-	-	-	-	-	2,519	-	-	215,429
(349)	-	-	-	-	-	-	-	-	2,540
-	-	-	-	-	-	-	-	2,484	93,535
-	-	-	-		-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	187,525	187,525
(349)	-	-	-	-	-	2,519	-	190,009	1,099,029
2	-	-	(88,000)	-	-	29	-	156,378	82,440

Statement of cash flows

Indirect method

€/t	Dec. 31, 2013	Dec. 31, 2012
A. OPERATING ACTIVITIES		
1. Operating	279,902	424,627
- net income (+/-)	187,525	188,772
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	(3,765)	(14,775)
- gains/losses on hedges (+/-)	(3,755)	4,279
- net impairment losses/reversals of impairment (+/-)	18,563	8,862
- net impairment losses/reversals of impairment on tangible and intangible assets (+/-)	12,929	11,294
- net provisions for risks and charges and other costs/revenues (+/-)	17,951	48,445
- unpaid taxes (+)	50,454	177,750
- impairment losses/reversals of disposal groups after taxes (-/+)	-	-
- other adjustments (+/-)	-	-
2. Cash generated/used by financial assets	(1,968,449)	(2,526,851)
- financial assets held for trading	112,902	105,537
- financial assets at fair value	(1,052)	(1,366)
- available-for-sale financial assets	(1,659,982)	(2,763,341)
- loans to banks: on demand	47,527	139,684
- loans to banks: other loans	92,005	826,633
- loans to customers	(531,242)	(873,680)
- other assets	(28,607)	39,682
3. Cash generated/used by financial liabilities	3,010,143	2,108,481
- due to banks: on demand	30,463	(175,647)
- due to banks: other amounts due	1,154,369	(1,513,843)
- amounts due to customers	1,775,704	4,126,126
- securities issued	92,834	(190,911)
- financial liabilities held for trading	(6,847)	(76,212)
- financial liabilities at fair value	-	-
- other liabilities	(36,380)	(61,032)
Net cash generated by/used by operating activities	1,321,596	6,257
B. INVESTMENT ACTIVITIES		
1. Cash generated from	5	(327,129)
- sale of equity investments	-	-
- dividends received from equity investments	-	-
- sale of held-to-maturity investments	-	(327,176)
- sale of tangible assets	5	47
- sale of intangible assets	-	-
- sale of business lines	-	-
2. Cash used for	(1,195,706)	(34,536)
- purchases of investments	-	-
- purchase of held-to-maturity investments	(1,183,730)	-
- purchase of tangible assets	(3,062)	(24,647)
- purchase of intangible assets	(8,914)	(9,889)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	(1,195,701)	(361,665)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	-	150,000
- issue/purchase of equity instruments	30,202	240,247
- dividend distribution and other	(160,002)	(15,005)
Net cash generated by/used in financing activities	(129,800)	375,242
NET CASH GENERATED/USED IN THE YEAR	(3,905)	19,834

Legend: (+) generated (-) used

RECONCILIATION

€/t	Dec. 31, 2013	Dec. 31, 2012
Items		
Cash and cash equivalents at beginning of the year	64,333	44,499
Net cash generated/used in the year	(3,905)	19,834
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at year-end	60,428	64,333

Explanatory Notes to the Consolidated Annual Financial Statements 2013

Explanatory Notes to the Consolidated Annual Financial Statements at December 31, 2013

These notes are structured as follows:

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

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

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

Pursuant to Legislative Decree no. 38 of February 28, 2005 the separate financial statements for the year ended December 31, 2012 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) no. 1606 of July 19, 2002.
The consolidated financial statements for the year ended December 31, 2013 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 and integrated with the update of January 21, 2014, in the exercise of its powers pursuant to Art. 9 of Legislative Decree 38/2005.

Section 2 – Accounting basis

In the preparation of the consolidated financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2013, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS, no departure was made from requirements therein. These separate financial statements consist of the Statement of financial position, the Income Statement, the Statement of Other Comprehensive Income,

the Statement of changes in Equity, the Statement of cash flows and Explanatory Notes in addition to the Report on Operations.

In accordance with Art. 5 of Legislative Decree no. 38 of February 28, 2005 the Financial Statements were prepared using the Euro as reporting currency.

The amounts set out in the Accounts, in the Explanatory Notes and in the Report on Operations are presented in thousands of Euro unless stated otherwise.

The Accounts and the Explanatory Notes also include comparative information for the year ended December 31, 2012.

Accounts

Statement of financial position and Income Statement

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

Statement of Other Comprehensive Income

The Statement of Other Comprehensive Income presents gains and losses relating to the year's changes in the value of assets that are stated net of related taxation. Like Statement of financial position and Income Statement items, items with a nil balance for both the year under review and the prior year are not indicated. Negative amounts are shown within parentheses.

Statement of changes in Equity

The Statement of changes in Equity shows the composition of Shareholders' Equity as well as the movements in the various equity accounts (i.e. share capital: ordinary and savings shares; capital reserves, retained earnings, assets and liabilities revaluation reserves and net profit for the year) in the year under review and the prior year. Treasury shares are deducted from equity. The Banking Group did not issue any equity instruments other than ordinary and savings shares.

Statement of cash flow

The Statement of cash flow provides information on cash flows for the period under review and the prior period. It is prepared using the indirect method whereby in reporting cash flows from operating activities profit or loss is adjusted for the effects of non-cash transactions.

Cash flows are classified by operating, investing and financing activities.

The cash flows generated in the period are indicated with no sign, while the cash flows used in the period are shown within parentheses.

Content of the Explanatory Notes

The Explanatory Notes set out the information required under the international accounting and financial reporting standards and Bank of Italy's Circular 262/2005, as amended on November 18, 2009 and January 21, 2014.
In accordance with Bank of Italy's requirements, no notes are provided for items with a nil balance for both the year under review and the prior year.
In the tables with Income Statement information, revenues are indicated with no sign, while costs are shown within parenthesis.

Section 3 – Scope and methods of consolidation

The consolidated financial statements include the accounts of Banca Mediolanum S.p.A. and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the Parent Company, as expressly required by the international accounting standards.
Group companies that are directly owned by Banca Mediolanum S.p.A. and consolidated on a line-by-line basis:

€/t	Share capital	% holding	Registered office	Type of relation [1]	Business
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00%	Basiglio	1	Fund management
Mediolanum Fiduciaria S.p.A.	240	100.00%	Basiglio	1	Trust company
Mediolanum International Funds Ltd	150	51.00%	Dublin	1	Fund management
Mediolanum Asset Management Ltd	150	51.00%	Dublin	1	Asset management and advice
Banco Mediolanum S.A.	86,032	100.00%	Barcelona	1	Banking
Bankhaus August Lenz & Co. AG	20,000	100.00%	Munich	1	Banking
Gamax Management AG	7,161	99.996%	Luxembourg	1	Fund management
Fermi & Galeno Real Estate S.r.l.	10	100.00%	Basiglio	1	Management of real estate funds

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

€/t	Share capital	% holding	Registered office	Type of relation [1]	Business
Mediolanum Gestion SGIIC SA	2,506	99.999%	Barcelona	1	Fund management
Fibanc S.A.	301	99.998%	Barcelona	1	Financial Advice
Mediolanum Pensiones SG FP.SA.	902	99.999%	Barcelona	1	Pension Fund management
Mediolanum International Funds Ltd	150	5.00%	Dublin	1	Fund management

Legend:
[1] Type of relation: 1 = majority of voting rights in the ordinary Shareholders' Meeting
2 = dominant influence at ordinary Shareholders' Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = joint management ex Art. 26, paragraph 1, legislative decree no. 87/92
6 = joint management ex Art. 26, paragraph 2, legislative decree no. 87/92
7 = joint control

Methods of consolidation

Subsidiaries are consolidated on a line-by-line basis.

Consolidation on a line-by-line basis

Consolidation is the combination of the accounts of the Parent Company and those of its subsidiaries line by line by adding together like items of the statement of financial position and the income statement. After minority interests in the net assets and minority interests in the profit or loss of subsidiaries are separately identified, the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

Any resulting difference, if positive, after recognition of the assets or liabilities of the subsidiary, is recognised as goodwill under "Intangible Assets" on first-time consolidation, and under "Other Reserves" thereafter. Negative differences are recognised in the income statement. Intercompany assets, liabilities, income and expenses are eliminated in full.

Business combinations are accounted for by applying the purchase method. Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's (acquirer's) interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's (acquirer's) cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

If goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The income and expenses of a subsidiary acquired during the reporting period are included in the consolidated financial statements from the date of acquisition.

Accordingly, the income and expenses of a subsidiary disposed of in the reporting period are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. Any difference between the consideration for the disposal of the subsidiary and its carrying amount as of the date of disposal is recognised in the income statement. Any difference between the consideration for the disposal of the subsidiary and its carrying amount as of the date of disposal is recognised in the income statement.

The financial statements of the Parent Company and those of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

When a company within the Group uses different accounting policies, in preparing the consolidated financial statements adjustments are made to make them uniform with the accounting policies adopted by the Group.

Equity method

The equity method was not applied in the preparation of these annual consolidated financial statements at 12.31.2013.

Section 4 – Post Balance Sheet Date Events

In the period between the end of financial year 2013 and the date on which these financial statements were approved, there was no event – other than those set out in the corresponding section of the Report on Operations to which readers are referred – which could materially impact the business or result of operations of the Bank.

Section 5 - Other information

Information on the business and the results of operations for the year 2013 of the main subsidiaries is set out in the Report on Operations accompanying the consolidated financial statements.
The financial statements of Banca Mediolanum S.p.A. were audited by Deloitte & Touche S.p.A., as per the resolution passed at the General Meeting of April 20, 2011.

A.2 – SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

This section presents the accounting policies applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.
The accounting policies applied in the preparation of the consolidated financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as the various items of income and expense, are consistent with those applied in the preparation of the consolidated financial statements for the year ended December 31, 2012.

New standards, interpretations and amendments to standards adopted beginning from January 1, 2013

The following standards, amendments and interpretations have been adopted for the first time beginning January 1, 2013.

- On May 12, 2011, the IASB issued IFRS 13 – "Fair Value Measurement" that clarifies how fair value is to be measured. IFRS 13 applies any time another IFRS requires or permits fair value valuations or disclosures about measurements based on fair value, with some limited exceptions. In addition, the Standard requires a disclosure concerning fair value measurement (the fair value hierarchy) that is more extensive than that required by IFRS 7. The principle is applicable retrospectively as of January 1, 2013. The adoption of the principle has not had significant effects in relation to fair value measurement, but had an impact in terms of reporting on the financial statements of the Company.

- On June 16, 2011, the IASB also issued an amendment to IAS 19 – "Employee Benefits". The amendment eliminates the option to defer the recognition of actuarial gains/losses under the "corridor" approach, requiring immediate recognition of changes in the plan's net assets/liabilities, recognition in the income statement of service costs, interest cost as well as of actuarial gains/losses resulting from the re-measurement of assets and liabilities in Other comprehensive profit/ (loss). Expected returns on plan assets are replaced by recognition in the income statement of interest income calculated using the discount rate used to measure the obligation.
  The amended standard also introduces additional information to be stated in the notes to the financial statements. The amended standard will become effective for annual periods beginning on or after January 1, 2013 with retrospective application required. The introduction of the new amended standard had an impact on the Company's equity on its first-time adoption, due to the different requirement for recognition of actuarial gains/ losses. At the date of these financial statements, the Group estimates the impact of the adoption of the amended standard will be about Euro 594 thousand reduced costs in the income statement and the concurrent recognition of a negative equity reserve. In relation to the immateriality of the impact resulting from the application of the amendment, the previous year's data have not been restated.
- On June 16, 2011, the IASB issued an amendment to IAS 1 – "Presentation of Financial Statements". The amendment requires companies to group items of "Other comprehensive profit/(loss)" according to whether they may be subsequently reclassified to profit or loss. The revised standard is applicable to financial years beginning on or after July 1, 2012. The data for the previous year have been reclassified accordingly.
  As a result of adoption of this principle the comparative data was also presented in compliance with the new information requirements.
- On December 16, 2011, the IASB issued amendments to IFRS 7 – "Financial Instruments: disclosures". Disclosures require the provision of information on the effects or potential effects of offsetting financial assets and liabilities on the statement of financial position. The revised standards are applicable to financial years beginning on or after January 1, 2013. Disclosures are to be provided retrospectively. The adoption of the amendments has not entailed the recognition of any effects on these consolidated financial statements.
- On May 17 2012, the IASB published the Annual Improvements to IFRSs document: 2009-2011 Cycle, which incorporates amendments to Standards in the context of the annual improvement process thereof, focusing on changes deemed necessary but not urgent.
- Below are those that involve a change in the presentation, recognition and measurement of assets and liabilities, excluding those that involve only a change in terminology or editorial changes with minimal effect on accounting, or those that affect standards or interpretations not applicable to the Company:
  - IAS 1 – "Presentation of financial statements – Comparative information": it should be noted that any additional comparative information shall be presented in accordance with IAS/IFRS. In addition, it is clarified that if an entity changes an accounting policy or makes an adjustment/reclassification retrospectively, the same entity should present a Statement of financial position also at the beginning of the comparative period ("third balance sheet" in the financial statements), while in the notes comparative disclosures are not required for such "third balance sheet", apart from the items concerned.
  - IAS 16 – "Property, Plant and Equipment – Classification of servicing equipment": it is clarified that servicing equipment should be classified under "Property, plant and equipment" when used for more than one year, in "Inventory" otherwise.
  - IAS 32 – "Financial Instruments: Presentation – Direct taxes on distributions to holders of equity instruments and transaction costs on capital instruments": it is clarified that direct taxes relating to these cases, follow the rules of IAS 12.
  - IAS 34 – "Interim Financial Reporting – Total assets for reportable segment": it is clarified that the total

assets must be reported only if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets of the segment with respect to as reported in the last annual financial statements.

The effective date of the proposed amendments are set for annual periods beginning on or after January 1, 2013 and thereafter, with early application permitted. The application of the amendments did not result in any significant effects in terms of measurement and in terms of reporting on the financial statements of the Company.

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

- On May 12, 2011, the IASB issued IFRS 10 – "Consolidated Financial Statements" superseding SIC-12 – "Consolidation – Special Purpose Entities" and the requirements relating to consolidated financial statements of IAS 27 – "Consolidated and Separate Financial Statements". The amended IAS 27 titled "Separate Financial Statements" sets out the requirements for accounting treatment of investments in subsidiaries, joint ventures, and associates in separate (non-consolidated) financial statements. The main changes set forth in the new principle are as follows:
  - under IFRS 10, there is a single basic standard to consolidate all types of entities, and this standard is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - a definition of stronger control with respect to the past was introduced, based on three elements: (a) power on the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such returns;
  - IFRS 10 requires an investor, to assess whether it has control over the company acquired, to focus on activities that significantly affect the returns of the same;
  - IFRS 10 requires that, in assessing whether control exists, only the substantive rights are considered, i.e. those which are exercised in practice when important decisions must be taken on the company acquired;
  - IFRS 10 provides practical guides to aid in assessing whether control exists in complex situations, such as *de facto* control, potential voting rights, the situations in which it is necessary to establish whether the person who has the power of decision 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 aspects of implementation.

The principle is applied retrospectively as of January 1, 2014. The adoption of the new principle would have had no impact on these financial statements.

- On May 12, 2011, the IASB issued IFRS 11 – "Joint Arrangements" superseding IAS 31 – "Interests in Joint Ventures" and SIC-13 – "Jointly Controlled Entities – Non-Monetary Contributions by Joint Venturers". The new standard, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements based on the rights and obligations of the arrangement, rather than the legal form and requires a single method to account for interests in jointly controlled entities in the consolidated financial statements using the equity method. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. The new principle is applicable retrospectively as of January 1, 2014. Following the issue of IFRS 11, IAS 28 – "Investments in Associates" was amended to include in its scope from the effective date of IFRS 11 also joint ventures. The adoption of the new principle would have had no impact on these financial statements.

- On May 12, 2011, the IASB issued IFRS 12 – "Disclosure of Interests in Other Entities". This new standard includes all disclosure requirements for the consolidated financial statements for all interests in other entities, including subsidiaries, joint arrangements, associates, structured entities and unconsolidated entities. The principle is applied retrospectively as of January 1, 2014. The adoption of the new principle would have had no impact on these financial statements. The Company is assessing the potential impact on disclosures relating to subsidiaries.
- On December 16, 2011, the IASB issued amendments to IAS 32 – "Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities" to provide additional guidance on consistent application of IAS 32 regarding offset of financial assets and financial liabilities. The revised standards are applicable retrospectively to financial years beginning on or after January 1, 2014. The adoption of the new principle would have had no impact on these financial statements in terms of measurements and disclosures.
- On June 28, 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document aims to clarify the transitional rules of IFRS 10, Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. These amendments are applicable, together with the principles of reference, from the years beginning on or after January 1, 2014, subject to earlier application. The adoption of these amendments in these financial statements would have had no impact except for ongoing evaluations on disclosure relating to shareholdings.
- On October 31, 2012 amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" were issued, which introduce an exception to the consolidation of subsidiaries for an investment company, with the exception of cases in which subsidiaries provide services that relate to the investment activities of such companies. In application of these amendments, an investment company must measure its investments in subsidiaries at fair value. To be classified as an investment company, an entity shall:
  - obtain funds from one or more investors with the aim of providing them with investment management services;
  - be committed towards its investors to pursue the commercial purpose of investing funds exclusively to obtain returns from capital appreciation, investment income, or both;
  - measure and evaluate the performance of substantially all investments at fair value.

These amendments are applicable, together with the standards of reference, from periods beginning on or after January 1, 2014,subject to earlier application. The adoption of these amendments in these financial statements would have had no impact except for ongoing evaluations on disclosure relating to shareholdings.

- On May 29, 2013, the IASB issued some 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 about the recoverable amount of the assets (including goodwill) or cash-generating unit, in the event that their recoverable amount is based on fair value less costs of disposal, only concern the assets for which an impairment loss has been recognized or reversed during the financial year. The amendments shall be effective retrospectively for periods beginning on or after January 1, 2014. The adoption of said amendment would not have any material impact on the financial statements.
- 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 that has by law or regulation directly (or indirectly) a central counterparty (Central Counterparty - CCP). The amendments should be applied retrospectively for periods beginning on or after January 1, 2014. Early adoption is permitted. The adoption of this amendment would not have a material impact on these financial statements.

- On November 12, 2009, the IASB published IFRS 9 – "Financial Instruments": it was subsequently amended on October 28, 2010. The Standard, applicable as from January 1, 2015 in a retrospective fashion, is the first part of a stage process that aims to entirely replace IAS 39 and introduce new criteria for classifying and measuring financial assets and financial liabilities. More specifically, for financial assets the new standard takes a single approach based on the financial instrument management methods and on the characteristics of contractual cash flow of financial assets in order to determine the measurement criteria, replacing the alternative rules established by IAS 39. For financial liabilities, however, the main change concerns the accounting of changes in fair value of a financial liability designated as a financial liability measured at fair value through profit or loss, in the event that these are due to changes in the creditworthiness of the liability. According to the new Standard, such changes are to be recognised in the statement of other comprehensive income and will no longer pass through the income statement.
- On November 19, 2013, the IASB published the document IFRS 9 – "Financial Instruments – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39" relative to the requirements of the new model of hedge accounting. The document aims to respond to the criticism on the requirements in IAS 39 that are often considered too stringent and not suitable to reflect the risk management policies of the entity. The primary additions to the document include:
  – changes for the types of transactions eligible for hedge accounting, in particular spreading the risk of non-financial assets/liabilities eligible to be managed in hedge accounting;
  – change in accounting method of forward contracts and derivative options when included in hedge accounting report in order to reduce the volatility of the P/L;
  – changes to the effectiveness test as the current form will be replaced with the principle of "economic relationship" between the hedged item and the hedging instrument; in addition, an assessment of the retrospective effectiveness of the hedging report will no longer be required;
  – greater flexibility of the new accounting rules is offset by additional requests for information on the risk management activities of the company.

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value. Financial assets held for trading are initially recognised on the settlement date if they are debt securities and equities, and on the trade date if they are derivatives. On initial recognition financial assets held for trading are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income. After initial recognition financial assets held for trading are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation (bid/ask or average price). If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.

