MEDIOLANUM S.p.A.

ANNUAL REPORT 2012

MEDIOLANUM
MEDIOLANUM GROUP

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

ANNUAL REPORT 2012

Registered office: Meucci Building Via F. Sforza – Basiglio – Milano Tre (Milan)
Share capital € 73,441,716.90 fully paid up
Tax, VAT and Milan Register of Companies Registration No. 11667420159

MEDIOLANUM
MEDIOLANUM GROUP

Corporate Governance Officers

Board of directors

Carlo Secchi	Chairman of the Board
Alfredo Messina	Deputy Chairman of the Board
Massimo Antonio Doris	Executive Deputy Chairman
Ennio Doris	Chief Executive Officer
Luigi Berlusconi	Director
Pasquale Cannatelli	Director
Maurizio Carfagna	Director
Edoardo Lombardi	Director
Mario Molteni	Director
Danilo Pellegrino	Director
Angelo Renoldi	Director
Paolo Sciumè	Director
Maria Alessandra Zunino De Pignier	Director

Board of statutory auditors

Ezio Simonelli	Chairman
Riccardo Perotta	Standing Auditor
Francesco Vittadini	Standing Auditor
Ferdinando Gatti	Alternate Auditor
Antonio Marchesi	Alternate Auditor

Board secretary

Luca Maria Rovere

Independent auditors

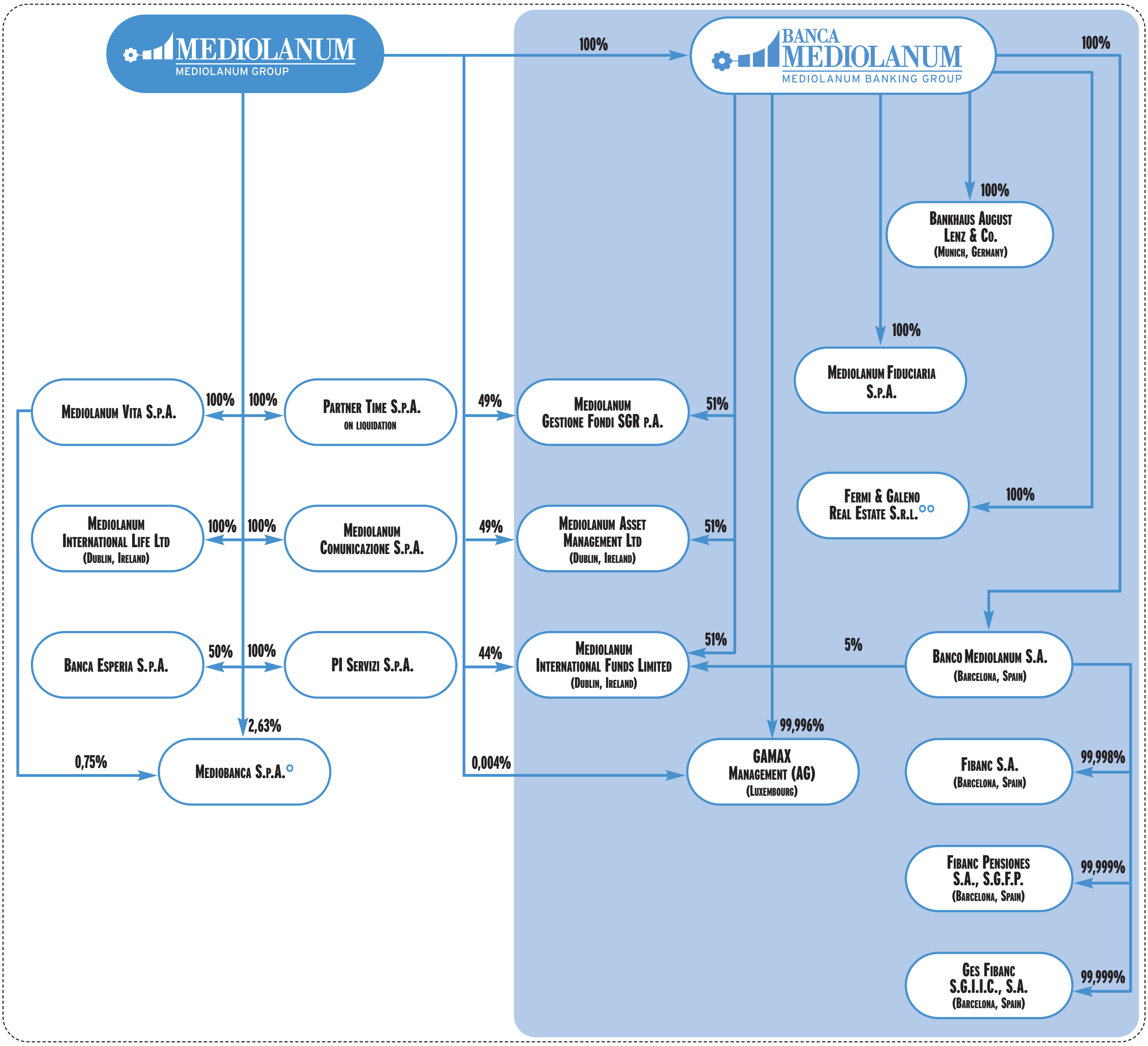
Deloitte & Touche S.p.A.

Officer responsible for preparing accounting and financial reporting documents

Luigi Del Fabbro

Group structure

as of December 31, 2012



• THE MEDIOLANUM FINANCIAL CONGLOMERATE

• MEDIOLANUM BANKING GROUP

° Since Mediobanca holds treasury shares, total shareholding amounts to 3.447% of voting rights.

°° Waiting for communication from the Bank of Italy regarding inclusion into the Mediolanum Banking Group.

Mediolanum Group's Financial Highlights

€/million	Dec. 31, 2012	Dec. 31, 2011	Change %
Assets under management and administration (*)	51,576.9	46,206.8	12%
Net inflows *of which Banca Mediolanum* *of which Banca Esperia*	1,806.6 *2,258.3* *(620.5)*	2,727.6 *2,280.0* *301.3*	-34% *-1%* *ns*
Profit before tax	500.6	84.2	494%
Income Tax	(149.6)	(17.0)	782%
Net profit *of which nonrecurring items (after tax)*	351.0 -82.8	67.3 -125.9	422% -34%
Net profit excluding nonrecurring items	433.8	193.2	125%

€	Dec. 31, 2012	Dec. 31, 2011	Change %
Earnings per share – on continuing operations	0.591	0.263	124%
Earnings per share – total	0.478	0.092	421%
Diluted earnings per share (°)	0.465	0.091	410%

(*) The figures relate to retail customers only.
(°) Net earnings attributable to holders of ordinary shares divided by the weighted average number of ordinary shares in issue.

Consolidated Annual Financial Statements 2012

Directors' Report

Dear Shareholder,

For financial year 2012 the Mediolanum Group reported net profit of €351 million up €283.7 million (422%) from €67.3 million in the prior year.
The bottom line benefitted from growth in recurring revenue items, especially net interest income up €83.8 million (36%) and management fees up €54.4 million (13%), but also from the contribution of performance fees up €79.4 million and net income on investments at fair value up €183.5 million. Nonrecurring items gave a negative contribution of €82.8 million, made up of the €62.7 million impairment on the stake in Mediobanca and the €20.1 million impairment of CGU Spain's goodwill. In the prior year, the Group had recognised a negative contribution from nonrecurring items aggregating to €125.9 million, namely an impairment charge on Greek sovereign debt holdings of €84.8 million (after tax) and impairment of the investment in Mediobanca amounting to €41.1 million.

Excluding the non-recurring items above, net profit was €433.8 million versus €193.2 million in 2011.

Mediolanum Group's total assets under management and administration aggregated to €51,576.9 million up 12% over the 2011 year end balance of €46,206.8 million.

Net inflows for the year amounted to €1,806.6 million versus €2,727.6 million at the end of the prior year.

Banca Mediolanum posted net inflows of €2,258.3 million, essentially in line with the balance of €2,280.0 million recorded in the prior year. Specifically, net inflows into asset management products jumped from €731.8 million in 2011 to €1,552.9 million at year end 2012, driven in particular by net inflows into mutual funds amounting to €1,352.2 million (vs. €590.3 million at December 31, 2011) and benefitting also from the contribution of third-party structured bonds that recorded net inflows of €200.7 million (vs. €141.5 million at year end 2011).
Regarding assets under administration, the positive contribution of the €2,134 million net inflows into current accounts and deposit accounts was offset in part by the €1,070.8 million net outflows relating to the policy associated with the *Freedom* bank account (net outflows of €521.5 million at year end 2011). Total net inflows into administered assets came in at €705.5 million down 54% over the prior year (€1,548.2 million).

According to information published in the financial newspaper *Il Sole 24 Ore* last February 2, with €2.3 billion net inflows in the year 2012 Banca Mediolanum still ranked first among top Italian sales networks.
Data relating to net inflows into mutual funds released by *Assogestioni* show that in 2012 Banca Mediolanum posted net inflows of €2.1 billion, more than the about €1.7 billion net inflows recorded by the whole domestic industry.

The *Assogestioni* ranking of top asset managers in terms of managed assets volumes shows that in 2012 the Mediolanum Group was in sixth place versus fourth place in the prior two years, notably its market share grew from 4.90% in December 2011 to 4.93% at the end of the year under review.

The macroeconomic environment

In 2012, the actions taken to deal with the financial crisis in the Eurozone significantly improved investor sentiment.
In the early part of the year the conventional and non-standard measures deployed by the European Central Bank (ECB) – in particular the two Long-Term Refinancing Operations (LTROs) of December 21, 2011 and February 29, 2012 whereby the ECB injected €489.2 billion and €529.5 billion, respectively, into the market – brought about improved market liquidity, reduced yields on European peripheral government bonds and positive stock market performance. The renewed turbulence on financial markets from March to June prompted EU leaders to take decisions regarding the European Stability Mechanism (ESM) and the European Financial Stability Facility (EFSF) at the European Council meeting of June 28-29, 2012.
Over the summer investor confidence improved after ECB President Mario Draghi provided further assurances and the German Constitutional Court gave the green light to the ratification of the ESM. In the final months of 2012, uncertainty about the timing and the procedures for the activation of the ECB government bond purchase programme through Outright Monetary Transactions (OMT), emerging signs of political and social instability in peripheral countries of the Eurozone, concerns about global economic growth and the possible impact of the fiscal cliff (the combination of spending cuts and tax increases following the expiration of Bush-era tax cuts) on US growth brought about some market volatility.
The victory by the pro-Euro conservative party *Nea Dimokratia* at the Greek elections of last June 15 put an end to the political and financial stalemate resulting from the previous elections of May 6.
In December 2012, the Euro-group finally reached an agreement on the restructuring of the Greek debt releasing €43.7 billion to Greece. Socialist Hollande's victory over incumbent Sarkozy in France's presidential elections held in May contributed to a shift in the Eurozone political balance.
Outside Europe, in November 2012, President Obama won the elections for a second mandate, while in Japan in December 2012 the liberal-democrats returned to power with Abe as Prime Minister. In the final part of the year, 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 brought about market volatility.
Stats confirm growth has slowed down in the Eurozone, while the US has powered ahead. In the third quarter of 2012, GDP expanded at 3.1% (annualised rate) in the US and shrank by 0.1% (non annualised) in the Eurozone, confirming again the lag between these two regions. Specifically, GDP grew in Germany (up 0.2%) and France (up 0.1%), while it shrank in Spain (down 0.3%) and Italy (down 0.2%). Eurozone's sluggishness in 2012 has been reflected in the Purchasing Managers' Indices (PMI) indicating the lack of a sustainable recovery in the manufacturing and services sectors. Conversely, in the US the readings of Institute for Supply Management (ISM) indices for both the manufacturing sector and services stayed above 50% (the threshold signalling that more companies are expanding instead of shrinking).
Both in the US and in the Eurozone, unemployment continues to be a major concern as it weighs on consumer confidence and demand for goods and services. In December 2012, the unemployment rate in the US was 7.8%

versus 8.5% in the prior year. In 2012, the readings of the Conference Board Consumer Confidence Index (CCI) and the University of Michigan Consumer Sentiment Index (MCSI) remained far from the highs recorded in the past.

In December 2012, in the Eurozone, the unemployment rate was 11.7% versus 10.7% at year end 2011. Specifically, the joblessness rate was 11.3% in Italy versus 9.5% in the prior year, 6.9% in Germany versus 6.8% in the prior year, and 26% in Spain versus 18.8% in the prior year.

In the current economic cycle inflation continues to be subdued.

In December, the CPI (annualised) was 2.2% versus 2.7% at year end 2011 in the Eurozone, and 1.7% versus 3.0% at year end 2011 in the US. Excluding food and energy, the CPI was 1.5% (1.6% in the prior year) and 1.9% (2.2% in the prior year), respectively. In the same month, the PPI (annualised) was 2.2% in the Eurozone and 1.3% in the US. In the UK the inflation rate fell from 4.2% in the prior year to 2.7%.

Financial Markets

During the year, the yield spreads between Italian and German government bonds declined, specifically from 528 bps at December 31, 2011 to 318 bps at year end 2012, with a peak last July 24 of 536 bps on 10-year notes and from 497 bps at December 31, 2011 to 200 bps at year end 2012, with a peak last July 24 of 512 bps on 2-year notes.

Yields on 2-year Italian treasuries fell from 5.12% at the start of the year to 1.99% at December 31, 2012; while yields on 2-year Italian treasuries dropped from 7.11% at the start of the year to 4.50% on December 31, 2012. Like in 2011, benefitting from purchases made by investors looking for low-risk assets, yields on German government bonds declined across all maturities (from 0.14% to a negative return of -0.015% on 2-yr notes; and from 1.83% to 1.32% on 10-yr notes). Yields on US treasuries remained in line with the low levels seen at year end 2011 (moving from 0.24% to 0.4% on 2-yr notes; from 1.88% to 1.76% on 10-yr notes).

Emerging markets and corporate bonds continued to benefit from uncertainty and volatility in peripheral Eurozone government bond markets with ensuing declines in yields and yield spreads.

In the fourth quarter of 2012 the protracted negotiations to reach a political agreement and avoid the fiscal cliff in the US and concerns about the impact of the fiscal cliff on US and global economic growth led the US stock market to underperform (S&P 500 down 1%) European bourses (STOXX Europe 600 up 4.2%).

In 2012, global equity markets were up 16.6% (MSCI World in US dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up 13.4% and up 15.9%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up 14.4%). Specifically, the Italian (FTSE MIB up 7.8%) and Spanish (IBEX 35 down 4.7%) markets underperformed the German (DAX up 29.1%), French (CAC40 up 15.2%) and Swiss (SMI up 14.9%) markets. Stock market indices were driven north by cyclical stocks and financials. Emerging markets rose 18.5% (MSCI EM in USD).

The performance of the Euro against the US dollar mirrored the developments of the European financial crisis. Specifically, the Euro experienced weakness in the early months of 2012, to strengthen later in the year following the reassuring statements made by ECB President Mario Draghi in July 2012, moving from 1.30 at the beginning of the year to 1.32 at year end against the US dollar, with a low of 1.21 in July. The Euro had similar movements in its foreign exchange value also against the UK sterling, namely from 0.83 in January to 0.78 in July and 0.81 in December. The performance of the European single currency against the Japanese yen and

the Swiss franc reflected the actions taken by the Central Banks of those countries. In the second part of the year the Bank of Japan set inflation targets at a level that facilitated its currency devaluation via monetary easing: the Euro strengthened from 99.66 in January to 114.46 in December against the Japanese yen. The Swiss National Bank intervened in the currency market throughout 2012 to avoid appreciation of the Swiss franc.
In 2012, Brent oil prices remained essentially flat moving from US$107.58 per barrel at the beginning of the year to US$111.94 per barrel at year end, with high volatility that brought it to a high of US$126.65 on February 24 and a low of US$88.74 on June 21.
In the year under review, the price of gold confirmed the historic highs seen in prior years moving from US$1,563.70 per ounce at the beginning of the year to US$1,675.35 per ounce in December 2012.

The Insurance Market

Data released by ANIA, the Association of Italian Insurers, shows that in the year 2012 new business written (that now includes also additional premium payments under single premium policies) under individual policies declined 10% over the prior year to €47.7 billion. In 2012, EU companies conducting business in Italy (ANIA data) posted premiums written of €7.0 billion, in line with the prior year.
Including also these companies, new business written since the beginning of the year aggregated to €54.7 billion, down 8.8% over the prior year (€60.0 billion in 2011). The decline was largely in class I traditional policies that were down 15.1% from €41.2 billion in 2011 to €35.0 billion in 2012. New premiums written under unit-linked and index-linked policies (class III) increased by 13.3% to €11.4 billion at year end 2012 from €10.1 billion at year end 2011.
The analysis by distribution channel shows that banks and post offices posted a 17.1% decline in new business written and their market share fell to 64.8%; agents and subsidiary agencies recorded a 8.7% decrease over the prior year in new life premiums written, and their market share was 16.4%. Conversely, new business written through financial advisors was up 26.4% over the prior year, with a market share of 18.5%.
Based on new life business written under both individual and group policies it is possible to estimate direct premiums written at year end 2012. In particular, considering that a portion of premiums written during the year relates to policies issued in prior years, premiums written should aggregate to about €69.5 billion year, down 6.0% on 2011 when premiums written were €73.9 billion.

The Banking Market

Holdings in life insurance, pension funds and severance funds were up 1.6%, with a weight of 18.0% (17.7% in the same period of the prior year).
In the first nine months of the year, holdings in mutual funds were up 9.6% and accounted for 7.6% (vs. 6.9% for the same period of the prior year) of total financial assets of households. Conversely, holdings in equities were down 10.9% with a weight of 17.6% (vs. 19.7% in the third quarter of 2011). Bond holdings (government and corporate bonds) declined too, namely by 1.5%, yet holdings in government bonds were up 14.7%. Bond holdings accounted for 19.1% (19.3% in the prior year) of total financial assets of households.
During 2012, in Italy banking funding slightly accelerated. Specifically, at year end 2012, Italian banks record-

ed 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 €1,761.5 billion, up 1.6% (vs. 0.9% at the end of December 2011) and an increase in the stock of funding of nearly €28 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 6.2% (down 0.4% in December 2011), the highest level since 2008. Bond holdings were down 6.8% in the year (up 3.2% in December 2011).
At year end 2012, lending (to the private sector and public administrations net of repurchase agreements with central counterparties) was down 1.1% year on year (up 2.4% at year end 2011) to €1,928 billion. Loans to private sector Italian residents[1] were slightly down too, down 1.8% (vs. up 2.9% at year end 2011) to €1,660.2 billion. Loans to households and non-financial companies amounted to about €1,475 billion, down 2.5% year on year (up 3.6% at year end 2011; Euro zone average: down 1.7%).
Maturity analysis shows that short-term lending (due within one year) was down 1.7% (up 5.5% in the prior year) and medium/long-term lending (due after more than one year) was down 2.8% (up 3% at year end 2011).
Credit facilities to households slowed down too, 1.4% decline versus 4.4.% growth at year end 2011 (when adjusted for securitisation[2], 0.5% decline in 2012 vs. 3.4% growth in 2011).

Consumer credit experienced high volatility and fell by about 7% in 2012 (2.7% growth in 2011). In the Eurozone consumer credit shrank by 3.9%. In the past decade the share of Italy's consumer credit in the Eurozone market grew from 4.2% at year end 2000 to 9.9% in December 2012.
Italian banks' share of the European home loans market grew, too, from 5.2% in December 2000 to 9.5% in December 2012. During 2012 home lending shrank 0.6% compared to 4.4% growth (Eurozone average: 1.2% growth).
In December 2012, gross non-performing loans aggregated to €125 billion, increasing by €17.8 billion over year end 2011 (up about 16.6% year on year). The ratio of gross non-performing loans to total loans was 6.3% at year end 2012 versus 5.4% at the end of the prior year. Net non-performing loans amounted to €64.3 billion, some €2.1 billion more than in the prior month and nearly €12.9 billion more than in the prior year (25% increase year on year). The ratio of net non-performing loans to total loans was 3.33% (vs. 2.69% at year end 2011).
At December 2012, the securities portfolio of Italian banks grew to €874 billion.
Interest applied to bank deposits of households and non-financial companies slightly increased, namely from 1.08% at year end 2011 to 1.25% at year end 2012. At the end of December 2012, average interest on euro-denominated bank deposits, bonds and repurchase agreements held by households and non-financial companies was 2.08% in December 2012 versus 2% at the end of the prior year. In the year under review interest rates on repurchase agreements increased too, from 2.77% in December 2011 to 3.03% in December 2012, while yields on bank bonds remained essentially flat (3.37% vs. 3.36%).
In 2012, the weighted average rate applied to total loans extended to households and non-financial companies calculated by the Italian Bankers' Association slightly declined, consistently with conditions on the interbank market, from 4.23% in December 2011 to 3.78% in December 2012. At year end 2012, also interest on active bank

[1] Other Italian residents: non-financial companies, consumer households, family businesses, nonprofits, insurers, pension funds, other financial institutions net of repos with central counterparties.
[2] Growth rates calculated including loans not carried on the statement of financial position of banks because they were securitised and net of changes not connected with transactions (e.g. exchange rate movements, value adjustments or reclassifications).

accounts and revolving loans to households and non-financial companies fell from 5.56% in December 2011 to 5.48% in December 2012.
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 3.65% (4.18% in December 2011), interest on euro-denominated home loans to households (average for both fixed and floating-rate loans, considering all the various types of loans) was 3.69% (4.03% in December 2011). In the last month of 2012 fixed-rate lending accounted for 22.8% (vs. 37.5% in December 2012). The average spread between lending and funding interest rates applied to households and non-financial companies declined to 187 bps, down 30 bps year on year. Before the beginning of the financial crisis the average spread between lending and funding interest rates exceeded 300 bps.

Mediolanum Group's performance

In 2012, new product launches regarded mostly the asset administration segment.
In January 2012, as a further distinguishing competitive trait, quarterly interest payments (in the form of quarterly interest advances) were introduced for the *InMediolanum* deposit account.
Beginning from March 2012 said deposit accounts have been subject to the 0.1% stamp duty (0.15% in 2013) introduced by Prime Minister Monti under the so-called 'Save Italy' Decree.
Since June 2012, to incentivise growth of customers acquired through the deposit account, Banca Mediolanum customers who hold a deposit account have been offered stepping up interest rates on balances locked up in their *Freedom Più* accounts. *Freedom Più* accounts are subject to the stamp duty within the limit set for current accounts (i.e. max. €34.20).
At year end 2012 there were about 124,100 *InMediolanum* accounts, the deposit account launched in May 2011. Of these, some 39,600 accounts (32%) were opened by new customers. New deposit accounts opened in the year 2012 were 65,800. Of these 24,200 accounts (37%) were opened by new customers. At year end 2012, balances on *InMediolanum* deposit accounts aggregated to about €2,350 million.
On March 10, 2012 a new version of the *Mediolanum Freedom* bank account named '*Mediolanum Freedom Più*' was introduced. This new product is no longer associated with the *Mediolanum Plus* policy of Mediolanum Vita S.p.A. and pays interest on account balances above a minimum threshold up to a predetermined ceiling. The *Mediolanum Freedom Più* account has largely the same features as *Mediolanum Freedom*. What is different is that the interest paid on balances above the minimum threshold is no longer linked to the returns earned on the separately managed Freedom Fund and interest is paid on a quarterly basis.

In September 2012 a new bank account called *Freedom One* was launched. At December 31, 2012 there were some 45,000 *Freedom One* accounts, accounting for about 44% of new accounts opened.
At year end 2012, balances on *Freedom One* accounts aggregated to €203 million.

Issues of Mediolanum notes

Pursuant to the resolution passed by the Mediolanum S.p.A. Board of Directors at its Meeting of July 31, 2012, for the purpose of diversifying debt facilities and support subsidiaries' business growth, non-convertible notes, either fixed or floating rate with a floor or equity-linked, were offered to the public.
Key information on the note issues:

- 1-year Fixed Rate Notes
- Amount of issue: up to €55 million (nominal value).
- Minimum subscription amount: €100,000 per investor, per separate issue.
- Principal repayment: lump sum at maturity.
- Coupons: biannual, corresponding to 3.75% gross annual yield.
- Settlement date: November 14, 2012.
- Maturity date: November 14, 2013.
- 2-year Fixed Rate Notes
- Amount of issue: up to €45 million (nominal value).
- Minimum subscription amount: €100,000 per investor, per separate issue.
- Principal repayment: lump sum at maturity.
- Coupons: biannual, corresponding to 4.00% gross annual yield.
- Settlement date: November 14, 2012.
- Maturity date: November 14, 2014.