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

Reclassification to other categories of financial assets is not allowed except for rare circumstances which are unlikely to occur again in the near term.
In such rare circumstances debt securities and equities that are no longer held for trading can be reclassified to the other categories under IAS 39 (Held-to-maturity investments, Available-for-sale financial assets, Loans and Receivables), provided that they satisfy the relevant requirements. The carrying amount of the reclassified financial instrument is its fair value on the date of reclassification. The existence of any embedded derivative contracts that require unbundling is assessed upon reclassification.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

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

Held-to-maturity investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Group intends or has the ability to hold to maturity. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as an available-for-sale financial asset.

Held-to-maturity investments are initially recognised on settlement date.
Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.
After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.
Gains or losses of held-to-maturity investments are recognised in the income statement when the financial asset is derecognised or impaired, and through the amortisation process. At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.
If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Held-to-maturity investments are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and Receivables

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

loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment, the loan or receivable is classified as follows:

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

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

Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortised cost) at the time of assessment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.
Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of receivables which are expected to be recovered in the short term are not discounted.
The asset's original effective interest rate remains unchanged over time also in the event of a restructuring as a result of which the interest rate changes or the loan or receivable actually carries no interest.
The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
If no objective evidence of impairment exists for individually assessed loans – i.e. generally, performing loans – those loans are collectively assessed for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics and the related loss probability is estimated using historical loss rates based on observable data at the time of assessment that can reliably estimate the loss probability of each loan group.
Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

Hedging

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

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

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

Equity investments

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

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

Tangible assets

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

Intangible assets

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

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

Other Assets

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

Current and deferred taxation

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

Provisions for risks and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. Provisions for risk and charges are recognised in the income statement.

Other financial liabilities

Other financial liabilities include the various forms of funding from banks and customers as well as bonds issued net of any buybacks.
These financial liabilities are initially recognised when amounts are received or bonds are issued.
They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/ income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.
A financial liability is derecognised when it expires or is extinguished. Notes are derecognised also when they are bought back. The difference between the carrying amount of the liability and the amount paid to buy it back is recognised in the income statement.

Financial liabilities held for trading

Financial liabilities held for trading include:
- trading derivatives with negative fair value;
- short positions on securities trading.

These financial liabilities are initially recognised at the time amounts are received.
On initial recognition they are measured at the fair value of the financial instruments which originated the liabilities. The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement. After initial recognition, financial liabilities are measured at fair value.
A financial liability is derecognised when it expires or is extinguished.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques in accordance with the rules governing "defined benefit plans". Future disbursements are estimated on the basis of past data (such as employee turnover and retirement) and demographic patterns, including assumptions for pay hikes pursuant to section 2120 of the Italian Civil Code (application of a fixed rate of 1.5 percent and a rate equal to 75 percent of ISTAT inflation rate). To determine the present value of benefit obligations the Projected Unit Credit Method is used.
Such values involve the recognition in the income statement of expenses related to work performance and net financial expense and the inclusion of actuarial gains and losses arising from the remeasurement of liabilities in Other comprehensive income/(loss).
Entitlements accrued from January 1, 2007 allocated to either INPS or private pension plans are defined contribution payment obligations, since the company's obligation is limited to the amount it agrees to contribute to the fund. The defined contribution obligations for each period are the amounts to be contributed for that period.

Employee pension plan

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

Assets and liabilities denominated in foreign currencies

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

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

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

Income Statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.
Specifically:
- commissions are measured on an accrual basis;
- interest income and interest expense are recognised on an accrual basis applying the effective interest method;
- dividends are recognised in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the income statement only when actually received.

OTHER INFORMATION

Use of estimates

The application of International Accounting and Financial Reporting Standards (IAS/IFRS) in the preparation of financial statements entails the use of complex valuations and estimates which have an impact on assets, liabilities, revenues and costs recognised in the financial statements as well as on the identification of potential assets and liabilities. The estimates are mainly regarding:
- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- identification of loss events as per IAS 39;
- assumptions used for the identification of any objective evidence of impairment of intangible assets and equity investments recognised in the statement of financial position;
- determination of impairment losses on loans and other financial assets;
- estimates to determine technical reserves;
- determination of provisions for risks and charges and for taxes;
- 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 sales network members.

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

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible asset, with the exception of any goodwill for which an annual impairment test is required at least once a year, is tested for impairment in accordance with IAS 36.
An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of its fair value less cost to sell (the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties) and its value in use (i.e. the present value of the future cash flows expected to be derived from the permanent use of the assets and its disposal at the end of its useful life).
If an asset is impaired, the relevant impairment loss is recognised in profit or loss and the depreciation (amortisation) charge for the asset shall be adjusted accordingly in future periods.
If, in a subsequent period, there is any indication that the impairment loss recognised in prior periods no longer exists, the previously recognised impairment loss is reversed.

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

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

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

Share-based payments

Stock options are share-based payments. Stock options granted, and the corresponding increase in equity, are measured by reference to the fair value of the stock option at grant date, and accounted for during the vesting period. The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately mea-

sures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.
The cumulative expense recognised at each annual reporting date up until the vesting date takes account of the vesting period and is based on the best available estimate of options that are going to be exercised upon vesting. The expense or the reversal recognised in the income statement for each year represents the change in the cumulative expense over the amount recognised in the prior year. No expense is recognised for options that do not vest.

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

€/t	Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Book value at Dec., 2013 (4)	Fair value at Dec., 2013 (5)	No reclassification impact on profit/loss (before tax)		Impact of reclassification for the year (before tax)	
						Valuation (6)	Other (7)	Valuation (8)	Other (9)
	A. Debt securities			80,097	79,683	960	1,077	455	673
		HFT	AFS	70,283	70,283	455	1,033	455	630
		HFT	Receivables to Customers	9,814	9,400	505	44	-	43

The information in the table above relates exclusively to reclassifications made in 2008 of financial instruments which were, in part, sold in the following years. In the year under review, there was no reclassification of assets. Table A.3.2 is not completed as there would be no significant effects on total performance prior to the transfer.

A.4 - FAIR VALUE DISCLOSURES

Fair value disclosures

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

Fair value hierarchy

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

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

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

Description of migration between the valuation level of assets

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

The variations observed during the year are shown in the following table:

Company	From Level 1 to Level 2 or vice versa
Banca Mediolanum S.p.A.	In 2013 a security went from level 2 to level 1

The changes are due to the different availability of counterparties exposing executable prices on the dates of observation.

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

Level 2 instruments of Banca Mediolanum S.p.A. mainly consist of bonds of third-party issuers and shares of Hedge Fund of Funds (HfoF) as well as certain derivative instruments. The securities belonging to this category are valued on the basis of market data inputs, either directly or indirectly observable.

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

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

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

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

- implied forward rates in the risk-free rate values for the various maturities;
- implicit volatility in the swaption, cap and floor option prices.

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

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

The fair value of level 2 derivative financial instruments (represented by Amortizing Interest Rate Swap) is determined by taking into account their level of collateralization: in particular the value of the contracts is calculated by discounting the cash flows arising from them at rates derived from the values implied by 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, from holdings in Property UCITS and positions in unlisted shares. Level 3 of the fair value of assets and liabilities that are not at fair value on a recurring basis include receivables and payables with customers and banks, as well as properties.

The logic underlying property assessment 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 apart from specifications of counterparties or the property (its intrinsic peculiarities, sector, geographical location and so on).

The starting point for the determination of the FV of property is the lease fee (contractually fixed) that the lessee of the property agrees to pay the lessor for an agreed number of years. These fees are discounted and capitalized using:

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

The first rate is obtained through a linear combination of a market indicator, a spread for the illiquidity risk, a spread for the risk associated with the property investment and a spread for the industry/urban risk (charged to the discounting rates following an asset-dependent logic). The marginal effect of each of the 4 components will therefore reflect the market sensitivity of the evaluator, as well as related predictions and expectations. The 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 derived from the assessor observing the transactions identified in the relevant market.

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

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

In general, the present value of an asset and/or liability is determined by discounting on the reference date or cut-off the flow of interest and capital, allocated to the various maturities, with the yield curve of the cut-off date and relative to the currency of the product.

The present value of fixed-rate exposures is calculated by discounting the capital and interest flows placed on the date on which they are paid.

The current value of variable rate exposures is obtained by discounting the capital and the coupons placed at the repricing date and the fixed spread placed at various dates of liquidation.

For insensitive items the current value is equal to the balance of the exposure at the reporting date.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

€/t	Dec. 31, 2013			Dec. 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	439,017	35,379	10	571,651	15,657	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	10,688,616	94,377	73,438	8,901,480	227,809	67,159
4. Hedging derivatives	-	2,418	-	-	1,366	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	11,127,633	132,174	73,448	9,473,131	244,832	67,159
1. Financial liabilities held for trading	231,526	18,621	-	235,672	21,322	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	59,127	-	-	92,888	-
Total	231,526	77,748	-	235,672	114,210	-

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

€/t	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Hedging derivatives	Tangible assets	Intangible assets
1. Opening balance	-	-	67,159	-	-	-
2. Increases	2,229	-	8,636	-	-	-
2.1. Purchases	2,184	-	7,819	-	-	-
2.2. Profits recognised:						
2.2.1. Income Statement	45	-	-	-	-	-
2.2.2. Shareholders' equity	X	X	522	-	-	-
2.3. Transferred from other level	-	-	263	-	-	-
2.4. Other increases	-	-	32	-	-	-
3. Decreases	2,219	-	2,357	-	-	-
3.1. Sales	2,187	-	-	-	-	-
3.2. Redemptions	29	-	-	-	-	-
3.3. Losses recognised:						
3.3.1. Income Statement	3	-	796	-	-	-
- of which: losses	-	-	517	-	-	-
3.3.2. Shareholders' equity	X	X	1,551	-	-	-
3.4. Transferred to other level	-	-	-	-	-	-
3.5. Other decreases	-	-	10	-	-	-
4. Closing balance	10	-	73,438	-	-	-

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

	Dec. 31, 2013				Dec. 31, 2012			
€/t	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	2,208,768	2,266,556	4,015	-	1,025,038	844,863	203,820	-
2. Loans to banks	943,460	3,251	204,935	887,069	1,082,992	-	-	-
3. Loans to customers	5,664,283	109,730	328,092	5,222,127	5,133,040	-	-	-
4. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
5. Non-current assets and disposal groups	661	-	-	-	670	-	-	-
Total	8,817,172	2,379,537	537,042	6,109,196	7,241,740	844,863	203,820	-
1. Amounts due to banks	4,696,305	-	-	4,696,343	3,511,474	-	-	-
2. Amounts due to customers	13,798,413	77,652	-	13,720,271	12,022,708	-	-	-
3. Securities issued	187,554	-	190,966	-	94,720	-	92,257	-
4. Liabilities associated with assets held for disposal	-	-	-	-	-	-	-	-
Total	18,682,272	77,652	190,966	18,416,614	15,628,902	-	92,257	-

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

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET ASSETS

ASSET

Section 1 – Cash and cash equivalents – Caption 10

1.1 Analysis of cash and cash equivalents

€/t	Dec. 31, 2013	Dec. 31, 2012
a) Cash	57,096	50,120
b) Demand deposits with Central Banks	3,332	14,213
Total	60,428	64,333

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2013			Dec. 31, 2012		
€/t	L1	L2	L3	L1	L2	L3
A. Non-derivative assets						
1. Debt securities	439,017	34,637	10	571,651	13,016	-
1.1 structured notes	4	27,299	10	4	7,547	-
1.2 other debt securities	439,013	7,338	-	571,647	5,469	-
2. Equities	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 repurchase agreements	-	-	-	-	-	-
4.2 others	-	-	-	-	-	-
Total A	439,017	34,637	10	571,651	13,016	-
B. Derivative assets						
1. Financial derivatives:	-	742	-	-	2,641	-
1.1 held for trading	-	742	-	-	2,641	-
1.2 measured at fair value	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	-	742	-	-	2,641	-
Total (A+B)	439,017	35,379	10	571,651	15,657	-

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

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Non-derivative assets		
1. Debt securities	473,664	584,667
a) Governments and Central Banks	92,853	108,881
b) Other government agencies	5,397	5,524
c) Banks	328,283	428,381
d) Other issuers	47,131	41,881
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non financial companies	-	-
- other	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total A	473,664	584,667
B. Derivatives		
a) Banks	721	2,621
- fair value	721	2,621
b) Customers	21	20
- fair value	21	20
Total B	742	2,641
Total (A + B)	474,406	587,308

2.3 Year's movements in financial assets held for trading

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	584,667	-	-	-	584,667
B. Increases	9,782,493	1,384	86	-	9,783,963
B.1 Acquisitions	9,760,533	1,382	86	-	9,762,001
B.2 Increases in fair value	3,132	-	-	-	3,132
B.3 Other changes	18,828	2	-	-	18,830
C. Decreases	9,893,496	1,384	86	-	9,894,966
C.1 Disposals	9,532,747	1,362	85	-	9,534,194
C.2 Redemptions	342,575	-	-	-	342,575
C.3 Decreases in fair value	2,336	-	-	-	2,336
C.4 Reclassified to other portfolios	-	-	-	-	-
C.5 Other changes	15,838	22	1	-	15,861
D. Closing balance	473,664	-	-	-	473,664

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2013			Dec. 31, 2012		
€/t	L1	L2	L3	L1	L2	L3
1. Debt securities	10,676,708	13,561	263	8,890,282	151,659	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	10,676,708	13,561	263	8,890,282	151,659	-
2. Equities	519	34	21,036	404	35	13,218
2.1 Measured at fair value	491	-	-	404	-	-
2.2 Measured at cost	28	34	21,036	-	35	13,218
3. Holdings in UCITS	11,389	80,816	52,105	10,794	76,150	53,907
4. Loans	-	-	-	-	-	-
Total	10,688,616	94,411	73,404	8,901,480	227,844	67,125

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Debt securities	10,690,532	9,041,941
a) Governments and Central Banks	10,531,586	8,672,703
b) Other government agencies	-	-
c) Banks	148,051	324,364
d) Other issuers	10,895	44,874
2. Equities	21,589	13,657
a) Banks	-	-
b) Other issuers:	21,589	13,657
- insurance companies	-	-
- financial companies	5,915	5,754
- non financial companies	15,636	7,849
- other	38	54
3. Holdings in UCITS	144,310	140,851
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Non financial companies	-	-
Total	10,856,431	9,196,449

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

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	9,041,941	13,657	140,851	-	9,196,449
B. Increases	9,589,452	9,719	5,817	-	9,604,988
B.1 Acquisitions	9,211,865	9,534	-	-	9,221,399
B.2 Increases in fair value	110,632	142	5,267	-	116,041
B.3 Reversal of impairment	11,023	43	518	-	11,584
- through profit or loss	11,023	X	-	-	11,023
- in equity	-	43	518	-	561
B.4 Reclassified from other portfolios	-	-	-	-	-
B.5 Other changes	255,932	-	32	-	255,964
C. Decreases	7,940,861	1,787	2,358	-	7,945,006
C.1 Disposals	2,418,995	1,727	-	-	2,420,722
C.2 Redemptions	5,227,642	-	-	-	5,227,642
C.3 Decreases in fair value	27,453	30	1,551	-	29,034
C.4 Impairment	2,517	30	797	-	3,344
- through profit or loss	20	30	797	-	847
- in equity	2,497	-	-	-	2,497
C.5 Reclassified to other portfolios	-	-	-	-	-
C.6 Other changes	264,254	-	10	-	264,264
D. Closing balance	10,690,532	21,589	144,310	-	10.856,431

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

5.1 Analysis of held-to-maturity investments

	Dec. 31, 2013				Dec. 31, 2012			
	BV	FV			BV	FV		
€/t		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,208,768	2,256,170	4,015	-	1,025,038	844,863	203,820	-
- structured	-	-	-	-	100,505	-	99,504	-
- other	2,208,768	2,256,170	4,015	-	924,533	844,863	104,316	-
2. Loans	-	-	-	-	-	-	-	-
Total	2,208,768	2,256,170	4,015	-	1,025,038	844,863	203,820	-

Legend:
FV = Fair value
BV = Book value

5.2 Held-to-maturity investments by debtor/issuer

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Debt securities	2,208,768	1,025,038
a) Governments and Central Banks	2,145,112	760,247
b) Other government agencies	-	-
c) Banks	63,656	264,791
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	2,208,768	1,025,038
Total Fair value	2,260,185	1,048,683

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

€/t	Debt securities	Loans	Total
A. Opening balance	1,025,038	-	1,025,038
B. Increases	1,607,281	-	1,607,281
B.1 Acquisitions	1,366,356	-	1,366,356
B.2 Reversal of impairment	3	-	3
B.3 Reclassified from other portfolios	-	-	-
B.4 Other increases	240,922	-	240,922
C. Decreases	423,551	-	423,551
C.1 Disposals	-	-	-
C.2 Redemptions	200,000	-	200,000
C.3 Impairment	1	-	1
C.4 Reclassified from other portfolios	-	-	-
C.5 Other decreases	223,550	-	223,550
D. Closing balance	2,208,768	-	2,208,768

Sovereign debt holdings of the Banking Group largely consist of Italian treasuries. Spanish treasuries account for a small share of said holdings and holdings of other government securities are not significant.

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

€/t	Dec. 31, 2013 BV	Dec. 31, 2013 FV Level 1	Dec. 31, 2013 FV Level 2	Dec. 31, 2013 FV Level 3	Dec. 31, 2012 BV	Dec. 31, 2012 FV Level 1	Dec. 31, 2012 FV Level 2	Dec. 31, 2012 FV Level 3
A. Loans to Central Banks	369,774	-	-	369,774	77,258	-	-	77,258
1. Time deposits	12,000	X	X	X	5,500	X	X	X
2. Reserve requirements	357,774	X	X	X	71,758	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans to banks	573,686	-	204,935	368,751	1,005,734	-	-	1,005,734
1. Loans	366,641	-	-	366,641	354,349	-	-	354,349
1.1 Current accounts and demand deposits	45,566	X	X	X	93,094	X	X	X
1.2 Time deposits	27,390	X	X	X	8,215	-	-	-
1.3 Other loans:	293,685	X	X	X	253,040	X	X	X
- Repurchase agreements	277,173	X	X	X	239,774	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	16,512	X	X	X	13,266	X	X	X
2. Debt securities	207,045	-	204,935	-	651,385	-	-	-
2.1 Structured notes	-	X	X	X	-	X	X	X
2.2 Other debt securities	207,045	X	X	X	651,385	X	X	X
Total	943,460	-	204,935	738,525	1,082,992	-	-	1,082,992

Legend: FV = Fair value BV = Book value

Section 7 – Loans to customers – Caption 70

7.1 Analysis of loans to customers

€/t	Dec. 31, 2013 Book value Performing	Dec. 31, 2013 Book value Impaired Purchased	Dec. 31, 2013 Book value Impaired Other	Dec. 31, 2013 Fair value L1	Dec. 31, 2013 Fair value L2	Dec. 31, 2013 Fair value L3	Dec. 31, 2012 Book value Performing	Dec. 31, 2012 Book value Impaired Purchased	Dec. 31, 2012 Book value Impaired Other	Dec. 31, 2012 Fair value L1	Dec. 31, 2012 Fair value L2	Dec. 31, 2012 Fair value L3
Loans	5,156,663	-	46,954	-	-	5,203,617	4,593,596	-	44,222	-	-	4,637,818
1. Current Accounts	414,818	-	4,810	X	X	X	412,706	-	5,917	X	X	X
2. Repurchase agreements	20,403	-	-	X	X	X	53,716	-	-	X	X	X
3. Mortgages	3,675,984	-	32,696	X	X	X	3,194,411	-	27,166	X	X	X
4. Credit cards, personal loans and salary-guaranteed loans	650,973	-	2,978	X	X	X	466,569	-	3,269	X	X	X
5. Finance leases	-	-	-	X	X	X	1	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	394,484	-	6,470	X	X	X	466,193	-	7,870	X	X	X
Debt securities	460,668	-	-	109,730	328,091	-	495,218	-	-	63,349	388,448	-
8. Structured notes	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	460,668	-	-	X	X	X	495,218	-	-	X	X	X
Total	5,617,329	-	46,954	109,730	328,091	5,222,127	5,088,818	-	44,222	63,349	388,448	4,637,818

7.2 Analysis of customer loans by debtor/issuer

	Dec. 31, 2013			Dec. 31, 2012		
		Impaired			Impaired	
€/t	Performing	Purchased	Other	Performing	Purchased	Other
1. Debt securities	460,665	-	-	495,217	-	-
a) Governments	350,880	-	-	350,980	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other issuers	109,785	-	-	144,237	-	-
- non financial companies	-	-	-	-	-	-
- financial companies	109,785	-	-	144,237	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to	5,156,664	-	46,954	4,593,601	-	44,223
a) Governments	3	-	13	12	-	-
b) Other government agencies	86	-	-	48	-	-
c) Other issuers	5,156,575	-	46,941	4,593,541	-	44,223
- non financial companies	190,834	-	4,240	213,224	-	2,138
- financial companies	222,476	-	5,625	301,100	-	7,614
- insurance companies	13,231	-	-	19,748	-	-
- other	4,730,034	-	37,076	4,059,468	-	34,471
Total	5,617,329	-	46,954	5,088,818	-	44,223

7.3 Loans to customers: micro-hedging

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Fair value micro-hedging	467,333	531,339
a) Interest rate risk	467,333	531,339
b) Currency risk	-	-
c) Credit risk	-	-
d) Multiple risks	-	-
2. Cash flows micro-hedging	-	-
a) Interest rate risk	-	-
b) Currency risk	-	-
c) Forecast transactions	-	-
d) Other hedges	-	-
Total	467,333	531,339

Section 8 - Hedging derivatives - Caption 80

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

	Dec. 31, 2013				Dec. 31, 2012			
	FV				FV			
€/t	L1	L2	L3	NV	L1	L2	L3	NV
A) Financial derivatives								
1) Fair value	-	2,418	-	70,107	-	1,366	-	67,829
2) Cash flow	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B) Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	-	2,418	-	70,107	-	1,366	-	67,829

Legend:
FV = Fair value
NV = Notional value

8.2 Analysis of hedging derivatives by hedged portfolio and type of hedge (book value)

	Fair value						Cash flows		
	Hedging								
€/t	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks	Hedging	Hedging	Hedging	Investments in foreign operations
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Available for sale	2,418	-	-	X	-	X	-	X	X
3. Held-to-maturity assets	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	2,418	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 12 - Tangible assets - Caption 120

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1.1 Property assets	62,228	63,860
a) land	31,280	31,280
b) buildings	23,561	24,330
c) furnishings	2,389	2,720
d) electronic equipment	4,269	4,782
e) other	729	748
1.2 Assets acquired under finance leases	-	19
a) land	-	-
b) buildings	-	-
c) furnishings	-	19
d) electronic equipment	-	-
e) other	-	-
Total	62,228	63,879

12.5 Year's movements in tangible assets held for use

€/t	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	31,280	45,872	14,203	26,680	2,106	120,141
A.1 Total net write-downs	-	(21,544)	(11,462)	(21,916)	(1,341)	(56,263)
A.2 Net opening balance	31,280	24,328	2,741	4,764	765	63,878
B. Increases	-	470	1,292	1,214	553	3,529
B.1 Acquisitions	-	138	1,280	1,150	494	3,062
B.2 Capitalised improvement costs	-	232	-	-	-	232
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from property held for investment	-	-	-	-	-	-
B.7 Other changes	-	100	12	64	59	235
C. Decreases	-	(1,237)	(1,644)	(1,709)	(589)	(5,179)
C.1 Sales	-	-	(4)	(1)	-	(5)
C.2 Amortisation and depreciation	-	(1,237)	(1,583)	(1,614)	(532)	(4,966)
C.3 Impairment:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	(57)	(94)	(57)	(208)
D. Net closing balance	31,280	23,561	2,389	4,269	729	62,228
D.1 Total net write-downs	-	(22,841)	(12,613)	(22,106)	(1,519)	(59,079)
D.2 Gross closing balance	31,280	46,402	15,002	26,375	2,248	121,307
E. Measured at cost	-	-	-	-	-	-

Section 13 - Intangible assets - Caption 130

13.1 Analysis of intangible assets

€/t	Dec. 31, 2013 Definite life	Dec. 31, 2013 Indefinite life	Dec. 31, 2012 Definite life	Dec. 31, 2012 Indefinite life
A.1 Goodwill	X	-	X	-
A.1.1 Group	X	173,163	X	177,424
A.1.2 Third-party	X	-	X	-
A.2 Other intangible assets	16,404	-	15,317	-
A.2.1 Measured at cost:	16,404	-	15,317	-
a) internally generated assets	-	-	-	-
b) other assets	16,404	-	15,317	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) other internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	16,404	173,163	15,317	177,424

13.2 Year's movements in intangible assets

€/t	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		FINITE	INDEFINITE	FINITE	INDEFINITE	
A. Gross opening balance	177,424	-	-	150,855	-	328,279
A.1 Total net write-downs	-	-	-	(135,538)	-	(135,538)
A.2 Net opening balance	177,424	-	-	15,317	-	192,741
B. Increases	-	-	-	9,051	-	9,051
B.1 Acquisitions	-	-	-	8,914	-	8,914
B.2 Increases in internal intangible assets	X	-	-	137	-	137
B.3 Reversal of impairment	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	(4,261)	-	-	(7,964)	-	(12,225)
C.1 Disposals	-	-	-	-	-	-
C.2 Impairment	(4,261)	-	-	(7,964)	-	(12,225)
- amortisation	X	-	-	(7,964)	-	(7,964)
- impairment	(4,261)	-	-	-	-	(4,261)
+ in equity	X	-	-	-	-	-
+ income statement	(4,261)	-	-	-	-	(4,261)
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	173,163	-	-	16,404	-	189,567
D.1 Net total impairment	-	-	-	(142,474)	-	(142,474)
E. Gross closing balance	173,163	-	-	158,878	-	332,041
F. Measured at cost	-	-	-	-	-	-

Legend: FINITE = finite life INDEFINITE = indefinite life

This section provides disclosures on impairment testing conducted on cash generating units (CGUs) in operation at December 31, 2013, in accordance with IAS 36 and the instructions set forth in the document jointly issued by the Bank of Italy, CONSOB and ISVAP on March 3, 2010.
The purpose of impairment testing is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.
Impairment testing was conducted with the assistance of an independent expert applying the methods and assumptions set out below.

DEFINITION OF CGUs AND ALLOCATION OF GOODWILL

Like in prior years, CGUs have been identified on the basis of the geographic area of operations in accordance with the Mediolanum Banking Group business reporting system.
Hence, impairment testing was conducted on the CGUs set out in the table below.

€/m	Description	Allocated goodwill
CGU - SPAIN	- Banco de Finanzas and Inversiones S.A. (Banco Mediolanum) - Goodwill related to the investments in Mediolanum International Funds for business in Spain	102.8
CGU - GERMANY	- Bankhaus August Lenz & Co AG - Gamax Management AG - German Division	4.3
CGU - ITALY Asset Management	- Goodwill related to the investments in Mediolanum International Funds for business in Italy - Gamax Management AG - Italian division	70.3

Goodwill allocated to the CGU Spain included goodwill relating to Banco Mediolanum amounting to Euro 101.9 million and the share of Mediolanum International Funds (MIF) goodwill for business in Spain, amounting to Euro 0.9 million. MIF is the Irish mutual fund company of the Mediolanum Banking Group whose products are distributed both in Spain and in Italy. The remaining part of MIF goodwill pertaining to the Mediolanum Banking Group and amounting to Euro 47.7 million was allocated to the CGU Italy Asset Management.
Following the recognition of impairment in 2010, no goodwill was allocated to Bankhaus August Lenz & Co AG (BAL). In conformity with the Group's business reporting system, Gamax's goodwill amounting to Euro 26.9 million was allocated to two different CGUs, Italy Asset Management and Germany, on a pro-rata basis of total assets adjusted for profitability. Goodwill allocated to the CGU Germany was Euro 4.3 million, and goodwill allocated to the CGU Italy Asset Management was Euro 22.7 million.
Goodwill allocated to the CGU Italy Asset Management aggregated to Euro 70.3 million.

VALUATION METHOD

As done in prior years, the recoverable amount of the CGUs was determined by calculating their value in use.
Under IAS 36 value in use can be calculated applying the Discounted Cash Flow (DCF) method. The DCF method determines the value in use of a CGU, or an entity, by computing the present value of future cash flows (from operations) it is expected to generate over time.
For lenders, it is common practice to apply the Free Cash Flow to Equity (FCFE) model known in Anglo-Saxon countries as "Dividend Discount Model" (DDM), in the Excess Capital variant, that determines the value of the entity on the basis of the future cash flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying

a discount rate which reflects the specific equity risk. Please note that although the name Dividend Discount Model contains the term "dividend", the cash flows it calculates are not the dividends the entity expects to distribute to its shareholders, but the cash flows potentially available to equity holders net of the assets needed for business operation.

CGU SPAIN

The recoverable amount of the CGU Spain was determined based on value in use calculated by applying the DDM method to the information set out in the 2014-2016 business plan (the 2014-2016 Plan) approved by the Boards of Directors of Banco Mediolanum and Banca Mediolanum S.p.A.

The 2014-2016 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the range of possible future developments for the CGU.

The 2014-2016 Plan confirmed the strategic lines set out in the previous plan 2013-2015 Plan, notably the development of Banca Mediolanum's business model in Spain.

The previous plan was updated to incorporate most recent expectations in relation to interest rate developments over the plan period and inflows forecasts on the basis of volumes and sales network numbers at December 31, 2013.

Specifically, the 2014-2016 Plan was based on the following key assumptions:

- Family Bankers (FB) network growth from 652 people to 1,100 people at year end 2016;
- growth in assets under management and administration at an average annual rate of 14%;
- business margin growth at an average annual rate of 5%.

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

- base scenario: developed using the projections set out in the 2014-2016 Plan;
- prudential scenario: developed using the projections set out in the Plan with the exclusion of income components related to corporate treasury activities.

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

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (ke) was estimated at 13.0%, based on the following parameters:

- risk-free rate of 4.3% calculated on the basis of average historical 6-month yields on 10-year Spanish treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.22 calculated on the basis of the historical 2-year beta of a panel of comparable entities operating in the Spanish banking market;
- market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with common practice;
- specific risk premium conservatively estimated at 2.5% to take into account the underlying uncertainty in the execution of the plan.

The value of the CGU at the end of the plan period was calculated based on cash flows available in 2016, prudentially excluding in both evaluation scenarios, the contribution of corporate treasury activities, and assuming 2% long-term growth in line with long/term inflationary expectations.

The results of both the base and the prudential scenario did not indicate any impairment losses of the CGU.

With reference to the base scenario, sensitivity analyses have been developed assuming the variation of certain parameters used. The recoverable amount was found to be equal to the carrying amount of the CGU for the following changes in key assumptions:

- discount rate of 14.7% (increase by 178 bps);
- long term growth of -0.9% (decline by 291 bps);
- net profitability 12% lower than 2013-2015 Plan estimates.

CGU GERMANY

The recoverable amount of the CGU Germany was determined based on value in use calculated by applying the DDM method to the information set out in the 2014-2016 Business Plan approved by the directors of Gamax (for the German division of Gamax) and the 2014-2016 Business Plan approved by the directors of BAL. Both Business Plans were also approved by the Board of Directors of Banca Mediolanum S.p.A.

GAMAX GERMAN DIVISION

The 2014-2016 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the range of possible future business developments of the German Division of Gamax.
The previous plan was updated to incorporate most recent expectations in relation to financial market performance and interest rate developments over the plan period.
At December 31, 2013, the profitability of the German Division of Gamax was Euro 1.4 million, essentially in line with 2012 (Euro 1.5 million).
Specifically, the 2014-2016 Plan of the German Division of Gamax was based on the following key assumptions:
- growth in assets under management and administration at an average annual rate of 17%;
- substantial stability of the commercial margin and overhead costs during the plan period.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (Ke) was estimated at 8.6%. Calculations were based on the following parameters:
- risk-free rate of 1.8% calculated on the basis of average historical 6-month yields on 10-year German treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.16 calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with common practice;
- specific risk premium conservatively estimated at 1.0% to take into account underlying uncertainty in the execution of the plan.

The value at the end of the plan period was calculated based on cash flows available in 2016, and assuming 2% long-term growth in line with long-term inflationary expectations.

BAL

The 2014-2016 Plan was developed with the support of an independent expert and is based on the plan submitted to BaFin, the German supervisory authority, in November 2013.
At December 31, 2013, BAL recorded a loss of Euro 8.2 million, in line with the figure recorded in the previous year.
Specifically, the 2014-2016 Plan was based on the following key assumptions:
- growth in assets under management and administration at an average annual rate of 12%;
- growth in net business margin at an average annual rate of 22%;
- growth in administrative expenses at an average annual rate of 15%.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (ke) was estimated at 11.1%. Calculations were based on the following parameters:
- risk-free rate of 1.8% calculated on the basis of average historical 6-month yields on 10-year German treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.16 calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- market premium (i.e. the premium required by investors to buy equities in lieu of risk-free assets) of 5% in line with best practice;

- specific risk premium conservatively estimated at 3.5% to take into account the risk of missing plan targets in the light of negative historical data.

The value at the end of the plan period was calculated based on expected profit in the long term, and assuming 2% long-term growth in line with long-term inflationary expectations.

CGU Germany

The recoverable amount allocated to CGU Germany was lower than the amount at which it was carried in the consolidated accounts. However, given the nature of the balance sheet assets and liabilities pertaining to the CGU under review, the independent expert did not detect substantial differences between the carrying amount and fair value and therefore sees no need for further impairment in addition to the full impairment of the goodwill allocated. Based on these results the directors recognised an impairment charge of Euro 4.3 million on goodwill allocated to CGU Germany.

CGU ITALY ASSET MANAGEMENT

Goodwill allocated to this CGU aggregated to Euro 70.3 million.

The recoverable amount of this CGU is assumed higher than its carrying amount. The comparison of Mediolanum S.p.A. stock market capitalisation (Euro 4.6 billion at December 31, 2013) to its equity (Euro 1.65 billion at December 31, 2013) reveals an implicit multiple of 2.79, indicating no impairment of goodwill allocated to the CGU Italy Asset Management.

Section 14 - Tax assets and liabilities - Caption 140 (assets) and Caption 80 (liabilities)

14.1 Analysis of deferred tax assets

€/t	Dec. 31, 2013	Dec. 31, 2012
Charge to the income statement	79,310	83,440
Charge to equity	5,223	18,712
Total	84,533	102,152

14.2 Analysis of deferred tax liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Charge to the income statement	(12,854)	(11,915)
Charge to equity	(49,880)	(62,632)
Total	(62,734)	(74,547)

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	83,440	79,071
2. Increases	28,351	26,481
2.1 Deferred tax assets arisen in the year	28,349	19,604
a) relating to prior years	(54)	92
b) changes in the accounting policies	122	(3,221)
c) reversal of impairment	-	-
d) other	28,281	22,733
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	2	6,877
3. Decreases	(32,481)	(22,112)
3.1 Deferred tax assets cancelled in the year	(1,236)	(438)
a) reversals	(1,236)	(438)
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	(31,245)	(21,674)
a) turned into tax credit under Act 214/2011	-	-
b) other	(31,245)	(21,674)
4. Closing balance	79,310	83,440

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	(11,915)	(11,420)
2. Increases	(1,247)	(1,580)
2.1 Deferred tax liabilities arisen in the year	(1,245)	(1,580)
a) relating to prior years	-	-
b) changes in the accounting policies	-	-
c) other	(1,245)	(1,580)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	(2)	-
3. Decreases	307	1,084
3.1 Deferred tax liabilities cancelled in the year	307	1,084
a) reversals	-	-
b) changes in the accounting policies	-	-
c) other	307	1,084
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(12,854)	(11,915)

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	18,712	76,197
2. Increases	1,737	7,126
2.1 Deferred tax assets arisen in the year	1,737	7,126
a) relating to prior years	-	-
b) changes in the accounting policies	-	-
c) other	1,737	7,126
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(15,226)	(64,611)
3.1 Deferred tax assets cancelled in the year	(15,226)	(64,611)
a) reversals	(1,893)	(8,368)
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	(13,333)	(56,243)
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	5,223	18,712

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	(62,632)	(1,987)
2. Increases	(36,290)	(100,647)
2.1 Deferred tax liabilities arisen in the year	(36,284)	(100,647)
a) relating to prior years	-	-
b) changes in the accounting policies	-	-
c) other	(36,284)	(100,647)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	(6)	-
3. Decreases	49,045	40,002
3.1 Deferred tax liabilities cancelled in the year	49,045	40,002
a) reversals	11,293	13,858
b) changes in the accounting policies	-	-
c) other	37,752	26,144
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(49,880)	(62,632)

14.7 Other information

Analysis of deferred tax assets

€/t	Dec. 31, 2013	Dec. 31, 2012
With effect to income statement		
- Provision for risks and charges	52,224	52,727
- Impairment of loans	297	285
- Expenses deductible in future years	19,729	8,283
- Income taxed related to future years	115	5
- Other	6,945	22,140
Total	79,310	83,440
With effect to equity		
- Fair value measurement of AFS securities	5,223	18,712
Total	5,223	18,712

Analysis of deferred tax liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
With effect to income statement		
- Income taxable in future years	12,776	11,839
- Future expenses deductible in the year	-	-
- Expenses deducted related to future years	78	76
Total	12,854	11,915
With effect to equity		
- Fair value measurement of AFS securities	49,880	62,632
Total	49,880	62,632

Section 15 - Non-current assets and disposal groups and related liabilities - Caption 150

15.1 Analysis of non-current assets and disposal groups by type of asset

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	661	670
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	661	670
of which at cost	661	670
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Groups of assets (operating units disposed)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity financial assets	-	-
B.5 Loans to banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Intangible assets	-	-
Total B	-	-
of which at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with individual assets held for sale	-	-
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
of which at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with disposal groups		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	-	-
of which at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

Section 16 - Other assets - Caption 160

16.1 Analysis of other assets

€/t	Dec. 31, 2013	Dec. 31, 2012
Commissions receivable	-	-
Receivables from tax authorities	48,328	39,813
Receivables from financial advisors	2,542	4,059
Advances to suppliers and professionals	4,647	5,408
Security deposits	7,919	2,697
Receivables from Fininvest/Doris Group companies	-	281
Receivables from employees	389	374
Others	57,917	10,602
Items in transit	66,526	109,558
Accruals	37,608	33,346
Deferrals	2,903	2,659
Receivables from the Parent Company, subsidiaries and associates	4,752	3,548
Other assets	9,875	9,619
Total	243,404	221,964

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Amounts due to central banks	4,252,588	3,105,719
2. Amounts due to banks	443,717	405,755
2.1 Current accounts and demand deposits	32,141	1,678
2.2 Time deposits	410,647	403,252
2.3 Loans	8	6
2.3.1 Repurchase agreements	8	6
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other payables	921	819
Total	4,696,305	3,511,474
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	4,696,305	3,511,474
Total fair value	4,696,305	3,511,474

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Current accounts and demand deposits	7,472,009	6,390,241
2. Time deposits	3,906,150	2,576,833
3. Loans	2,215,299	2,861,406
3.1 Repurchase agreements	2,212,650	2,861,406
3.2 Other	2,649	-
4. Commitments to buy back own equity instruments	-	-
5. Other payables	204,955	194,229
Total	13,798,413	12,022,709
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	13,798,413	12,022,709
Total fair value	13,798,413	12,022,709

"Other payables" consisted entirely of operating payables.