As of December 31, 2012, Mediolanum S.p.A. non-convertible notes issued aggregated to €337.2 million (nominal value):

- €49.4 million (nominal value) notes due April 29, 2014, bearing interest at a rate of 3.5%;
- €48.9 million (nominal value) notes due April 29, 2014, bearing interest at 6-month EURIBOR + 1%;
- €48.3 million (nominal value) notes due May 20, 2013, bearing interest at 3.15%;
- €47.8 million (nominal value) notes due May 20, 2015, bearing interest at 6-month EURIBOR;
- €24.4 million (nominal value) notes due May 31, 2013, bearing interest at 3.15%;
- €20.4 million (nominal value) notes due May 31, 2015, bearing interest at 6-month EURIBOR;
- €54.1 million (nominal value) notes due November 14, 2013, bearing interest at 3.75%;
- €43.9 million (nominal value) notes due November 14, 2014, bearing interest at 4.00%.

Consolidated Inflows, Assets under Management and Assets under Administration

Net Inflows

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
ITALY			
Life insurance products	(991.2)	(813.9)	22%
Asset Management products	2,343.3	1,404.2	67%
Total managed assets inflows	1,352.2	590.3	129%
Third-party structured bonds	200.7	141.5	42%
Total managed assets + third-party structured bonds	1,552.9	731.8	112%
'Freedom' Life Policies	(1,070.8)	(521.5)	105%
Administered assets	1,776.3	2,069.6	(14%)
Total administered assets including 'Freedom' policies	705.5	1,548.2	(54%)
BANCA MEDIOLANUM	2,258.3	2,280.0	(1%)
BANCA ESPERIA GROUP (*)	(620.5)	301.3	ns
Total ITALY	1,637.8	2,581.3	(37%)
SPAIN	114.3	94.6	21%
GERMANY	54.5	51.7	5%
TOTAL FOREIGN MARKETS	168.8	146.3	15%
TOTAL NET INFLOWS	1,806.6	2,727.6	(34%)

(*) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held by the Mediolanum Group in that entity, i.e. 50%.

Assets under Management and under Administration(*)

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
ITALY			
Life Products	13,795.7	13,678.5	1%
'Freedom' Life Policies	3,433.0	4,503.8	(24%)
Asset Management products	23,384.4	19,725.3	19%
Banking products	11,336.5	8,925.6	27%
Consolidation adjustments	(9,515.3)	(8,966.0)	6%
BANCA MEDIOLANUM	42,434.3	37,867.2	12%
BANCA ESPERIA GROUP (**)	6,900.1	6,408.5	8%
Total ITALY	49,334.4	44,275.7	11%
SPAIN	1,799.6	1,581.2	14%
GERMANY	442.9	349.9	27%
TOTAL FOREIGN MARKETS	2,242.5	1,931.1	16%
TOTAL ASSETS UNDER MANAGEMENT & ADMINISTRATION	51,576.9	46,206.8	12%

(*) The figures relate to retail customers only.
(**) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held by the Mediolanum Group in that entity, i.e. 50%.

At December 31, 2012, total assets under management and administration amounted to €51,576.9 million up 12% from €46,206.8 million at December 31, 2011.

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

ITALY - LIFE

At December 31, 2012, total life products amounted to €13,795.7 million versus €13,678.5 million at year end 2011.

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
Unit-linked life products	9,851.0	9,156.0	8%
Index-linked life products	2,572.7	3,171.7	(19%)
Traditional life products	1,372.0	1,350.7	2%
Total Life Products (ex-'Freedom')	13,795.7	13,678.5	1%
'Freedom' Life Policies	3,433.0	4,503.8	(24%)

Gross premiums written in the year amounted to €7,936.0 million, down 16% from €9,426.1 million in the prior year, as customers shifted to other asset management products offered by Banca Mediolanum.

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
Recurring premiums	63.1	62.9	0%
Single premiums and group policies	144.8	293.3	(51%)
Total new business	207.9	356.2	(42%)
Pension plans in force	523.4	557.9	(6%)
Other business in force	500.9	590.2	(15%)
Total in-force business	1,024.3	1,148.1	(11%)
Total Premiums Written (ex-'Freedom')	1,232.2	1,504.3	(18%)
'Freedom' Premiums Written	6,703.8	7,921.8	(15%)
Total Gross Premiums Written	7,936.0	9,426.1	(16%)

New business amounted to €207.9 million, down 42% from €356.2 million at December 31, 2011.
Excluding *Freedom*, i.e. the *Mediolanum Plus* policy, gross premiums written in the period under review amounted to €1,232.2 million. Specifically, recurring premiums amounted to €63.1 million remaining essentially in line with the prior year balance of €62.9 million.
Excluding *Mediolanum Plus*, single premiums and group policies amounted to €144.8 million versus €293.3 million in the prior year (down 50.6%).
Total in-force business amounted to €1,024.3 million down 11% from €1,148.1 million in the prior year.

Excluding *Freedom*, amounts paid were down 4% from €2,318.2 million in 2011 to €2,222.8 million at year end 2012.

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
Claims	64.8	69.4	(7%)
Coupons	64.5	84.1	(23%)
Maturities	1,095.8	1,248.1	(12%)
Surrenders	997.6	916.6	9%
Amounts paid (ex-'Freedom')	2,222.8	2,318.2	(4%)
Amounts paid under 'Freedom' contracts	7,898.0	8,554.1	(8%)

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
Class I	3.4	5.2	(35%)
Class III	61.4	64.2	(4%)
Total (ex-'Freedom')	64.8	69.4	(7%)

ITALY - ASSET MANAGEMENT

The analysis of assets under management in the retail segment is set out below.

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
'Best brands' funds of funds	7,676.9	5,398.3	42%
'Portfolio' funds of funds	578.5	680.1	(15%)
'Challenge' funds	11,980.7	11,221.2	7%
Funds of hedge funds	193.8	269.0	(28%)
Other Italy-based mutual funds	2,839.6	2,084.5	36%
Real estate funds	436.6	444.4	(2%)
Other internationally-based mutual funds & managed accounts	321.2	306.2	5%
Duplication adjustments	(642.9)	(678.3)	(5%)
Total asset management products	23,384.4	19,725.3	19%
of which (*):			
Equity	56%	61%	(5%)
Bond	36%	28%	8%
Money market	2%	4%	(2%)
Other	6%	7%	(1%)

The analysis of inflows into asset management products, in the retail segment, on a management basis, is set out in the table below.

Net inflows

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
'Best brands' funds of funds	1,885.7	1,703.7	11%
'Challenge' funds	(8.1)	(230.4)	(97%)
Other Italy-based mutual funds	569.2	37.1	ns
Real estate funds	0.6	5.0	(88%)
Other funds and managed accounts	(104.2)	(111.2)	(6%)
Total asset management products	2,343.3	1,404.2	67%

Net inflows for the year under review were up 67% to €2,343.3 million compared to the prior year's balance of €1,404.2 million.

Gross inflows

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
'Best brands' funds of funds	3,659.0	2,920.0	25%
'Challenge' funds	1,018.9	837.6	22%
Other Italy-based mutual funds	1,067.9	606.3	76%
Real estate funds	18.2	31.5	(42%)
Other funds and managed accounts	27.7	48.5	(43%)
Total asset management products	5,791.7	4,444.0	30%

In the period under review gross inflows were up 30% to €5,791.7 million compared to €4,444.0 million in the prior year.

ITALY - BANKING

At December 31, 2012, the Group reported net inflows into administered assets of €1,776.3 million versus €2,069.6 million in 2011.

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

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
Customer Deposits	7,623.1	5,489.2	39%
Banca Mediolanum Bonds	409.7	487.6	(16%)
Third-party Structured Bonds	1,216.1	805.9	51%
Third-party Structured Bonds	2,074.8	1,931.7	7%
Repurchase agreements	12.9	211.2	(94%)
Total Assets under Administration	11,336.5	8,925.6	27%

At December 31, 2012, there were 707,609 bank accounts (vs. 627,365 at year end 2011) and 801,641 account holders.

At year end 2012, the total number of customers – either bank account holders or investors in financial/insurance products sold by the Mediolanum Group – was 1,040,448 (vs. 1,066,423 in the prior year). Of these 879,200 were primary account holders.

SPAIN

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
Assets under Management & Administration	1,799.6	1,581.2	14%
Assets under Management	1,181.2	986.8	20%
Assets under Administration	618.4	594.4	4%
Gross Inflows AuM	285.2	285.7	0%
Net Inflows	114.3	94.6	21%
Assets under Management	88.2	98.3	(10%)
Assets under Administration	26.2	(3.7)	ns

Assets under Management and under Administration amounted to €1,799.6 million, up 14% from €1,581.2 million at year end 2011.
Net inflows for the period amounted to €114.3 million versus €94.6 million at the end of the prior year.
At December 31, 2012, Fibanc customers were 78,856 versus 75,837 at December 31, 2011.

GERMANY

€/million	Dec. 31, 2012	Dec. 31, 2011	Change
Assets under Management & Administration	442.9	349.9	27%
Assets under Management	356.4	291.5	22%
Assets under Administration	86.5	58.4	48%
Gross Inflows AuM	90.8	66.9	36%
Net Inflows	54.5	51.7	5%
Assets under Management	26.3	18.4	43%
Assets under Administration	28.2	33.3	(15%)

Assets under Management and under Administration were up 27% from €349.9 million at year end 2011 to €442.9 million at the end of the period under review.
Net inflows amounted to €54.5 million versus €51.7 million at the end of the prior year. Specifically, net inflows into asset management products were up 43% over the prior year to €26.3 million.
At December 31, 2012 the number of customers was up 23% to 4,533 from 3,677 at year end 2011.

The Sales Networks

Number	Dec. 31, 2012	Dec. 31, 2011	Change
Licensed financial advisors	4,315	4,507	(4%)
Non-licensed advisors / agents	-	1	(100%)
BANCA MEDIOLANUM	4,315	4,508	(4%)
SPAIN	590	549	7%
GERMANY	46	42	10%
Total	4,951	5,099	(3%)

At year end 2012 the Banca Mediolanum sales network consisted of 4,951 financial advisors (5,099 at year end 2011).

Reclassified Consolidated Income Statement at December 31, 2012

€/'000	Dec. 31, 2012	Dec. 31, 2011
Net premiums written	8,051,307	9,543,417
Amounts paid and change in technical reserves	(8,018,057)	(9,505,033)
Net life insurance revenues (ex-commissions)	33,250	38,384
Entry fees	115,640	98,475
Management fees	472,238	417,796
Performance fees	171,937	92,496
Banking services fees	95,741	111,154
Other fees	38,462	33,283
Total commission income	894,018	753,204
Net interest income	314,604	230,749
Net income (loss) on investments at fair value	118,096	(65,688)
Net financial income	432,701	165,061
Equity contribution	(55,220)	(34,582)
Realised gains (losses) on other investments	27,809	7,300
Impairment of loans	(9,091)	(6,172)
Impairment of other investments	(22,599)	(125,462)
Net income (loss) on other investments	(3,881)	(124,334)
Other revenues	26,435	22,252
TOTAL REVENUES	1,327,303	819,985
Acquisition costs & Sales network commission expenses	(364,040)	(303,916)
Other commission expenses	(41,201)	(50,120)
General and Administrative expenses	(381,118)	(352,045)
Amortisation and depreciation	(14,259)	(17,091)
Net provisions for risks	(26,102)	(12,594)
TOTAL COSTS	(826,720)	(735,766)
PROFIT (LOSS) BEFORE TAX	500,584	84,219
Income tax	(149,561)	(16,952)
NET PROFIT (LOSS) FOR THE PERIOD	351,023	67,267
of which nonrecurring items (after tax)	(82,804)	(125,907)
NET PROFIT ex-nonrecurring items	433,827	193,174

The reclassified consolidated income statement above highlights the effects of the nonrecurring items set out in the table below.

€/million	Dec. 31, 2012	Dec. 31, 2011
Impairment of the investment in Mediobanca	(62.7)	(41.1)
Impairment of CGU Spain's goodwill	(20.1)	-
Impairment of Greek sovereign debt holdings (after tax)	-	(84.8)
Total non recurring items	(82.8)	(125.9)

The non-recurring items highlighted in the reclassified consolidated income statement above for financial year 2012 were the €62.7 million impairment of the stake held in Mediobanca and the €20.1 million impairment of goodwill relating to CGU Spain. In the prior year the Group had reported a €41.1 million impairment on the stake in Mediobanca and an €84.8 million impairment on Greek sovereign debt holdings, after tax.

To ensure meaningful comparisons between 2012 and 2011 financial data, prior year's comparative information was reclassified, where necessary.

For the year under review **net premiums written** amounted to €8,051.3 million versus €9,543.4 million in the prior year (down 16%). The decline was principally driven by reduced inflows into the policy associated with the *Freedom* bank account (down €1,218 million).

Amounts paid and change in technical reserves were down 16% over the prior year's balance of €9,505.0 million to €8,018.1 million, of which €7,898 million relating to the policies associated with the *Freedom* bank account (€8,554 million at December 31, 2011).

Total commission income for the year 2012 amounted to €894.0 million versus €753.2 million in the prior year. The €140.8 million increase was mainly driven by performance fees (up €79.4 million) and management fees (up €54.4 million). Banking services fees declined by €15.4 million, especially due to the decrease in fees on placement of third-party structured bonds.

Net financial income rose from €165.1 million at year end 2011 to €432.7 million at year end 2012. Notably, there was 36% growth in net interest income largely related to Banca Mediolanum, driven by both asset growth and bigger interest spreads. Net income on investments at fair value shot up to 118.1 million (up €183.8 million) compared to a net loss of €65.7 million at the end of the prior year.

Equity contribution was negative at €55.2 million, largely driven by the €62.7 million impairment on the stake in Mediobanca S.p.A., versus a negative balance of €34.6 million at December 31, 2011.

For the period under review net income on **other investments** recorded a negative balance of €3.9 million versus a negative balance at year end 2011 of €124.3 million, which had included a €120.6 million impairment on Greek sovereign debt holdings.

At December 31, 2012, **total commission expenses** amounted to €405.2 million versus €354 million in the prior year. The increase largely reflects greater amounts provided for incentives (€12.7 million) in connection with sales volume growth and amounts retroceded to the sales network following changes in the compensation policy.

Excluding acquisition costs & sales network commission expenses, **costs** aggregated to €421.5 million versus €381.7 million in the prior year (up €14.4 million). Specifically, general & administrative expenses were up about €29 million in connection with greater charges relating to staff costs, advertising, advisory fees and IT expenses. Provisions for risks were up €13.5 million in connection with amounts set aside for legal disputes and support to customers affected by the earthquake and flooding (€2.3 million). Amortisation & depreciation declined by €2.8 million.

Income tax for the year amounted to €149.6 million versus €17.0 million at year end 2011 (tax rate 29.9%).

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

ITALY - LIFE

€/'000	Dec. 31, 2012	Dec. 31, 2011	Change	Change %
Net premiums written	7,922,819	9,400,919	(1,478,100)	(16%)
Amounts paid & change in technical reserves	(7,908,540)	(9,381,508)	1,472,968	(16%)
Net life insurance revenues (ex-commissions)	14,279	19,411	(5,132)	(26%)
Total commission income	280,311	254,685	25,626	10%
Net interest income	18,353	34,851	(16,498)	(47%)
Net income (loss) on investments at fair value	81,486	(33,002)	114,488	ns
Net financial income	99,839	1,849	97,990	ns
Net income (loss) on other investments	6,966	(35,822)	42,788	ns
Other revenues	11,053	11,392	(339)	(3%)
TOTAL REVENUES	412,449	251,515	160,934	64%
Acquisition costs & Sales network commission expenses	(94,217)	(88,406)	(5,811)	7%
Other commission expenses	(5,522)	(6,356)	834	(13%)
General and Administrative expenses	(83,074)	(92,082)	9,008	(10%)
Amortisation and depreciation	(2,996)	(4,505)	1,509	(33%)
Net provisions for risks	(3,888)	(4,042)	154	(4%)
TOTAL COSTS	(189,697)	(195,391)	5,694	(3%)
PROFIT BEFORE TAX	222,752	56,124	166,628	297%

In the 'Italy – Life' operating segment, **profit before tax** amounted to €222.8 million, up 297% over the prior year's balance of €56.1 million, benefitting from the contribution given by net income on investments at fair value (up €114.5 million) and total commission income (up €25.6 million). Net income on other investments amounted to €7.0 million versus a net loss in the prior year when this account had been impacted by impairment of Greek sovereign debt holdings aggregating to €39.3 million. Net interest income was down €16.5 million.

Net life insurance revenues before acquisition costs came in at €14.3 million versus €19.4 million in the prior year.

Total commission income amounted to €280.3 million, up €25.6 million from €254.7 million at year end 2011. The increase was driven by growth in performance fees earned in the Life segment, up €12.3 million, and in management fees which were up €13.3 million.

Acquisition costs & sales network commission expenses were up €5.8 million owing to changes in the sales network compensation policy.

Net financial income for the year under review amounted to €99.8 million up €97.9 million compared to €1.9 million in the prior year. The notable improvement reflects fair value appreciation in the year, which boosted income on investments at fair value by €114.5 million, offset in part by reduced net interest income owing to increased expense for amounts retroceded to policyholders.

Net income on other investments amounted to €7 million versus a loss of €35.8 million at the end of the prior year when this account had been impacted by a €39.9 million impairment of Greek sovereign debt holdings.

Other expenses amounted to €90 million versus €100.6 million in the prior year, down €10.6 million as customers shifted to banking and asset management products from life products and this entailed reduced related costs in the life segment.

ITALY - ASSET MANAGEMENT

€/'000	Dec. 31, 2012	Dec. 31, 2011	Change	Change %
Entry fees	110,407	94,461	15,946	17%
Management fees	234,905	195,813	39,092	20%
Performance fees	106,909	41,636	65,273	157%
Other fees	25,234	24,366	868	4%
Total commission income	477,455	356,276	121,179	34%
Net interest income	697	1,240	(543)	(44%)
Net income (loss) on investments at fair value	2	15	(13)	(87%)
Net financial income	699	1,255	(556)	(44%)
Net income (loss) on other investments	(593)	317	(910)	ns
Other revenues	431	360	71	20%
TOTAL REVENUES	477,992	358,208	119,784	33%
Acquisition costs & Sales network commission expenses	(188,231)	(146,582)	(41,649)	28%
Other commission expenses	(11,786)	(9,323)	(2,463)	26%
General and Administrative expenses	(78,983)	(69,107)	(9,876)	14%
Amortisation and depreciation	(2,228)	(2,714)	486	(18%)
Net provisions for risks	(7,618)	(6,695)	(923)	14%
TOTAL COSTS	(288,846)	(234,421)	(54,425)	23%
PROFIT BEFORE TAX	189,146	123,787	65,359	53%

In the 'Italy – Asset Management' segment, **profit before tax** for the year under review amounted to €189.1 million climbing 53% from 123.8 million at the end of the prior year.

Total commission income amounted to €477.5 million versus €356.3 million at the end of the prior year. The €121.2 million increase was driven by performance fees (up €65.3 million) and management fees (up €39.1 million) as a result of assets growth in the period.

Costs for the year came in at €288.8 million versus €234.4 million at the end of the prior year, up €54.4 million principally due to the greater commissions paid out to the sales network as a result of the changes in the sales network compensation policy.

ITALY - BANKING

€/'000	Dec. 31, 2012	Dec. 31, 2011	Change	Change %
Banking services fees	81,820	85,506	(3,686)	(4%)
Other fees	11,247	7,136	4,111	58%
Total commission income	93,067	92,642	425	0%
Net interest income	275,109	190,064	85,045	45%
Net income (loss) on investments at fair value	33,791	(32,307)	66,098	ns
Net financial income	308,900	157,757	151,143	96%
Net income (loss) on other investments	(10,217)	(81,323)	71,106	(87%)
Other revenues	13,699	8,858	4,841	55%
TOTAL REVENUES	405,449	177,934	227,515	128%
Acquisition costs & Sales network commission expenses	(60,198)	(48,973)	(11,225)	23%
Other commission expenses	(12,307)	(12,224)	(83)	1%
General and Administrative expenses	(176,928)	(151,911)	(25,017)	16%
Amortisation and depreciation	(6,815)	(7,436)	621	(8%)
Net provisions for risks	(2,097)	(1,683)	(414)	25%
TOTAL COSTS	(258,345)	(222,227)	(36,118)	16%
PROFIT BEFORE TAX	147,104	(44,293)	191,397	ns

For the year under review in the 'Italy – Banking' segment the Group recorded **profit before tax** of €147.1 million versus a loss of €44.3 million in the prior year. The year-on-year improvement was driven by strong growth in net financial income (up €151.1 million).

At year end 2012, **net financial income** came in at €308.9 million versus €157.8 million at December 31, 2011, up €151.1 million thanks to bigger interest spreads reflecting refinancing with the ECB, as well as increased net income from trading (up €66.5 million) mainly driven by fair value gains (up €49 million) and trading gains (up €17.5 million).

Net income on other investments improved from a negative balance of €81.3 million in the prior year to a negative balance €10.2 million at year end 2012 thanks to reduced impairment on securities holdings compared to the prior financial year when this account had been impacted by impairment of Greek sovereign debt holdings (€82.8 million).

Total commission income remained in line with the prior year's balance.

Acquisition costs & sales network commission expenses amounted to €60.2 million versus €49.0 million at the end of the prior year, increasing by €11.2 million as a result of greater amounts provided for sales network incentives.

Other expenses amounted to €185.8 million versus €161 million in the prior year. The €24.8 million increase was mostly in connection with increases in headcount and related costs and greater advisory fees in connection with IRS tax claims.

ITALY - OTHER

€/'000	Dec. 31, 2012	Dec. 31, 2011	Change	Change %
Total commission income	-	-	-	-
Net interest income	(14,289)	(7,897)	(6,392)	81%
Net income (loss) on investments at fair value	4	(4)	8	(200%)
Net financial income	(14,285)	(7,901)	(6,384)	81%
Equity contribution	(55,220)	(34,582)	(20,638)	60%
Net income (loss) on other investments	(231)	(1,853)	1,622	(88%)
Other revenues	-	547	(547)	ns
TOTAL REVENUES	(69,736)	(43,789)	(25,947)	59%
PROFIT BEFORE TAX	(69,736)	(43,789)	(25,947)	59%

For the year under review, the 'Italy – Other' segment recorded a loss before tax of €69.7 million versus a loss of €43.8 million at the end of the prior year.

Net financial income came in negative at €14.3 million versus a negative balance of €7.9 million in the prior year, reflecting mainly the increase in average debt of Mediolanum S.p.A. and interest paid on said debt.

'**Equity contribution**' reflects the impairment of the investment in Mediobanca (€62.7 million) as well as the share of profits in Mediobanca (€4.9 million) and in Banca Esperia (€2.6 million).

SPAIN

€/'000	Dec. 31, 2012	Dec. 31, 2011	Change	Change %
Net premiums written	99,718	119,045	(19,327)	(16%)
Amounts paid and change in technical reserves	(84,380)	(103,339)	18,959	(18%)
Net life insurance revenues (ex-commissions)	15,338	15,706	(368)	(2%)
Total commission income	26,296	23,292	3,004	13%
Net interest income	33,754	10,772	22,982	213%
Net income (loss) on investments at fair value	2,014	(82)	2,096	ns
Net financial income	35,768	10,690	25,078	235%
Net income (loss) on other investments	194	605	(411)	(68%)
Other revenues	358	326	32	10%
TOTAL REVENUES	77,954	50,619	27,335	54%
Acquisition costs & Sales network commission expenses	(17,601)	(16,414)	(1,187)	7%
Other commission expenses	(2,763)	(2,724)	(39)	1%
General and administrative expenses	(27,930)	(25,943)	(1,987)	8%
Amortisation and depreciation	(1,498)	(1,644)	146	(9%)
Net provisions for risks	(12,499)	(174)	(12,325)	ns
TOTAL COSTS	(62,291)	(46,899)	(15,392)	33%
PROFIT (LOSS) BEFORE TAX	15,663	3,720	11,943	321%

In the 'Spain' segment **net life insurance revenues** before acquisition costs amounted to €15.3 million essentially in line with the prior year's balance of €15.7 million.

Total commission income increased from €23.3 million in the prior year to €26.3 million at the end of the year under review.

Net financial income amounted to €35.8 million versus €10.7 million at the end of the prior year, up €25.1 million, mostly driven by the €23.0 million increase in net interest income resulting from refinancing operations with the ECB.

Other expenses increased from €46.9 million in the prior year to €62.3 million at year end 2012, mostly due to greater provisions for risks connected with legal disputes.