Section 3 – Securities issued – Caption 30

3.1 Analysis of securities issued

€/t	Dec. 31, 2013				Dec. 31, 2012			
	Book Value	Fair value			Book Value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	187,554	-	189,899	-	94,720	-	92,257	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	187,554	-	189,899	-	94,720	-	92,257	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	187,554	-	189,899	-	94,720	-	92,257	-

Section 4 – Hedging derivatives – Caption 40

4.1 Analysis of financial liabilities held for trading

€/t	Dec. 31, 2013					Dec. 31, 2012				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Non-derivative liabilities										
1. Amounts due to banks	195,417	212,562	-	-	212,563	189,316	211,103	-	-	211,103
2. Amounts due to customers	17,550	18,964	-	-	18,964	22,660	24,569	-	-	24,569
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	212,967	231,526	-	-	231,527	211,976	235,672	-	-	235,672
B. Derivative liabilities										
1. Financial derivatives	X	-	18,621	-	X	X	-	21,322	-	X
1.1 Held for trading	X	-	18,621	-	X	X	-	21,322	-	X
1.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	18,621	-	X	X	-	21,322	-	X
Total A+B	X	231,526	18,621	-	X	X	235,672	21,322	-	X

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

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

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

Section 6 - Hedging derivatives - Caption 60

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

	Dec. 31, 2013				Dec. 31, 2012			
	Fair value			NV	Fair value			NV
€/t	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	59,127	-	376,990	-	92,888	-	413,097
1) Fair value	-	59,127	-	376,990	-	92,888	-	413,097
2) Cash flow	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	-	59,127	-	376,990	-	92,888	-	413,097

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

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

	Fair value						Cash flows		
	Micro-hedging					Macro-hedging	Micro-hedging	Macro-hedging	Investments in foreign operations
€/t	Interest rate risk	Currency risk	Credit risk	Pricing risk	Multiple risks				
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans and receivables	59,127	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	59,127	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 8 – Tax liabilities – Caption 80

For information on Tax liabilities readers are referred to Section 13 - Balance Sheet Assets - of these notes.

Section 10 – Other liabilities – Caption 100

10.1 Analysis of other liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Agents' severance benefits	4,372	3,742
Payables to promoters, advisors and dealers	50,474	32,086
Payables to suppliers	45,064	35,418
Payables to parent companies, subsidiaries and associates	1,415	1,108
Payables to Fininvest/Doris Group companies	-	3,607
Payables to tax authorities	29,683	23,386
Payables to social security agencies	5,426	5,309
Payables to employees	7,505	5,545
Payables to professionals, directors and auditors	5,944	6,876
Items in transit	105,391	128,601
Deferred income	21,152	19,658
Deferred liabilities	6,930	7,164
Other liabilities	20,498	12,883
Guarantee deposits	2,956	2,835
Total	306,810	288,218

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

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

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Opening balance	9,613	9,150
B. Increases	5,025	5,921
B.1 Provisions for the year	4,518	5,269
B.2 Other increases	507	652
C. Decreases	(5,091)	(5,458)
C.1 Funds used in the year	(5,021)	(4,854)
C.2 Other increases	(70)	(604)
D. Closing balance	9,547	9,613
Total	9,547	9,613

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Severance entitlements	586	1,540
2. Other provisions for risks and charges	185,969	188,209
2.1 Legal proceedings	22,187	29,430
2.2 Staff costs	-	-
2.3 Other	163,782	171,779
Total	186,555	189,749

12.2 Year's movements in provisions for risks and charges

€/t	Total	
	Severance entitlements	Other
A. Opening balance	1,540	188,209
B. Increases	(23)	(40,263)
B.1 Provisions for the year	(7)	(40,263)
B.2 Time-related changes	-	-
B.3 Discount rate changes	-	-
B.4 Other increases	(16)	-
C. Decreases	(977)	(42,503)
C.1 Used in the year	(31)	(20,191)
C.2 Discount rate changes	-	-
C.3 Other decreases	(946)	(22,312)
D. Closing balance	586	185,969

12.4 Provisions for risks and charges: other

€/t	Balance at Dec. 31, 2012	Amounts set aside in the year	Other changes	Used in the year	Balance at Dec. 31, 2013
Provision:					
- legal disputes	16,430	2,448	(4,650)	(5,020)	22,187
- other:					
Managerial Allowance	51,538	15,579	(7,716)	(1,093)	58,322
Risks related to FA illegal actions	37,682	5,479	(5,262)	(4,053)	33,846
Customer base entitlements	29,698	5,784	(2,242)	(1,209)	32,031
Portfolio allowance	18,713	3,428	(1,175)	(2,591)	18,376
Future expenses on distributed products	9,630	3,216	-	(2,359)	10,487
Other provisions	24,518	4,329	(1,245)	(3,112)	11,496
Total	188,209	40,263	(22,290)	(20,213)	185,969

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

15.1 Analysis of "Share" and "Treasury shares"

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Share Capital		
A.1 Ordinary shares	600,000	600,000
A.2 Savings shares	-	-
A.3 Privileged shares	-	-
A.4 Other shares	-	-
B. Treasury Shares		
B.1 Ordinary shares	-	-
B.2 Savings shares	-	-
B.3 Privileged shares	-	-
B.4 Other shares	-	-

15.2 Year's movements in share capital - number of Parent Company shares

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

15.5 Other information

Analysis of shareholders' equity attributable to the Group

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Share capital	600,000	600,000
2. Share premium account	-	-
3. Reserves	217,969	187,029
4. Treasury Shares	-	-
a) Parent Company	-	-
b) subsidiaries	-	-
5. Valuation reserves	93,535	91,051
6. Equity instruments	-	-
7. Net profit (loss)	187,525	188,772
Total	1,099,029	1,066,852

Reconciliation of the Parent Company's shareholders' equity to consolidated shareholders' equity

€/t	Capital and reserves	Net Profit	Shareholders' equity
Parent Company Accounts at 31.12.2012	805,615	134,703	940,318
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	(66,648)	220,491	153,843
Intragroup dividends	166,120	(166,120)	-
Elimination of intragroup transactions effects	-	-	-
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	6,650	(154)	6,496
Other	(234)	(1,395)	(1,629)
Consolidated Accounts at 31.12.2013	911,504	187,525	1,099,029

Section 16 – Third-party equity – Caption 210

16.1 Analysis and of third-party equity

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Third-party capital	2,671	2,671
2. Third-party share issue premium	-	-
3. Third-party reserves	(76,616)	(84,899)
4. Third-party treasury shares	-	-
5. Third-party valuation reserve	29	6
6. Third-party capital instruments	-	-
7. Third-party net profit/loss	156,356	139,114
Total	82,440	56,892

OTHER INFORMATION

1. Guarantees issued and commitments

€/t	Dec. 31, 2013	Dec. 31, 2012
1) Financial guarantees:	26,500	24,210
a) Banks	25,035	22,611
b) Customers	1,465	1,599
2) Commercial guarantees:	45,211	33,745
a) Banks	88	88
b) Customers	45,123	33,657
3) Irrevocable commitments to disburse funds	87,384	99,846
a) Banks	67	250
i) with certain drawdown	67	250
ii) with possible drawdown	-	-
b) Customers	87,317	99,596
i) with certain drawdown	329	3,649
ii) with possible drawdown	86,988	95,947
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	3,841	3,928
6) Other commitments	4,322	3,817
Total	167,258	165,546

2. Assets pledged to secure own liabilities and commitments

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Financial assets held for trading	109,985	252,848
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	4,236,028	4,252,795
4. Held-to-maturity investments	1,799,325	852,583
5. Loans to banks	211,367	441,832
6. Loans to customers	232,977	518,851
7. Tangible assets	-	-
Total	6,589,682	6,318,909

5. Brokerage and asset management on behalf of third parties

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Orders executed on behalf of customers		
a) Purchases		
1. settled	29,379,755	21,742,109
2. not settled	-	-
b) Sales		
1. settled	30,003,985	21,924,177
2. not settled	-	-
2. Portfolio management		
a) Individual	635,231	592,454
b) Collective	195,326	699,923
3. Securities in custody and under administration		
a) custodian bank services (other than managed assets)		
1. securities issued by entities incl. in consolidated accounts	-	-
2. other securities	904,445	980,421
b) custodian bank services (other than managed assets): other		
1. securities issued by entities incl. in consolidated accounts	177,763	88,639
2. other securities	6,133,867	6,812,556
c) Third-party securities held by other custodians	6,022,223	6,253,559
d) Own securities held by other custodians	14,098,790	11,968,719
4. Other transactions	-	-

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	Dec. 31, 2013	Dec. 31, 2012
1. Financial assets held for trading	11,152	-	-	11,152	20,381
2. Financial assets at fair value	-	-	-	-	-
3. Available-for-sale financial assets	285,063	-	-	285,063	328,987
4. Held-to-maturity investments	57,934	-	-	57,934	20,386
5. Loans to banks	8,665	3,566	-	12,231	26,869
6. Loans to customers	3,942	130,093	-	134,035	128,952
7. Hedging derivatives	X	X	-	-	-
8. Other Assets	X	X	74	74	444
Total	366,756	133,659	74	500,489	526,019

1.3.1 Income of financial assets denominated in foreign currencies

€/t	Dec. 31, 2013	Dec. 31, 2012
Income of assets denominated in foreign currencies	2,214	1,439

1.3.2 Interest income on finance leases

€/t	Dec. 31, 2013	Dec. 31, 2012
Interest income on finance leases	-	1

1.4 Analysis of interest expense and similar charges

€/t	Amounts due	Securities	Other liabilities	Dec. 31, 2013	Dec. 31, 2012
1. Amounts due to central banks	(17,478)	X	-	(17,478)	(27,932)
2. Amounts due to banks	(1,957)	X	-	(1,957)	(6,286)
3. Amounts due to customers	(181,146)	X	-	(181,146)	(150,412)
4. Securities issued	X	(4,866)	-	(4,866)	(6,206)
5. Financial liabilities held for trading	(8,506)	-	-	(8,506)	(9,822)
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and funds	X	X	(311)	(311)	(354)
8. Hedging derivatives	X	X	(15,129)	(15,129)	(14,552)
Total	(209,087)	(4,866)	(15,440)	(229,393)	(215,564)

1.5 Interest expense and similar charges: differentials on hedging transactions

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Positive differences arising on hedging transactions	765	2,643
B. Negative differences arising on hedging transactions	(15,894)	(17,195)
C. Balance (A-B)	(15,129)	(14,552)

1.6.1 Interest expense on foreign currency liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Interest expense on foreign currency liabilities	(324)	(200)

Section 2 - Commissions - Captions 40 and 50

2.1 Analysis of commission income

€/t	Dec. 31, 2013	Dec. 31, 2012
a) Guarantees issued	69	96
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	1,013,180	887,082
1. financial instruments brokerage	2,406	2,026
2. currency brokerage	1	2
3. portfolio management	843,994	714,872
3.1. individual	5,413	4,581
3.2. collective	838,581	710,291
4. securities in custody and under administration	4,008	4,181
5. custodian bank	774	616
6. sale of securities	22,286	24,106
7. receipt and transmission of orders	5,683	5,473
8. consulting activities	-	-
8.1 investment advice	-	-
8.2 financial structure advice	-	-
9. services to third parties	134,028	135,806
9.1 portfolio management	1,322	333
9.1.1. individual	-	-
9.1.2. collective	1,322	333
9.2 insurance products	110,028	113,275
9.3 other products	22,678	22,198
d) Collection and payment services	22,999	19,547
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Bank accounts custody and management services	16,007	19,991
j) Other services	12,676	10,309
Total	1,064,931	937,025

2.2 Analysis of commission expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services	(501,153)	(426,841)
1. financial instruments brokerage	(1,844)	(1,697)
2. currency brokerage	-	-
3. portfolio management:	(4,455)	(4,125)
3.1 own	(3,061)	(2,659)
3.2 on mandates from third parties	(1,394)	(1,466)
4. securities in custody and under administration	(777)	(834)
5. Sale of financial instruments	(109,103)	(94,827)
6. off-premises sale of financial instruments, products and services	(384,974)	(325,358)
d) collection and payment services	(23,156)	(19,451)
e) other services	(25,176)	(14,769)
Total	(549,485)	(461,061)

Section 3 – Dividends and similar income – Caption 70

3.1 Analysis of dividends and similar income

	Dec. 31, 2013		Dec. 31, 2012	
€/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	1,102	915	695	1,152
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-	X	-	X
Total	1,102	915	695	1,152

Section 4 – Net income from trading – Caption 80

4.1 Analysis of net income from trading

€/t	Gains (A)	Trading gains (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	3,134	7,132	(2,356)	(2,802)	5,108
1.1 Debt securities	3,134	7,130	(2,356)	(2,780)	5,128
1.2 Equities	-	2	-	(21)	(19)
1.3 Holdings in UCITS	-	-	-	(1)	(1)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	3,973	3,341	(698)	(78)	6,538
2.1 Debt securities	3,973	3,341	(698)	(78)	6,538
2.2 Debt	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	259
4. Derivatives	-	7,667	(288)	(10,621)	(2,358)
4.1 Financial derivatives:	-	7,667	(288)	(10,621)	(2,358)
- Debt securities and interest rates	-	7,667	(288)	(10,621)	(3,242)
- Equities and stock indices	-	-	-	-	-
- Currencies and gold	X	X	X	X	884
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	7,107	18,140	(3,342)	(13,501)	9,547

Section 5 – Net income from hedging – Caption 90

5.1 Analysis of net income from hedging

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Income from:		
A.1 Fair value hedging derivatives	34,590	-
A.2 Hedged financial assets (fair value)	-	20,945
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedging financial derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	34,590	20,945
B. Expenses related to:		
B.1 Fair value hedging derivatives	-	(25,224)
B.2 Hedged financial assets (fair value)	(30,835)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedging financial derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total expense from hedging (B)	(30,835)	(25,224)
C. Net income from hedging (A-B)	3,755	(4,279)

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

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2013			Dec. 31, 2012		
€/t	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
Financial assets						
1. Loans to banks	-	(2,476)	(2,476)	-	-	-
2. Loans to customers	16	(17)	(1)	132	(102)	30
3. Available-for-sale financial assets	88,285	(1,390)	86,895	35,028	(16,655)	18,373
3.1 Debt securities	88,283	(1,389)	86,894	34,593	(16,604)	17,989
3.2 Equities	2	(1)	1	2	-	2
3.3 Holdings in UCITS	-	-	-	433	(51)	382
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	30	-	30
Total assets	88,301	(3,883)	84,418	35,190	(16,757)	18,433
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	25	(52)	(27)	118	(3)	115
Total liabilities	25	(52)	(27)	118	(3)	115

Section 8 – Net impairment – Caption 130

8.1 Analysis of net impairment of loans

	Impairment (1)			Reversal of impairment (2)					
	Individual			Individual		Collective			
€/t	Cancellations	Other	Portfolio	A	B	A	B	Dec. 31, 2013	Dec. 31, 2012
A. Loans to banks									
- Loans	(140)	-	-	-	-	-	183	43	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers									
Impaired loans purchased									
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Others									
- Loans	(2,674)	(12,866)	(2,182)	-	4,040	-	272	(13,410)	(8,862)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(2,814)	(12,866)	(2,182)	-	4,040	-	455	(13,367)	(8,862)

8.2 Analysis of net impairment of available for sale financial assets

	Impairment (1)		Reversal of impairment (2)			
	Individual		Individual			
€/t	Cancellations	Other	A	B	Dec. 31, 2013	Dec. 31, 2012
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(30)	X	X	(30)	(3)
C. Holdings in UCITS	-	(797)	X	-	(797)	(2,418)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(827)	-	-	(827)	(2,421)

Legend: A = Interest B = Other

8.4 Analysis of net impairment of other financial items

	Impairment (1)			Reversal of impairment (2)					
	Individual			Individual		Portfolio			
€/t	Cancellations	Other	Portfolio	A	B	A	B	Dec. 31, 2013	Dec. 31, 2012
A. Guarantees issued	(1,777)	(2,542)	(58)	-	8	-	-	(4,369)	(34)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	(1,777)	(2,542)	(58)	-	8	-	-	(4,369)	(34)

Legend:
A = Interest
B = Other

Section 11 - Administrative expenses - Caption 180

11.1 Analysis of staff costs

€/t	Dec. 31, 2013	Dec. 31, 2012
1) Employees	(138,695)	(130,115)
a) Wages and salaries	(98,174)	(92,052)
b) Social security contributions	(27,475)	(25,628)
c) Completion of service entitlements	(35)	(401)
d) Pensions	-	-
e) Provision for completion of service entitlements	(4,521)	(5,270)
f) Provision for severance benefits and similar obligations:	(7)	(27)
- defined contribution plan	-	-
- defined benefit plan	(7)	(27)
g) External supplementary pension funds:	(1,400)	(1,335)
- defined contribution plan	(1,254)	(1,181)
- defined benefit plan	(146)	(154)
h) Expenses in connection with equity-settled share-based payment transactions	-	-
i) Other employee benefits	(7,083)	(5,402)
2) Other personnel	(3,688)	(2,472)
3) Directors and Statutory Auditors	(4,908)	(7,207)
4) Retirees	-	-
Total	(147,291)	(139,794)

11.2 Average number of employees by category

Number	Dec. 31, 2013	Dec. 31, 2012
1) Employees	2,085	1,943
a) Senior Management	87	82
b) Middle management	302	271
c) Other employees	1,696	1,590
2) Other personnel	5	26
Total	2,090	1,969

11.3 Company pension plans with defined benefits: total costs and revenues

€/t	Dec. 31, 2013
Current service costs	(7)
Financial expenses	-
Estimated return on assets into which the plan invests	-
Estimated return on redemption rights accounted for as assets	-
Actuarial gains and losses	-
Past service costs	-
Effect of other reductions and cancellations	-
Total	(7)

11.5 Analysis of other administrative expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
IT services	(55,292)	(46,294)
Infoprovider services	(5,765)	(5,826)
Financial services fees and expenses	(2,736)	(2,522)
Miscellaneous services	(18,059)	(14,564)
Intercompany services	(978)	(824)
Taxes and duties	(1,253)	(857)
Television and internet communication services	(4,524)	(6,513)
Network advisory services and consulting	(3,272)	(3,097)
Rentals	(12,771)	(14,014)
Maintenance and repairs	(3,726)	(2,434)
Telephone and postal expenses	(12,097)	(10,990)
Other consulting and advisory services	(15,960)	(20,247)
Contributions to "Punti Mediolanum"	(1,100)	(1,193)
Consumables	(5,319)	(4,783)
Insurance	(2,196)	(2,216)
Membership fees	(1,399)	(1,235)
Advertising and promotional expenses	(27,110)	(28,400)
Organization of conventions	(10,983)	(6,749)
Consulting, education and training for sales network	(1,392)	(1,831)
Company canteen	(197)	(204)
Energy utilities	(1,441)	(1,558)
Business expenses, gifts and other	(4,299)	(5,029)
Market research	(1,050)	(686)
Recruitment and selection of employees	(614)	(407)
Travel expenses	(1,285)	(783)
Recruitment and selection of financial advisors	(70)	(31)
Other administrative expenses	(5,058)	(4,819)
Total	(199,946)	(188,107)

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

12.1 Analysis of net provisions for risks and charges

€/t	Dec. 31, 2013	Dec. 31, 2012
Portfolio allowance	(2,254)	(3,016)
Customer base entitlements	(3,542)	(4,871)
Risks for FA illegal actions	(217)	(5,572)
Product distribution	(3,216)	(1,408)
Legal proceedings	2,179	(1,517)
Managerial allowance	(7,851)	(12,941)
Other net provisions for risks and charges	(3,050)	(19,120)
Total	(17,951)	(48,445)

Section 13 – Depreciation and net impairment of tangible assets – Caption 200

13.1 Analysis of depreciation and net impairment of tangible assets

€/t	Depreciation (a)	Impairment (b)	Reversal of impairment (c)	Net income (a + b + c)
A. Tangible assets				
A.1 Owned	(4,966)	-	-	(4,966)
- held for use	(4,966)	-	-	(4,966)
- held for investment purposes	-	-	-	-
A.2 Acquired under finance leases	-	-	1	1
- held for use	-	-	-	-
- held for investment purposes	-	-	1	1
Total	(4,966)	-	1	(4,965)

Section 14 - Amortisation and net impairment of intangible assets - Caption 210

14.1 Analysis of amortisation and net impairment of intangible assets

€/t	Amortisation (a)	Impairment (b)	Reversal of impairment (c)	Net income (a + b + c)
A. Intangible assets				
A.1 Owned	(7,964)	-	-	(7,964)
- internally generated	-	-	-	-
- other	(7,964)	-	-	(7,964)
A.2 Acquired under finance leases	-	-	-	-
Total	(7,964)	-	-	(7,964)

Section 15 - Other operating income and expenses - Caption 220

15.1/15.2 Analysis of other operating income and expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
Recovery of expenses for contracts and services rendered	8,864	7,938
Rental income on properties owned	469	345
Income on divestments	43	-
Recharge of costs to customers	2,929	2,091
Recharge of costs to promoters	54	140
Other income	6,600	9,762
Total "Other operating income"	18,959	20,276
Other operating expenses	-	-
Losses on divestments	(59)	-
Compensations and settlements	(8,367)	(3,161)
Amortisation of expenses for improvements of third-party assets	(1,074)	(1,003)
Other expense	(3,051)	(4,164)
Total "Other operating expenses"	(12,551)	(8,328)

Section 18 - Impairment of goodwill - Caption 260

This account includes a Euro 4,261 thousand for impairment of goodwill relating to the CGU Germany.

Section 19 - Profit (loss) on disposal of investments - Caption 270

19.1 Analysis of profit (loss) on disposal of investments

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	30	5
- Gains on sale	31	5
- Losses on sale	(1)	-
Net profit (losses)	30	5

Section 20 – Income tax expense on continuing operations – Caption 290

20.1 Analysis of income tax expense on continuing operations

€/t		Dec. 31, 2013	Dec. 31, 2012
1.	Current tax (-)	(157,953)	(110,000)
2.	Change in current tax prior years (+/-)	(93)	3,929
3.	Change in current tax for the year (+)	-	-
3. *bis*	Change in current tax for the year for tax credits under law no 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	11,116	1,363
5.	Change in deferred tax liabilities (+/-)	(938)	(561)
6.	Income tax expense for the year (-) (-1+/-2+3+3*bis*+/-4+/-5)	(147,868)	(105,269)

20.2 Reconciliation between the theoretical and the effective tax expense

€/t	Dec. 31, 2013	Dec. 31, 2012
Theoretical IRES tax rate or equivalent taxes	18.55%	16.98%
Profit before tax	491,749	433,155
Theoretical tax	91,229	73,565
Taxable income	37,373	8,740
Other adjustments	1,049	3,835
IRES tax expense and equivalent taxes	129,651	86,139
Effective IRES tax rate and equivalent taxes	26.37%	19.89%
Total tax expense net of provision for legal disputes	118,193	105,269
provision for legal disputes	29,675	-
Total taxes to income statement	147,868	105,269
Total effective tax rate	24%	24.3%

Section 22 – Profit (loss) for the year attributable to minority interests – Caption 330

Profit for the year attributable to minority interests amounted to Euro 156,356 thousand compared to a profit attributable to minority interests for the previous year for Euro 139,111 thousand (Euro +17,245 thousand).

PART D - INFORMATION ON COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME

€/t		Dec. 31, 2013 Gross amount	Income tax	Net amount
10.	Net profit (loss) for the year	X	X	343,881
	Other income components without reversals to the income statement			
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	(8)	-	(8)
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves on investments accounted for by the equity method	-	-	-
	Other income components with reversals to the income statement			
70.	Hedges of investments in foreign operations:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange differences:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
90.	Cash flow hedges:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
100.	Available-for-sale financial assets:	3,247	(733)	2,514
	a) changes in fair value	86,928	(28,420)	58,508
	b) reversals to the income statement	(83,697)	27,687	(56,010)
	- impairment	548	(173)	375
	- realised gains/losses	(84,245)	27,860	(56,385)
	c) other changes	16	-	16
110.	Non current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	c) other changes	-	-	-
120.	Share of valuation reserves on investments accounted for by the equity method:	-	-	-
	a) changes in fair value	-	-	-
	b) reversals to the income statement	-	-	-
	- impairment	-	-	-
	- realised gains/losses	-	-	-
	c) other changes	-	-	-
130.	Total other income components	3,239	(733)	2,506
140.	Comprehensive income (Captions 10+130)	-	-	346,387
150.	Total comprehensive income attributable to minority interests	-	-	156,378
160.	Total comprehensive income attributable to the Parent Company	-	-	190,009

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

The ICAAP Process

Under Basel II Pillar 2 (Title III of Bank of Italy's Circular 263/2006 and subsequent updates) 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

In accordance with supervisory requirements and in line with best practices, Banca Mediolanum's ICAAP entails the following steps:
1. identification of risks for assessment;
2. measurement/assessment of individual risks and related internal capital level;
3. measurement of the overall internal capital level;
4. determination of overall capital level and reconciliation to regulatory capital.

Key Risks Mapping

In accordance with Bank of Italy's Circular 263/06 and subsequent updates, the process for the identification of the key risks for the Mediolanum Banking Group starts from the analysis of the Bank's and Group's statutory lines of business and activities conducted in each of these lines.
Risk mapping therefore starts from the macro lines that make up the Banking Group's business.
In the Mediolanum Banking Group the following main business segments can be identified:
- Lending (Retail and Commercial Banking);
- Treasury activities (Trading and Sales);
- Asset Management;
- Retail Brokerage.

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

First pillar risks

Credit Risk (including counterparty risk)

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

Market Risk

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

Operational Risk

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

Second pillar risks

Concentration Risk

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 (bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential risk that an entity will be unable to obtain adequate funding.

Residual Risk

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

Strategic Risk

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

Reputational Risk

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

SECTION 1 - BANKING GROUP - RISK

1.1 CREDIT RISK

QUALITATIVE INFORMATION

General

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 Credit Corporate unit, the Watch list unit, the Credit Operations unit and the Credit Policy and Monitoring unit. The Short-term lending team is responsible for all processes relating to approval and granting of overdrafts, loans, endorsements as well as for management of guarantees. The team exercises credit approvals under delegated authorities. For credit that is outside the scope of the authorities delegated to it, the team prepares all information and documentation relating to the loan application including a non-binding opinion and submits it to superior bodies. The Medium/Long-term lending team is responsible for approval and granting of mortgage loans in accordance with Credit Management Guidelines and Rules. This team prepares and submits reports to the Head of the Division and the Service Engineering and Analysis unit and collaborates with the Credit Policy and Monitoring unit in the preparation of Mortgage Lending Policies. The Credit Operations team collaborates with the Policy and Monitoring Unit in the drafting of Corporate Credit Rules and Policies and also deals with the collection of applications and documentation relating to corporate credit (mortgages and ordinary loans) and assessment in accordance with the company's risk policies and risk appetite, manages relationships with Customers, the Sales Network and the other units of the Bank, providing assistance for setting the application of corporate credit.
The team also sees to the formal and substantive review of credit application and deals with the preliminary investigation and the investigation of all the corporate credit claims, in coordination with the Relevant Customer unit for the specific segment.

The Watch list team deals with customers in difficulty ensuring that suitable solutions are found and implemented in a timely manner in accordance with policies and rules. The team is informed of any amounts in arrear collected by foreign lenders that are part of the Group.

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

The Credit Policy and Monitoring team sees to the preparation of credit management policies and strategies proposals, defining the methodological principles and the technical rules for credit risk management and developing models for estimating and measuring credit risk in close coordination with the Compliance and Risk Control function. The team also prepares periodic reports on credit monitoring results highlighting key developments and trends.

In relation to the other Banking Group companies that provide credit, the Spanish subsidiary, Banco Mediolanum is structured on the basis of the organizational logic of the Parent Company, with the same specialist units as part of the ordinary and special credit but the characterization of the activity is proportional to the size of their customer base.

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. All collateral is subject to regular review.

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.

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 bonds. Although secondary to the assessment of the borrower's creditworthiness, in the assessment of credit risk great emphasis is placed on the appraised value

of the collateral received from the obligor and the prudential adjustments applied are properly differentiated according to the type of collateral whose value is subject to regular review against its market value.
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, pledged or transferred, repurchase/reverse repurchase and securities lending/borrowing transactions;
2. master netting agreements;
3. on-balance sheet netting;
4. mortgages and transactions.

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.
As to pledges, the financial asset that is directly or indirectly pledged as security must be one of the following:

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

When the borrower's equity does not cover entirely the loaned amount, the loan is recognised at full risk.
Credit risk on mortgage loans is mitigated by the property given as collateral. Properties given as loan collateral must be located in Italy and be residential properties.
Semi-residential properties are accepted provided that they satisfy the following requirements:

- the non-residential portion does not exceed 40% of the estimated property value;
- the property is located in a residential area;
- the borrower is self-employed and intends to use the property as his/her primary residence.

In all these instances Loan-to-Value shall not exceed 70%.
The bank applies a disciplined approach to lending and adequate checks e.g. it checks the accurateness and completeness of the property appraisal as this is crucial to get a true view of risk. The bank requires than any request for mortgage loan approval be accompanied by a valid property appraisal setting out a true estimate of the value of the property for which the loan is sought and certifying to the highest possible degree that a valid building permit and any other authorisations for the property have been obtained. If not so, the loan will not be extended or the loan amount reduced to be commensurate with the true property value (which depends on its location, on how easily it can be resold, etc.).
The 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, as other Group companies that disburse loans, 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. The process for the identification of the groups of loans to be collectively assessed under IAS is in line with the credit risk approach under Bank of Italy's Circular 263 of December 27, 2006. Specifically, the risk parameters under said regulation, i.e. probability of default (PD) by rating class and Loss Given Default (LGD) are significant parameters for the classification of loans into groups with similar credit risk characteristics and for the calculation of provisions.

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

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

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

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

where:

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

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

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

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.

Nonperforming 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. These exposures are therefore recognised irrespective of any security taken (real or personal).

Watch list loans consist of on- and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers that are experiencing objective temporary difficulties in meeting their payment obligations, but are expected to make good within a reasonable timeframe. These exposures are recognised irrespective of any security taken (real or personal).

Restructured loans consist of on- and off-balance sheet exposures (e.g. loans, securities, derivatives) 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 ensue 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.

An additional impaired loan category was introduced by the Bank of Italy (Circular no. 262 of December 22, 2005 "The Financial Statements of Banks: Instructions for the preparation of financial statements" and subsequent updates), i.e. over 90 days past due loans. These consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers other than those classified in the categories above (nonperforming, watch list, restructured) that at the reporting date were over 90 days past due or overdrawn. For recognition in this category, both following conditions are to be satisfied:

- the borrower is past due more than 90 days in a row (to determine actual past due borrowers, overdrawn/unpaid amounts can be offset against balances in credit under other loans/credit facilities extended to the same borrower);
- the maximum value of daily past due/overdrawn amounts and the mean value of daily past due/overdrawn amounts in the last quarter is 5% or more of total exposure.

When the borrower is a government entity that exceeded the limits above yet the overdrawn/past due amount does not exceed Euro 10,000, the relevant exposure is not classified as past due.

Counterparty Risk

Counterparty risk is part of credit risk. Counterparty risk is the risk that a party to a derivative contract may fail to perform on its contractual obligations and, when marked to market, the value of the derivative contract turns out to be positive for Banca Mediolanum. Exposure to counterparty risk is measured applying the present value method to OTC derivative contracts. The replacement cost of each contract is its fair value, if positive. Fair value is positive if the bank is a net creditor of the counterparty. To protect against counterparty risk arising from said derivatives contracts the Group entered into ISDA Master Agreements. It should be noted that Banca Mediolanum has adequate procedures and tools for the management of collaterals in respect of derivative transactions and used Credit Support Annexes (CSA) as key instruments to mitigate related 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 capital requirement of single name risk, the Banking Group's exposure to concentration risk is monitored only for the "Business and 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 263/2006, Title IV Chapter 1), 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 and the Banking Group's risk tolerance based on the Bank's risk appetite. Operating licences and limits are closely monitored on an ongoing basis to ensure they are not exceeded and are regularly reviewed.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

€/t	Non performing	Watch list	Restructured	Past due impaired	Past due not impaired	Other assets	Total
1. Financial assets held for trading	-	-	-	-	2	474,406	474,408
2. Available-for-sale financial assets	-	-	-	-	-	10,690,532	10,690,532
3. Held-to-maturity investments	-	-	-	-	-	2,208,768	2,208,768
4. Loans to banks	-	-	-	-	-	943,460	943,460
5. Loans to customers	11,315	21,459	5,855	8,323	65,538	5,551,794	5,664,284
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	2,418	2,418
Total at Dec. 31, 2013	11,315	21,459	5,855	8,325	65,538	19,871,378	19,983,870
Total at Dec. 31, 2012	9,033	21,473	7,842	5,876	-	16,827,460	16,871,684

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

	Impaired assets			Performing			
€/t	Gross exposure	Individual impairment	Net exposure	Gross exposure	Individual impairment	Net exposure	Total (Net exposure)
A. Banking Group							
1. Financial assets held for trading	-	-	-	X	X	474,406	474,406
2. Available-for-sale financial assets	-	-	-	10,690,532	-	10,690,532	10,690,532
3. Held-to-maturity investments	-	-	-	2,208,768	-	2,208,768	2,208,768
4. Loans to banks	-	-	-	943,460	-	943,460	943,460
5. Loans to customers	82,928	35,977	46,951	5,625,473	8,141	5,617,332	5,664,283
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	2,418	2,418
Total A	82,928	35,977	46,951	19,468,233	8,141	19,936,916	19,983,867
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	X	X	-	-
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Due to banks	-	-	-	-	-	-	-
5. Due to customers	-	-	-	-	-	-	-
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	-	-	-	-	-	-	-
Total at Dec. 31, 2013	82,928	35,977	46,951	19,468,233	8,141	19,936,916	19,983,867
Total at Dec. 31, 2012	75,344	31,121	44,223	16,245,016	6,231	16,827,460	16,871,683

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

€/t	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET				
a) Non performing	-	-	X	-
b) Watch list	-	-	X	-
c) Restructured	-	-	X	-
d) Past due impaired	-	-	X	-
e) Other Assets	1,483,450	X	-	1,483,450
TOTAL A	1,483,450	-	-	1,483,450
B. OFF-BALANCE SHEET				
a) Impaired	-	-	X	-
b) Other	28,262	X	-	28,262
TOTAL B	28,262	-	-	28,262
TOTAL (A+B)	1,511,712	-	-	1,511,712

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

A.1.4 On-balance sheet credit exposures to banks: analysis of gross impaired exposures

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

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

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

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

€/t	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET				
a) Non performing	31,869	20,556	X	11,313
b) Watch list	30,114	8,655	X	21,459
c) Restructured	11,579	5,723	X	5,856
d) Past due impaired	9,366	1,043	X	8,323
e) Other Assets	18,458,440	X	8,141	18,450,299
TOTAL A	18,541,368	35,977	8,141	18,497,250
B. OFF-BALANCE SHEET				
a) Impaired	517	502	X	15
b) Other	150,282	X	148	150,134
TOTAL B	150,799	502	148	150,149
TOTAL (A+B)	18,692,167	36,479	8,289	18,647,399

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

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

€/t		Non performing	Watch list	Restructured	Past due
A.	Opening gross balance	25,764	29,606	13,463	6,511
	- of which: loans sold but not derecognised	-	-	-	-
B.	Increases	10,188	17,874	2	26,250
B.1	reclassified from performing loans	382	10,091	-	25,195
B.2	reclassified to other impaired loan categories	6,559	7,026	-	98
B.3	other increases	3,247	757	2	957
C.	Decreases	4,083	17,366	1,886	23,395
C.1	reclassified to performing loans	-	2,697	-	11,116
C.2	cancellations	2,884	462	-	-
C.3	receipts	1,199	7,574	1,886	5,229
C.4	proceeds from sale	-	-	-	-
C.4 *bis*	losses from sale	-	-	-	-
C.5	reclassified to other impaired loan categories	-	6,633	-	7,050
C.6	other decreases	-	-	-	-
D.	Closing gross balance	31,869	30,114	11,579	9,366
	- of which: loans sold but not derecognised	-	-	-	-

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

A.1.8 Bank Group – On-balance sheet credit exposures to customers: analysis of net impairment

€/t		Non performing	Watch list	Restructured	Past due
A.	Net impairment at beginning of the year	16,732	8,133	5,620	636
	- of which: loans sold but not derecognised	-	-	-	-
B.	Increases	7,390	5,526	248	1,019
B.1	Impairment	5,208	5,368	248	992
B.1 *bis*	losses from sale	-	-	-	-
B.2	reclassified from other impaired loan categories	2,182	158	-	27
B.3	other increases	-	-	-	-
C.	Decreases	3,566	5,004	145	612
C.1	Reversal of impairment from revaluations	219	981	145	231
C.2	Reversal of impairment from receipts	441	1,368	-	207
C.2 *bis*	profit from sale	-	-	-	-
C.3	cancellations	2,885	462	-	-
C.4	reclassified to other impaired exposure categories	-	2,193	-	174
C.5	other decreases	21	-	-	-
D.	Net impairment at end of the year	20,556	8,655	5,723	1,043
	- of which: loans sold but not derecognised	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

	External rating class							
€/t	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On-balance sheet exposures	456,143	219,294	12,859,965	254,475	67,043	-	6,262,416	20,119,336
B. Derivatives	-	-	-	-	-	-	3,160	3,160
B.1 Financial derivatives	-	-	-	-	-	-	3,160	3,160
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	84	113	-	-	-	71,063	71,260
D. Commitments to disburse funds	-	-	-	540	5	-	68,982	69,527
E. Other	-	-	-	-	-	-	34,464	34,464
Total	456,143	219,378	12,860,078	255,015	67,048	-	6,440,085	20,297,747

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

The Bank does not have internal rating models.

A.3 Analysis of secured exposures by type of collateral

A.3.1 Bank Group – Secured credit exposures to banks

		Real guarantees (1)				Personal guarantees (2)									
						Credit derivatives					Endorsements				
							Other derivatives								
€/t	Net exposure	Property, mortgages	Property, finance leases	Securities	Other real guarantees	CLN	Governments and central banks	Other Government agencies	Banks	Other	Governments and central banks	Other Government agencies	Banks	Other	Total (1)+(2)
1. Secured on-balance sheet credit exposures:	209,173	-	-	209,250	-	-	-	-	-	-	-	-	-	-	209,250
1.1 Entirely secured	209,173	-	-	209,250	-	-	-	-	-	-	-	-	-	-	209,250
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured "off-balance sheet" credit exposures:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Bank Group – Secured credit exposures to customers

		Real guarantees (1)				Personal guarantees (2)									
						Credit derivatives					Endorsements				
							Other derivatives								
€/t	Net exposure	Property, Mortgages	Property, finance leases	Securities	Other real guarantees	CLN	Governments and central banks	Other Government agencies	Banks	Other	Governments and central banks	Other Government agencies	Banks	Other	Total (1)+(2)
1. Secured on-balance sheet credit exposures:	3,833,140	6,459,692	-	(9,218)	14,732	-	-	-	-	-	-	1,802	-	33,594	6,500,602
1.1 Entirely secured	3,761,208	6,403,361	-	(9,218)	-	-	-	-	-	-	-	2	-	19,025	6,413,170
- of which impaired	30,387	53,535	-	(508)	-	-	-	-	-	-	-	2	-	47	53,076
1.2 Partly secured	71,932	56,331	-	-	14,732	-	-	-	-	-	-	1,800	-	14,569	87,432
- of which impaired	3,419	7,229	-	-	-	-	-	-	-	-	-	58	-	334	7,621
2. Secured "off-balance sheet" credit exposures:	2,763	771	-	-	(437)	-	-	-	-	-	-	-	-	1,534	1,868
2.1 Entirely secured	2,725	771	-	-	(437)	-	-	-	-	-	-	-	-	1,517	1,851
- of which impaired	11	-	-	-	(11)	-	-	-	-	-	-	-	-	-	(11)
2.2 Partly secured	38	-	-	-	-	-	-	-	-	-	-	-	-	17	17
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

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

	Governments			Other government agencies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
€/t	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On-balance sheet exposures																		
A.1 Non performing	-	-	X	-	-	X	-	-	X	-	-	X	218	368	X	11,095	20,188	X
A.2 Watch list	-	-	X	-	-	X	-	-	X	-	-	X	3,676	1,288	X	17,783	7,367	X
A.3 Restructured	-	-	X	-	-	X	5,626	5,723	X	-	-	X	230	-	X	-	-	X
A.4 Past due	13	2	X	-	-	X	-	-	X	-	-	X	115	17	X	8,195	1,024	X
A.5 Other exposures	13,058,283	X	-	5,483	X	-	436,993	X	11	11,394	X	-	210,191	X	1,245	4,727,955	X	6,885
Total A	13,058,296	2	-	5,483	-	-	442,619	5,723	11	11,394	-	-	214,430	1,673	1,245	4,765,028	28,579	6,885
B. Off-balance sheet exposures																		
B.1 Non performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Watch list	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	15	502	X
B.4 Other exposures	-	X	-	-	X	-	1,239	X	-	19,232	X	55	4,584	X	31	91,053	X	62
Total B	-	-	-	-	-	-	1,239	-	-	19,232	-	55	4,584	-	31	91,068	502	62
Total (A+B) at Dec. 31, 2013	13,058,296	2	-	5,483	-	-	443,858	5,723	11	30,626	-	55	219,014	1,673	1,276	4,856,096	29,081	6,947
Total (A+B) at Dec. 31, 2012	8,915,102	-	-	32,862	-	-	470,192	5,620	11	32,350	-	31	239,524	373	578	5,186,857	25,638	5,718

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

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment
A. On-balance sheet exposures										
A.1 Non performing	11,090	18,644	223	1,912	-	-	-	-	-	-
A.2 Watch list	16,647	6,846	4,812	1,809	-	-	-	-	-	-
A.3 Restructured	5,855	5,723	-	-	-	-	-	-	1	-
A.4 Past due	8,323	1,043	-	-	-	-	-	-	-	-
A.5 Other exposures	16,630,155	6,988	1,818,088	1,153	807	-	337	-	2,053	-
Total A	16,672,070	39,244	1,823,123	4,874	807	-	337	-	2,054	-
B. Off-balance sheet exposures										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	4	-	11	502	-	-	-	-	-	-
B.4 Other exposures	111,672	123	4,436	25	-	-	-	-	-	-
Total B	111,676	123	4,447	527	-	-	-	-	-	-
Total A+B at Dec. 31, 2013	16,783,746	39,367	1,827,570	5,401	807	-	337	-	2,054	-
Total A+B at Dec. 31, 2012	13,302,833	32,564	1,568,774	5,405	841	-	295	-	4,144	-

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

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment
A. On-balance sheet exposures										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1,170,950	-	295,802	-	12,523	-	54	-	4,121	-
Total A	1,170,950	-	295,802	-	12,523	-	54	-	4,121	-
B. Off-balance sheet exposures										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	25,127	-	3,135	-	-	-	-	-	-	-
Total B	25,127	-	3,135	-	-	-	-	-	-	-
Total A+B at Dec. 31, 2013	1,196,077	-	298,937	-	12,523	-	54	-	4,121	-
Total A+B at Dec. 31, 2012	1,731,062	-	398,347	-	5,685	-	41	-	2,206	-

B.4 Large exposures

	Nominal	Weighted
a) Book value	14,675,103	679,676
b) Number	13	

The number and amount of large exposures were determined in accordance with the rules set out in Circular 263 of December 27, 2006 and Circular 155 of December 18, 1991, as amended. Said rules require reporting of large exposures at nominal value.