GERMANY

€/'000	Dec. 31, 2012	Dec. 31, 2011	Change	Change %
Net premiums written	28,770	23,453	5,317	23%
Amounts paid and change in technical reserves	(25,137)	(20,186)	(4,951)	25%
Net life insurance revenues (ex-commissions)	3,633	3,267	366	11%
Total commission income	17,501	27,490	(9,989)	(36%)
Net interest income	980	1,719	(739)	(43%)
Net income (loss) on investments at fair value	799	(308)	1,107	ns
Net financial income	1,779	1,411	368	26%
Net income (loss) on other investments	-	(6,258)	6,258	ns
Other revenues	982	937	45	5%
TOTAL REVENUES	23,895	26,847	(2,952)	(11%)
Acquisition costs & Sales network commission expenses	(3,803)	(3,548)	(255)	7%
Other commission expenses	(8,823)	(19,493)	10,670	(55%)
General and Administrative expenses	(14,892)	(14,344)	(548)	4%
Amortisation and depreciation	(722)	(792)	70	(9%)
Net provisions for risks	-	-	-	-
TOTAL COSTS	(28,240)	(38,177)	9,937	(26%)
PROFIT (LOSS) BEFORE TAX	(4,345)	(11,330)	6,985	(62%)

In the 'Germany' segment, **total commission income** amounted to €17.5 million versus €27.5 million at the end of the prior year. The €10.0 million (36%) decline was mainly due to reduced commissions on Bank Lenz ATM business which also entailed a decrease in **other commission expenses** from €19.5 million in the prior year to €8.8 million at December 31, 2012.

Key corporate events and performance of companies within the Group

After December 31, 2012 there was no material event which could have a significant impact on the financial positions, result of operations or cash flows of the Mediolanum Group.

The Parent Company

At December 31, 2012, the Parent Company Mediolanum S.p.A. reported net profit of €133.6 million versus €159.6 million at December 31, 2011.
Dividends recognised in the 2012 income statement aggregated to €177.5 million versus €180.3 million in the prior year.
Pursuant to the resolution passed at the Annual General Meeting held on April 19, 2012, in May 2012, the Parent Company Mediolanum S.p.A. paid out the 2011 final dividend of €0.04 per share for a total amount of €29.4 million.
As per the resolution of the Board of Directors of November 8, 2012, in November 2012, the Parent Company paid out the 2012 interim dividend of €0.10 per share for a total amount of €73.4 million (€51.3 million in the prior year).

Key information on the performance of the main companies that are part of the Mediolanum Group during the period under review is set out below.

Life Insurance Companies

Mediolanum Vita S.p.A.

For financial year 2012 this company reported net profit of €77.2 million versus a loss of €35.3 million in the prior year. The bottom line benefitted from investment income improving by €115,941 thousand over the prior year.
For financial year 2012 the company reported premiums written of €7,809 million down 15% from €9,144 million in the prior year largely owed to reduced premiums written under the '*Mediolanum Plus*' policy.
At December 31, 2012, mathematical reserves and financial liabilities to policyholders amounted to €14,605.5 million (€15,440.0 million in 2011), of which €14,533.3 million relating to individual policies (€15,371.2 million in 2011) and €72.2 million to group policies (€68.8 million in 2011).
At year end 2012, annual gross return on Medinvest segregated funds was 5.02% (vs. 4.69% in 2011). Annualised gross returns on the Mediolanum Freedom segregated funds were 3.48% in the quarter from Dec. 1 to Feb. 28; 2.79% in the quarter from March 1 to May 31; 2.75% in the quarter from June 1 to August 31; and 2.38% in the quarter from September 1 to November 30.

Mediolanum International Life Ltd

For financial year 2012 this company reported premiums written of €248 million versus €405.6 million in the prior year.
Premiums written in foreign markets (Spain and Germany) amounted to €128.5 million versus €142.5 million at December 31, 2011.
At December 31, 2012, mathematical reserves and financial liabilities to policyholders amounted to €3,300 million versus €3,273 million in 2011.
For financial year 2012 the company reported net profit of €18 million versus €7.4 million in the prior year.
Mediolanum International Life Ltd policies are distributed in Italy by Banca Mediolanum, in Spain by Fibanc and in Germany through Bankhaus August Lenz.

Asset Management Companies

Mediolanum International Funds Ltd

For financial year 2012 the company reported net profit of €261.4 million up €58.4 million over the prior year (FY 2011: €203.0 million), largely due to the increase in performance fees earned in the period (up €46.6 million).
At the end of the year under review, the company reported net inflows of €1,718.9 million versus €1,598.1 million at December 31, 2011.
At December 31, 2012, total assets under management amounted to €20,952 million up 16.6% compared to €17,975 million in the prior year.
In October 2012, the company resolved to distribute a 2012 interim dividend for a total amount of €207 million versus €114.0 million in the prior year.

Mediolanum Gestione Fondi SGR p.A.

For financial year 2012, the company reported net profit of €35 million versus €12.5 million in the same period of the prior year. The bottom line benefitted in particular from the positive contribution of performance fees earned in the year.

At December 31, 2012, assets managed directly by this company amounted to €3,377.4 million up 29.3% from €2,612.2 million at December 31, 2011, benefitting from both growth in net inflows (€577.2 million) and the positive performance of financial markets.

Assets managed on mandates from fellow subsidiaries amounted to €15,016.9 million versus 15,564.4 million at December 31, 2011, down 3.5% largely owed to declines in Mediolanum Plus policy-associated assets.

Gamax Management AG

At December 31, 2012, this Luxembourg-based company reported net profit of €4.1 million, in line with the prior year's balance of €4.2 million.

In the retail segment, the company recorded net outflows of €0.1 million versus net inflows of €1.1 million in the prior year. At year end 2012, assets under management amounted to €228.4 million versus €204.8 million at the end of the prior year.

At December 31, 2012 total assets under management (Retail + Institutional) amounted to €409 million versus €378 million in the prior year.

Mediolanum Asset Management Ltd

For financial year 2012 this company reported net profit of €14.2 million up €0.7 million from €13.5 million at December 31, 2011.

In October 2012, the company resolved to distribute a 2012 interim dividend for a total amount of €10 million versus €6.0 million in the prior year.

Banking operations (including Group product distribution)

Banca Mediolanum S.p.A.

or financial year 2012 the bank reported net profit of €189.3 million up €173.2 million compared to €16.1 million in the prior year. Profit before tax was €230.3 million up €232.9 million from a loss of €2.6 million at the end of the prior year. The improvement was driven in particular by robust growth in net financial income (up €142.8 million), reduced net impairment (down €80.3 million) and greater dividends from equity investments (up €46.5 million) offset, in part, by reduced net commission income (down €29.7 million).

Income tax for the year was a negative balance of €41.0 million versus a positive balance of €18.7 million in the prior year.

Total net inflows (managed assets and administered assets) amounted to €2,258.3 million versus €2,280 million in the prior year.

Net inflows into asset management products and sales of third-party structured bonds aggregated to €1,552.9 million versus €731.8 million in 2011.

Freedom bank accounts associated with the *Mediolanum Plus* policy recorded net outflows of €1,070.8 million versus €521.5 million at December 31, 2011. Other AuA products recorded net inflows of €1,776.3 million versus €2,069.6 million at the end of the prior year.

At year end 2012, the bank had €1,040,488 customers versus €1,066,423 at the end of the prior year.

At December 31, 2012, total statement of financial position assets amounted to €17,064.5 million, up €2,726.7 million over the prior year.
Customer deposits grew from €7,163.4 million at year end 2011 to €8,897.6 million at December 31, 2012. Loans to customers, excluding securities lending, amounted to €4,422.6 million versus €3,312.9 million at December 31, 2011.
Net interest income amounted to €275.1 million, growing 45% from €190.1 million at year end 2010. The €85 million increase over the prior year largely reflects bigger interest spreads benefitting in particular from refinancing operations with the ECB.
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 came in at €307.1 million versus €164.3 million in the prior year. The €142.8 million increase was driven by improved income from trading (up €66.5 million) principally benefitting from fair value gains (up €49 million) and gains from trading (up €17.5 million).
Net commission income declined by €29.7 million from €105.1 million at year end 2011 to €75.3 million at the end of the year under review, largely reflecting greater amounts provided for incentives (€12.7 million) and amounts retroceded to the sales network following changes in the compensation policy.
Specifically, for the year ended December 31, 2012, commission income amounted to €406.8 million versus €379 million in the prior year (up 7%).
Commission expenses amounted to €331.4 million versus €273.8 million in the prior year (up 21%).
Dividends increased by €46.5 million from €124.5 million in the prior year to €171.0 million at the end of the year under review, largely owing to the greater dividends distributed by the Irish subsidiaries (up €53 million), offset, in part, by the reduced dividends received from the Italian subsidiary Mediolanum Gestione Fondi (down €3.1 million) and the subsidiary Gamax Management (down €2 million).
Net impairment aggregated to €10.4 million versus €90.6 million in the prior year. The improvement reflects the decline in impairment on securities holdings compared to 2011 when the bank had recorded €82.8 million impairment of Greek sovereign debt holdings, marginally offset by the €1.9 million collective impairment of loans resulting from the new classification of over 90 days past due positions effective from the current year as per Bank of Italy's requirements. Last year there had been a €0.8 million reversal of collective impairment on loans.
Operating expenses amounted to €304.0 million versus €289.6 million at year end 2011.
Specifically, staff costs rose from €100.3 million in 2011 to €109.5 million at the end of the year under review, reflecting the increase in average number of personnel from 1,529 to 1,627 people following the merger of MCU, certain activities relating to events organisation and corporate television being brought back in-house as well as greater incentives given to employees (up €2.7 million).
Other administrative expenses amounted to €164.0 million versus €156.7 million in the prior year. Although bringing certain activities back in-house reduced expenses, expenses for IT systems increased (up €2.5 million). Additionally, expenses for legal advice increased too (up €7.5 million) mainly in connection with pending tax claims.
Other operating expenses increased from €12.7 million to €14.2 million owing to greater amounts set aside for contractual obligations to the sales network.

Banco Mediolanum S.A.

For financial year 2012 the Spanish Group reported net profit of €30.3 million versus €6.8 million in the prior year, thanks to the positive contribution of treasury operations (up €42.2 million before tax), offset, in part, by greater amounts set aside for legal disputes (up €12.5 million before tax).

In the year under review, gross inflows into asset management products amounted to €285.2 million, remaining essentially in line with the prior year's balance, and net inflows were €88.2 million versus €98.3 million in the prior year. Assets under administration recorded inflows of €26.2 million versus net outflows of €3.7 million at the end of the prior year.
At year end 2012, total assets under management and under administration amounted to €1,799.6 million versus €1,581.2 million at December 31, 2011.
The sales network consisted of 590 people (vs. 549 at December 31, 2011), of whom 551 tied advisors (vs. 505 at year 2011).

BANKHAUS AUGUST LENZ & CO. AG
For financial year 2012 the company reported a net loss of €8.4 million versus €14.2 million in the prior year when financial results had been impacted in particular by net financial income coming in negative at €6.3 million.
Net inflows into asset management products amounted to €26.4 million versus €17.4 million in the prior year, and net inflows of assets under administration were €28.2 million versus €33.3 million in the prior year.
At year end 2012, total assets under management and under administration amounted to €214.5 million versus €145.1 million at December 31, 2011.
The sales network consisted of 46 people (vs. 42 at year end 2011).

Joint ventures

For financial year 2012, the **Banca Esperia Group** reported consolidated net profit of €5.1 million versus €1.5 million in the prior year.
For the year under review this entity recorded net outflows of €1,241 million versus net inflows of €603 million in the prior year.
At year end 2012, total assets under management and administration amounted to €13,800 million versus €12,817 million at the end of the prior year.
At December 31, 2012, the group had 72 private bankers versus 80 at the end of the prior year.

Associates

For financial year ended June 30, 2012, the **Mediobanca Group** reported net profit of €80.9 million versus €368.6 million in the prior financial year. In particular, net profit for the six-month period from January through June 2012 amounted to €17.5 million versus €105.7 million for the same period of the prior year.
In its half-yearly accounts for the period June 1 through December 31, 2012, the Mediobanca Group reported net profit of €123.8 million almost twice the €63.4 million profit recorded in the same period of the prior year. This was largely owed to write-downs on the securities and investment portfolio declining from €231.1 million to €89.5 million.
Total revenues were down 6.4% from €973.3 million to €911 million, specifically:
- net interest income was down 6.7% from €554.6 million to €517.7 million due to results in the corporate and investment banking areas where net interest income fell from €204.5 million to €157.4 million;

- net trading income came in at €106.5 million confirming the sound results recorded in the prior year (€112.5 million) benefitting from reduced sovereign debt yield spreads;
- fee and commission income were down 14.2% from €234.4 million to €201 million, largely owed to the reduced contribution of consumer credit;
- the contribution of investments accounted for by the equity method rose from €71.8 million to €85.8 million.

Operating costs were down 5.9% from €399.2 million to €375.6 million reflecting reduced staff costs (down 3.4%) and administrative expenses (down 8.4%).
Given the recessionary environment, write-downs of loans were up 9.7% from €212.3 million to €232.8 million. Write-downs in the securities and investment portfolio included a €95 million impairment charge on the stake held in Telco to reflect Telecom Italia's present value of €1.20 per share, a €12.2 million reversal of impairment on Greek sovereign debt holdings, €6.7 million other charges on unlisted AFS financial instruments.

At December 31, 2012, consolidated shareholders' equity after minority interests and net profit for the year amounted to €6,922.3 million versus €6,418.7 million at June 30, 2012 and €6,049.9 million at December 31, 2011. The €503.6 million increase over June 30, 2012 (from €6,418.7 million to €6,922.3 million) reflects the increase in valuation reserves (up €455.9 million).

Following impairment review, Mediolanum decided to write-down the value of its stake in Mediobanca which entailed the recognition of a €62.7 million impairment charge. Details on impairment review are given in the section 'Impairment test' herein.

The impact of investments accounted for by the equity method on the Mediolanum Group's income statement was a negative balance of €55.2 million, which includes the €62.7 million impairment charge on the stake in Mediobanca, versus a negative balance of €41.1 million in the prior year.

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 by Board of Directors resolutions, related party disclosures are set out in the relevant section of the Notes.

Social and environmental responsibility

For information on the Group's policy on social and environmental responsibility, readers are referred to the Social Report 2012.

Impairment test

Goodwill recognised in the consolidated accounts for the year ended December 31, 2012 relates to the Cash Generating Units (CGUs) Spain, Germany and Italy (Life) in relation to foreign investments of the Mediolanum Banking Group.
At its meeting held last March 19, the Board of Directors of the Bank approved the procedures for impairment review of goodwill allocated to the CGUs above in accordance with IAS 36.
For the purpose of impairment review at December 31, 2012, Banca Mediolanum requested the assistance of a primary specialist firm. The valuations were based on cash-flow estimates derived from the 2013-2015 Plans approved by the Board of Directors of Banca Mediolanum last February 15, which represent management's best estimate of the future economic and financial performance of the respective CGUs, applying industry standard methods best suited for the purposes of the exercise in the specific cases, in accordance with applicable accounting standards.
In their February 28, 2013 report the independent valuers stated that based on their 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 Germany and to CGU Italy Asset Management did not show any evidence of impairment, while the recoverable amount allocated to CGU Spain based on conservative estimates was determined to be €102.8 million, which was lower than the amount at which it was carried in the consolidated accounts (€122.9 million). Based on these results an impairment charge of €20.1 million was recognised on goodwill allocated to CGU Spain.
As to the investments in Mediobanca and Banca Esperia, which are accounted for by the equity method, they were tested for impairment as follows.
As to Mediobanca, also in the light of the stock performance during 2012, last October Mediolanum decided to review for impairment the value of its stake therein before the end of the financial year. The value of Mediolanum's stake in Mediobanca at September 30, 2012 was tested for impairment with the assistance of an independent valuer, applying the Dividend Discount Model (DDM) in the Excess Capital variant. The recoverable amount of the stake in Mediobanca was found to range between €9.3 and €9.8 per share, with a median value of €9.5 per share. Based on said valuation, the Board of Directors of Mediolanum S.p.A. resolved to proceed to write down the value of the stake in Mediobanca in the interim accounts at September 30, 2012 from €11.78 per share (aggregating to €342.6 million) to €9.5 per share (aggregating to €276.4 million).
At year end, impairment review was again undertaken to determine the recoverable amount of the investment in Mediobanca at December 31, 2012. To that end, Mediolanum S.p.A requested again the assistance of an independent valuer. This time the recoverable amount of the stake in Mediobanca was found to range between €9.76 and €10.39 per share, with a median value of €10.05 per share. Based on said valuation, the stake in Mediobanca was carried at €10.05 per share in the consolidated accounts at December 31, 2012. The impairment recognised for financial year 2012 on the investment in Mediobanca aggregated to €62.7 million.
As to Banca Esperia, for the purpose of impairment review at December 31, 2012, Directors considered that the company's equity approximated its carrying amount and also used as reference the appraisal at June 30, 2012, requested by Banca Esperia to determine the exercise price of the Private Bankers Stock Options Plan and issued by the independent specialist firm on December 10, 2012. The appraisal used the following assump-

tions: going concern, growth at a normal rate, materialisation of the assumptions and attainment of the goals set out in the forecasts for 2012 and the Business Plan for 2013-2015.
Said valuation indicated a value per share of €2.05, which was about 1.4 times the carrying amount of the investment at December 31, 2012 (€1.48 per share). The analysis revealed no impairment of the investment in Banca Esperia.

Tax claims

Banca Mediolanum. 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 €48.3 million to IRES and IRAP taxable income for tax year 2005, the other on February 28, 2011 claiming a total adjustment of €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.
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 €333.5 million, resulting in €110.1 million IRES tax due plus €85.7 million penalties, and €17.5 million IRAP tax due plus €13.6 million penalties.
The Bank 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.
However, in the light of the complexity of the matter which involves also the subsidiary Mediolanum International Funds Ltd, the Bank started the procedure under the EU Arbitration Convention (Convention 90/436/EEC) for adjudication of its case by the competent Irish and Italian tax authorities.
As to the outcome of the claims above for which the procedure under the international Arbitration Convention was initiated, considering that transfer pricing applied by the Bank is within the arm's length range as determined by independent economists, the directors believe based, *inter alia*, on the opinion of an independent advisor, the risk is only possible and, in addition, since the pending issues relate to determinations, no sufficiently reliable estimate can be made of the amount of the obligation that may ultimately result.
In the light of the foregoing no provision was made in the separate accounts for the year ended December 31, 2012.

Finally, we inform you that the claim aggregating to €64 million raised by the tax administration for alleged failure to apply VAT to the indirect commissions (so-called overrides) paid to certain sales network members for their supervision and coordination of other sales network members from tax year 2006 through September 16, 2010 (the start date of the Tax Police audit) had a positive conclusion for the Bank.

The complete groundlessness of the claim was confirmed by the IRS Assessment Office that in its Note No. 2012/82261 of May 30, 2012 clearly affirmed the tax-exempt status for overrides paid to certain sales network members for their supervision and coordination of other sales network members pursuant to paragraph 1 N. 9 of article 10 of the Decree of the President of the Italian Republic No. 633/197.

Mediolanum Vita S.p.A.. On December 23, 2010 the Company had received 'Notices of Tax Due and Demands for Payment' claiming a total adjustment of €47.9 million to IRES and IRAP taxable income for tax year 2005 resulting in a €2,512 thousand IRAP tax due plus a penalty in the same amount, and €15,804 thousand IRES tax due with no penalty, in relation to commissions rebated by Mediolanum International Funds Ltd to the Company. After the Request for Compromise had fallen through, in May 2011, the Company had file a petition in the Milan Provincial Tax Court contesting said Notices for groundlessness and asking for their annulment.

On July 28, 2012, owing to the complexity of the matter which involves also the subsidiary Mediolanum International Funds Ltd, which is resident in Ireland, the Company started the procedure under the EU Arbitration Convention (Convention 90/436/EEC) for adjudication of its case by the competent Irish and Italian tax authorities.

On December 21, 2012 the Company was notified other Notices of Tax Due and Demands for Payment claiming adjustments to IRES taxable income aggregating to €128,080 thousand, and to IRAP taxable income aggregating to €127,454 thousand, for tax years 2006 and 2007, resulting in €42,266 thousand IRES tax due plus €41,417 thousand penalties, and €6,691 thousand IRAP tax due plus €3,481 thousand penalties.

The Company believes the analysis developed by the IRS in the Notices is illegitimate besides being groundless as to the adjustments to taxable income claimed and illegitimate as to the penalties given that the waiver under Art. 26 of Decree Law 78/2010 was not applied although the tax administration itself recognised formal compliance of documentation produced within the required deadline.

For the same reasons and considerations set out above in relation to the Notices regarding tax year 2005, 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, the directors believe based, *inter alia*, on the opinion of an independent advisor, the risk is only possible and, in addition, as pending issues relate to determinations, no sufficiently reliable estimate can be made of the amount of the obligation that may ultimately result.

In the light of the foregoing no provision was made in the separate accounts for the year ended December 31, 2012.

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 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, 2012 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), the impairment method used by the Mediolanum Group included assessment of impairment by an independent valuer based on current multi-year business plans previously approved by the Board of Directors of the companies within the Group. The impairment process was validated by the Board of Directors of Mediolanum S.p.A.. For further details readers are referred to Part B of the Notes to the consolidated financial statements.
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 Mediolanum Group 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 Notes.
Information on "fair value hierarchy" (IFRS 7) for positions held at December 31, 2012, including prior year's comparative information, is given in Part A of the Notes.
Finally, there are no financial debt contract clauses (IFRS 7) or debt restructuring (IAS 39) involving the Mediolanum Group.

Other information

At December 31, 2012, the solvency capital requirement of the Mediolanum S.p.A. financial conglomerate calculated in accordance with regulatory requirements for financial conglomerates engaged mainly in insurance was in line with the requirements set out in ISVAP Regulation No. 18 of March 12, 2008 regarding assessment of capital adequacy under Title XV, Chapter IV of Legislative Decree 209 of September 7, 2005 – Private Insurers Code – Regulations governing the capital adequacy of financial conglomerates pursuant to Legislative Decree 142 of May 30, 2005, and the financial conglomerates coordination agreement signed by ISVAP, CONSOB and the Bank of Italy on March 30, 2006.
Notably, the Group held €1,252 million capital to cover the €896 million capital requirement with surplus capital of €356 million.
Disclosures required under section 123 bis of the Consolidated Finance Act are set out in the Corporate Governance Report made available also on the company's website (www.mediolanum.it) in accordance with art. 89 bis of the Regulation for Issuers.

Post balance sheet date events

On September 11, 2012, the Board of Directors of Mediolanum S.p.A. resolved to proceed to acquire the entire share capital of Mediolanum Assicurazioni S.p.A..
Being the sellers the majority shareholders of both Mediolanum S.p.A. (the 'acquirer') and Mediolanum Assicurazioni S.p.A. (the 'acquiree'), pursuant to article 4 of the Procedures under Consob Resolution No. 17221, the transaction qualified as a related-party transaction of lesser significance, and as such, pursuant to paragraph 7.1 of said Procedures, it was subject to Mediolanum S.p.A. Audit Committee's prior positive opinion, which was given by unanimous vote.
The acquisition is a strong complementary fit for the Mediolanum Group.
Mediolanum Assicurazioni S.p.A. is an entity operating in the insurance and reinsurance markets with a retail offering made up of a suite of non-life (excluding Motor TPL) standard-contract insurance products for the protection of individuals, households, equity and assets.
At December 31, 2011, Mediolanum Assicurazioni S.p.A. reported net profit of €2.6 million, shareholder's equity of €32.6 million and premiums written of €25.3 million.
The €35.9 million consideration initially agreed by the parties was based on Mediolanum Assicurazioni S.p.A.'s accounts and the value of its in-force business at March 31, 2012, and backed by PriceWaterhouseCoopers Advisory S.p.A.'s valuation of the company's entire capital.
Said consideration was subject to adjustments based on Mediolanum Assicurazioni S.p.A.'s accounts and net present value of its in-force business as of the end of the month in which the insurance regulator would give the green light to the transaction.
Mediolanum S.p.A. received the approval of the insurance regulator (IVASS, previously named ISVAP) on March 19, 2013, hence the final consideration will be determined based on Mediolanum Assicurazioni S.p.A.'s accounts and the value of its in-force business at March 31, 2013.

After December 31, 2012, there was no other event which could have a significant impact on the financial position, result of operations and cash flows of the Group.

Main risks and uncertainties

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

Outlook

In October 2012 and again in January 2013 the International Monetary Fund (IMF) lowered its forecasts for global economic growth noting that the recovery continues, but it has weakened.
2013 may unfold showing commonalities with the recently ended year: moderate growth, fiscal tightening, monetary easing and no major concern about inflation.
In such an environment, the Mediolanum Group 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.

In the light of the foregoing, considering the risks that are inherent in the business of the Group, 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 Group's outlook for next year is positive.