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

Qualitative information

During the year Banca Mediolanum traded exclusively in securitised notes.

C.1.4 Bank Group – Analysis of exposures arising from securitisations by financial asset category and by type

€/t	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	**Total Dec. 31, 2013**	**Total Dec. 31, 2012**
1. On-balance sheet exposures					9,813	9,813	44,282
- Senior	-	-	-	-	9,813	9,813	44,282
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposures							
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.2 Sale

C.2.1 Banking Group - Financial assets sold but not derecognized: book value and full value

	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to Customers			Dec. 31, 2013	Dec. 31, 2012
€/t	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Non-derivatives	6,267	-	-	-	-	-	2,163,845	-	-	-	-	-	-	-	-	-	-	-	2,170,112	2,590,061
1. Debt securities	6,267	-	-	-	-	-	2,163,845	-	-	-	-	-	-	-	-	-	-	-	2,170,112	2,590,061
2. Equities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total at Dec. 31, 2013	6,267	-	-	-	-	-	2,163,845	-	-	-	-	-	-	-	-	-	-	-	2,170,112	X
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X
Total at Dec. 31, 2012	-	-	-	-	-	-	2,532,909	-	-	57,152	-	-	-	-	-	-	-	-	X	2,590,061
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	-

Legend:
A = Financial assets sold, fully recognised on the Statement of financial position (book value)
B = Financial assets sold, partly recognised on the Statement of financial position (book value)
C = Financial assets sold, partly recognised on the Statement of financial position (full value)

Credit Risk Stress Testing

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

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

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

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

D. BANKING GROUP - CREDIT RISK MEASUREMENT MODELS

1.2 MARKET RISK

1.2.1 Interest rate risk and pricing risk - Trading book

Qualitative information

A. General

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 is noted that the overall portfolio of the Banking Group is characterized by the predominance of Government Securities as compared to other domestic issuers represented in the table on the rating assigned to the country, presenting thus a relatively low risk of default.

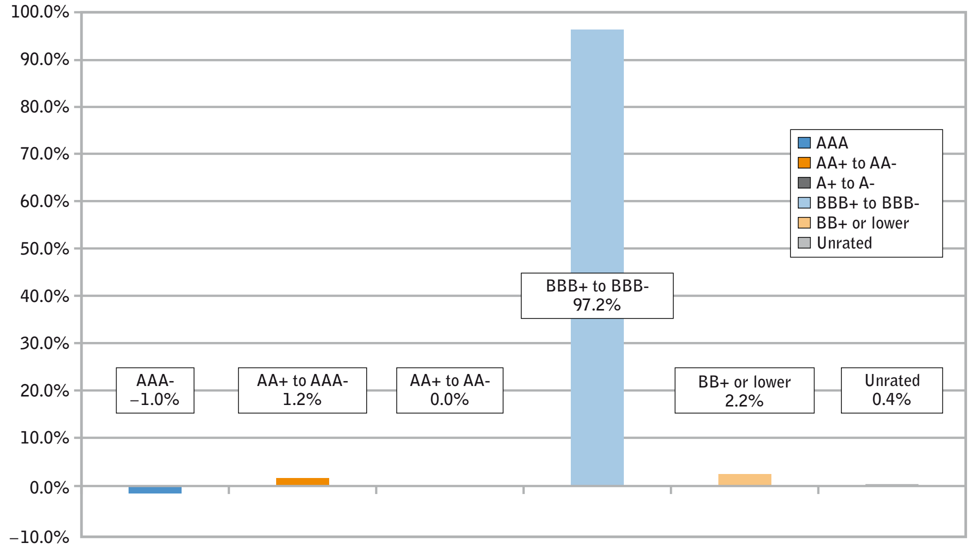
Rating analysis for the entire Mediolanum Banking Group's securities portfolio, including both the trading book and the banking book, is set out below.

Banking Group's Securities Portfolio – RATING COMPOSITION (S&P equivalent)
(YE 2013 vs. YE 2012)

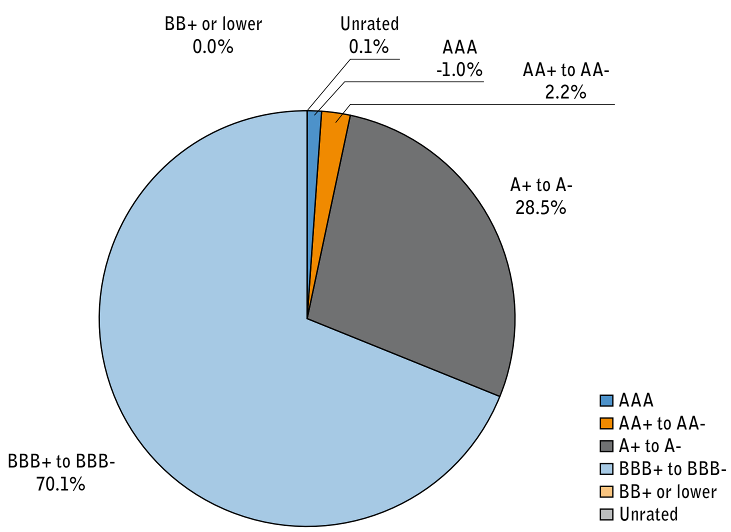
Rating Classes (S&P Equivalent)	2013 €/000	2013 %	2012 €/000	2012 %	Change (%)
Total Portfolio	13,722,210	100%	11,424,991	100%	21%
AAA	(138,725)	(1.0%)	(99,506)	(0.9%)	39%
AA+ to AA-	167,579	1.2%	234,416	2.1%	(29%)
A+ to A-	2,899	0.0%	2,993,127	26.2%	(100%)
BBB+ to BBB-	13,385,550	97.2%	8,285,635	72.5%	62%
BB+ or lower	305,425	2.2%	-	0.0%	100%
Unrated	49,480	0.4%	11,320	0.1%	337%

NOTE: the value of the securities portfolio does not include residual Index Linked Policies Funds, Shares and Rights.
For the current year the rating of the issuer has been indicated.

Rating Composition Portfolio – Mediolanum Banking Group (2013)



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



B. Interest rate risk measurement and management

The Parent Company's Compliance and Risk Control 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 Portfolio MARKET RISK
(YE 2013 vs. YE 2012)

€/t	2013	2012	Change (%)
Nominal value	246,003	349,744	(30%)
Market value	237,080	333,081	(29%)
Duration	0.92	0.92	(0%)
VaR99% - 1d (*)	1,212	1,200	1%

(*) The figure for 2012 has been recalculated using the current methodology used.

Quantitative information

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

Currency: EURO

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
1.1 Debt securities	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	6,240	4,878	31,693	142,801	36,312	10,773	-
2.1 Repurchase agreements	-	6,240	-	-	-	-	-	-
2.2 Other liabilities	-	-	4,878	31,693	142,801	36,312	10,773	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	20,665	6,356	-	-	-	-	-
+ Short positions	-	6,355	-	13,048	7,608	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	189,426	-	-	-	-	-	-
+ Short positions	-	246,573	926	1,888	16,366	21,212	45,723	-

Currency: US DOLLAR

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	439,711	-	-	-	-	-	-
+ Short positions	-	298,033	-	-	-	-	-	-

Currency: SWISS FRANC

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	195,509	-	-	-	-	-	-
+ Short positions	-	194,992	-	-	-	-	-	-

Currency: GB POUND

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	36	-	-	-	-	-	-

Currency: CDN DOLLAR

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	343	-	-	-	-	-	-
+ Short positions	-	6	-	-	-	-	-	-

Currency: OTHER CURRENCIES

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	63	-	-	-	-	-	-
+ Short positions	-	51	-	-	-	-	-	-

1.2.2 Interest rate risk and pricing risk - banking book

Qualitative information

A. General

The Mediolanum Banking Group's Trading Book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.
Specifically, the trading book consists of positions held by the Group's functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors, in accordance with the policies agreed upon with the Parent Company. The trading book primarily consists of positions in equities and mutual funds.

B. Pricing Risk: Measurement and Management

The Risk Control sector within the Compliance and Risk Control function is responsible for measuring and monitoring exposure to market risk, counterparty and credit risks, and for continuously monitoring capital adequacy vis-à-vis the Group's activities in particular solvency and market risk associated with positions directly held by the Mediolanum Banking Group.
Each company within the Group is directly responsible for controls over the risks it assumes in accordance with the policies approved by the respective Boards of Directors.

Exposure to pricing risk is measured using:

- daily VaR;
- portfolio analysis in terms of:
  - characteristics of the instrument;
  - sensitivity Analysis.

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

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

Banking book interest rate risk exposures are measured and managed by the Banking Group's Parent Company using an ALM model.

Risk management activities include, inter alia, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of each entity within the Group in compliance with the guidelines issued by the Banking Group's Parent Company.

Interest rate risk is the risk of potential impact of unexpected interest rate changes on the Bank's current earnings and equity. This risk is typical of banking book positions.

The Banking Book consists of on- and off-balance sheet items that are not held for trading.

The goals pursued by the interest rate risk management system are to:

- ensure the stability of net interest income, minimising any adverse impact of changes in interest rates (earnings perspective), largely with near-term focus. The stability of net interest income is mainly influenced by re-pricing risk, yield curve risk, basis risk, re-fixing risk and optionality risk;
- protect the economic value, i.e. the present value of expected cash flows from assets and liabilities. The economic value perspective is focused on the potential medium/long-term effects of changes in interest rates and is mainly associated with re-pricing risk;
- ensure that interest rate risk that has been taken or can be taken be properly identified, measured, monitored and managed in accordance with uniform methods and procedures shared across the Group;
- make sure that risk measurement models are commensurate with actual earnings generated by the various risk owners;
- ensure that the quality of risk measurement and management systems is aligned with market standards and best practices;
- define risk limits and licences for the various levels of responsibility;
- ensure the generation of accurate data and reports by the various officers responsible for risk management and control at the different levels within the organisation;
- ensure compliance with requirements established by domestic and international supervisory authorities.

The definition of limits and licences reflects the risk appetite of the organisation and permits to control that practices at the various levels within the organisation are aligned with the strategic guidelines and policies adopted by the Board of Directors.

The application of the principles above led to the definition of the following indicators:
- net interest income sensitivity to parallel shifts in the yield curve;
- economic value sensitivity to parallel shifts in the yield curve.

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

Asset Liability Management

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

Movements in annual net interest income
Data as of December 31, 2013

€/t	Balance	+100bps	-100bps
Total assets (*)	17,709,787	85,910	(54,294)
Total liabilities (*)	(17,596,490)	(106,708)	62,648
Off-balance sheet (hedging derivatives)	70,106,53	3,361,78	(2,049,56)
CHANGES OCCURRED IN THE YEAR	-	(17,437)	6,304

(*) Excludes the values of balance sheet items insensitive to the change in interest rate.

C. Fair Value Hedges

The introduction of IAS 39 brought about profound changes in the way derivatives and related hedged balance sheet assets/liabilities are accounted for.
Under IAS 39 all derivatives, either trading or hedging derivatives, are to be recognised in the statement of financial position at their fair value and any change, either increase or decrease, in their fair value is to be recognised through profit or loss.
When the hedged item is measured at historical (amortised) cost the asymmetry resulting from the different measurement method may lead to income statement information volatility. IAS 39 addresses this issue allowing entities to apply consistent measurement methods to the hedging instrument and to the hedge item (Hedge Accounting).
To qualify for Hedge Accounting under IAS 39 the hedging relationship must satisfy certain conditions relating to hedge effectiveness and related documentation.

The use of hedge accounting engages various structures of Banca Mediolanum. The Treasury Committee provides guidance on hedging policies. Banca Mediolanum Financial Management function handles all aspects relating to the identification and operation of IAS compliant hedges. The Compliance and Risk Control function works across the process ensuring the alignment of systems and proper management of hedges. The Accounting and Financial

Reporting function records and monitors hedges on an ongoing basis and prepares Hedge Accounting documentation. As shown in the table below, back-testing of hedge effectiveness proved the hedge ratio met the requirement $|0.8| \leq HR \leq |1.25|$:

Hedge Ratio
(YE 2013 vs. YE 2012)

	2013	2012	Change (%)
Hedging ratio changes on hedged portfolio	111%	111%	0%

The prospective evaluation of hedging derivatives have highlighted hedging ratios ranging between 100.08% and 117.35% in 2013.

D. Cash Flow Hedges

There are no cash flow hedges as defined under IAS.

Quantitative information

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

CURRENCY - EURO

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	2,183,671	5,981,181	3,515,423	2,567,236	4,655,837	132,799	411,034	8,019
1.1 Debt securities	652,864	2,315,240	3,505,014	2,549,345	4,540,500	1,322	2,727	-
- with early redemption option	-	3,656	-	-	-	-	2,507	-
- other	652,864	2,311,584	3,505,014	2,549,345	4,540,500	1,322	220	-
1.2 Loans to banks	39,475	686,033	-	352	-	-	-	2,114
1.3 Loans to customers	1,491,332	2,979,908	10,409	17,539	115,337	131,477	408,307	5,905
- current accounts	417,674	81	363	295	500	703	-	-
other loans	1,073,658	2,979,827	10,046	17,244	114,837	130,774	408,307	5,905
- with early redemption option	798,182	2,893,855	5,728	11,413	93,969	121,276	287,802	-
- other	275,476	85,972	4,318	5,831	20,868	9,498	120,505	5,905
2. Non-derivative liabilities	10,667,299	4,871,832	786,985	2,131,562	7,369	120,630	-	2,649
2.1 Due to customers	7,614,644	3,535,124	647,275	1,938,048	4,435	-	-	2,649
- current accounts	6,980,920	1,283,568	598,647	1,927,276	-	-	-	-
other payables	633,724	2,251,556	48,628	10,772	4,435	-	-	2,649
- with early redemption option	-	-	-	-	-	-	-	-
- other	633,724	2,251,556	48,628	10,772	4,435	-	-	2,649
2.2 Due to banks	3,052,655	1,310,991	101,437	193,514	-	-	-	-
- current accounts	8,464	-	-	-	-	-	-	-
- other payables	3,044,191	1,310,991	101,437	193,514	-	-	-	-
2.3 Securities issued	-	25,717	38,273	-	2,934	120,630	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	25,717	38,273	-	2,934	120,630	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	3,868	10,186	16,345	283,423	455,106	569,217	-
+ Short positions	3,216	182,016	2	1,005	198,922	430,003	522,982	-
Other								
+ Long positions	-	376,990	-	-	-	-	-	-
+ Short positions	-	3,629	3,669	7,478	65,674	85,571	210,969	-
4. Other off-balance sheet								
+ Long positions	-	-	-	(17,857)	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: US DOLLAR

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	12,262	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	12,249	-	-	-	-	-	-	-
1.3 Loans to customers	13	-	-	-	-	-	-	-
- current accounts	13	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	68,074	14,503	-	-	-	-	-	-
2.1 Due to customers	44,870	-	-	-	-	-	-	-
- current accounts	33,195	-	-	-	-	-	-	-
other payables	11,675	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	11,675	-	-	-	-	-	-	-
2.2 Due to banks	23,204	14,503	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	23,204	14,503	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	22,478	-	-	-	-	-	-
+ Short positions	-	(22,478)	-	-	-	-	-	-

Currency: FRANC SWITZERLAND

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	591	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	591	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	279	-	-	-	-	-	-	-
2.1 Due to customers	279	-	-	-	-	-	-	-
- current accounts	130	-	-	-	-	-	-	-
other payables	149	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	149	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: POUND UNITED KINGDOM

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	1,448	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,448	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	1,428	-	-	-	-	-	-	-
2.1 Due to customers	1,428	-	-	-	-	-	-	-
- current accounts	664	-	-	-	-	-	-	-
other payables	764	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	764	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: DOLLAR CANADA

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	25	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	25	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities								
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities			-	-	-	-	-	-
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: OTHER CURRENCIES

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	855	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	855	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	23	-	-	-	-	-	-	-
2.1 Due to customers	23	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
other payables	23	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	23	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Qualitative information – Pricing risk

A. Pricing Risk - General information, Measurement and Management

The Banking Group measures the pricing risk exposure of the banking book applying the same methods used to measure interest rate risk.

B. Pricing Risk-Hedges

There are no hedges as defined under IAS.

1.2.3 Currency risk

Qualitative information

A. Currency Risk - General information, Measurement and Management

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

B. Currency Risk-Hedges

There are no hedges as defined under IAS.

Internal models and other sensitivity analysis methods
VaR (Value at Risk) estimates the risk of loss resulting from adverse movements in the exchange rate of traded financial instruments as a result of adverse market movements.