Basiglio, March 21, 2013

For the Board of Directors
The Chairman
(Carlo Secchi)

Consolidated Accounts 2012

Statement of financial position

Assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
1. Intangible assets		
1.1 Goodwill	129,886	149,864
1.2 Other intangible assets	23,096	17,002
Total intangible assets	152,982	166,866
2. Tangible assets		
2.1 Property	80,520	60,061
2.2 Other tangible assets	9,062	9,899
Total tangible assets	89,582	69,960
3. Reinsurers' share of technical reserves	76,198	89,273
4. Investments		
4.1 Investment property	106,798	108,041
4.2 Investments in subsidiaries, associates and JVs	382,700	404,493
4.3 Held to maturity investments	1,359,408	1,005,949
4.4 Loans and receivables	6,404,352	6,245,884
4.5 Available for sale financial assets	12,319,069	9,062,406
4.6 Financial assets at fair value through profit and loss	14,191,110	15,639,522
Total investments	34,763,437	32,466,295
5. Receivables		
5.1 Arising out of direct insurance business	5,641	5,512
5.2 Arising out of reinsurance business	4,183	-
5.3 Other receivables	1,549	229
Total receivables	11,373	5,741
6. Other assets		
6.1 Non current assets of disposal groups, held for sale	1,094	747
6.2 Deferred acquisition costs		-
6.3 Deferred tax assets	126,259	252,201
6.4 Current tax assets	338,686	278,313
6.5 Other assets	297,954	303,978
Total other assets	763,993	835,239
7. Cash and cash equivalents	191,264	338,386
TOTAL ASSETS	36,048,829	33,971,760

Shareholders' equity and liabilities

€/'000	Dec. 31, 2012	Dec. 31, 2011
1. Shareholders' equity		
1.1 Group shareholders' equity		
1.1.1 Share capital	73,434	73,382
1.1.2 Other equity instruments		
1.1.3 Capital reserves	56,497	56,013
1.1.4 Retained earnings and other equity reserves	821,182	847,716
1.1.5 Treasury shares (-)	(2,045)	(2,045)
1.1.6 Exchange difference reserves		
1.1.7 Gains or losses on available for sale financial assets	88,984	(283,184)
1.1.8 Other gains or losses recognised directly in equity	31,372	3,201
1.1.9 Net profit (loss) for the year attributable to the Group	351,023	67,267
Total capital and reserves attributable to the Group	1,420,447	762,350
1.2 Attributable to minority interests		
1.2.1 Capital and reserves attributable to minority interests	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-
Total capital and reserves attributable to minority interests	-	-
Total shareholders' equity	1,420,447	762,350
2. Provisions	191,022	160,693
3. Technical reserves	17,823,829	18,632,275
4. Financial liabilities		
4.1 Financial liabilities at fair value through profit and loss	443,045	489,624
4.2 Other financial liabilities	15,491,157	13,369,539
Total financial liabilities	15,934,202	13,859,163
5. Payables		
5.1 Arising out of direct insurance business	5,580	5,229
5.2 Arising out of reinsurance business	68	2,387
5.3 Other payables	275,679	217,638
Total payables	281,327	225,254
6. Other liabilities		
6.1 Liabilities of disposal groups held for sale	960	968
6.2 Deferred tax liabilities	97,210	41,018
6.3 Current tax liabilities	122,578	15,082
6.4 Other liabilities	177,254	274,957
Total other liabilities	398,002	332,025
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	36,048,829	33,971,760

Income statement

€/'000	Dec. 31, 2012	Dec. 31, 2011
1. Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	8,054,608	9,547,764
1.1.2 Reinsurance premiums	(3,301)	(4,347)
Total premiums written	8,051,307	9,543,417
1.2 Commission income	893,558	752,520
1.3 Net income on financial instruments at fair value through profit and loss	1,378,314	(601,369)
1.4 Income on investments in subsidiaries, associates and JVs	7,483	6,544
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	644,165	445,626
1.5.2 Other income	10,145	10,879
1.5.3 Realised gains	47,610	24,986
1.5.4 Unrealised gains	4,623	5,412
Total income on other financial instruments and investment property	706,543	486,903
1.6 Other revenues	26,435	20,977
Total revenues and income	11,063,640	10,208,992
2. Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(9,396,301)	(9,041,752)
2.1.2 Reinsurers' share	8,852	5,468
Net claims and benefits	(9,387,449)	(9,036,284)
2.2 Commission expense	(314,868)	(262,719)
2.3 Losses on investments in subsidiaries, associates and JVs	(62,703)	(41,126)
2.4 Loss on other financial instruments and investment property		
2.4.1 Interest expense	(225,051)	(149,033)
2.4.2 Other expenses	(696)	(459)
2.4.3 Realised losses	(25,646)	(27,382)
2.4.4 Unrealised losses	(17,729)	(137,311)
Loss on other financial instruments and investment property	(269,122)	(314,185)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(73,340)	(73,726)
2.5.2 Investment management expenses	(319)	(513)
2.5.3 Other administrative expenses	(360,211)	(329,578)
Total operating expenses	(433,870)	(403,817)
2.6 Other costs	(95,018)	(66,322)
Total costs	(10,563,030)	(10,124,453)
Profit (loss) before tax for the period	500,610	84,539
3. Income tax	(149,561)	(16,952)
Profit (loss) for the period	351,049	67,587
4. Profit (loss) from discountinued operations	(26)	(320)
Group net profit (loss) for the period	351,023	67,267
of which pertaining to the Group	351,023	67,267
Earning per share (in euro)	0.478	0.092

Statement of other comprehensive income

€/'000	Dec. 31, 2012	Dec. 31, 2011
CONSOLIDATED NET PROFIT (LOSS)	351,023	67,267
Changes in net exchange differences reserve	-	-
Profit (loss) on available for sale financial assets	372,168	(213,351)
Profit (loss) on cash flow hedges	-	-
Profit (loss) on hedges of investments in foreign operations	-	-
Changes in the equity of investees	28,171	(19,100)
Changes in intangible assets revaluation reserve	-	-
Changes in tangible assets revaluation reserve	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-
Actuarial gains (losses) and adjustments on defined benefit plans	-	-
Other	-	-
TOTAL OTHER COMPONENTS OF STATEMENT OF OTHER COMPREHENSIVE INCOME	400,339	(232,451)
TOTAL CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	751,362	(165,184)
attributable to the Group	751,362	(165,184)

Statement of changes in equity

€/'000	Balance at Dec. 31, 2010	Adjustment to closing balance	Amount credited	Trasferred to the Income Statement	Other movement	Balance at Dec. 31, 2011
Shareholders' equity attributable to the Group						
Share capital	73,288	-	94	-	-	73,382
Other equity instruments	-	-		-	-	-
Capital reserves	55,087	-	926	-	-	56,013
Retained earnings and other equity reserves	710,729	-	188,324	-	(51,337)	847,716
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Net profit (loss) for the period	246,633	-	(179,366)	-	-	67,267
Other components of statement of other comprehensive income	(47,532)	-	(281,177)	48,726	-	(279,983)
Total shareholders' equity attributable to the Group	1,036,160	-	(271,199)	48,726	(51,337)	762,350
Shareholders' equity attributable to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognised directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity attributable to minority interests	-	-	-	-	-	-
TOTAL	1,036,160	-	(271,199)	48,726	(51,337)	762,350

€/'000	Balance at Dec. 31, 2011	Adjustment to closing balance	Amount credited	Trasferred to the Income Statement	Other movement	Balance at Dec. 31, 2012
Shareholders' equity attributable to the Group						
Share capital	73,382	-	52	-	-	73,434
Other equity instruments	-	-	-	-	-	-
Capital reserves	56,013	-	484	-	-	56,497
Retained earnings and other equity reserves	847,716	-	46,854	-	(73,388)	821,182
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Net profit (loss) for the period	67,267	-	283,756	-	-	351,023
Other components of statement of other comprehensive income	(279,983)	-	390,053	10,286	-	120,356
Total shareholders' equity attributable to the Group	762,350	-	721,199	10,286	(73,388)	1,420,447
Shareholders' equity attributable to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognised directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity attributable to minority interests	-	-	-	-	-	-
TOTAL	762,350	-	721,199	10,286	(73,388)	1,420,447

Statement of cash flow

Indirect method

€/'000	Dec. 31, 2012	Dec. 31, 2011
Profit (loss) before tax for the period	500,610	84,539
Changes in non-monetary items	288,980	(2,566,471)
Change in unearned premiums reserve (general business)	-	-
Change in outstanding claims reserve and other technical reserves (general business)	-	-
Change in mathematical reserves and other technical reserves (Life business)	(795,371)	(1,911,544)
Change in deferred acquisition costs	-	-
Change in provisions	30,329	22,392
Non-monetary income (losses) on financial instruments, investment property and equity investments	1,054,022	(677,319)
Other changes	-	-
Changes in receivables and payables arising out of operating activities	87,466	(52,645)
Changes in receivables and payables arising out of direct insurance and reinsurance operations	(6,280)	1,122
Changes in other receivables and payables	93,746	(53,767)
Income tax paid	(64,414)	(40,083)
Net cash from monetary items relating to investment and financial activities	1,979,991	3,441,177
Liabilities on financial contracts issued by insurance companies	(46,579)	(80,984)
Amounts due to banks and banking customers	2,136,588	3,477,972
Loans to and receivables from banks and banking customers	(159,051)	120,213
Other financial instruments at fair value through profit or loss	49,033	(76,024)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,792,633	866,517
Net cash from investment property	1,243	(17,387)
Net cash from subsidiaries, associates and joint ventures	56,673	14,533
Net cash from loans and receivables	583	(181,786)
Net cash from held-to-maturity investments	(353,459)	364,746
Net cash from available-for-sale financial assets	(2,884,495)	(4,616,170)
Net cash from tangible and intangible assets	(5,683)	832
Net cash from tangible and intangible assets	345,357	3,211,592
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,839,781)	(1,223,640)
Net cash from equity instruments attributable to the Group	2,752	2,918
Net cash from treasury shares	-	-
Distribution of dividends attributable to the Group	(102,726)	(102,612)
Net cash from capital and reserves attributable to minority interests	-	-
Net cash from subordinated liabilities and quasi-equity instruments	-	-
Net cash from miscellaneous financial liabilities	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(99,974)	(99,694)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	338,386	795,203
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(147,122)	(456,817)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	191,264	338,386

Notes to the Consolidated Annual Financial Statements 2012

Notes to the Consolidated Annual Financial Statements

These notes are structured as follows:

PART A - ACCOUNTING BASIS AND SCOPE OF CONSOLIDATION

Pursuant to Legislative Decree No. 38 of February 28, 2005, the consolidated financial statements for the year ended December 31, 2012 of the Mediolanum Group were prepared in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS) 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 Mediolanum Group is a financial conglomerate that operates primarily in the insurance business under Legislative Decree 142 of May 30, 2005.
In accordance therewith, the Mediolanum Group's financial statements for the year ended December 31, 2012 were prepared following the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP (Italy's supervisory authority for insurance companies) in accordance with Regulation No. 7 of July 13, 2007, as subsequently amended by ISVAP Regulation 2784 of March 8, 2010.

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, 2012, 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.
The consolidated financial statements consist of:
- Statement of financial position;
- Income Statement;

- Statement of Comprehensive Income;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Explanatory Notes.

In addition to the Directors' Report.

The consolidated financial statements were prepared pursuant to section 154 ter of Legislative Decree 58/98 introduced by Legislative Decree 195/07 which transposed into national legislation the so called "Transparency Directive". Said statute requires listed issuers whose home Member State is Italy to approve their annual financial statements not later than 120 days after the end of the financial year and publish the annual report including:

- the separate financial statements;
- the consolidated financial statements, where applicable;
- the directors' reports;
- the responsibility statement pursuant to section 154-bis, paragraph 2.

The complete independent auditors' reports pursuant to sections 14 and 16 of Legislative Decree No. 39/2010 are published together with the annual report.

In accordance with art. 5 of Legislative Decree No. 38/2005 the financial statements were prepared using the euro as reporting currency.

The amounts set out in the Accounts, in the Notes and the Directors' Report are presented in thousands of euros unless stated otherwise.

The accounts and the notes also include comparative information for the year ended December 31, 2011. Where necessary, for the sake of comparability of financial information, certain reclassifications were made with respect to prior period's comparative information.

The accounts and the notes were prepared also in accordance with ISVAP Regulation 7 of July 13, 2007, as amended by ISVAP Regulation 2784 of March 8, 2010 to incorporate certain changes introduced in international accounting and financial reporting standards IAS/IFRS since the date of the previous ISVAP regulation. Certain tables set out in the notes have been rationalised to bring financial reporting more in line with European harmonised standards.

Scope of consolidation

The consolidated financial statements include the accounts of Mediolanum S.p.A. and those of its directly or indirectly controlled subsidiaries.

The subsidiaries which are consolidated on a line-by-line basis in accordance with the international accounting standards are set out in the tables below.

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

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Vita S.p.A.	87,720	100.00%	Basiglio	Life Insurance
Mediolanum Comunicazione S.p.A.	775	100.00%	Basiglio	Audio/film/TV production
PI Servizi S.p.A.	517	100.00%	Basiglio	Real estate brokerage
Mediolanum International Life Ltd	1,395	100.00%	Dublin	Life Insurance
Banca Mediolanum S.p.A.	600,000	100.00%	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.00%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	44.00%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	49.00%	Dublin	Asset management and advice
Gamax Management AG	7,161	0.004%	Luxembourg	Fund management

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

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00%	Basiglio	Fund management
Mediolanum Fiduciaria S.p.A.	240	100.00%	Basiglio	Trust company
Mediolanum International Funds Ltd	150	51.00%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.00%	Dublin	Asset management and advice
Gamax Management AG	7,161	99.996%	Luxembourg	Fund management
Banco Mediolanum S.A.	86,032	100.00%	Barcelona	Banking
Bankhaus August Lenz & Co. AG	20,000	100.00%	Munich	Banking
Fermi & Galeno Real Estate S.r.l.	10	100.00%	Basiglio	Management of real estate funds

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

€/'000 Company	Share capital	% holding	Registered office	Business
Ges Fibanc S.G.I.I.C. S.A.	2,506	100.00%	Barcelona	Fund management
Fibanc S.A.	301	100.00%	Barcelona	Financial Advice
Fibanc Pensiones S.G.F.P. S.A.	902	100.00%	Barcelona	Pension Fund management
Mediolanum International Funds Ltd	150	5.00%	Dublin	Fund management

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

€/'000 Company	Share capital	% holding	Registered office	Business
Mediobanca S.p.A.	430,565	3.44%	Milan	Banking

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

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

Methods of consolidation

Subsidiaries are consolidated on a line-by-line basis, while associates and joint ventures are accounted for using the equity method.

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. 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.

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

Under the equity method, an investment is initially recognised at cost and its carrying amount is increased or decreased thereafter to reflect the value of the investor's share of the investee's equity and profit. The investor's share of the profit or loss of the investee is recognised under the relevant item in the consolidated income statement, and the investor's share of changes in the investee's equity, other than transactions with the shareholders, is recognised under the relevant item in the consolidated statement of statement of other comprehensive income. 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 associate, including the proceeds on the ultimate disposal of the investment. If the recoverable amount is lower than the carrying amount, the resulting difference is recognised in the income statement. In applying the equity method to investments in associates the approved IAS/IFRS annual financial statements of associates were used.

Post balance sheet date events

On March 19, 2013, Italy's insurance regulator IVASS (previously named ISVAP) gave the green light to Mediolanum S.p.A.'s acquisition of the entire share capital of Mediolanum Assicurazioni S.p.A. resolved by the Board of Directors of Mediolanum S.p.A. on September 11, 2012. The consideration for the acquisition will therefore be based on Mediolanum Assicurazioni S.p.A.'s accounts and the value of its in-force business at March 31, 2013.

In the period between the end of financial year 2012 and the date on which these financial statements were approved, there was no other event which could materially impact the business or result of operations of the Mediolanum Group.

Significant non-recurring transactions or events

In the year under review, there were no non-recurring events or transactions, i.e. events or transactions which do not occur frequently in the ordinary course of business, which could have a material impact on the financial position, results of operations and cash flows of the Mediolanum Group (cf. Consob Communication DEM/6064293 of July 28, 2006).

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the consolidated financial statements for the year ended December 31, 2012.
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, 2011.

New standards, interpretations and amendments to standards that have been adopted by the Group beginning from January 1, 2012

The Group has adopted amendments to IFRS 7 '*Financial Instruments: Disclosures'* issued by the IASB on October 7, 2010 that became effective for financial years beginning on January 1, 2012. The IASB issued said amendments to allow users of financial statements to improve their understanding of transfers of financial assets (derecognition), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of said amendments did not have any material impact on the Group's financial statements.

New standards, interpretations and amendments to standards that are not yet effective and have not been adopted early by the Group

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 Statement of other comprehensive income according to whether they may be subsequently reclassified to profit or loss. Application of the revised standard is required for financial years beginning on or after July 1, 2012. The adoption of this amendment in these financial statements would have had no impact on the financial position, result of operations and cash flows of the Group, but it would have entailed rearranging the presentation of items of other statement of other comprehensive income.
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 Statement of 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 statement. The amended standard will become effective for annual periods beginning on or after January 1, 2013 with retrospective application required. The introduction of the amended standard will have an impact on the Group'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 €667 thousand reduced costs in the income statement and the concurrent recognition of a negative equity reserve of €484 thousand after tax.

On December 20, 2010, the IASB issued an amendment to IAS 12 – '*Income Taxes - Deferred Tax: Recovery of Underlying Assets*' clarifying how deferred tax liabilities and assets on investment properties measured at fair value are to be determined. The amendment was endorsed by the EU with the publication of 'Commission Regulation (EU) 1255/2012 of December 11, 2012' in the EU Official Journal L 360 of December 29, 2012. The amendment introduced the presumption that the carrying amount of investment properties measured using the fair value model in IAS 40 would be recovered through sale and the measurement of deferred tax liabilities or assets should reflect the consequences of recovering the carrying amount through sale. The amendment made to IAS 12 superseded SIC Interpretation 21 '*Income Taxes – Recovery of Revalued Non-Depreciable Assets*' that was withdrawn. The amendment to IAS 12 will become effective for financial years beginning on or after the date on which the EU Regulation entered into force (which was the third day following its publication in the EU Official Journal). The adoption of the amendment to IAS 12 in these financial statements would have had no impact on the financial position, result of operations and cash flows of the Group nor on other disclosures.

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 new standard IFRS 10 was endorsed by the EU with publication of 'Commission Regulation (EU) 1254/2012 of December 11, 2012' in the EU Official Journal L 360 of December 29, 2012. Built on existing principles, the new standard identifies control as the basis to determine which entities are to be consolidated by the parent company in its consolidated accounts. It also provides guidance on how to assess control to determine whether or not the parent has control over an entity. The standard shall be applied at the latest as from the commencement date of the entity's financial year starting on or after January 1, 2014. Early adoption is permitted provided that IFRS 10 is adopted at the same time as IFRS 11, IFRS 12, IAS 27 and IAS 28. Only IFRS 12 can be adopted early without the others. The adoption of the new standard IFRS 10 in these financial statements would have had no impact on the financial position, result of operations and cash flows of the Group.

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 Venturers*'. The new standard was endorsed by the EU with publication of 'Commission Regulation (EU) 1254/2012 of December 11, 2012' in the EU Official Journal L 360 of December 29, 2012. The new standard establishes principles for financial reporting of joint arrangements, for their classification based on the rights and obligations of the parties to the arrangements instead of their legal form, and that jointly controlled entities that meet the definition of a joint venture must be accounted for exclusively by using the equity method in the consolidated financial statements. 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*'). IFRS 11 shall be applied at the latest as from the commencement date of the entity's financial year starting on or after January 1, 2014. Early adoption is permitted provided that IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 are adopted at the same time. Only IFRS 12 can be adopted early without the others. The adoption of the new standard in these financial statements would have had no impact on the financial position, result of operations and cash flows of the Group.

On May 12, 2011, the IASB issued IFRS 12 '*Disclosure of Interests in Other Entities*'. This new standard includes all disclosure requirements for all interests in other entities, including subsidiaries, joint arrangements, associates, structured entities and unconsolidated entities. The new standard was endorsed by the EU with publication of 'Commission Regulation (EU) 1254/2012 of December 11, 2012' in the EU Official Journal L 360 of December

29, 2012. IFRS 12 shall be applied at the latest as from the commencement date of the entity's financial year starting on or after January 1, 2014. Early adoption of IFRS 12 is permitted. The adoption of the new standard in these financial statements would have had no impact on the financial position, result of operations and cash flows of the Group. The Group is assessing the potential impact on disclosures relating to subsidiaries.
On May 12, 2011, the IASB issued IFRS 13 '*Fair Value Measurement*' that clarifies how fair value is to be measured. IFRS 13 applies anytime another IFRS requires or permits fair value measurements or disclosures about measurements based on fair value. The new standard was endorsed by the EU with publication of 'Commission Regulation (EU) 1255/2012 of December 11, 2012' in the EU Official Journal L 360 of December 29, 2012. IFRS 13 shall be applied at the latest as from the commencement date of the entity's financial year starting on or after January 1, 2013. Early adoption of IFRS 13 is permitted. The Group is assessing the potential impact of the adoption of the new standard.
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 new standard was endorsed by the EU with publication of 'Commission Regulation (EU) 1256/2012 of December 13, 2012' in the EU Official Journal L 360 of December 29, 2012. The revised standard shall be applied at the latest as from the commencement date of the entity's financial year starting on or after January 1, 2014. Early adoption is permitted for amendments to IAS 32 provided that they are adopted together with amendments to IFRS 7. The adoption of the revised standard in these financial statements would have had no impact on the financial position, result of operations and cash flows of the Group, nor on other disclosures.
On December 16, 2011, the IASB issued amendments to IFRS 7 '*Financial Instruments: Disclosures*' to require the provision of information on the effects or potential effects of offsetting financial assets and liabilities on the statement of financial position. The new standard was endorsed by the EU with publication of 'Commission Regulation (EU) 1256/2012 of December 13, 2012' in the EU Official Journal L 360 of December 29, 2012. The revised standard shall be applied at the latest as from the commencement date of the entity's financial year starting on or after January 1, 2013. The adoption of the new standard in these financial statements would have had no impact on the financial position, result of operations and cash flows of the Group, nor on other disclosures.

On May 17, 2012, the IASB issued a collection of amendments to IFRSs ("Annual Improvements to IFRSs – 2009-2011 Cycle") to be applied retrospectively to annual periods beginning on or after January 1, 2013. Amendments relate, *inter alia*, to the following standards:
IAS 1 – *Presentation of financial statement*. The amendment clarifies requirements for presentation of comparative information when an entity changes accounting policies or makes retrospective restatements or reclassifications, and when an entity provides an additional statement of financial position that is more than information required under the standard.
IAS 16 – *Property, Plant and Equipment*. The amendment clarifies that spare parts, stand-by or servicing equipment are to be capitalised only when they meet the definition of property, plant and equipment (PPE), otherwise they are to be classified as Inventory.
IAS 32 – *Financial Instruments*. The amendment eliminates inconsistencies between IAS 32 and IAS 12 *Income Taxes*, clarifying that income taxes relating to distributions to shareholders are to be recognised in the income statement to the extent to which they relate to income generated from transactions originally recognised in the income statement.

Financial assets at fair value through profit or loss

This category includes:

- investment contracts to the benefit of life policyholders who bear the risk thereof and in connection with pension fund management;
- financial assets held for trading.

Financial assets at fair value through profit or loss consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets at fair value through profit or loss 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 at fair value through profit or loss* 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 at fair value through profit or loss* 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. 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.
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.

[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.

At each interim and annual statement of financial position 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.

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 rate.

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 the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset.

Amortised cost is not applied to short-terms loans and receivables for which the effect of discounting is immaterial. Those loans and receivables are measured at historical cost and the related costs/income are recognised in the income statement over the expected life of the asset.

At each interim and annual reporting date the Group assesses 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 loans 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.

Equity investments

This account relates to investments in associates and joint ventures that are accounted for using the equity method.
An associate is an entity over which the parent company (the investor) has significant influence, i.e. it holds, directly or indirectly, 20 per cent or more of the voting power of the investee or, if it holds less than 20 per cent of the voting power of the investee, it has the power to participate in the financial and operating policy decisions of the investee under legal arrangements, e.g. a shareholders' agreement.
An investment in an associate is accounted for using the equity method from the date on which the parent begins to have significant influence over the associate. The parent discontinues the use of the equity method from the date it ceases to have significant influence over the associate and from that date it accounts for the investment in accordance with IAS 39, provided that the associate does not become a subsidiary or a joint venture.
A joint venture is an entity in which the parent company (the investor) holds, directly or indirectly, 50 per cent of the voting power of the investee and a third party holds the other 50 percent. An investment in a joint venture is accounted for using the equity method in the same way as investments in associates.
If there is evidence that an investment in an associate or joint venture may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate or joint venture, 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.

Investment property and other 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 valuers.

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 include goodwill and software used over more than one year.

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired. Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.

An intangible asset can be recognised as goodwill when the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired (including any accumulated impairment losses) is representative of the future earnings capabilities of the investee.

Any negative goodwill (badwill) is directly recognised in the income statement.

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 it 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. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include:

- deposit accounts relating to financial contracts (under which the investment risk is borne by the policyholder) and to the management of pension funds;
- trading derivatives with negative fair value;
- short positions on securities trading.

Deposit accounts relating to financial contracts under which the investment risk is borne by the policyholder reflect with the best possible approximation the value of holdings in investment funds or benchmark stock indices. These liabilities are backed by assets carried at fair value.
The same applies to the liabilities relating to the Previgest Mediolanum non-occupational pension fund.
Financial liabilities are initially recognised at the time the policy is issued or amounts are received.
They are initially measured at the fair value of the assets under the contract (policy), i.e. generally the issue price of the underlying assets.
After initial recognition, financial liabilities are measured at fair value.
A financial liability is derecognised when it expires or is extinguished.

Debt and securities issued/Other financial liabilities

Other financial liabilities include bonds issued. 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. A financial liability is derecognised also when it is 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.

Life Technical Reserves

Life technical reserves represent the reserves for liabilities under insurance contracts and investment contracts with Discretionary Participation Features (DPF).

Life technical reserves include mathematical reserves, calculated on each individual contract according to the payment commitments undertaken and on the basis of the actuarial assumptions adopted for the computation of related premiums. Mathematical reserves include all revaluations applied in accordance with contract terms, as well as provisions for demographic risk. Mathematical reserves are not lower than surrender value.

Life technical reserves also include amounts set aside for the portion of premiums and the portion of contract-related expenses, e.g. handling costs and additional health premiums, that relate to future periods.

At each reporting date an assessment is made of the adequacy of insurance contract reserves (liability adequacy test) using current estimates of future cash-flows under insurance contracts. If the assessment reveals that the carrying amount of reserves is inadequate in the light of the estimated future cash flows, the Group increases reserves and recognises the difference in the income statement.

Technical reserves for contracts with DPF represent the reserves for liabilities arising on unrealised gains on assets under segregated fund management contracts.

When net gains arise on assets under contracts with Discretionary Participation Features (DPF) the Group raises a so-called shadow accounting reserve.

This reserve is recognised in equity when the unrealised gains or losses are recognised in equity, otherwise is recognised in the income statement.

Assets/Liabilities associated with disposal groups held for sale

This account relates to non-current assets/liabilities and disposal groups held for sale. They are measured at the lower of their carrying amount and fair value less cost to sell.

Related income and expenses (after taxes) are separately recognised in the income statement.

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.

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. As to the discount rate it was decided to apply the rate implied in IBOXX EUR Corporate AA indices published by Markit Group Ltd as these indices correspond to the implied internal rate of return of euro-denominated liquid corporate securities. The resulting values are recognised under staff costs as the net total of current service costs, past service costs, accrued interest and actuarial gains or losses. Actuarial gains or losses are fully recognised under staff costs.
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.

Tax assets and liabilities

The Italian companies that are part of the Mediolanum Group adhere to 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. Under said regime each participating subsidiary may elect to calculate its own tax base separately, taking into account, *inter alia*, any withholding taxes, tax deductions and tax credits. The resulting taxable income or loss of all participating subsidiaries is aggregated and transferred to the parent company. The parent company adds its taxable income or loss and calculates the consolidated tax expense or income as a single tax reporting entity.

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.

The Group recognises current and deferred taxes applying the tax rates in effect in the countries where consolidated subsidiaries are incorporated.

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 – or the Parent Company under 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, unless:

- the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- a deferred tax asset is also recognised for all deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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.

Treasury shares

Treasury shares are deducted from equity. Their original cost, any gains or losses on their sale are recognised directly in equity.

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 and quantification of potential assets and liabilities. These estimates primarily relate to:

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

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 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 cost (for equity instruments) or amortised cost (for debt instruments) 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.
Goodwill is tested for impairment annually (or any time there is evidence of impairment). To that end goodwill is allocated to the cash-generating unit (CGU). If the recoverable amount of the unit is less than its carrying amount an impairment loss is recognised. The recoverable amount of a cash-generating unit is the higher of the cash-gener-

ating unit's fair value less cost to sell and its value in use. The impairment loss is recognised in the income statement and cannot be reversed.

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.

Fair value disclosures

Reclassifications of assets

€/'000					No reclassification impact on profit/loss (before tax)		Impact of reclassifications for the year (before tax)	
Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Book value at Dec. 31, 2012 (4)	Fair value at Dec. 31, 2012 (5)	Valuation (6)	Other (7)	Valuation (8)	Other (9)
A. Debt securities			169,445	168,595	8,098	4,894	7,133	5,335
	HFT	AFS	141,144	141,144	7,133	3,740	7,133	4,160
	HFT	Loans to Customers	28,301	27,451	965	1,154	-	1,175

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 subsequent periods.

Fair value hierarchy

	L1		L2		L3		Total	
€/'000	2012	2011	2012	2011	2012	2011	2012	2011
Available for sale financial assets	11,759,893	8,387,380	463,724	564,908	95,452	110,118	12,319,069	9,062,406
Financial assets at fair value through profit or loss								
Financial assets held for trading	1,180,778	2,752,157	32,937	116,003	7,774	39,756	1,221,489	2,907,916
Financial assets at fair value	9,800,501	9,051,992	2,268,591	2,888,501	900,529	791,113	12,969,621	12,731,606
Total	22,741,172	20,191,529	2,765,252	3,569,412	1,003,755	940,987	26,510,179	24,701,928
Financial liabilities at fair value through profit or loss								
Financial liabilities held for trading	235,672	320,066	23,477	17,418	1,967	3,861	261,116	341,345
Financial liabilities at fair value	46,090	27,839	120,044	120,440	15,795	-	181,930	148,279
Total	281,762	347,905	143,521	137,858	17,762	3,861	443,045	489,624

A.3.2.2 Year's movements in Level 3 financial assets

	FINANCIAL ASSETS			
€/'000	held for trading	at fair value	available for sale	hedges
1. Opening balance	39,756	791,113	110,118	-
2. Increases	105,964	727,122	16,040	-
2.1 Purchases	104,096	594,669	12,633	-
2.2 Profits recognised				
2.2.1 Through profit or loss	1,845	132,453	659	-
- of which: gains	-	5,543	-	-
2.2.2 In equity	X	X	685	-
2.3 Transferred from other level	-	-	-	-
2.4 Other increases	23	-	2,063	-
3. Decreases	(137,946)	(617,706)	(30,706)	-
3.1 Sales	(123,007)	(578,954)	(20,777)	-
3.2 Redemptions	(75)	-	-	-
3.3 Losses recognised				
3.3.1 Through profit or loss	(521)	(27,255)	(1,516)	-
- of which: losses	-	(8,155)	(685)	-
3.3.2 In equity	X	X	(6,631)	-
3.4 Transferred to other level	(5,039)	-	(622)	-
3.5 Other decreases	(9,304)	(11,497)	(1,160)	-
4. Closing balance	7,774	900,529	95,452	-

A.3.2.3 Year's movements in Level 3 financial liabilities

	FINANCIAL LIABILITIES		
€/'000	held for trading	at fair value	hedges
1. Opening balance	3,861	-	-
2. Increases	(1,964)	-	-
2.1 Issues	-	-	-
2.2 Losses recognised			
2.2.1 Through profit or loss	(388)	-	-
- of which: losses	(388)	-	-
2.2.2 In equity	X	X	-
2.3 Transferred from other level	-	-	-
2.4 Other increases	(1,576)	-	-
3. Decreases	70	-	-
3.1 Redemptions	-	-	-
3.2 Buybacks	-	-	-
3.3 Losses recognised			
3.3.1 Through profit or loss	70	-	-
- of which: gains	70	-	-
3.3.2 In equity	X	X	-
3.4 Transferred to other level	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	1,967	-	-

PART C - INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION ASSETS

INTANGIBLE ASSETS

€/'000	Dec. 31, 2012	Dec. 31, 2011
Goodwill	129,886	149,864
Other intangible assets	23,096	17,002
Total	152,982	166,866

This section provides disclosures on impairment testing conducted on cash generating units (CGUs) in operation at December 31, 2012, 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.
Goodwill recognised in the consolidated accounts of the Mediolanum Group is lower than value in use. In connection therewith, you are advised that the Mediolanum Group average stock market value in 2012 was 2x its equity book value.
Impairment testing was conducted with the assistance of an independent valuation 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 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 Mediolanum S.A.	123.0
CGU - GERMANY	Gamax Management AG - German division	4.3
CGU - ITALY Life	Gamax Management AG - Italian division	22.7

Goodwill allocated to the CGU Spain included goodwill relating to Banco Mediolanum amounting to €123.0 million. Following the recognition of impairment in 2011, 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 €27 million was allocated to two different CGUs (Italy Life and Germany), on a pro-rata basis of total assets adjusted for profitability. Goodwill allocated to the CGU Germany was €4.3 million, and goodwill allocated to the CGU Italy Life was €22.7 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 whereby the value in use of a CGU, or an entity, is determined 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 2013-2015 Business Plan (the 2013-2015 Plan) approved by the Boards of Directors of Banco Mediolanum and Banca Mediolanum S.p.A..
The 2013-2015 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the range of possible future developments for the CGU.
The 2013-2015 Plan confirmed the strategic lines set out in the previous plan (2012-2015 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, 2012.
Specifically, the 2013-2015 Plan is based on the following key assumptions:

- growth in assets under management and administration at an average annual rate of 13%;
- business margin growth at an average annual rate of 2.2%;
- increase in general expenses at an average annual rate of 2.5%;

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

- Base scenario: developed using the projections set out in the 2013-2015 Plan;
- Prudential scenario: developed using the projections set out in the Plan with the exclusion of 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 13.9%, based on the following parameters:

- risk-free rate of 5.8% calculated on the basis of average historical 12-month yields on 10-year Spanish treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1,14 calculated on the basis of the historical 2-year beta of a panel of comparable entities 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 Spain at the end of the plan period was calculated based on cash flows available in 2015, excluding the contribution of corporate treasury activities, and assuming 2% long-term growth in line with long-term inflationary expectations.

Under the prudential scenario, the recoverable amount of CGU Spain was found to be €102.8 million which was lower than its consolidated carrying amount (€122.9 million), essentially due to the results of the 2013-2015 three-year plan. The Group, therefore, decided to write down the goodwill allocated to CGU Spain by €20.1 million.

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 2013-2016 Business Plan approved by the directors of Gamax (for the German division of Gamax) and the 2013-2015 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 2013-2016 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, 2012, the profitability of the German Division of Gamax was €1.5 million, essentially in line with the prior year (€1.4 million).
Specifically, the 2013-2016 Plan of the German Division of Gamax was based on the following key assumptions:

- assets under administration growth at an average annual rate of 13.5%;
- growth in business margin at an average annual rate of 11.5%;
- increase in general expenses at an average annual rate of 10.9%.

Under the Capital Asset Pricing Model the discount rate applied to calculate the present value of future cash flows (ke) was estimated at 8.1% based on the following parameters:

- risk-free rate of 1.5% 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 1,13 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. Prudentially, the capital surplus that would potentially be available was not considered.

BAL

BAL's 2013-2015 Plan was built on reasonable, consistent assumptions and represents the management best estimates of the possible future business developments of BAL.
BAL's plan approved by the Bank in the previous year was confirmed.

At December 31, 2012, BAL recorded a loss of €6.5 million (€13.1 million in 2011).
Specifically, BAL's 2013-2015 Plan was based on the following key assumptions:

- growth in business margin from €2.2 million in 2013 to €9.3 million in 2015;
- return to profit in financial year 2015, the last year 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 10.6% based on the following parameters:

- risk-free rate of 1.5% 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 1,13 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 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 cash flows available in 2015, and assuming 2% long-term growth in line with long-term inflationary expectations.

CGU GERMANY

The DDM exercise conducted on CGU Germany (German Division of Gamax and BAL) did not reveal any impairment losses.
Sensitivity to changes in some key assumptions was tested. The recoverable amount was found to be equal to the carrying amount of the CGU for the following changes in key assumptions:

- 436 bps increase in discount rate;
- 585 bps decrease in long term growth;
- net profitability 36% lower than forecast in the plans.

CGU ITALY LIFE

The recoverable amount of this CGU is assumed higher than the goodwill allocated to the CGU amounting to €22.7 million. The recoverable amount of this CGU is assumed higher than its carrying amount. The comparison of Mediolanum S.p.A. stock market capitalisation (€2.8 billion at December 31, 2012) to its equity (€1.4 billion at December 31, 2012) reveals an implicit multiple of 2.0x, indicating no impairment of goodwill allocated to the CGU Italy Life.

At statement of financial position date goodwill was allocated to the following CGUs

€/m	Dec. 31, 2012	Dec. 31, 2011
CGU SPAIN	102.8	122.8
CGU GERMANY	4.3	4.3
CGU ITALY LIFE	22.7	22.7
OTHER CGUS	0.1	0.1
Total	129.9	149.9

Analysis of intangible assets

	Dec. 31, 2012		Dec. 31, 2011	
€/'000	Finite life	Indefinite life	Finite life	Indefinite life
Goodwill - group	-	129,886	-	149,864
Other intangible assets Measured at cost	-	-	-	-
Other intangible assets	23,096	-	17,002	-
Total	23,096	129,886	17,002	149,864

Year's movements in intangible assets

	Goodwill	Other intangible assets: internally generated		Other intangible assets other		
€/'000		Finite life	Indefinite life	Finite life	Indefinite life	Total
Opening balance	149,864	-	-	17,002	-	166,866
Increases						
- Additions	-	-	-	14,449	-	14,449
- Other changes	164	-	-	-	-	164
Decrease						
- Disposals	-	-	-	(10)	-	(10)
- Value adjustments	(20,142)	-	-	(7,552)	-	(27,664)
- Amortisation	-	-	-	(7,552)	-	(7,552)
- Impairment	(20,142)	-	-	-	-	(20,142)
- in the income statement	(20,142)	-	-	-	-	(20,142)
- Other changes	-	-	-	(823)	-	(823)
Closing balance	129,886	-	-	23,096	-	152,982

TANGIBLE ASSETS

Property

€/'000	Dec. 31, 2012	Dec. 31, 2011
Land	42,250	31,285
Buildings	35,270	28,776
Total	80,520	60,061

Other tangible assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Furnishings	2,813	3,377
Electronic equipment	5,296	4,073
Other	953	2,449
Total	9,062	9,899

The increased balance of the account 'land and buildings' was largely in connection with the acquisition of the company Fermi & Galeno Real Estate, the owner of Fermi and Galeno properties, by the subsidiary Banca Mediolanum S.p.A..

Year's movements in Group-occupied property and other tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
Opening balance	31,285	28,776	3,377	4,073	2,449	69,960
Increases						
- Additions	13,965	8,014	871	1,910	214	24,974
- Transferred from investment property	-	12	-	-	-	12
- Other changes	-	-	10	16	152	178
Decreases						
- Disposals	-	-	(1)	-	(90)	(91)
- Depreciation	-	(1,532)	(1,406)	(1,739)	(502)	(5,179)
- Impairment:						
- equity	-	-	-	-	-	-
- Fair value decreases						
- Transferred to:	-	-	-	-	-	-
- investment assets	-	-	-	-	-	-
- Other changes	-	-	(36)	-	(236)	(272)
Closing balance	45,250	35,270	2,815	4,260	1,987	89,582

REINSURERS' SHARE OF TECHNICAL RESERVES

€/'000	Dec. 31, 2012	Dec. 31, 2011
Life business reserves		
Mathematical reserves	75,876	87,566
Reserves for outstanding claims	322	1,707
Total	76,198	89,273

INVESTMENTS

Investment property

€/'000	Dec. 31, 2012	Dec. 31, 2011
Land	62,028	62,028
Buildings	44,770	46,013
Total	106,798	108,041

At December 31, 2012, the market value of investment property, as determined by external valuers, amounted to €123,710 thousand.

Year's movements in investment property

€/'000	Land	Buildings
Opening balance	62,028	46,013
Increases		
- Capitalised improvements	-	328
Decreases		
- Depreciation	-	(1,558)
- Other	-	(13)
Closing balance	62,028	44,770

Investments in associates and joint ventures

€/'000	Dec. 31, 2012	Dec. 31, 2011
Mediobanca S.p.A.	292,406	322,955
Banca Esperia S.p.A.	90,294	81,538
Total	382,700	404,493

The year's movements in this account relate to the investments in Mediobanca and Banca Esperia accounted for under the equity method in accordance with the respective share of equity included in the consolidated accounts at December 31, 2012.

Mediolanum S.p.A. decided to review for impairment the value of its stake in Mediobanca at September 30, 2012. For that purpose it requested the assistance of a specialist valuation firm. To determine the recoverable amount of the investment in Mediobanca the dividend discount model in the excess capital variant was used. Due to the lack of a plan approved by the Board of Directors of Mediobanca, the financial projections used for impairment testing were derived from recent research done by financial analysts.

The main input assumptions used to determine the recoverable amount of the investment in Mediobanca are set out below:

- cost of equity at 10.85%, estimated using the Capital Asset Pricing Model (CAPM) assuming:
  - a risk free rate of 5.61% (average 6-month gross yield on 10-yr Italian BTP at October 30, 2012);
  - beta coefficient of 1.05 (average beta coefficient of the Mediobanca stock at October 30, 2012 based on 2-year weekly data) which reflects the overall average stock volatility;
  - market risk premium of 5% (according to Italian market valuation practice);

- financial analysts estimates through June 2015;
- inertial projections through 2020 to determine sustainable medium-term average income configuration assuming the gradual alignment of statement of financial position and income components with the long term growth rate and convergence of cost of risk toward the pre-crisis average value in the years 2007 and 2008; long-term growth rate for the calculation of Terminal Value at 2% in line with Italian market valuation practice;
- target Tier 1 ratio of 8% (8.5% beginning from 2019, the year in which Basel III will take full effect) and Total Capital Ratio of 10.5%.

Sensitivity analysis was performed to see how results would vary for changes in key parameters (cost of equity and long-term growth rate) and it was found that the recoverable amount of the investment in Mediobanca ranged from €9.3 to €9.8 per share. Based on the analyses above the recoverable amount of the investment in Mediobanca was determined at €9.5 per share.
Based on said valuation, it was decided to write down the carrying amount of the stake in Mediobanca from €11.78 per share (aggregating to €342.6 million) to €9.5 per share (aggregating to €276.4 million) in the interim accounts at September 30, 2012.
Impairment review was again undertaken to determine the recoverable amount of the investment in Mediobanca at December 31, 2012. To that end, Mediolanum S.p.A. requested again the assistance of an independent valuer. This time the recoverable amount of the stake in Mediobanca was found to range between €9.76 and €10.39 per share, with a median value of €10.05 per share.
The main input assumptions used to determine the recoverable amount of the investment at December 31, 2012 were as follows:
- financial analysts estimates for the 2013-2015 period;
- cost of equity at 9.96%, estimated using the Capital Asset Pricing Model (CAPM) assuming:
  - a risk free rate of 4.75% (average 6-month gross yield on 10-yr Italian BTP at February, 2013);
  - beta coefficient of 1.04 (average beta coefficient of the Mediobanca stock in February, 2013 based on 2-year weekly data) which reflects the overall average stock volatility.

Sensitivity analysis was performed to see how results would vary for changes in cost of equity and long-term growth rate, and it was found that the recoverable amount of the investment in Mediobanca ranged from €9.76 to €10.39 per share.
Based on the analyses above that were consistent with those applied for impairment review at September 30, 2012, the recoverable amount of the investment in Mediobanca at year end 2012 was determined at €10.05 per share. Compared to September 30, 2012, there was a decline in cost of equity largely as a result of the lower risk-free rate.
In the light of the foregoing, the carrying amount of the equity accounted investment in Mediobanca was adjusted from €9.93 per share to €10.05 per share in the consolidated accounts at December 31, 2012. The impairment recognised for financial year 2012 on the investment in Mediobanca aggregated to €62.7 million.

Excluding the impairment above, the impact on the income statement of investments accounted for by the equity method was a positive balance of €7.5 million versus a positive balance of €6.5million in the prior year.

Year's movements in investments in subsidiaries, associates and joint ventures

€/'000	Dec. 31, 2012
Opening balance	404,493
Banca Esperia:	
- net profit	2,613
- net loss	-
- change in equity	6,144
Mediobanca:	
- net profit	4,870
- net loss	-
- impairment	(62,703)
- change in equity	27,285
Closing balance	382,700

Mediolanum Group's sovereign debt holdings largely consist of Italian treasuries. Spanish treasuries account for a small share of said holdings and holdings of other government securities are not significant.

Held-to-maturity investments

€/'000	Dec. 31, 2012	Dec. 31, 2011
Debt securities	1,359,408	1,005,949
Total	1,359,408	1,005,949
Fair value	1,383,052	990,324

Fair value hierarchy analysis of Held-to-Maturity investments

	Dec. 31, 2012				Dec. 31, 2011			
		Fair value				Fair value		
€/'000	Value	Level 1	Level 2	Level 3	Value	Level 1	Level 2	Level 3
Debt securities	1,359,408	1,174,200	208,852	-	1,005,949	450,593	534,846	4,885
Loans	-	-	-	-	-	-	-	-
Total	1,359,408	1,174,200	208,852	-	1,005,949	450,593	534,846	4,885

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

€/'000	Dec. 31, 2012	Dec. 31, 2011
Debt securities		
Governments and Central Banks	1,072,852	280,936
Government agencies	9,945	32,036
Banks	276,611	692,977
Total	1,359,408	1,005,949

Time-to-maturity of held-to-maturity investments

€/'000	Dec. 31, 2012	Dec. 31, 2011
Time to maturity		
1-5 years	1,070,412	809,412
5-10 years	172,682	91,473
Over 10 years	116,314	105,064
Total	1,359,408	1,005,949

Loans and receivables

€/'000	Dec. 31, 2012	Dec. 31, 2011
Banks	1,191,226	1,866,543
Banking customers	5,204,849	4,370,481
Other	8,277	8,860
Total	6,404,352	6,245,884

Time-to-maturity of loans and receivables

€/'000	Dec. 31, 2012	Dec. 31, 2011
Time-to-maturity		
Within 1 year	466,109	1,891,855
1-5 years	2,198,787	1,236,076
Over 10 years	3,739,456	3,117,953
Total	6,404,352	6,245,884

Loans and receivables: banks

€/'000	Dec. 31, 2012	Dec. 31, 2011
Deposits with Central Banks		
- Time deposits	5,500	50,001
- For reserve requirements	71,758	80,352
Loans to banks		
- Time deposits	208,215	163,080
- Repurchase agreements	211,774	313,058
- Other loans	42,594	17,145
- Debt securities	651,385	1,242,907
Total	1.191,226	1,866,543
Fair value	*1,319,140*	*2,103,289*

Loans and receivables: banking customers

€/'000	Dec. 31, 2012	Dec. 31, 2011
Bank accounts	418,564	380,697
Repurchase agreements	53,716	9,884
Mortgage loans	3,221,580	2,583,084
Credit cards, personal loans and salary-guaranteed loans	469,838	271,299
Finance leases	1	51
Factoring	-	-
Other	410,704	188,744
Debt securities	630,446	936,722
Total	5,204,849	4,370,481
Fair value	*5,513,296*	*4,430,236*

The €834.4 million increase in the balance of 'Loans and receivables – banking customers' at December 31, 2012 relates to mortgage loans, up €638.5 million, and other transactions ('other'), up €222 million, consisting primarily of deposits with *Cassa Compensazione e Garanzia*.

Loans and receivables – banking customers – analysis by borrower/issuer

€/'000	Dec. 31, 2012	Dec. 31, 2011
Debt securities		
Governments	350,980	501,420
Government agencies	-	100,917
Other issuers		
- non financial companies	-	-
- financial companies	279,466	334,385
- insurance companies	-	-
- others	-	-
Loans:		
Governments	12	-
Government agencies	48	25
Others		
- non financial companies	215,302	95,569
- financial companies	308,365	143,425
- insurance companies	1,427	1,430
- others	4,049,249	3,193,310
Total	5,204,849	4,370,481

Available-for-sale financial assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Debt securities	12,111,226	8,847,747
Equities	34,821	34,387
Holdings in UCITS	173,022	180,272
Total	12,319,069	9,062,406

Available-for-sale financial assets increased by €3,256.7 million, primarily reflecting purchases of Italian government securities.