1.2.4 Total derivatives

A. Financial derivatives

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

	Dec. 31, 2013		Dec. 31, 2012	
€/t	OTC	Central Counterparties	OTC	Central Counterparties
1. Debt securities and interest rates	87,434	26,615	69,587	41,770
a) Options	-	-	-	-
b) Swap	87,029	-	69,583	-
c) Forward	405	-	4	-
d) Futures	-	26,615	-	41,770
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	370,304	-	252,364	-
a) Options	-	-	-	-
b) Swap	367,131	-	252,364	-
c) Forward	3,173	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	457,738	26,615	321,951	41,770
Average amount	39,626	-	92,078	2,883

A.2.1 Hedging derivatives

€/t	Dec. 31, 2013 OTC	Dec. 31, 2013 Central Counterparties	Dec. 31, 2012 OTC	Dec. 31, 2012 Central Counterparties
1. Debt securities and interest rates	447,097	-	480,926	-
a) Options	70,107	-	67,829	-
b) Swap	376,990	-	413,097	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	447,097	-	480,926	-
Average values	206,862	-	420,530	-

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

	Positive fair value			
	Dec. 31, 2013		Dec. 31, 2012	
€/t	OTC	Central Counterparties	OTC	Central Counterparties
A. Trading book	26	-	2,620	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	2,620	-
d) Equity swap	-	-	-	-
e) Forward	26	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging derivatives	2,418	-	1,366	-
a) Options	2,418	-	1,366	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
3. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	2,444	-	3,986	-

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

	Negative fair value			
	Dec. 31, 2013		Dec. 31, 2012	
€/t	OTC	Central Counterparties	OTC	Central Counterparties
A. Trading book	17,551	-	21,321	-
a) Option	-	-	-	-
b) Interest rate swap	17,551	-	17,264	-
c) Cross currency swap	-	-	4,057	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging derivatives	59,127	-	92,888	-
a) Option	-	-	-	-
b) Interest rate swap	59,127	-	92,888	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
3. Banking book - other derivatives	-	-	-	-
a) Option	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	76,678	-	114,209	-

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

€/t	Governments and Central Banks	Government Agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others
1. Debt securities and interest rates							
- notional amount	-	-	87,105	-	-	-	329
- positive fair value	-	-	-	-	-	-	1
- negative fair value	-	-	17,551	-	-	-	-
- future exposure	-	-	1,086	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	247,578	121,093	-	1,450	182
- positive fair value	-	-	721	-	-	19	-
- negative fair value	-	-	412	658	-	-	-
- future exposure	-	-	2,454	1,211	-	15	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

€/t	Governments and Central Banks	Government Agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others
1. Debt securities and interest rates							
- notional amount	-	-	447,097	-	-	-	-
- positive fair value	-	-	2,418	-	-	-	-
- negative fair value	-	-	59,127	-	-	-	-
- future exposure	-	-	5,828	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

€/t	1 year	1 year to 5 years	Over 5 years	Total
A. Trading book	374,438	16,366	66,934	457,738
A.1 Financial derivatives on debt securities and interest rates	4,134	16,366	66,934	87,434
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	370,304	-	-	370,304
A.4 Financial derivatives on other values	-	-	-	-
B. Banking book	14,776	65,674	366,647	447,097
B.1 Financial derivatives on debt securities and interest rates	14,776	65,674	366,647	447,097
B.2 Financial derivatives on equities and stock indices	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total at Dec. 31, 2013	389,214	82,040	433,581	904,835
Total at Dec. 31, 2012	270,031	79,360	453,487	802,878

B. Credit derivatives

During the year the Bank did not trade in credit derivatives and at December 31, 2012 it did not hold any positions in those instruments.

1.3 LIQUIDITY RISK

Qualitative information

Liquidity Risk - General information, Measurement and Management

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

The liquidity risk management framework is approved by the Board of Directors of the Parent Company and implemented across the Group (where applicable). Liquidity risk is monitored by the Risk Control unit applying dedicated policies and procedures, including operating and structural limits, a maturity ladder as well as a contingency funding plan under the broader Asset Liability Management model of the Banking Group. In compliance with Basel II Second Pillar requirements, and in view of the implementation of Basel III, all internal procedures for liquidity risk management have been reviewed. Under the liquidity risk management policy Banca Mediolanum implemented a control procedure which entails the generation of daily reports for monitoring operational liquidity limits in treasury management and quarterly reports for monitoring the bank's structural liquidity in the aggregate. The method used to manage operational liquidity is derived from the Maturity Mismatch Approach and is based on the monitoring of cumulative gaps generated by Net Flows and Counterbalancing Capacity as assessed using an operational Maturity Ladder. Structural liquidity is monitored by determining the long term ratio (Net Stable, Funding, Ratio) in accordance with the rules defined by the European Banking Authority (EBA) in relation to the new Basel III liquidity risk requirements.

Quantitative information

1. Time-to-maturity of financial assets and liabilities – Currency: Euro

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	896,021	311,391	423,390	969,857	350,646	379,473	2,951,642	10,436,335	2,993,030	360,886
A.1 Government securities	4,199	48	409,000	913,607	182,982	138,033	2,467,520	8,984,352	37,019	-
A.2 Other debt securities	837	66	14,355	15,253	96,555	132,808	280,821	353,503	27,132	-
A.3 Holdings in UCITS	137,172	-	-	-	-	-	-	-	-	-
A.4 Loans	753,813	311,277	35	40,997	71,109	108,632	203,301	1,098,480	2,928,879	360,886
- Banks	34,192	287,589	-	14,034	2,381	-	-	-	-	354,981
- Customers	719,621	23,688	35	26,963	68,728	108,632	203,301	1,098,480	2,928,879	5,905
Non-derivative liabilities	7,635,593	1,489,646	1,305,057	262,359	1,789,461	762,283	2,214,856	3,209,525	174,055	2,649
B.1 Current accounts and deposits	7,441,561	81,649	204,688	261,216	1,181,199	753,264	2,179,431	4,435	-	2,649
- Banks	15,755	-	44,864	4,520	311,588	101,596	194,209	-	-	-
- Customers	7,425,806	81,649	159,824	256,696	869,611	651,668	1,985,222	4,435	-	2,649
B.2 Debt securities	-	-	-	-	1,021	1,692	2,696	59,956	126,571	-
B.3 Other liabilities	194,032	1,407,997	1,100,369	1,143	607,241	7,327	32,729	3,145,134	47,484	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	927	-	1,469	70,655	-	-	6,345	-	-
- Short positions	-	1,882	-	-	127,711	-	-	13,048	7,608	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	17,551	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	(17,857)	-	-	-
- Short positions					-	-	-	-	-	-
C.5 Financial guarantees issued	1,014	-	-	-	-	-	-	-	-	-
C.6 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	12,262	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	12,262	-	-	-	-	-	-	-	-	-
- Banks	12,249	-	-	-	-	-	-	-	-	-
- Customers	13	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	68,074	-	-	14,505	-	-	-	-	-	-
B.1 Current accounts and deposits	68,074	-	-	14,505	-	-	-	-	-	-
- Banks	23,204	-	-	14,505	-	-	-	-	-	-
- Customers	44,870	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	1,245	97,890	-	121,093	-	-	-	-	-
- Short positions	-	809	98,165	1,450	49,717	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	(22,478)	-	-	-	-	-	-	-	-
- Short positions	-	22,478	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – Currency: FRANC SWITZERLAND

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	591	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	591	-	-	-	-	-	-	-	-	-
- Banks	591	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	279	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	279	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	279	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	5	97,752	-	-	-	-	-	-	-
- Short positions	-	13	97,454	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – Currency: POUND UNITED KINGDOM

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	1,448	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,448	-	-	-	-	-	-	-	-	-
- Banks	1,448	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	1,428	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	1,428	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	36	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – Currency: DOLLAR CANADA

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	25	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	25	-	-	-	-	-	-	-	-	-
- Banks	25	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	173	-	-	-	-	-	-	-	-
- Short positions	-	6	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions					-	-	-	-		-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Indefinite maturity
Non-derivative assets	849	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	849	-	-	-	-	-	-	-	-	-
- Banks	849	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	23	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	23	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	23	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	63	-	-	-	-	-	-	-	-
- Short positions	-	51	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Information on assets committed and recorded

Technical forms	Committed		Not committed		Total
	BV	FV	BV	FV	Dec. 31, 2013
1. Cash and cash equivalents	-	X	(1,764)	X	(1,764)
2. Debt securities	(6,563,211)	(6,605,038)	(6,123,679)	(6,133,050)	(25,424,978)
3. Equities	-	-	(21,490)	(454)	(21,944)
4. Loans	(124,719)	X	(5,412,664)	X	(5,537,383)
5. Other financial assets	-	X	(140,332)	X	(140,332)
6. Non-financial assets	-	X	(369,753)	X	(369,753)
Total	(6,687,930)	(6,605,038)	(12,069,682)	(6,133,504)	(31,496,154)

Legend:
BV = Book value
FV = Fair value

3. Information on owned assets committed and not recorded

Technical forms	Committed	Not committed	Total Dec. 31, 2013
1. Financial assets	(317,210)	(408,416)	(725,626)
– Securities	(317,210)	(408,416)	(725,626)
– Other	-	-	-
2. Non-financial assets	-	-	-
Total	(317,210)	(408,416)	(725,626)

Liquidity Risk Stress Testing

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

Generally, the systemic events tested in stress scenario simulations may include:
- a financial market shock that brings about a significant change in interest rates and exchange rates;
- a crisis in a geographical area or market (e.g. emerging markets or Eurozone Mediterranean markets), identified by a fall in major stock market indices;
- a systemic shock like the one after 9/11 which significantly restricts access to money markets;
- scarce liquidity in the interbank market.

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

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

1.4 OPERATIONAL RISK

Qualitative Information

General aspects, operational risk measurement and management

The Compliance and Risk Control team coordinates with Network Inspectors and the Anti-Money Laundering team for management and control of operational risk associated with the activities carried out by the sales network, and with Accounting and Finance officers for verification of capital adequacy vis-à-vis operational risk capital requirements.
Within the Compliance and Risk Control function operational risk controls are carried out by the Risk Assessment and Mitigation and Risk Control teams. Specifically:

- the Risk Assessment and Mitigation team is responsible for assessing both non-compliance, reputational and operational risk exposures of the various organisational units through integrated risk assessment as well as for developing a system of recurring second level controls;
- the Risk Control team is responsible for assessing and monitoring exposures to operational risk through collection and analysis of operational loss data.

These teams coordinate their work with the Compliance unit team.
The Compliance and Risk Control function is separate and independent of operating units and reports directly to the Parent Company's Senior Management.
In consideration of the characteristics and the type of business conducted by Banca Mediolanum, special attention is given to risks associated with the operation of the Sales Network and the multiple channels, i.e. also those channels which enable access and transactions from a remote location. These risks are managed, inter alia, through local controls and procedures for risk assessment, management, prevention and mitigation.
In line with what is required by industry regulations, Banca Mediolanum adopted and regularly updates a specific framework for the management of operational risk.
The reference framework for the management and control of operational risk is composed of four basic processes:

1. Identification;
2. Measurement;
3. Monitoring, Control and Reporting;
4. Management.

Each of these processes is characterized by specific objectives, models, methodologies and tools. The **identification** is the activity of finding and collecting information relating to operational risks through the coordinated and consistent processing of all relevant sources of information. The aim is the establishment of a comprehensive information base.
The identification is done through the definition and classification of the information needed for the integrated management of operational risks.

The information necessary for this purpose are:

- qualitative and quantitative assessments of the risk exposure of key business processes, as part of the annual risk self-assessment conducted by the Risk Assessment and Mitigation Sector of the Compliance and Risk Control function;
- actual internal loss data, together with all information relevant to the measurement and management of risks (including recoveries from insurance and direct), collected through the process of Loss Data collection by the Risk Control Sector of the Compliance and Risk Control function;
- preliminary analysis, by the Risk Assessment and Mitigation Sector of the Compliance and Risk Control function, of the risk exposure to the entry into new businesses or new contracts/commercial agreements, as well as a result of organizational changes/regulations.

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

- economic capital;
- regulatory capital.

Following the examination of the results of self-assessment, initially made on November 7, 2007, and then reviewed on an annual basis (latest results examined on March 19, 2014), the Board of Directors resolved to apply, at individual level, the standardised approach to operational risk capital measurements, considering that both quantitative and qualitative requirements for the adoption of said approach are satisfied. Instead, to measure the operational risk capital charge at consolidated level, in the light of the different stages in the implementation of the operational risk control model at the various subsidiaries, in accordance with the proportionality principle, effective from January 1, 2008, the Group adopted a "combination of the basic indicator approach and the standardised approach". Said combination of approaches is applied in compliance with the requirements set forth in the Bank of Italy's Circular 263/2006, as schematically set out in the table below.

Methods applied for the calculation of the operational risk capital charge

	Individual	Consolidated
Banca Mediolanum	Standard(1)	Standard(1)
Mediolanum Gestione Fondi	Circ. BdI 189/93(2)	Standard(1)
Mediolanum Fiduciaria	Not applicable	Base(1)
Fermi & Galeno Real Estate Srl	Not applicable	Base(1)
Mediolanum International Funds Ltd	Not applicable	Standard(1)
Mediolanum Asset Management Ltd	C.R.D.(3)	Standard(1)
Bankhaus August Lenz	Base(1)	Base(1)
Banco Mediolanum S.A.	Base(1)	Base(1)
Fibanc S.A.	Not applicable	Base(1)
Mediolanum Pensiones S.A. S.G.F.P.	Not applicable	Base(1)
Mediolanum Gestion S.G.I.I.C. S.A.	Not applicable	Base(1)
Gamax Management A.G.	Not applicable	Base(1)

(1) Methods for the calculation of the operational risk capital charge as defined in the Bank of Italy's Circular 263/2006.
(2) The Bank of Italy's Circular 189/1993 sets forth a capital requirement for "other risks" equal to the higher of the percentage applied to managed assets and 25% of fixed operational costs.
(3) IFSRA local transposition of the Capital Requirement Directive "Notice on the implementation of the CRD" (December 28, 2006) and "Investment firms guidelines on ICAAP submission". Standardised approach applied on an individual basis for Mediolanum Asset Management. No operational risk capital charge required of Mediolanum International Funds on an individual basis.

Readers are reminded that pursuant to Bank of Italy's Circular 263/2006, the combination of the Basic Indicator approach and the Standardised approach is allowed at consolidated level, provided that the operational segments to be covered under said method do not exceed 10% of the average of the last three annual measurements of the relevant indicator. The satisfaction of the 10% requirement was ascertained by the Board of Directors prior to passing the relevant resolution and again in subsequent years. The latest review was made by the Board of Directors at its meeting of March 19, 2014 when satisfaction of said requirement was confirmed also for the year 2014.

"**Monitoring, Control and Reporting**" consists of the following:

- **Monitoring and Control**: analysis of actual exposure vs. estimated exposure to operational risk; identification of mitigating actions; fine tuning of risk assessment models.
- **Reporting**: preparation of regular reports to Organisational Units, Senior Management, and the Board of Directors.

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

In 2013, 140 organisational units of entities within the Banking Group were examined identifying over 2,600 operational risk checkpoints. About 85% of checkpoints were judged to be adequate or in need of being just better formalised. Mitigation actions were taken in relation to controls that were judged to be unsatisfactory or in need of improvement.

Compliance Risk

It is the risk of legal penalties or fines, financial losses or reputational damage resulting from failed compliance with statutes, regulations, codes of conduct, self discipline or internal rules.
Across the Mediolanum Banking Group, Banca Mediolanum S.p.A. defined a single compliance risk management framework that entrusts the Compliance team with the responsibility of ensuring compliance within the Parent Company as well as for supervision, guidance and control of Group companies within its remit.
The scope of work of the Compliance unit has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance Model and in relation to specific regulatory areas.
The different steps of the main Compliance cycle, provided by the Group Compliance Policy, include the following activities:

- **Planning**: annual planning of compliance risk management activities (compliance plan).
- **Regulatory alert**: analysis of regulatory changes and information on their possible impact on the bank's business to the relevant organisational units.
- **Mapping rules**: identification in continuation of applicable regulatory requirements and associated penalties for the enhancement of the legal/regulatory aspect and size of the business, i.e. risks that insist on activities.
- **Valuation Risk Impact**: assignment of an "inherent" risk (or Risk Impact) to each risk event whose occurrence could result in a direct or indirect punitive, financial or reputational damage.
- **Guidance and advice**: preparation of opinions as well as assistance for education sessions.

- **Compliance Assessment Mapping** of processes, procedures, innovative projects, products, contracts.
- Effectiveness assessments, "ongoing", of compliance with the regulations, even through analysis of specific "indicators".
- **Mitigation actions:** planning of corrective actions to mitigate any identified risk.
- **Reporting:** preparation of information on compliance matters for Senior Management and/or Supervisory Authorities.

In carrying out its activities, the Compliance Sector relies on the support of the Risk Assessment and Mitigation Sector with particular reference to those relating to compliance assessment, effectiveness assessments and the identification of any mitigation actions to be undertaken.

Strategic Risk

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

Strategic risk may arise from:

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

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

Strategic risk arising from improper implementation of business decisions or losses arising from business decisions are also monitored as part of the Loss Data Collection exercise carried out by the Risk Control team.

Reputational risk

Under the new regulations governing capital requirements for banks, reputational risk is classified among "other risks" that are difficult to measure in relation to which banks put in place adequate controls and mitigation measures. 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.

Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:

- the materialisation of other risks (e.g. market risk, liquidity risk, legal risk or strategic risk) not adequately kept in check;
- the occurrence of operational risk events (e.g. malfunctioning, disservice) with impact on the stakeholders' perception of the bank;
- failed compliance with statutes, regulations and codes of conducts, including those that may be outside the purview of the Compliance team;
- internal or external communications being ineffectively or inappropriately handled;
- the behaviour of corporate officers, employees or sales network members.

More generally, internal events include all events directly associated with the processes in place and the business conducted by the Bank as well as any management or operational choices made by the Bank (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).
External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the Bank or the Group. These events are not directly associated with processes in place or business conducted by the Bank, but are related to the circulation of negative opinions or information about the Bank or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the Bank and its management).
The materialisation of reputational risk may also have effects on other risks (e.g. liquidity risk, in the event of a significant decline in the number of customers as a consequence of the damaged reputation of the Bank).
Banca Mediolanum recognises the reputation of the Bank and of the Group is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, within the Group, reputation is managed and protected through:

- the values that are embedded across the organisation;
- the promotion of a corporate culture built on integrity, fairness and compliance at all levels of the organisation;
- the adoption of a reputational risk governance and control model.

The process of identifying, assessing and mitigating exposure to reputational risk is conducted by the Risk Assessment and Mitigation Sector of the Compliance and Risk Control Function, as part of the aforementioned integrated risk assessment activities carried out annually on various organizational units with respect to operational and compliance risk. On this occasion, the employees of the Risk Assessment and Mitigation Sector require the Heads of Organizational Units whose activities have an impact on the critical values perceived by stakeholders, provide a qualitative assessment of exposure to reputational risk, also analysing other data or documents that might lead to better compliance assessment of safeguards in place. Among these elements particularly important factors are complaints received from customers, complaints and inquiries received by the Supervisory Authority, the customer satisfaction analysis, satisfaction surveys, etc.

PART F - INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 - CONSOLIDATED CAPITAL

A. Qualitative information

In accordance with strategic guidelines for growth, Banca Mediolanum takes all measures needed to ensure adequate capital levels and controls thereof. By continuously monitoring capital levels the Bank prevents any tensions that may arise in the future.

B. Quantitative information

B.1 Analysis of consolidated equity by type of company

€/t	Banking Group	Insurance companies	Other companies	Elisions and adjustments from consolidation	Dec. 31, 2013
Share capital	602,671	-	-	-	602,671
Share premium account	-	-	-	-	-
Reserves	141,353	-	-	-	141,353
Equity instruments	-	-	-	-	-
(Treasury shares)	-	-	-	-	-
Valuation reserves	93,564	-	-	-	93,564
- Available-for-sale financial assets	93,572	-	-	-	93,572
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets and disposal groups	-	-	-	-	-
- Actuarial gains (losses) related to defined benefit plans	(8)	-	-	-	(8)
- Share of reserves on investments accounted for by the equity method	-	-	-	-	-
- Special revaluation statutes	-	-	-	-	-
Profit (loss) for the year (+/-) - Group/Minorities	343,881	-	-	-	343,881
Shareholders' Equity	1,181,469	-	-	-	1,181,469

B.2 Analysis of revaluation reserves relating to available-for-sale financial assets

€/t	Banking Group		Insurance companies		Other companies		Elisions and adjustments from consolidation		Total	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt securities	97,576	(5,614)	-	-	-	-	-	-	97,576	(5,614)
2. Equities	255	-	-	-	-	-	-	-	255	-
3. Holdings in UCITS	5,624	(4,277)	-	-	-	-	-	-	5,624	(4,277)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2013	103,455	(9,891)	-	-	-	-	-	-	103,455	(9,891)
Total at Dec. 31, 2012	126,731	(35,680)	-	-	-	-	-	-	126,731	(35,680)

B.3 Year's movements in the revaluation reserves relating to available-for-sale financial assets

€/t	Debt securities	Equities	Holdings in UCITS	Loans
1. Opening balance	79,958	116	(1,494)	-
2. Increases	67,704	155	3,871	-
2.1 Increase in fair value	66,859	126	3,525	-
2.2 Reclass. to the income statement from negative reserves	845	29	346	-
- impairment	-	29	346	-
- realised gains	845	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	75,598	29	1,038	-
3.1 Decrease in fair value	18,368	29	1,038	-
3.2 Impairment	-	-	-	-
3.3 Reclass. to the income statement from - positive reserves	57,230	-	-	-
3.4 Other decreases	-	-	-	-
4. Closing balance	72,064	242	1,339	-

B.4 Year's movements in the revaluation reserves relating to defined benefit plans

The revaluation reserve related to defined benefit plans at year-end 2013 amounted to Euro 29 thousand.