Fair value hierarchy analysis of available-for-sale financial assets

	Dec. 31, 2012			Dec. 31, 2011		
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt securities	11,744,882	366,344	-	8.374,279	434,897	38,571
Equities	4,217	16,163	14,441	3,524	16,165	14,698
Holdings in UCITS	10,794	81,217	81,011	9,577	113,846	56,849
Loans	-	-	-	-	-	-
Total	11,759,893	463,724	95,452	8,387,380	564,908	110,118

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

€/'000	Dec. 31, 2012	Dec. 31, 2011
Debt securities		
- Governments and Central Banks	10,470,849	7,017,197
- Government agencies	-	-
- Banks	1,453,812	1,800,980
- Other issuers	186,565	29,570
Equities		
- Banks	-	-
- Other issuers	34,821	34,387
Holdings in UCITS	173,022	180,272
Total	12,319,069	9,062,406

Time-to-maturity of available-for-sale financial assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Time-to-maturity		
1-5 years	11,357,059	7,748,641
5-10 years	666,390	905,478
over 10 years	246,705	140,253
Indefinite	48,915	268,034
Total	12,319,069	9,062,406

Financial assets at fair value through profit or loss

€/'000	Dec. 31, 2012	Dec. 31, 2011
Financial assets held for trading		
Debt securities	1,214,764	2,883,613
Equities	-	3
Holdings in UCITS	116	18,773
Loans	-	-
Trading derivatives	6,609	5,527
Total	1,221,489	2,907,916
Financial assets at fair value		
Debt securities	3,402,540	3,796,258
Equities	-	-
Holdings in UCITS	9,565,715	8,935,348
Loans	-	-
Hedging derivatives	1,366	-
Total	12,969,621	12,731,606
Total financial assets at fair value through profit or loss	14,191,110	15,639,522

Fair value hierarchy analysis of financial assets at fair value through profit or loss

	Dec. 31, 2012			Dec. 31, 2011		
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading						
Debt securities	1,180,524	28,567	5,673	2,752,145	113,164	18,304
Equities	-	-	-	3	-	-
Holdings in UCITS	116	-	-	-	9	18,764
Loans	-	-	-	-	-	-
Trading derivatives	138	4,370	2,101	9	2,830	2,688
Total	1,180,778	32,937	7,774	2,752,157	116,003	39,756
Financial assets at fair value						
Debt securities	356,806	2,145,205	900,529	275,791	2,729,354	791,113
Equities	-	-	-	-	-	-
Holdings in UCITS	9,443,695	122,020	-	8,776,201	159,147	-
Loans	-	-	-	-	-	-
Trading derivatives	-	1,366	-	-	-	-
Total	9,800,501	2,268,591	900,529	9,051,992	2,888,501	791,113
Total financial assets at fair value through profit or loss	10,981,279	2,301,528	908,303	11,804,149	3,004,504	830,869

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2012	Dec. 31, 2011
Non derivatives		
Debt securities		
- Governments and Central Banks	434,716	1,163,332
- Government agencies	5,524	-
- Banks	436,376	529,043
- Other issuers	338,148	1,191,238
Equities		
- Banks	-	1
- Other issuers	-	2
Holdings in UCITS	116	18,773
Total non derivatives	1,214,880	2,902,389
Derivatives		
- Banks	6,589	5,516
- Customers	20	11
Total derivatives	6,609	5,527
Total	1,221,489	2,907,916

Analysis of financial assets at fair value by debtor/issuer

€/'000	Dec. 31, 2012	Dec. 31, 2011
Debt securities		
- Governments and Central Banks	230,134	149,058
- Banks	3,139,600	3,642,279
- Other issuers	32,806	4,926
Equities		
- Other issuers	-	-
Holdings in UCITS	9,565,715	8,935,343
Loans		
- Banks	1,366	-
Total	12,969,621	12,731,606

Non-current assets and disposal groups

'Non-current assets and disposal groups' amounted to €1,094 thousand. This account includes all statement of financial position assets relating to Partner Time S.p.A. which is in liquidation (FY 2011: €747 thousand).

Deferred tax assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Charge to the income statement	105,557	107,741
Charge to equity	20,702	144,460
Total	126,259	252,201

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

€/'000	Dec. 31, 2012	Dec. 31, 2011
Opening balance	107,741	98,971
Increases		
Deferred tax assets arisen in the year		
- relating to prior years	4,550	96
- changes in the accounting policies	(3,221)	1,508
- reversals	(20)	-
- other	27,561	37,613
New taxes or increased tax rates	-	1,452
Other increases	13,480	3,785
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(438)	(12,448)
- changes in the accounting policies	-	1
Other decreases	(44,095)	(23,237)
Closing balance	105,557	107,741

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

€/'000	Dec. 31, 2012	Dec. 31, 2011
Opening balance	144,460	40,014
Increases		
Deferred tax assets arisen in the year		
- relating to prior years	-	-
- changes in the accounting policies	-	-
- other	20,539	153,453
New taxes or increased tax rates	-	466
Other increases	-	-
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(8,368)	(24,974)
- irrecoverable amounts	-	-
- changes in accounting policies	-	-
- other	(135,929)	(24,499)
Reduced tax rates	-	-
Other decreases	-	-
Closing balance	20,702	144,460

Analysis of deferred tax assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Charge to the income statement	105,557	107,741
Provisions for risks and charges	53,066	47,733
Loan loss provision	313	5,605
Expenses deductible in future years	9,333	9,115
Taxed income relating to future years	9	10
Other	42,836	45,278
Charge to equity	20,702	144,460
Fair value measurement of AFS securities	20,702	144,460
Total	126,259	252,201

Other Assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Items in transit - lending	110,729	151,528
Due from tax authorities	54,065	38,631
Security deposits	2,601	5,867
Receivables from financial advisors	49,231	52,025
Advances to suppliers and professionals	5,748	7,241
Other receivables	59,386	31,561
Prepayments	4,752	4,764
Others	11,442	12,361
Total	297,954	303,978

SHAREHOLDERS' EQUITY AND LIABILITIES

EQUITY

€/'000	Dec. 31, 2012	Dec. 31, 2011
Share capital	73,434	73,382
Capital reserves	56,497	56,013
Retained earnings and other equity reserves	821,182	847,716
(Treasury shares)	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	88,984	(283,184)
Other gains (losses) recognised directly in equity	31,372	3,201
Group's profit (loss) for the year	351,023	67,267
Group's capital and reserves	1,420,447	762,350

At December 31, 2012 the Group's capital and reserves amounted to €1,420.4 million versus €762.4 million in the prior year.
At year end 2012, the AFS Reserve was up €372.2 million to a positive balance of €89.0 million from a negative balance of €283.2 million in 2011.
Share capital was fully paid up and amounted to €73,433,791.90, divided into 734,337,919 ordinary shares. Treasury shares amounted to 385,000. There were no equity holders other than the Group. For information on movements in the year, readers are referred to the Statement of changes in Equity herein.

Gain (Losses) on Available-for-Sale Financial Assets

	Dec. 31, 2012		Dec. 31, 2011	
€/'000	Gains	Losses	Gains	Losses
Debt securities	152,099	(60,037)	3,634	(284,419)
Equities	735	(109)	199	(3)
Holdings in UCITS	2,135	(5,839)	87	(2,682)
Total	154,969	(65,985)	3,920	(287,104)

Shadow Accounting

Shadow accounting is used to mitigate the effects of stocks volatility on equity and earnings.
At December 31, 2012, the Group recorded charges amounting to €2 million (€1.3 million after tax) and latent gains with a negative impact on equity of €5.8 million (€3.8 million after tax) in relation to the retrocession to policyholders of their share of valuation gains at December 31, 2012.

Year's movements in the revaluation reserve relating to available-for-sale financial assets

€/'000	Debt securities	Equities	Holdings in UCITS	Total
Opening balance	(280,785)	196	(2,595)	(283,184)
Increases				
Increase in fair value	368,252	684	2,623	371,559
Reclassification to the income statement from reserves:				
- impairment	-	3	1,076	1,079
- realised gains	10,360	-	3	10,363
Other increases	-	-	-	-
Decreases				
Decrease in fair value	(767)	(257)	(4,811)	(5,835)
Impairment	-	-	-	-
Reclassification to the income statement from reserves: realised losses	(1,156)	-	-	(1,156)
Other decreases	(3,842)	-	-	(3,842)
Closing balance	92,062	626	(3,704)	88,984

Net profit for the year attributable to the Group

Earnings per share on continuing operations

	Dec. 31, 2012	Dec. 31, 2011
€/'000	Total	Total
Profit for the year	433,827	193,174
Weighted average number of shares outstanding	734,079	733,350
Earnings per share (in euro)	0.591	0.263

Earnings per share

	Dec. 31, 2012	Dec. 31, 2011
€/'000	Total	Total
Profit for the year	351,023	67,267
Weighted average number of shares outstanding	734,079	733,350
Earnings per share (in euro)	0.478	0.092

Diluted earnings per share

	Dec. 31, 2012	Dec. 31, 2011
€/'000	Total	Total
Profit for the year	351,023	67,267
Weighted average number of shares outstanding	734,079	733,350
Adjustments for stock options with potential dilution effect	21,170	4,050
Weighted average number of shares outstanding for diluted earnings per share	755,248	737,400
Diluted earnings per share (in euro)	0.465	0.091

Reconciliation of the parent company's shareholders' equity to consolidated shareholders' equity

€/'000	Capital & reserves	Net Profit	Shareholders' Equity
Parent Company Accounts at Dec. 31, 2012	541,445	133,620	675,065
Successive changes in carrying amount and equityof companies consolidated on a line-by-line basis	95,849	593,345	689,194
Differences on investments accounted for by the equity method	66,067	(14,083)	51,984
Intercompany dividends	360,527	(360,527)	-
Elimination of intercompany transactions effects	(2,116)	217	(1,899)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	6,384	(166)	6,218
Other	1,268	(1,383)	(115)
Consolidated Accounts at December 31, 2012	1,069,424	351,023	1,420,447

PROVISIONS

€/'000	Dec. 31, 2012	Dec. 31, 2011
Provision for taxes	40	46
Other provisions	190,982	160,647
Total	191,022	160,693

Analysis of other provisions

€/'000	Dec. 31, 2012	Dec. 31, 2011
Provision for other completion-of-service entitlements and similar obligations	1,540	1,402
Provision for sales network benefits	100,664	84,668
Provision for risks related to sales network's illegal actions	37,682	40,627
Other provisions for risks and charges	51,096	33,950
Total	190,982	160,647

Year's movements in provisions

€/'000	Provision for taxes	Other provisions
Opening balance	46	160,647
Increases		
- Year's provision	-	65,719
- Other increases	-	428
Decreases		
- Funds utilised in the year	-	(19,408)
- Other decreases	(6)	(16,404)
Closing balance	40	190,982

TECHNICAL RESERVES

€/'000	Dec. 31, 2012	Dec. 31, 2011
Mathematical reserves	4,648,989	5,755,113
Reserve for outstanding claims	183,262	134,529
Technical reserves for contracts under which the investment risk is borne by the policyholder and relating to pension fund management	12,978,601	12,735,460
Other reserves	12,977	7,173
Total life business reserves	17,823,829	18,632,275

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit and loss

€/'000	Dec. 31, 2012	Dec. 31, 2011
Financial liabilities held for trading		
Short positions on debt securities	235,672	320,066
Trading derivatives	25,443	21,087
Other financial liabilities	-	192
Total financial liabilities held for trading	261,115	341,345

Financial liabilities at fair value

Liabilities arising on financial contracts issued by insurance companies:		
- under which the investment risk is borne by the policyholder	89,042	80,383
Hedging derivatives	92,888	67,896
Total financial liabilities at fair value	181,930	148,279
Total financial liabilities at fair value through profit or loss	443,045	489,624

At year end 2012, **financial liabilities at fair value through profit or loss** amounted to €443.0 million down €46.6 million compared to €489.6 million at December 31, 2011. Short positions on debt securities held by Banca Mediolanum were down €84.4 million, while hedging derivatives were up €25 million.

Fair Value hierarchy of financial liabilities at fair value through profit and loss

	Dec. 31, 2012				Dec. 31, 2011			
€/'000	Total	L1	L2	L3	Total	L1	L2	L3
Financial liabilities held for trading								
Short positions on debt securities	235,672	235,672	-	-	320,066	320,066	-	-
Trading derivatives	25,444	-	23,477	1,967	21,087	-	17,226	3,861
Securities issued	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	192	-	192	-
Total	261,116	235,672	23,477	1,967	341,345	320,066	17,418	3,861
Financial liabilities at fair value								
Liabilities arising on financial contracts issued by insurance companies:								
- under which the investment risk is borne by the policyholder	89,042	46,090	27,156	15,795	80,383	27,839	52,544	-
- in connection with pension fund management	-	-	-	-	-	-	-	-
Hedging derivatives	92,888	-	92,888	-	67,896	-	67,896	-
Total	181,930	46,090	120,044	15,795	148,279	27,839	120,440	-
Total financial liabilities at fair value through profit or loss	443,045	281,762	143,521	17,762	489,624	347,905	137,858	3,861

Other financial liabilities

€/'000	Dec. 31, 2012	Dec. 31, 2011
Banks	3,813,632	5,602,538
Banking customers	10,983,468	6,942,439
Securities issued	432,404	524,884
Deposits from reinsurers	75,875	87,565
Collaterals	185,778	197,143
Other	-	14,970
Total	15,491,157	13,369,539

The analysis of 'financial liabilities: banks' shows that amounts due to central banks, demand deposits and repurchase agreements decreased by €1,388.9 million, €175.7 million and €181.1 million respectively. They almost entirely related to Banca Mediolanum like time deposits which instead increased by €62.4 million.

Amounts due to banking customers amounted to €10,983 million versus €6,942 million in the prior year. The increase relates to Banca Mediolanum time deposits amounting to €2,550 million (vs. €1,097 million at December 31, 2011) and to repurchase agreements, also mostly relating to Banca Mediolanum, which amounted to €2,843 million (vs. €879 million at December 31, 2011).

Securities issued consisted of €93 million subordinated notes issued by Banca Mediolanum, €1 million bonds issued by Banca Mediolanum and €338 million bonds issued by the parent company Mediolanum S.p.A..

At the end of the year under review, Mediolanum Vita and Mediolanum International Life had €185.8 million liabilities on collaterals received (197.1 million at December 31, 2011) under derivative contracts whose risk is borne by policyholders.

Financial liabilities: Banks

€/'000	Dec. 31, 2012	Dec. 31, 2011
Central banks	3,105,719	4,494,571
Other banks		
- Demand deposits	1,688	177,686
- Time deposits	403,252	340,930
- Loans	302,149	401,215
- Repurchase agreements	6	187,116
- Other liabilities	818	1,020
Total	3,183,632	5,602,538

Time to maturity

€/'000	Dec. 31, 2012	Dec. 31, 2011
Time to maturity		
within 1 year	787,951	3,602,038
1-5 years	3,025,681	2,000,500
Total	3,813,632	5,602,538

The item "Financial liabilities: Banks" largely related to financial liabilities maturing within one year.

Financial liabilities: Banking customers

€/'000	Dec. 31, 2012	Dec. 31, 2011
Bank accounts	8,081,543	5,992,339
Repurchase agreements	2,861,406	923,457
Other liabilities	40,519	26,643
Total	10,983,468	6,942,439

PAYABLES

Other Payables

€/'000	Dec. 31, 2012	Dec. 31, 2011
Employee completion-of-service entitlements	10,880	10,427
Payables to suppliers	148,328	121,656
Due to tax authorities	84,971	58,812
Other miscellaneous payables	31,500	26,743
Total	275,679	217,638

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

€/'000	Dec. 31, 2012
Opening balance	10,427
Increases	
- Amounts set aside in the year	5,632
- Other increases	691
Decreases	
- Funds used in the year	(5,254)
- Other decreases	(616)
Closing balance	10,880

Other miscellaneous payables

€/'000	Dec. 31, 2012	Dec. 31, 2011
Mediolanum Group associates	620	675
Social security agencies	5,567	5,182
Consultants, professionals, directors and statutory auditors	7,337	3,624
Companies within the Fininvest Group and the Doris Group	3,607	2,937
Employees	1,114	1,463
Tax payable by policyholders	904	970
Other	12,351	11,892
Total	31,500	26,743

OTHER LIABILITIES

Deferred tax liabilities

€/'000	Dec. 31, 2012	Dec. 31, 2011
Charge to the income statement	33,911	39,025
Charge to equity	63,299	1,993
Total	97,210	41,018

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

€/'000	Dec. 31, 2012	Dec. 31, 2011
Opening balance	(39,025)	(45,127)
Increases		
Deferred tax liabilities arisen in the year		
- other	(6,328)	(3,617)
New taxes or increased tax rates	-	(2,194)
Decreases	(3,870)	-
Deferred tax liabilities cancelled in the year		
- reversals	-	1,945
- other	1,084	9,965
Other decreases	14,228	4
Closing balance	(33,911)	(39,025)

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

€/'000	Dec. 31, 2012	Dec. 31, 2011
Opening balance	(1,993)	(6,805)
Increases		
Deferred tax liabilities arisen in the year		
- other	(117,036)	(3,686)
New taxes or increased tax rates	-	(51)
Other increases	(9)	(2)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversals	13,858	5,427
- other	41,875	3,085
Other decreases	6	39
Closing balance	(63,299)	(1,993)

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2012	Dec. 31, 2011
Charge to the income statement	33,911	39,025
income taxable in future years	33,621	38,646
future expenses deductible in the year	211	215
deducted expenses relating to future years	79	164
Charge to equity	63,299	1,993
fair value measurement of AFS securities	63,299	1,993
Total	97,210	41,018

Liabilities associated with disposal groups held for sale

The balance of this account amounting to €960 thousand includes all liabilities relating to the investment in Partner Time S.p.A. that is under liquidation (FY 2011: €968 thousand).

Other liabilities

€/'000	Dec. 31, 2012	Dec. 31, 2011
Items in transit - lending	128,612	233,725
Provision for staff costs	6,151	6,744
Agents' severance benefits	3,742	3,528
Security deposits	2,835	4,171
Accrued expenses	26,869	18,118
Other	9,045	8,671
Total	177,254	274,957

"Items in transit" included payments to other bank accounts ordered by customers and cleared through the Interbank Payment System in the first days of 2012 (€20,191 thousand), payments by direct debit/standing orders of customers (€22,458 thousand), transactions made by customers at post offices (*Banco Posta*) (€4,436 thousand), payments to be made into *Mediolanum Plus* policies (€12,012 thousand) and other items being processed that were cleared in the first days of 2013.
Accrued expenses mostly related to commissions on sales of Mediolanum Plus Certificates relating to future years.

PART D - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

As of December 31, 2012

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums - Premiums written	8,054,608	(3,301)	8,051,307
Total premiums written	8,054,608	(3,301)	8,051,307
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(10,202,716)	21,928	(10,180,788)
- Change in reserve for outstanding claims	(47,902)	(1,386)	(49,288)
- Change in mathematical reserves	1,105,452	(11,690)	1,093,762
- Change in other technical reserves	534	-	534
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(251,669)	-	(251,669)
Total amounts paid & change in technical reserves	(9,396,301)	8,852	(9,387,449)
Life insurance net income (expense)	(1,341,693)	5,551	(1,336,142)

As of December 31, 2011

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums - Premiums written	9,547,764	(4,347)	9,543,417
Total premiums written	9,547,764	(4,347)	9,543,417
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(10,949,749)	12,368	(10,937,381)
- Change in reserve for outstanding claims	(17,527)	744	(16,783)
- Change in mathematical reserves	539,971	(7,644)	532,327
- Change in other technical reserves	17,494	-	17,494
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	1,368,059	-	1,368,059
Total amounts paid & change in technical reserves	(9,041,752)	5,468	(9,036,284)
Life insurance net income (expense)	506,012	1,121	507,133

Gross premiums written

€/'000	Dec. 31, 2012	Dec. 31, 2011
Gross premiums written	-	-
Class III products	1,307,949	1,584,493
Traditional products	6,746,659	7,963,271
Total gross premiums written	8,054,608	9,547,764

Commission income

€/'000	Dec. 31, 2012	Dec. 31, 2011
Guarantees issued	96	88
Management, brokerage and consulting services:	835,789	684,389
- Financial instruments brokerage	2,026	2,690
- Currency brokerage	2	1
- Asset management	708,658	571,357
- individual portfolio management	4,581	4,816
- collective portfolio management	704,077	566,541
- Securities in custody and under administration	4,181	4,698
- Custodian bank	616	567
- Sales of securities	23,770	28,007
- Order taking	5,473	5,902
- Services to third parties	91,063	71,167
- asset management	333	216
- collective portfolio management	333	216
- insurance products	69,377	61,884
- other products	21,353	9,067
Collection and payment services	19,032	29,654
Loadings on investment contracts	681	384
Other services	37,960	38,005
Total	893,558	752,520

Commission income for the period amounted to €893.6 million versus €752.5 million in 2011. The €141.1 million increase was largely in connection with growth in performance fees (up €79 million) and in management fees (up €54 million), offset in part by decreased banking services fees (down €16 million).

Commission expenses

€/'000	Dec. 31, 2012	Dec. 31, 2011
Management, brokerage and consulting services:	279,937	206,045
- Financial instruments brokerage	1,697	2,216
- Asset management	3,890	3,221
- Securities in custody and under administration	834	908
- Sales of securities	17,243	1,858
- Off-premises sales of securities, products and services	256,273	197,842
Collection and payment services	19,451	29,982
Commissions on the acquisition of investment contracts	712	182
Other services	14,768	26,510
Total	314,868	262,719

Commission expenses for the period amounted to €314.9 million versus €262.7 million in the prior year. The €52.2 million increase was largely due to greater amounts provided for incentives and to changes in the sales network compensation policy.

NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

€/'000	Dec. 31, 2012	Dec. 31, 2011
Financial assets		
Interest income and other investment income		
- from financial assets held for trading	96,949	86,370
- from financial assets at fair value	44,899	106,306
Net income from financial assets held for trading	131,419	(67,715)
Net income from financial assets at fair value	1,103,055	(753,343)
Financial liabilities		
Interest expense and similar charges		
- from financial liabilities held for trading	(9,822)	(15,038)
- from financial liabilities at fair value	(446)	(415)
Net income from financial liabilities held for trading	1,327	(1,782)
Net income from financial liabilities at fair value	10,933	44,248
Total	1,378,314	(601,369)

This account shows a positive balance of €1,378.3 million (vs. a negative balance of €601.4 million in FY 2011).

Financial assets/liabilities held for trading generated net income of €132,746 thousand (vs. a loss of €69,497 thousand in FY 2011), largely on debt securities, benefitting from the recovery of government bond prices.

Financial assets/liabilities at fair value generated net income of €1,114.0 million (vs. a loss of €709,095 thousand in FY 2011), largely reflecting changes in the value of assets underlying index-linked and unit-linked policies under which the investment risk is borne by the policyholder.

Analysis of net income from financial assets held for trading through profit or loss

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Financial assets held for trading					
Debt securities	51,007	95,791	(407)	(2,737)	143,654
Equities	-	7	-	(97)	(90)
Holdings in UCITS	7	32	(2,368)	-	(2,329)
Loans	-	-	-	-	-
Other	-	-	-	-	-
Other financial assets and liabilities: exchange differences	-	-	-	-	26
Derivatives					
Financial derivatives					
- debt securities & interest rates	1,063	12,723	(6,937)	(17,820)	(10,971)
- equities & stock indices	-	24	-	-	24
- currencies and gold	-	-	-	-	1,105
- other	-	-	-	-	-
Credit derivatives	-	-	-	-	-
Total	52,077	108,577	(9,712)	(20,654)	131,419

Analysis of net income from financial assets at fair value through profit or loss

€/'000	Urealised gains (A)	Realised trading profits (B)	Urealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	402,437	44,990	(15,287)	(10,470)	421,670
Equities	-	-	-	-	-
Holdings in UCITS	693,415	85,314	(22,264)	(70,801)	685,664
Loans	20,945	-	-	-	20,945
Helding derivatives	-	-	(25,224)	-	(25,224)
Total	1,116,797	130,304	(62,775)	(81,271)	1,103,055

Net income from financial liabilities at fair value through profit or loss

Net income from financial liabilities at fair value through profit or loss amounted to €10,933 thousand (vs. €44,248 thousand at December 31, 2011), and related exclusively to profits/losses on investment contracts issued by the Group insurance companies.

Analysis of net income from financial liabilities held for trading

€/'000	Urealised gains (A)	Realised trading profits (B)	Urealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	953	4,471	(2,834)	(1,262)	1,328
Debt	-	-	-	-	-
Other	-	-	-	(1)	(1)
Total	953	4,471	(2,834)	(1,263)	1,327

INCOME ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At year end 2012, income on investments in associates and joint ventures that are accounted for under the equity method aggregated to €7,483 thousand, of which €2,613 thousand (FY 2011: €715 thousand) on the investment in Banca Esperia S.p.A. and €4,870 thousand (FY 2011: €5,829 thousand) on the investment in Mediobanca S.p.A..

LOSS ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The €62,703 thousand loss reported in this line item at December 31, 2012 (FY 2011: €41,126 thousand) relates to the impairment charge recognised on the stake in Mediobanca S.p.A., which is accounted for under the equity method, following impairment review as a result of which the carrying amount of this investment was written down to €10.05 per share.

Income (loss) on other financial instruments and investment property

€/'000	Dec. 31, 2012	Dec. 31, 2011
Interest income and other income	654,310	456,505
Realised gains	47,610	24,986
Unrealised gains	4,623	5,412
Total income	706,543	486,903
Interest expense and similar charges	(225,747)	(149,492)
Realised losses	(25,646)	(27,382)
Unrealised losses	(17,729)	(137,311)
Total charges	(269,122)	(314,185)
Total net investment income	437,421	172,718

Analysis of net investment income

€/'000	Dec. 31, 2012	Dec. 31, 2011
Investment property	5,988	5,645
Available for sale financial assets	459,129	92,798
Held to Maturity Investments	40,419	36,556
Loans and Receivables	156,821	186,490
Other	(224,936)	(148,771)
Total	437,421	172,718

Analysis of net income from investment property

€/'000	Dec. 31, 2012	Dec. 31, 2011
Realised gains	-	48
Realised losses	-	-
Other income	8,242	7,403
Other expenses	(696)	(459)
Unrealised losses	(1,558)	(1,347)
Total net income from investment property	5,988	5,645

Analysis of net income from held-to-maturity investments

€/'000	Dec. 31, 2012	Dec. 31, 2011
Interest income and other income	40,389	51,010
Realised gains	30	1,046
Unrealised losses	-	(15,500)
Total net income from HTM investments	40,419	36,556

Analysis of net income from available-for-sale financial assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Interest income and other income	439,742	205,642
Realised gains	47,225	23,360
Unrealised gains	-	158
Realised losses	(25,415)	(27,307)
Unrealised losses	(2,423)	(109,055)
Total net income from AFS financial assets	459,129	92,798

Analysis of Loans and Receivables

€/'000	Dec. 31, 2012	Dec. 31, 2011
Interest income and other income	165,937	192,450
Realised gains	237	266
Unrealised gains	4,623	5,254
Realised losses	(228)	(71)
Unrealised losses	(13,748)	(11,409)
Total net income from loans and receivables	156,821	186,490

Analysis of net income from financial liabilities

€/'000	Dec. 31, 2012	Dec. 31, 2011
Interest expense and other charges	(225,051)	(149,033)
Realised gains	118	266
Realised losses	(3)	(4)
Total	(224,936)	(148,771)

OTHER REVENUES

€/'000	Dec. 31, 2012	Dec. 31, 2011
Fixed duties on insurance products	10,135	11,064
Recoveries of expenses on contracts and services rendered	1,229	1,490
Other	15,071	8,423
Total	26,435	20,977

OPERATING EXPENSES

€/'000	Dec. 31, 2012	Dec. 31, 2011
Agents' Commissions and other acquisition costs	73,340	73,726
Investment management expenses	319	513
Other administrative expenses		
Employees	153,034	143,942
Advertising and promotions	28,616	25,418
Advisory services and collaborations	32,330	22,612
IT systems	54,401	54,234
Miscellaneous communications services	21,240	20,894
Other general expenses	70,590	62,478
Total other administrative expenses	360,211	329,578
Total	433,870	403,817

Average number of employees by category

Number	Dec. 31, 2012	Dec. 31, 2011
Employees:		
a) senior management	93	101
b) middle management	303	236
c) other employees	1,711	1,717
Total employees	2,107	2,054
Other personnel	26	20
Total	2,133	2,074

OTHER COSTS

€/'000	Dec. 31, 2012	Dec. 31, 2011
Employees	1,733	2,787
Amortisation of intangible assets	7,522	10,110
Depreciation of investment property and other assets	5,179	5,634
Provisions for risks and charges	49,354	34,116
Other miscellaneous expenses	31,230	13,675
Total	95,018	66,322

Net Provisions for risks and charges

€/'000	Dec. 31, 2012	Dec. 31, 2011
Provision for sales network benefits	23,753	24,506
Provision for risks related to financial advisors' illegal actions	5,572	7,823
Other provisions for risks and charges	20,029	1,787
Total	49,354	34,116

INCOME TAX

€/'000	Dec. 31, 2012	Dec. 31, 2011
Current taxes (-)	(153,884)	(32,779)
Change in prior years' current taxes (+/-)	4,204	10
Change in deferred tax assets (+/-)	4,473	15,601
Change in deferred tax liabilities (+/-)	(4,354)	216
Income tax charge for the year (-)	(149,561)	(16,952)

Reconciliation between the theoretical tax rate and the effective tax rate

€/'000	Dec. 31, 2012	Dec. 31, 2011
Theoretical tax rate - IRES and equivalent taxes	18.76%	16.72%
Profit before tax	500,696	84,267
Theoretical tax	93,911	14,088
Taxable income	22,934	(9,928)
Other adjustments	3,101	672
Tax expense - Ires & equivalent taxes	119,945	4,832
Effective tax rate Ires & equivalent taxes	23.96%	5.73%
Total tax expense	149,561	16,952
Total effective tax rate	29.87%	20.12%

PART E - SEGMENTAL INFORMATION

Segment reporting

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 Group, and is consistent with the information disclosed to the market and to the various stakeholders.

Note on the method applied to segment reporting

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

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

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

Reconciliation of the income statement at December 31, 2012 to the reclassified income statement

€/'000	Consolidated income statements
1.1 Net premiums written	
1.1.1 Gross premiums written	8,054,608
1.1.2 Reinsurance premiums	(3,301)
Total premiums written	8,051,307
1.2 Commission income	893,558
1.3 Net income on financial instruments at fair value through profit or loss	1,378,314
1.4 Income on investments in subsidiaries, associates and joint ventures	7,483
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	644,165
1.5.2 Other income	10,145
1.5.3 Realised gains	47,610
1.5.4 Unrealised gains	4,623
Total income on other financial instruments and investment property	706,543
1.6 Other revenues	26,435
Total revenues	11,063,640
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(9,396,301)
2.1.2 Reinsurers' share	8,852
Net claims and benefits	(9,387,449)
2.2 Commission expense	(314,868)
2.3 Loss on other investments in subsidiaries, associates and joint ventures	(62,703)
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(225,051)
2.4.2 Other expenses	(696)
2.4.3 Realised losses	(25,646)
2.4.4 Unrealised losses	(17,729)
Loss on other financial instruments and investment property	(269,122)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(73,340)
2.5.2 Investment management costs	(319)
2.5.3 Other administrative expenses	(360,211)
Total operating expenses	(433,870)
2.6 Other costs	(95,018)
Total costs	(10,563,030)
Profit (loss) before tax for the period	500,610
3. Income tax	(149,561)
4. Profit (loss) from discontinued operations	(26)
Net profit (loss) for the period	351,023
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as investment contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

		RECLASSIFIED INCOME STATEMENT - REVENUES (ORDINARY ACTIVITIES)							
non-recurring items	ordinary activities	net premiums written	amounts paid and change in technical reserves	total commission income	net interest income	net income/loss on investments at fair value	equity contribution	net income on other investments	other revenue
		8,054,608	-	-	-	-	-	-	-
		(3,301)	-	-	-	-	-	-	-
		8,051,307	-	-	-	-	-	-	-
		-	-	893,558	-	-	-	-	-
		-	-	-	131,580	1,246,734	-	-	-
		-	-	-	-	-	7,483	-	-
		-	-	-	644,165	-	-	-	-
		-	-	-	1,903	-	-	8,242	-
		-	-	-	-	-	-	47,610	-
		-	-	-	-	-	-	4,623	-
		-	-	-	646,068	-	-	60,475	-
		-	-	-	-	-	-	-	26,435
		8,051,307	-	893,558	777,648	1,246,734	7,483	60,475	26,435
		-	(9,394,899)	-	-	-	-	-	-
		-	8,852	-	-	-	-	-	-
		-	(9,386,047)	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	(62,703)	-	-
		-	-	-	(225,051)	-	-	-	-
		-	-	-	-	-	-	(696)	-
		-	-	-	-	-	-	(25,646)	-
		-	-	-	-	-	-	(16,171)	-
		-	-	-	(225,051)	-	-	(42,513)	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	(20,142)	-
		-	(9,386,047)	-	(225,051)	-	(62,703)	(62,655)	-
		8,051,307	(9,386,047)	893,558	552,597	1,246,734	(55,220)	(2,180)	26,435
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	(26)	-
		8,051,307	(9,386,047)	893,558	552,597	1,246,734	(55,220)	(2,206)	26,435
		-	1,368,305	-	(236,090)	(1,128,638)	-	(3,578)	-
		-	(315)	460	(1,903)	-	-	1,903	-
		8,051,307	(8,018,057)	894,018	314,604	118,096	(55,220)	(3,881)	26,435

Reconciliation of the income statement at December 31, 2012 to the reclassified income statement

€/'000
1.1 Net premiums written
1.1.1 Gross premiums written
1.1.2 Reinsurance premiums
Total premiums written
1.2 Commission income
1.3 Net income on financial instruments at fair value through profit or loss
1.4 Income on investments in subsidiaries, associates and joint ventures
1.5 Income on other financial instruments and investment property
1.5.1 Interest income
1.5.2 Other income
1.5.3 Realised gains
1.5.4 Unrealised gains
Total income on other financial instruments and investment property
1.6 Other revenues
Total revenues
2. Costs
2.1 Net claims and benefits
2.1.1 Amounts paid and change in technical reserves
2.1.2 Reinsurers' share
Net claims and benefits
2.2 Commission expense
2.3 Loss on other investments in subsidiaries, associates and joint ventures
2.4 Loss on other financial instruments and investment property
2.4.1 Interest expense
2.4.2 Other expenses
2.4.3 Realised losses
2.4.4 Unrealised losses
Loss on other financial instruments and investment property
2.5 Operating expenses
2.5.1 Agents' commissions and other acquisition costs
2.5.2 Investment management costs
2.5.3 Other administrative expenses
Total operating expenses
2.6 Other costs
Total costs
Profit (loss) before tax for the period
3. Income tax
4. Profit (loss) from discontinued operations
Net profit (loss) for the period
RECLASSIFICATIONS
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as investment contracts under IFRS4)
Other reclassifications
TOTAL RECLASSIFICATIONS

RECLASSIFIED INCOME STATEMENT - COSTS AND TAXATION (ORDINARY ACTIVITIES)						
sales network commission expenses	other commission expenses	general and administrative expenses	amortisation and depreciation	provisions for risks and charges	income tax for the period	net profit
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(1,402)	-	-	-	-
-	-	-	-	-	-	-
-	-	(1,402)	-	-	-	-
(314,868)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(1,558)	-	-	-
-	-	-	(1,558)	-	-	-
(67,583)	-	(5,757)	-	-	-	-
-	-	(319)	-	-	-	-
-	-	(360,211)	-	-	-	-
(67,583)	-	(366,287)	-	-	-	-
-	-	(12,821)	(12,701)	(49,354)	-	-
(382,451)	-	(380,510)	(14,259)	(49,354)	-	-
(382,451)	-	(380,510)	(14,259)	(49,354)	-	-
-	-	-	-	-	(149,561)	-
-	-	-	-	-	-	-
(382,451)	-	(380,510)	(14,259)	(49,354)	(149,561)	351,023
-	-	-	-	-	-	-
18,411	(41,201)	(608)	-	23,252	-	-
(364,040)	(41,201)	(381,118)	(14,259)	(26,102)	(149,561)	351,023

FINANCIAL INFORMATION BY OPERATING SEGMENT AT DECEMBER 31, 2012

€/'000	ITALY					
	Life	Banking	Asset Management	Other	Consolidation adjustments	Total
Net premiums written	7,922,819	-	-	-	-	7,922,819
Amounts paid & change in technical reserves	(7,908,540)	-	-	-	-	(7,908,540)
Net life insurance revenues (ex-commissions)	14,279	-	-	-	-	14,279
Entry fees	-	-	110,407	-	-	110,407
Management fees	219,029	-	234,905	-	-	453,934
Performance fees	60,603	-	106,909	-	-	167,512
Banking service fees	-	81,820	-	-	(605)	81,215
Other fees	679	11,247	25,234	-	-	37,160
Total commission income	280,311	93,067	477,455	-	(605)	850,228
Net interest income	18,353	275,109	697	(14,289)	-	279,870
Net income (loss) on investments at fair value	81,486	33,791	2	4	-	115,283
Net financial income	99,839	308,900	699	(14,285)	-	395,154
Equity contribution	-	-	-	(55,220)	-	(55,220)
Realised gains (losses) on other investments	6,966	137	323	-	-	7,426
Impairment of loans	-	(9,044)	-	-	-	(9,044)
Impairment of other investments	-	(1,310)	(916)	(231)	-	(2,457)
Net income (loss) on other investments	6,966	(10,217)	(593)	(231)	-	(4,075)
Other revenues	11,053	13,699	431	-	-	25,183
TOTAL REVENUES	412,449	405,449	477,992	(69,736)	(605)	1,225,549
Acquisition costs and sales network commission expenses	(94,217)	(60,198)	(188,231)	-	-	(342,646)
Other commission expenses	(5,522)	(12,307)	(11,786)	-	-	(29,615)
General and administrative expenses	(83,074)	(176,928)	(78,983)	-	605	(338,380)
Amortisation and depreciation	(2,996)	(6,815)	(2,228)	-	-	(12,039)
Net provisions for risks	(3,888)	(2,097)	(7,618)	-	-	(13,603)
TOTAL COSTS	(189,697)	(258,345)	(288,846)	-	605	(736,283)
PROFIT BEFORE TAX	222,752	147,104	189,146	(69,736)	-	489,266
Income tax	-	-	-	-	-	(140,714)
NET PROFIT FOR THE PERIOD	-	-	-	-	-	348,552
Goodwill	22,915	-	-	-	-	22,915
Investment Property	106,810	-	-	-	-	106,810
Equity investments	-	-	-	382,700	-	382,700
HTM investments + LR	469,599	2,167,633	-	-	-	2,637,232
AFS instruments	3,102,679	8,123,450	39,746	20,011	-	11,285,886
Fin. assets/liabilities at FV through profit or loss	620,911	331,689	-	-	-	952,600
Financial assets - risk borne by policyholder	12,361,225	-	-	-	-	12,361,225
Net treasury position	(745,190)	2,455,483	(44,060)	275,498	-	1,941,730
- of which intercompany	*751,130*	*620,855*	*39,762*	*26,610*	-	*1,438,357*
Loans to customers	-	4,329,669	-	-	-	4,329,669
Bank funding	-	11,727,693	-	-	-	11,727,693
- of which intercompany	-	*1,018,251*	-	-	-	*1,018,251*
Net technical reserves	17,144,915	-	-	-	-	17,144,915

ABROAD			
Spain	Germany	Consolidation adjustments	Total
99,718	28,770	-	8,051,307
(84,380)	(25,137)	-	(8,018,057)
15,338	3,633	-	33,250
4,997	236	-	115,640
13,034	5,270	-	472,238
3,406	1,019	-	171,937
3,804	10,728	(6)	95,741
1,055	248	-	38,462
26,296	17,501	(6)	894,018
33,754	980	-	314,604
2,014	799	-	118,096
35,768	1,779	-	432,701
-	-	-	(55,220)
20,383	-	-	27,809
(47)	-	-	(9,091)
(20,142)	-	-	(22,599)
194	-	-	(3,881)
358	982	(88)	26,435
77,954	23,895	(94)	1,327,303
(17,601)	(3,803)	10	(364,040)
(2,763)	(8,823)	-	(41,201)
(27,930)	(14,892)	84	(381,118)
(1,498)	(722)	-	(14,259)
(12,499)	-	-	(26,102)
(62,291)	(28,240)	94	(826,720)
15,663	(4,345)	-	500,584
(8,452)	(395)	-	(149,561)
7,211	(4,741)	-	351,023
102,831	4,140	-	129,886
-	-	-	106,810
-	-	-	382,700
-	4,007	-	2,641,239
1,005,181	28,002	-	12,319,069
14,966	(5,817)	-	961,749
523,490	98,394	-	12,983,109
689,572	(104,569)	-	2,526,733
(644,019)	*23,109*	-	*817,447*
159,006	6,894	-	4,495,569
340,827	96,047	-	12,164,567
2,044	*236*	-	*1,020,531*
505,093	97,623	-	17,747,631

FINANCIAL INFORMATION BY OPERATING SEGMENT AT DECEMBER 31, 2012

	ITALY					
€/'000	Life	Banking	Asset Management	Other	Consolidation adjustments	Total
Net premiums written	9,400,919	-	-	-	-	9,400,919
Amounts paid & change in technical reserves	(9,381,508)	-	-	-	-	(9,381,508)
Net life insurance revenues (ex-commissions)	19,411	-	-	-	-	19,411
Entry fees	-	-	94,461	-	-	94,461
Management fees	205,734	-	195,813	-	-	401,547
Performance fees	48,325	-	41,636	-	-	89,961
Banking service fees	-	85,506	-	-	(1,175)	84,331
Other fees	626	7,136	24,366	-	-	32,128
Total commission income	254,685	92,642	356,276	-	(1,175)	702,428
Net interest income	34,851	190,064	1,240	(7,897)	-	218,258
Net income (loss) on investments at fair value	(33,002)	(32,307)	15	(4)	-	(65,298)
Net financial income	1,849	157,757	1,255	(7,901)	-	152,960
Equity contribution	-	-	-	(34,582)	-	(34,582)
Realised gains (losses) on other investments	3,521	9,302	317	83	-	13,223
Impairment of loans	-	(6,210)	-	(74)	-	(6,284)
Impairment of other investments	(39,343)	(84,415)	-	(1,862)	-	(125,620)
Net income (loss) on other investments	(35,822)	(81,323)	317	(1,853)	-	(118,681)
Other revenues	11,392	8,858	360	547	-	21,157
TOTAL REVENUES	251,515	177,934	358,208	(43,789)	(1,175)	742,693
Acquisition costs and sales network commission expenses	(88,406)	(48,973)	(146,582)	-	-	(283,961)
Other commission expenses	(6,356)	(12,224)	(9,323)	-	-	(27,903)
General and administrative expenses	(92,082)	(151,911)	(69,107)	-	1,175	(311,925)
Amortisation and depreciation	(4,505)	(7,436)	(2,714)	-	-	(14,655)
Net provisions for risks	(4,042)	(1,683)	(6,695)	-	-	(12,420)
TOTAL COSTS	(195,391)	(222,227)	(234,421)	-	1,175	(650,864)
PROFIT BEFORE TAX	56,124	(44,293)	123,787	(43,789)	-	91,829
Income tax	-	-	-	-	-	(16,898)
NET PROFIT FOR THE PERIOD	-	-	-	-	-	74,931
Goodwill	22,915	-	-	-	-	22,915
Investment Property	108,041	-	-	-	-	108,041
Equity investments	-	-	-	404,494	-	404,494
HTM investments + LR	490,380	2,686,210	-	-	-	3,176,590
AFS instruments	2,609,978	5,722,469	42,845	19,390	-	8,394,682
Fin. assets/liabilities at FV through profit or loss	2,191,890	359,831	-	-	-	2,551,721
Financial assets - risk borne by policyholder	12,268,431	-	-	-	-	12,268,431
Net treasury position	(247,712)	4,034,735	(54,088)	265,605	-	3,998,540
- of which intercompany	*452,315*	*382,609*	*43,412*	*135,588*	-	*1,013,924*
Loans to customers	-	3,245,008	-	-	-	3,245,008
Bank funding	-	7,870,465	-	-	-	7,870,465
- of which intercompany	-	*946,482*	-	-	-	*946,482*
Net technical reserves	18,054,896	-	-	-	-	18,054,896

ABROAD			
Spain	Germany	Consolidation adjustments	Total
119,045	23,453	-	9,543,417
(103,339)	(20,186)	-	(9,505,033)
15,706	3,267	-	38,384
3,747	267	-	98,475
11,339	4,910	-	417,796
1,949	586	-	92,496
5,128	21,701	(6)	111,154
1,129	26	-	33,283
23,292	27,490	(6)	753,204
10,772	1,719	-	230,749
(82)	(308)	-	(65,688)
10,690	1,411	-	165,061
-	-	-	(34,582)
335	(6,258)	-	7,300
112	-	-	(6,172)
158	-	-	(125,462)
605	(6,258)	-	(124,334)
326	937	(168)	22,252
50,619	26,847	(174)	819,985
(16,414)	(3,548)	7	(303,916)
(2,724)	(19,493)	-	(50,120)
(25,943)	(14,344)	167	(352,045)
(1,644)	(792)	-	(17,091)
(174)	-	-	(12,594)
(46,899)	(38,177)	174	(735,766)
3,720	(11,330)	-	84,219
163	(217)	-	(16,952)
3,883	(11,547)	-	67,267
122,809	4,140	-	149,864
-	-	-	108,041
-	-	-	404,494
-	8,989	-	3,185,579
642,063	25,660	-	9,062,406
10,004	4,846	-	2,566,571
450,337	63,839	-	12,782,607
383,678	(88,244)	-	4,293,974
(391,929)	*9,256*	-	*631,251*
137,333	8,712	-	3,391,053
292,176	66,983	-	8,229,625
349	*(184)*	-	*946,647*
460,502	65,449	-	18,580,848

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk Management and Internal Control

The Group's internal control system consists of the set of rules, procedures and functions established to ensure the effectiveness and efficiency of corporate processes, the protection of company's assets and the proper management of customer assets, the reliability and integrity of accounting and management information as well as compliance with internal and external rules, statutes and regulations. The various companies within the Mediolanum Group operate a comprehensive, effective internal control system in accordance with applicable regulations and the business they conduct.

The Board of Directors and management play a key role in the establishment of an adequate risk management framework and the implementation of an effective internal control system. However, in addition to specific functions and committees, responsibility for risk management and internal controls is taken at different levels throughout the organisation.

Specifically, the internal control system is built around the following three main lines of defence:

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

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

Compliance & Risk Control

The Compliance & Risk Control team is responsible for monitoring Mediolanum SpA exposure to financial risk and credit risk, assessing the impact of operational, legal and reputational risks and ensuring that capital is adequate to the business conducted. The Compliance & Risk Control team also continuously monitors the regulatory environment for changes in statutes or regulations in order to ensure compliance therewith and assess their impact on the Group business.

The Group risk management framework was built considering the profile of individual entities and their business

and taking into account the level of risk concentration/diversification originating from being part of the Group. It includes the policies for the risks managed directly by subsidiaries (underwriting, reserve, market, credit, liquidity, operational, legal, strategic, reputational risks) as well as the policies for the risks faced by individual entities as a result of being members of the Group, that are monitored and managed by the holding company Mediolanum S.p.A..
Risk management processes are calibrated to the degree of complexity of the individual businesses and the potential impact of risk on them with clear definition of roles and responsibilities, timing and manner of risk identification as well as reporting lines.
The Group risk management framework has been developed taking into account the nature of the business as well as statutory and regulatory requirements and is continually reviewed and upgraded to keep abreast of any changes in the internal and external regulatory and business environment.
The Group risk management framework, together with related corroborative information, was examined and approved by the Audit Committee, Senior Management and the Board of Directors of the Parent Company.

Underlying principles

The following general principles form the bedrock of the Group risk management framework:
- identification and full coverage of all categories of risks within all companies;
- segregation of duties between the Compliance & Risk Control function and Operating Units, in accordance with the proportionality principle, which entails an implementation approach by subsidiaries commensurate with the size of the entity;
- use of uniform, consistent models and methods for the collection of data and information as well as for the analysis and measurement of risks by all organisational units and/or companies within a Group;
- timely and consistent analysis and measurement of risks; subsequent preparation of reports to support control and decision-making processes;
- transparency and dissemination of models, methods and criteria applied in the analysis and measurement of risks to promote a control culture within the organisation and understanding of the reasons underlying the choices made;
- delegation of risk management authorities and responsibilities from the Board of Directors to the Operating Units for their direct management of the risks to which corporate processes are exposed.

To ensure adherence to the principles above and have a comprehensive risk management framework, the Mediolanum Group has adopted a set of risk policies.
The main purposes of risk policies are to:
- ensure that any material breaches/anomalies be promptly identified by the internal control system and adequate corrective/mitigating actions be taken;
- ensure the consistent application of risk management principles and rules across the Group;
- promote a risk management culture at all levels of the organisation and encourage consistent, knowledgeable operating choices and practices, in a structured way.

The Compliance & Risk Control function of Banca Mediolanum provides risk management and compliance services to Mediolanum S.p.A. under a specific service agreement. The Compliance & Risk Control function of Banca Mediolanum is organised into three main units: Risk Control, Risk Assessment & Mitigation, Compliance.