SECTION 2 – CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

In its Circular No. 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular incorporates the international capital requirements that were introduced following the adoption of the international accounting and financial reporting standards (IAS/IFRS). To safeguard the quality of regulatory capital and reduce the potential volatility arising from the adoption of the international accounting and financial reporting standards, certain "prudential filters" are applied to financial data. Consolidated regulatory capital is made up of the regulatory capital of individual Group companies plus related items resulting from consolidation, specifically, core capital and supplementary capital include the share of the Group and the share of minority interests (so-called Shareholders' equity attributable to minority interest).

On May 18, 2010 the Bank of Italy issued new requirements for the treatment of revaluation reserves relating to debt securities in the "available-for-sale (AFS) financial assets" portfolio for the purpose of calculating "prudential filters".

In accordance with CEBS guidelines (2004), the Bank of Italy introduced the option of fully neutralising gains and losses on the reserves relating to debt securities in the AFS portfolio with prior notice thereof to the supervisor.

The provisions of the measure apply only to securities issued by Central governments of EU countries.

The option is allowed for securities already in the AFS portfolio on December 31, 2009, or purchased after December 31, 2009, but before the adoption of said treatment option, and directly recognised in the AFS assets category. The deadline for adopting the treatment option was June 30, 2010.

The Board of Directors of Banca Mediolanum adopted said treatment option for all entities in the Banking Group on June 23, 2010.

In the determination of Regulatory capital at December 31, 2013, the adoption of this option resulted in a decrease of the positive elements of supplementary capital amounting to Euro 45,807 thousand resulting in a decline of the same amount in consolidated regulatory capital as at December 31, 2013.

With reference to the application in Italy of Regulation (EU) No. 575/2013 (RRC) and the 2013/36/UE Directive (CRD), on January 16, 2014, the Board of Directors of Banca Mediolanum S.p.A. resolved to exercise the option provided for by Part II, Chapter 14 (Transitional Provisions in own funds), Section II, para. 2 last paragraph of the Bank of Italy's Circular no. 285 of December 17, 2013.
As a result of the exercise of said power and as of January 1, 2014, Banca Mediolanum S.p.A. and the Mediolanum Banking Group will not include in any element of own funds, profits or losses not realized related to exposures to the central government classified as "Financial assets available for sale", for the entire period covered by the CRR.

2.2 The regulatory capital of banks

A. Qualitative information

Regulatory capital is the sum of core capital - Tier 1 capital - (Euro 698.26 million), included in the calculation without restrictions, and supplementary capital - Tier 2 capital - (Euro 178.23 million) which cannot exceed the amount of Tier 1 capital, before deductions, and Tier 3 capital. Shareholdings, non-innovative, innovative, hybrid capital instruments and subordinated assets held in other banks, financial and insurance companies are deducted from Tier 1 and Tier 2 capital.

1. Tier 1 capital

Tier 1 capital includes paid-up share capital (Euro 602.67 million), reserves (Euro 229.35 million) and net profit for the period (Euro 60.95 million) after dividends distributed to companies that are not part of the Banking Group. All Tier 1 capital components include the share of minority interests. Intangible assets (Euro 16.40 million) and goodwill (Euro 173.16 million) are deducted from capital components.
At December 31, 2013 there are no prudential filters related to Tier 1 capital. Negative components of core capital (Euro 5.15 million) consisted of shares in an open-ended collective investment scheme.

2. Tier 2 capital

Tier 2 capital consists of the positive valuation reserves (net of tax) related to equity securities classified as "Financial assets available for sale" (Euro 1.02 million), from the net positive valuation reserves (net of tax) related to debt securities classified as "Financial assets available for sale" (Euro 0.35 million) and level 2 subordinated liabilities (Euro 182.69 million).
The negative elements of Tier 2 capital consist of 50% of the shares held by an investment company with variable capital (Euro 5.15 million) and negative filters consisting of the excluded portion, 50% of positive reserves on equities classified as "Financial assets available for sale" (Euro 0.51 million) and the excluded portion, 50%, of positive reserves on debt securities classified as "Financial assets available for sale" (Euro 0.17 million).

3. Tier 3 capital

At December 31, 2013, Mediolanum Banking Group's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Tier 1 before prudential filters	703,403	637,083
B. Tier 1 prudential filters:	-	(2,535)
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-	(2,535)
C. Tier 1 before items to be deducted (A + B)	703,403	634,548
D. Deductions from Tier 1	5,146	5,073
E. Total TIER 1 (C - D)	698,257	629,475
F. Tier 2 before prudential filters	184,059	93,041
G. Tier 2 prudential filters:	(684)	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(684)	-
H. Tier 2 before items to be deducted (F + G)	183,375	93,041
I. Deductions from Tier 2	5,146	5,073
L. Total TIER 2 (H - I)	178,229	87,968
M. Deductions from Tier 1 and Tier 2	-	-
N. Total capital (E + L + M)	876,486	717,443
0 Tier 3	-	-
P. Regulatory capital included TIER3 (N + 0)	876,486	717,443

2.3 Capital adequacy

A. Qualitative information

Capital adequacy assessment is aimed at identifying the amount of free capital, i.e. the portion of capital that is not absorbed by credit risk (solvency ratio), market risk (trading book risk, currency risk and concentration risk) and operational risk.

At December 31, 2013, Mediolanum Banking Group’s free capital amounted to Euro 487.46 million.

Tier 1 capital ratio (core capital/RWA) was 14.36% and total capital ratio (regulatory capital/RWA) was 18.02%, above the minimum requirement of 8%.

B. Quantitative information

€/t	Not weighted		Weighted/requirements	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
A. Risk assets				
A.1 Credit and counterparty risk	19,991,113	16,602,173	3,357,917	3,758,654
1. Standardised approach	19,991,113	16,602,173	3,357,917	3,758,654
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk	-	-	268,633	300,692
B.2 Market risks	-	-	8,743	20,363
1. Standardised approach	-	-	8,743	20,077
2. Internal models	-	-	-	-
3. Concentration Risk	-	-	-	286
B.3 Operational risk	-	-	111,647	93,657
1. Basic approach	-	-	6,924	5,859
2. Standardised approach	-	-	104,723	87,798
3. Advanced approach	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Other computational elements	-	-	-	-
B.6 Total prudential requirements	-	-	389,023	414,712
C. RWA and capital ratios				
C.1 Risk-weighted assets (RWA)*	-	-	4,862,788	5,183,904
C.2 Core capital/RWA (Tier 1 capital ratio)	-	-	14,36%	12,14%
C.3 Regulatory capital including Tier 3/ RWA (Total capital ratio)	-	-	18,02%	13,84%

(*) RWA are determined by multiplying total prudential requirements (B.6) by 12.5 (reciprocal of the min. coefficient equal to 8%).

PART G - BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2013 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

No transaction was concluded after the end of the financial year under review.

PART H – RELATED PARTY TRANSACTIONS

Related party transactions as of 12.31.2013

1. Key management compensation

€/t	Directors, Statutory Auditors, Deputy/General Managers	Other key management
Emoluments and social security contributions	6,722	-
Other compensation	272	-

2. Information on related party transactions

Statement of financial position

€/t	Balance at Dec. 31, 2013
Loans to banks	78
Loans to customers	5,963
Financial assets held for trading	32,251
Other assets	90,962
Due to customers	(901,809)
Other liabilities	(61,938)
Guarantees issued	19,403

Income Statement

€/t	Balance at Dec. 31, 2013
Net commission	112,391
Net interest	(370)
Administrative expenses	(11,597)
Key personnel	4,139
Other operating income and expenses	(21,029)

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

1. Description of equity-settled share-based payment transactions

Equity-settled share-based payment transactions relate to the share capital increases for a consideration resolved by the Parent Company Mediolanum S.p.A. under a stock option plan, which can be implemented on multiple occasions and in different years. The stock option plan and the related capital increases are reserved to the employees, directors and sales network members of Mediolanum S.p.A. and its subsidiaries.

For details on the stock option plan readers are referred to the relevant section of the Notes to the consolidated financial statements.

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2013, 1,109,238 stock options granted in 2006-2010 were exercised for a total of 1,109,238 Mediolanum S.p.A. shares.
The year's movements in option holdings are set out in the table below. The table includes information required as per Bank of Italy's Circular 262/2005.

	Dec. 31, 2013			Dec. 31, 2012		
€/t	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
A. Opening balance	7,434,777	2.04399	Nov-17	7.269,473	2.37021	Feb-17
B. Increases	2,312,550			2.010,450		
B.1 New issues	2,312,550	1.250	Nov-18	1.961,950	1.1040	Jul-17
B.2 Other increases	-	-	X	48,500	5.531	X
C. Decreases	2,001,963			1.845,146		
C.1 Cancelled	306,725	1.129	X	843,596	1.6662	X
C.2 Exercised (*)	1,109,238	2.067	X	518,550	1.0330	X
C.3 Past due	533,000	6.374	X	483,000	5.2310	X
C.4 Other decreases	53,000	5.338	X	-		X
D. Closing balance	7,745,364	1.530	Dec-16	7,434,777	2.04399	Nov-17
E. Options exercisable at year-end	919,868	4.363	X	1,950,706	4.72831	X

(*) Average market price per share on the exercise date was Euro 5.14.

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to Euro 2,519 thousand and entailed a corresponding increase in equity reserves.

PART L - SEGMENTAL INFORMATION

This section presents consolidated financial data reported by operating segment. In compliance with IFRS 8, segment reporting reflects the "management reporting approach" of the Mediolanum Banking Group and is consistent with the information disclosed to the market and to the various stakeholders.
Segment reporting of consolidated financial data for the period enables readers and users to assess the quality and sustainability over time of the financial results generated by the Mediolanum Banking Group in its different operating segments.

Note on the method applied to segment reporting

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

- ITALY – BANKING
- ITALY – ASSET MANAGEMENT
- 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.

Basiglio, March 19, 2014

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT AT DEC. 31, 2013

	ITALY				
€/t	Insurance	Banking	Asset Management	Other	Total
Net income issued	-	-	-	-	-
Entry fees	-	-	128,628	-	128,628
Management fees	-	-	489,837	-	489,837
Performance fees	-	-	174,191	-	174,191
Banking service fees and revenues	-	77,207	-	-	77,207
Other fees	-	2,622	115,338	-	117,960
Total commission income	-	79,829	907,994	-	987,823
Net interest income	-	246,974	480	-	247,454
Net profit/loss from investments at fair value	-	12,568	6	-	12,574
Net financial income	-	259,542	486	-	260,028
Equity method	-	-	-	-	-
Net income from other investments	-	61,723	284	-	62,007
Other revenues	-	17,250	290	-	17,540
TOTAL REVENUES	-	418,344	909,054	-	1,327,398
Network commission expenses	-	(48,840)	(358,489)	-	(407,329)
Other commission expenses	-	(12,774)	(106,657)	-	(119,431)
Administrative expenses	-	(207,203)	(104,641)	-	(311,844)
Amortisation and depreciation	-	(7,931)	(2,964)	-	(10,895)
Net provisions for risks and charges	-	(5,046)	200	-	(4,846)
TOTAL COSTS	-	(281,794)	(572,551)	-	(854,345)
PROFIT BEFORE TAX	-	136,550	336,503	-	473,053
Income tax	-	-	-	-	-
Third-party profit/loss	-	-	-	-	-
NET PROFIT FOR THE YEAR	-	-	-	-	-
Goodwill	-	-	70,332	-	70,332
Held to Maturity and Loans and Receivables	-	2,872,463	-	-	2,872,463
Securities Available for Sale	-	9,499,444	67,381	-	9,566,825
Financial assets/liabilities at fair value to net Income Statement	-	224,259	-	-	224,259
Net treasury position	-	3,366,347	(44,266)	-	3,322,081
- *of which intergroup*	-	*479,165*	*17,180*	-	*496,345*
Loans to Customers	-	4,910,663	-	-	4,910,663
Bank funding	-	13,333,156	-	-	13,333,156
- *of which intergroup*	-	*37,310*	-	-	*37,310*

ABROAD			
Spain	Germany	Consolidation adjustments	Total
-	-	-	-
7,815	3,274	-	139,717
16,450	5,388	-	511,675
4,797	2,614	-	181,602
4,619	14,433	(8)	96,251
17,416	313	-	135,689
51,097	26,022	(8)	1,064,934
22,956	685	-	271,095
728	-	-	13,302
23,684	685	-	284,397
-	-	-	-
10,580	(4,218)	-	68,369
568	463	(49)	18,522
85,929	22,952	(57)	1,436,222
(24,593)	(3,846)	-	(435,769)
(4,613)	(12,643)	8	(136,678)
(27,903)	(14,282)	49	(353,980)
(1,464)	(570)	-	(12,929)
(270)	-	-	(5,116)
(58,843)	(31,341)	57	(944,472)
27,086	(8,389)	-	491,750
-	-	-	(147,869)
-	-	-	156,356
-	-	-	187,525
102,831	-	-	173,163
-	4,015	-	2,876,478
1,261,514	28,092	-	10,856,431
-	-	-	224,259
646,653	(86,432)	-	3,882,302
(489,014)	*9,823*	-	*17,154*
167,277	8,524	-	5,086,464
605,628	78,733	-	14,017,517
1,316	-	-	*38,626*

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT AT DEC. 31, 2012

	ITALY				
€/t	Insurance	Banking	Asset Management	Other	Total
Net income issued	-	-	-	-	-
Entry fees	-	-	110,407	-	110,407
Management fees	-	-	395,456	-	395,456
Performance fees	-	-	167,513	-	167,513
Banking service fees and revenues	-	81,048	-	-	81,048
Other fees	-	11,247	114,249	-	125,496
Total commission income	-	92,295	787,625	-	879,920
Net interest income	-	275,109	699	-	275,808
Net profit/loss from investments at fair value	-	33,791	6	-	33,797
Net financial income	-	308,900	705	-	309,605
Equity method	-	-	-	-	-
Net income from other investments	-	(10,448)	(707)	-	(11,155)
Other revenues	-	19,296	427	-	19,723
TOTAL REVENUES	-	410,043	788,050	-	1,198,093
Network commission expenses	-	(60,577)	(283,594)	-	(344,171)
Other commission expenses	-	(12,307)	(93,533)	-	(105,840)
Administrative expenses	-	(175,944)	(119,583)	-	(295,527)
Amortisation and depreciation	-	(6,815)	(2,263)	-	(9,078)
Net provisions for risks and charges	-	(2,097)	(10,597)	-	(12,694)
TOTAL COSTS	-	(257,739)	(509,570)	-	(767,309)
PROFIT BEFORE TAX	-	152,304	278,480	-	430,783
Income tax	-	-	-	-	-
Third-party profit/loss	-	-	-	-	-
NET PROFIT FOR THE YEAR	-	-	-	-	-
Goodwill	-	-	70,332	-	70,332
Held to Maturity and Loans and Receivables	-	2,167,633	-	-	2,167,633
Securities Available for Sale	-	8,123,520	39,746	-	8,163,266
Financial assets/liabilities at fair value to net Income Statement	-	330,323	-	-	330,323
Net treasury position	-	2,455,483	(44,060)	-	2,411,423
- of which intergroup	-	*620,855*	*39,762*	-	*660,617*
Loans to Customers	-	4,289,455	-	-	4,289,455
Bank funding	-	11,666,773	-	-	11,666,773
- of which intergroup	-	*52,831*	-	-	*52,831*

ABROAD			
Spain	Germany	Consolidation adjustments	Total
-	-	-	-
4,997	3,308	-	118,712
12,207	5,119	-	412,782
3,406	1,019	-	171,937
3,804	10,728	(6)	95,574
11,131	288	-	136,916
35,544	20,462	(6)	935,920
33,685	963	-	310,455
602	-	-	34,399
34,287	963	-	344,854
-	-	-	-
(718)	-	-	(11,873)
568	1,033	(42)	21,283
69,681	22,458	(48)	1,290,184
(17,130)	(3,701)	-	(365,002)
(3,747)	(9,188)	10	(118,766)
(26,807)	(14,480)	38	(336,775)
(1,495)	(721)	-	(11,294)
(12,499)	-	-	(25,193)
(61,678)	(28,090)	48	(857,029)
8,003	(5,632)	-	433,155
-	-	-	(105,269)
-	-	-	139,114
-	-	-	188,772
102,831	4,261	-	177,424
-	4,007	-	2,171,640
1,005,181	28,002	-	9,196,449
-	-	-	330,323
672,292	(107,889)	-	2,975,826
(644,019)	*23,109*	-	*39,707*
155,896	6,894	-	4,452,245
337,234	96,047	-	12,100,054
928	-	-	*53,759*

Fees paid to the independent auditors

Fees paid to the independent auditors

The fees paid to the independent auditors Deloitte & Touche S.p.A. and entities that are part of their network are set out in the table below.

Mediolanum Banking Group

(in Euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Deloitte & Touche S.p.A. and other entities that are part of their network	564,200
Signing tax return	Deloitte & Touche S.p.A.	3,652
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	565,982
Other services	Other entities that are part of Deloitte international network	589,650
Total		1,723,485

It should be noted that the amount related to "certification" includes: Euro -547,202 to be paid by mutual funds to audit the financial statements of operations. These fees do not represent a cost for the company conferring the audit; Euro -18,780 for the audit of the financial statements of the open pension fund Previgest Fund Mediolanum, which are the responsibility of the conferring Company.

Fees paid to the independent auditors

The fees paid to the independent auditors Deloitte & Touche S.p.A. and entities that are part of their network are set out in the table below.

Banca Mediolanum S.p.A.

(in Euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Deloitte & Touche S.p.A.	149,199
Signing tax return	Deloitte & Touche S.p.A.	2,087
Certification	Deloitte & Touche S.p.A, and other entities that are part of their network	-
Other	Other entities of the Deloitte network	145,700
Total		296,986

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the General Meeting convened to approve the consolidated financial statements for the year ended December 31, 2013

Dear Shareholders,
in addition to the separate financial statements for the year ended December 31, 2013, also the consolidated financial statements of the Mediolanum Banking Group for the year ended December 31, 2013 are presented to you for approval.
The consolidated financial statements include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with section 64 of the Consolidated Banking Act.

Basis of preparation

The consolidated financial statements were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular no. 262 of December 22, 2005, as amended on November 18, 2009 and January 21, 2014, in application of Legislative Decree no. 38 of February 28, 2005.
These separate financial statements consist of the Statement of financial position, the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
The consolidated financial statements show net profit attributable to the Banking Group of Euro 187,525.00 thousand and net profit attributable to minority interests of Euro 156,356.00 thousand.

Scope and methods of consolidation

The consolidated financial statements include the accounts of the parent company Banca Mediolanum and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the parent company.
Subsidiaries are consolidated on a line-by-line basis.

Audit of the accounts, the Notes and the Directors' Report

Deloitte & Touche S.p.A. are the independent auditors responsible for auditing the Banca Mediolanum S.p.A. consolidated financial statements for the year ended December 31, 2013. Upon completion of their audit work, on April 4, 2014, the independent auditors issued the independent auditors' report without any remarks (unqualified opinion).

On the basis of the results of our work and in consideration of the foregoing, we express our favourable opinion on the approval of the consolidated financial statements and schedules attached thereto.

Milan, 09 April 2014

Board of Statutory Auditors
(Arnaldo Mauri – Chairman)
(Adriano Alberto Angeli – Statutory Auditor)
(Marco Giuliani – Statutory Auditor)

Independent Auditors' Report

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010

To the Shareholder of
BANCA MEDIOLANUM S.p.A.

1. We have audited the consolidated financial statements of Banca Mediolanum S.p.A. and subsidiaries ("Mediolanum Banking Group"), which comprise the statement of financial position as of December 31, 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and the relative notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 26, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Mediolanum Banking Group as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of Banca Mediolanum S.p.A. are responsible for the preparation of the Directors' report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' report is consistent with the consolidated financial statements of Mediolanum Banking Group as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
April 4, 2014

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