Risk Control

The main duties of the Risk Control team are to:

- compute economic capital both for the individual entities and at Group level for the risks that fall within its remit;
- monitor credit risk, concentration and residual risks of institutional counterparties; prepare business plan-compliant credit and rating policy proposals for the relevant portfolios in collaboration with the Finance division, and submit them to the Board of Directors at least annually; implement all procedures for monitoring the credit risk limits set out in approved policies;
- perform institutional counterparties' credit analysis in accordance with the credit policy, oversee to credit risk monitoring and report any 'anomalies'; define, where relevant, and through adequate tools, the level of potential insolvency of the individual borrowers, as well as key statistics for the various forms of lending in order to ensure the solvency of the Bank and of the Banking Group; measure credit risk and verify capital adequacy;
- manage the risk control process for market and solvency risks at Banking Group level for the proprietary portfolio, in accordance with the requirement of the Basel Committee on banking supervision; in connection therewith, calculate the VaR of the proprietary portfolio on a daily basis; monitor developments in operational risk through risk identification, measurement and control in accordance with internal rules and the risk appetite of the organisation; carry out stress tests and produce regular reports;
- coordinate with Network Inspectors and the Anti-Money Laundering team for controls of operational risk relating to the Sales Network activities;
- verify and validate the models for the calculation of the capital charge for operational risk and activities prescribed by regulatory requirements in relation to the measurement methods adopted by individual entities and at Group level;
- with the assistance of the relevant organisational functions, gather information needed for the quantification and management of losses arising from operational risk;
- compile operational risk loss data for periodic reports required by supervisory authorities;
- monitor the asset liability management process adopted by the Finance division to identify any differences in respect of the limits set forth in the approved policy;
- monitor operational and structural liquidity management, prepare daily reports and identify any issues in respect of the limits set forth in the approved policy;
- conduct, at least annually, stress tests for significant risks as well as retrospective and prospective tests for hedge accounting purposes;
- report on the risk position taken by the Bank and the Banking Group;
- assess the consistency of the risk appetite of the Bank and other monitored entities, both individually and at Group level, verifying risk levels and proposing any corrective actions that may be necessary to meet set targets;
- gather real economy, monetary policy, credit and financial market information and data including for the preparation of the notes to the financial statements;
- organise and coordinate the other units within the Compliance & Risk Control function for the finalisation of corporate reports;
- develop, process and produce mathematical and statistical models for risk analysis by gathering financial data, all in accordance with best market practices;
- develop models for the calculation of economic capital and estimate of related variables;

- develop tactical solutions for the assessment of risk in relation to products not yet covered by market risk management procedures, in accordance with best market practices;
- develop methods for liquidity risk and interest rate risk management in collaboration with first-level risk management functions;
- develop pricing models for fair value measurement of financial instruments issued or placed by the Bank, in accordance with best market practices;
- validate any pricing and risk calculation models developed by line functions;
- validate pricing used for the valuation of the Bank's securities portfolio in accordance with the rules set forth in the active market policy;
- develop methods for refining stress testing techniques for the risks falling within its remit.

Risk Assessment & Mitigation

The Risk Assessment & Mitigation team is responsible for identifying, monitoring and assessing compliance and operational risk exposures of the various organisational units, collaborating with the other units within the Compliance & Risk Control Function to arrive at a common assessment of the risks to which the various organisational areas and processes are exposed, their mitigation and subsequent optimisation of operational effectiveness and efficiency. In addition, including through a system of remote indicators, this team makes sure checkpoints and controls over operational and compliance risk are effectively implemented. The team monitors management of customer complaints and supervisory requirements, checks their progress also in view of promptly identifying any areas for improvement in the processes in place within the organisation.
The team also provides assistance to the Chief Financial Officer in relation to his guidance and coordination duties regarding accounting and financial reporting procedures within the Group.

Compliance

The Compliance team is responsible for continuously monitoring the banking, financial, insurance and pension regulatory environment for any changes in statutes and regulations and early assessment of their impact on the Group business. The Compliance team provides advice and assistance to the Chairman of the Board of Directors, the Executive Deputy Chairman and the Chief Executive Officers in the assessment of compliance of procedures and practices with applicable laws and regulations as well as in the timely introduction of amendments thereto in case of regulatory changes.
Specifically, in relation to Mediolanum S.p.A., the compliance team:
- monitors the regulatory environment, assesses the impact of statutes and regulations on the business at Group level, and proposes changes to operating processes and/or procedures, when needed;
- reviews compliance of processes with the law, the regulations issued by Supervisory Authorities and self-discipline rules (e.g. codes of conducts) as well as with any other applicable rules. This is done working together with Internal Audit, Corporate Affairs and Operations staff.

Internal Audit

The internal audit team constantly monitors the internal control system to verify its effectiveness and efficiency and to identify any deficiencies in the system, in procedures or policies. The internal audit team also monitors the effectiveness of the overall financial risk, credit risk and operational risk management system and promotes actions to enhance it, when needed.
Internal auditors provide independent and objective audit services and advice to improve the effectiveness and efficiency of the organisation and of the overall internal control system.
They monitor operation and assess functionality of the overall internal control system, including via field checks, and report on possible improvements of risk management policies, risk measurement tools and governance processes to the Board of Directors and the Chief Executive Officer.
The internal audit team provides the services outlined above for those Group companies with which the Bank has signed a specific internal audit service contract, and, at Group level, it coordinates its audit work with the internal audit teams of subsidiaries and associates.
The team regularly reports on its activities to the Board of Directors, the Board of Statutory Auditors and the Audit Committee. In the event of serious irregularities the team immediately reports them to the Board of Statutory Auditors and the Board of Directors.

Audit Committee

The Audit Committee provides assistance to the Board of Directors in their at least annual assessment of the conformity, adequacy and effective operation of the internal control system by making sure that key risks, including credit risk, are correctly identified and measured as well as properly managed and monitored.
The Audit Committee assists the Board of Directors in the performance of their duties of guidance with respect to the Internal Control System of the Company and its subsidiaries as well as the regular assessment of its adequacy and effective operation.
The Audit Committee assesses the audit programme prepared by the Internal Audit team from which it receives regular reports; it examines and assesses any issues raised by control teams, the Statutory Auditors and the independent auditors in their reports; it assesses issues raised and recommendations made following controls by Control and/or Supervisory Authorities. The Audit Committee reports to the Board of Directors on its activities, at least biannually, upon the approval of the half-yearly and annual reports and accounts; it fulfils the further internal control duties mandated to it by the Board of Directors, in particular in respect of its relationship with the independent auditing firm.

RISK DISCLOSURES PURSUANT TO IFRS 7

Under IFRS 7 – which became effective for annual periods beginning on or after January 2007 – entities are required to provide disclosures in their financial statements that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed.

The disclosures required under IFRS 7 are both qualitative and quantitative and relate to exposure to credit risk, liquidity risk and market risk. Qualitative disclosures relate to the "*objectives, policies, processes and methods adopted by management for risk measurement and management*", while quantitative disclosures relate to quantitative data about the entity's exposures to credit risk, liquidity risk and market risk.

This section provides information that is representative of Mediolanum Group risk exposures pursuant to IFRS 7, in accordance with their relevance for the Group's operating segments, i.e. insurance, banking and asset management.

Pursuant to IFRS7 disclosures are provided in relation to liquidity risk, credit risk and market risk.

This section, however, contains further information about risk management policies and techniques for purposes beyond the scope of IFRS 7.

Financial Instruments' classification method and principles

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

1. **Credit risk** is the risk of loss arising from the deterioration in the creditworthiness up to default of either retail customers or institutional counterparties of whom the bank is a creditor in its investment activities, as a result of which debtors fail to meet all or part of their contractual obligations.
2. **Market risk** is the risk of potential losses, which may also be significant, from adverse movements in market rates and prices to which the Mediolanum Group companies are exposed in their investment activities. These include movements in interest rates, foreign exchange values, equity prices, volatility, bond spreads.
3. **Liquidity risk** is typically the risk that arises from the difficulty of liquidating assets. More specifically, it is the risk that a financial instrument cannot be bought or sold without a material decrease/increase in its price (wide bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential that an entity will be unable to obtain adequate funding. Pursuant to Basel II Second Pillar Supervisory Review of the Internal Capital Adequacy Assessment Process (ICAAP), the regulator requires banking organisations to put in place liquidity risk measurement and management policies and processes.

In March 2009, the IASB issued amendments to IFRS 7 to respond to market pricing predicaments following the financial crisis and the need for improved transparency. A key change introduced by the IASB was a fair value measurement hierarchy ('fair value hierarchy') that has the following 3 levels:

- **Level 1** fair value measurements are those derived from quoted prices in active markets;
- **Level 2** fair value measurements are those derived from inputs that are based on observable market data other than quoted prices;
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Mediolanum Group classified its assets and liabilities at fair value in accordance with the rules set out in said amendments, providing disclosures both by line of business and by type of product.
For its insurance business, the Mediolanum Group also disclosed separately risk information relating to its own risk and the risk of its clients (assets backing Class III reserves).

Information on risks is set out below.

Risk management at Conglomerate level

For financial conglomerates that engage in both insurance and banking, the traditional approach applied by regulators and supervisors to ensure that enough capital is held against risks has been to consider the risk profile of each business (insurance and banking) and set forth capital requirements against the specific risks to which each business is exposed. The insurance business is subject to Solvency II requirements and the banking business to the ICAAP process. At conglomerate level, compliance with these requirements is compounded by assessment, analysis and monitoring of risk concentration. Risk concentration indicates an exposure with the potential to produce losses that are large enough to threaten the solvency or financial position of the conglomerate entities. Management and control of risk concentration is carried out by aggregating the exposures of all Conglomerate entities to the same counterparty, be it public or private, regardless of the form of exposure.
Quarterly reports with particulars on the most significant exposures of the Conglomerate to the same counterparties are sent to the supervisory authorities.
Owing to their pervasive nature a common risk framework was adopted at Group level for strategic risk, operational risk, compliance risk and reputational risk. Said framework is applied to the various entities within the Group under a proportionate approach according to the characteristics of the specific business and related statutory and regulatory requirements.
Given the common framework information about strategic risk, operational risk, compliance risk and reputational risk provided in the following pages relates to the entire Group while the information about financial risk and credit risk is given separately for the insurance business and banking business.

Insurance - Financial Risk and Credit Risk

Introduction

The Group conducts insurance business through two entities: the Italian company Mediolanum Vita and the Irish company Mediolanum International Life LTD.

The risk management models are tailored to the complexity of the business and the characteristics of the products sold. In certain instances, e.g. class III products dealt with by both companies, control processes are geared to protect the policyholders who bear the investment risk thereof, through the validation of pricing models and control of issuers' solvency. The Irish company has limited free capital which is mainly invested in term deposits held with other Mediolanum Group companies. Any payment obligation under residual index-linked policies following surrenders is promptly settled with the counterparties, thus free capital residual exposure to counterparty risk is marginal. The Group also monitors concentration risk and credit risk exposures using "credit VaR". (For details on control methods and processes, readers are referred to the section commenting Index Linked contracts).

Overall portfolio risk is also monitored for the Italian insurance company as it offers a broader, more diversified portfolio of products (prevalence of class III products, class I products, and residual portfolio of products in class I i.e. capitalisation plans, and class VI i.e. pension funds). Risk management and control activities are carried out by both the operating units of the insurance company and by second-level functions, e.g. Risk Control team.

Free Capital and Traditional Portfolio

The controls currently in place monitor the value of underlying assets *ex-ante* and *ex-post*. Frequency of controls is established at the level of each entity.

In the traditional reserve portfolio the risk of asset-liability mismatch is periodically assessed by Mediolanum Vita using an Asset Liability Management stochastic model.

Under the regulations in force, the insurance companies within the Group are authorised to use derivatives to hedge current positions or movements in underlying assets or liabilities. Financial derivatives are primarily used to achieve operating targets with greater efficiency, flexibility and rapidity, to optimise portfolio management ("effective management") and to mitigate market risk arising on interest rate or foreign exchange rate movements.

Asset Liability Management

Mediolanum Vita S.p.A. uses an advanced system for improved asset-liability measurement and management, i.e. a stochastic Dynamic Financial Analysis (DFA) system which models the reactions of the company in response to a large number of different scenarios and strategic choices. It allows projections not only of possible future scenarios but also of their probability. The software generates stochastic projections of the flows of assets and liabilities in the company's traditional portfolio. To that end, at each assessment date 1,000 Market-Consistent financial scenarios are generated. Each of these scenarios shows the possible developments of risk factors over a 20-year horizon. The system allows *ex-ante* modelling for:

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

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

Key Risks Mapping

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

Solvency II

The Mediolanum Group started the implementation of its Solvency II compliance project several years ago. All group teams in their various roles are engaged in the Group-wide efforts for compliance with all requirements under Solvency II three pillars. The first pillar relates to quantitative requirements for the risk-based calculation of solvency capital, the second pillar to qualitative and quantitative requirements and involves Own Risk and Solvency Assessment (ORSA), and the third pillar to reporting and disclosure to the various stakeholders.
The project underway includes the review of risk management processes and the implementation of a Group-wide system for the calculation of the Solvency Capital Requirement (SCR). The Mediolanum Group is now completing the infrastructure for the calculation of the first pillar capital requirement, the ORSA process as well as reviewing its risk appetite and internal risk governance. The Solvency II project will deliver a more risk-based management system for the insurance business rounding out the Mediolanum Group's overall risk management system which is built on strong foundations including Basel II compliance and the ICAAP process in the Banking Group.
Over the years the Mediolanum Group has participated in all quantitative impact studies (QIS) required by European insurance authorities and as part of its ORSA project it has developed initial projections of prospective capital levels applying Solvency II required methods.

Financial risk management policies – General and organisational aspects

The Mediolanum Group financial risk management framework is designed to ensure:
- consistency with the organisational model and respect of existing internal relations and constraints;
- engagement of multiple organisational structures in Risk Control processes;
- enhancement and optimisation of organisational checkpoints, interrelations and flows of information between existing organisational structures.

With respect to the Italian Life Insurance Company, Mediolanum Vita, a multitude of players are engaged in Financial Risk Control activities across the Group.
Mediolanum Gestione Fondi and Banca Mediolanum are engaged in activities conducted under outsourcing arrangements. They provide assistance in monitoring, control, management and mitigation of financial and credit risks in

relation to managed assets, each within its sphere of competence and in accordance with the degree of exposure to risk factors and the organisational complexity of the business.
The organisational architecture that supports the process is made up of the interrelations of all organisational structures of the Life Insurance Company that are engaged in it: the Board of Directors, the Chief Executive Officers, the Asset and Product Management Committee, the Asset Management Office, the Asset Managers (Mediolanum Gestione Fondi), the Compliance & Risk Control function, the Risk Control team and the Internal Audit function.
The internal control system consists of the set of rules, procedures and functions established to ensure the effectiveness and efficiency of corporate processes, the protection of corporate assets as well as the proper management of customer assets, the reliability and accurateness of financial and management information as well as the compliance of transactions with the law, the regulations issued by Supervisory Authorities, self-discipline and internal rules.
The Board of Directors and management play a key role in the establishment of an adequate risk management framework and the implementation of an effective internal control system.
As already noted, the internal control system is designed to encompass the following three main lines of defence:
- line controls or first level controls;
- second level controls;
- internal audit.

Risk management and control is implemented across the Group involving both management and the corporate structures that are responsible for guidance, control and supervision with segregation of duties between business and control functions.
Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. These controls are mainly carried out by the following structures:
- Asset Management Office;
- the Mediolanum Gestioni Fondi structures that are authorised to operate on the market as part of their asset management activities under specific mandates; Mediolanum Gestioni Fondi has first level control and management structures for which risk management is a primary focus;
- Chief Actuary and Actuarial department;
- Valuation office.

Second level controls are carried out by the Compliance & Risk Control function of Banca Mediolanum under the relevant outsourcing agreement. This function is separate and segregated from the structures of the insurance company and the asset management company and is responsible for contributing to the definition of risk measurement methods and operating limits, and for verifying compliance of transactions with the risk/return targets set by corporate bodies for each service.
Internal Audit is carried out by Banca Mediolanum's Internal Audit team under the relevant outsourcing agreement and includes the periodic assessment of the completeness, effectiveness and adequacy of the internal control system to the nature and the level of risks undertaken. These third level controls are conducted by structures that are separate and segregated from business structures and from those responsible for second level controls. The Board of Directors and the Board of Statutory Auditors receive regular reports on internal audit work so that they can promptly take suitable corrective measures if deficiencies are detected.

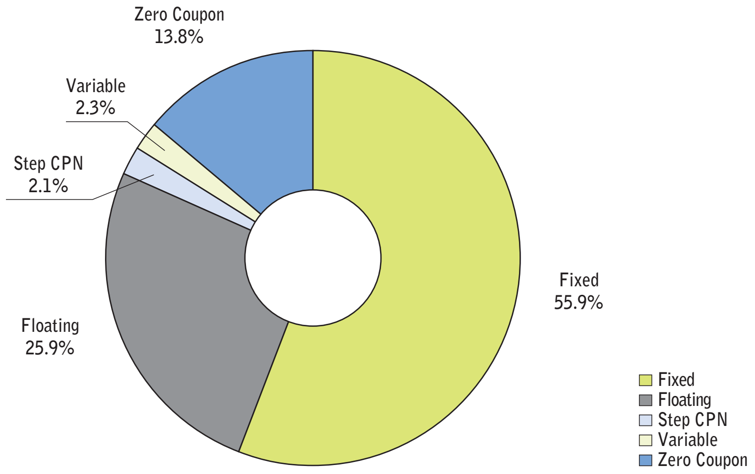
Market risk

Market risk associated with the traditional portfolio of the Italian Life Insurance Company is managed in accordance with regulatory requirements and market best practice, applying Value at Risk measurement and management processes. In light of the composition of the traditional portfolio, the main risk factors are interest rate risk and spread risk.

The chart below shows Value at Risk (VaR) in FY 2012.

The table below sets out an analysis of the Italian Life Insurance Company portfolio by rate.

Analysis of the Mediolanum Vita portfolio by type of assets (2012)



Credit risk

The risk that over the life of a financial instrument linked to an insurance product there may be an event which changes the repayment ability (creditworthiness) of the counterparty (issuer) and consequently the value of the credit position. Credit risk can be broken down into two components: insolvency risk and migration risk. Insolvency risk is the risk of not being able to fully collect a certain number of future payments as a result of the insolvency of the debtor; migration risk relates to the risk of a decline in the value of the instrument as a result of the deterioration of the credit standing/rating of the debtor. The reduced credit rating of underlying assets was exclusively due to domestic sovereign debt exposure and Italy's credit rating downgrade in 2012. Given the predominance of domestic treasuries, however, the risk of default for the securities portfolio of the Italian life insurance company is relatively low.

Mediolanum Vita Securities Portfolio – RATING COMPOSITION (S&P equivalent)
(YE 2012 vs. YE 2011)

Rating (S&P Equivalent)	2012		2011		
	€/000	%	€/000	%	Change (%)
Total Portfolio	4,083,176	100%	5,116,498	100%	(20%)
AAA	-	0.0%	-	0.0%	n/a
AA+ to AA-	23,569	0.6%	67,064	1.3%	(65%)
A+ to A-	140,667	3.5%	3,070,847	60.0%	(95%)
BBB+ to BBB-	3,285,948	80.5%	1,694,481	33.1%	94%
BB+ or lower	632,991	15.5%	278,845	5.4%	127%
Unrated	-	0.0%	5,260	0.1%	(100%)

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

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

Mediolanum Vita Securities Portfolio – POSITION
(YE 2012 vs. YE 2011)

IAS Category €/000	2012	2011	Change (%)
HFT			
Nominal value	574,366	2,187,690	(74%)
Market value	553,764	2,099,921	(74%)
AFS			
Nominal value	3,067,540	2,866,935	7%
Market value	3,057,314	2,575,370	19%
HTM			
Nominal value	353,856	323,856	9%
Market value	337,809	269,782	25%
L&R			
Nominal value	131,343	179,417	(27%)
Market value	134,289	171,425	(22%)

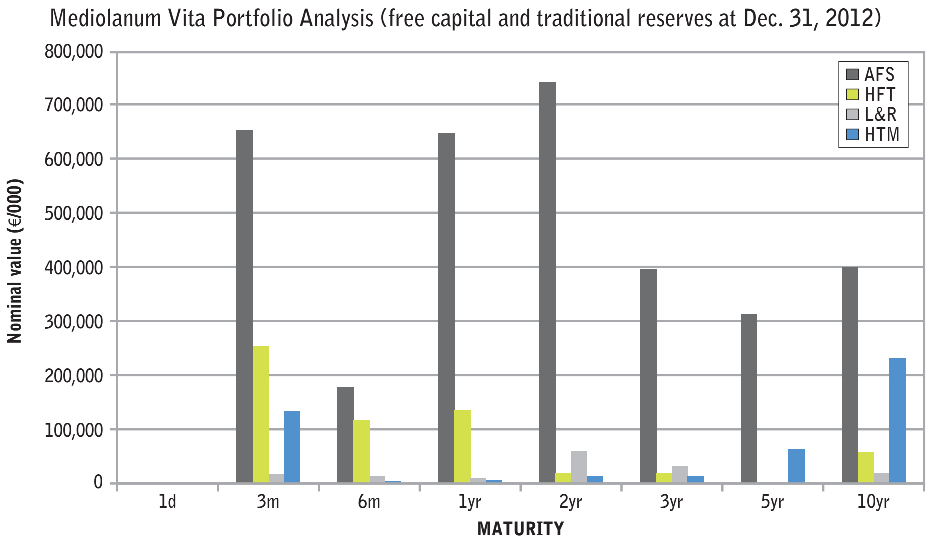
NOTE: the value of the securities portfolio does not include residual Index Linked Policies, Funds, Shares and Rights.

Liquidity risk

Liquidity risk is essentially in relation to Mediolanum Vita S.p.A.'s free capital and traditional portfolio since for Class III reserves there are buyback arrangements in place ensuring that the assets backing said reserves can be promptly realised. Liquidity risk is managed applying a Group-wide consistent method of analysis based on maturity and rating. Maturity analysis provides information for the management of liquidity risk and interest rate risk showing any mismatch by type of instrument and maturity (month or quarter):

- for fixed-rate instruments it shows all cash flows (principal and interest) at maturity;
- for floating-rate instruments coupons are posted at maturity, while principal is posted at the first re-pricing date after the analysis.

Mediolanum Vita Portfolio Analysis



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

These investments consists of holdings in Proprietary Insurance Funds (under Unit-Linked policies), financial instruments – notes and derivative instruments – (under Index-Linked policies) and individual pension plans that are an insurance product linked to holdings in Irish UCITS. For these products the amounts payable by Life Insurers are linked to changes in the value of units of one or more proprietary funds, which in turn depends on changes in the price of the underlying financial assets or in the price of the financial instruments.
The competent functions manage risk by ensuring that regulatory limits (e.g. exposure limits, asset quality and volatility) are not exceeded.
For class III products – Unit and Index-Linked policies – the use of derivatives is allowed to protect related technical reserves. Derivatives and the related assets approximate at best possible the value of technical reserves.
The company is exposed to counterparty risk on existing derivative positions. For listed instruments with daily remargining risk is residual.
For Over-The-Counter contracts, exposure to credit risk is represented by the fair value on the measurement date. Credit risk is regularly monitored by reviewing counterparty exposure limits and credit standing. In addition, credit risk is mitigated by collateralisation under CSAs (where applicable).
The Mediolanum Vita pension product does not offer guarantees of a financial nature, therefore up until the time conversion into annuities occurs, the amount of accrued capital is always entirely correlated to the value of the holdings in the UCITS into which the contributions paid are invested.

Credit Risk

The teams of each insurance entity within the Group monitor exposure to credit risk also for Index Linked contracts, as this type of insurance investment entails customer exposure to two or three counterparties (the bond issuer, the option counterparty and in some cases the swap counterparty). For the Index Linked portfolio credit risk analysis includes measurements of both nominal value and market value of exposures. For each counterparty the probability of default (PD) is assessed on the basis of the 1-year CDS spread quote at the end of the month and Loss Given Default (LGD, set at 60% according to best market practice). PD times LGD and exposure gives the expected loss for each counterparty. The 1-year expected losses due to default in the Index Linked portfolio is computed by aggregating all expected losses.

Index Linked Portfolio - Credit VaR

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

Group Index Linked Portfolio Credit VaR
(YE 2012 vs. YE 2011)

€/'000	2012	2011	Change (%)
Expected loss	28,617	96,709	(70%)
Unexpected loss	380,645	791,792	(52%)
Credit VaR (99%)	409,262	888,501	(54%)

Reinsurance credit risk

Mediolanum Vita has reinsured part of its portfolio. Exposures arising from reinsurance are exposures to counterparty risk. In line with the methods applied to other portfolios, credit risk exposures associated with reinsurance are estimated based on expected losses where the probability of default (risk neutral) is derived from CDS spreads (where the CDS of the individual counterparty is not available, a sector index is used). Credit risk associated with reinsurance contracts in force is partly mitigated through deposits received from counterparties.

Mediolanum Vita Portfolio Reinsurance Credit Risk
Data as of Dec. 31, 2012

	Reinsured technical reserves (€/000)	Expected loss (€/000)	Moody's rating	S&P's rating	PD	LGD
TOTAL	75,876	921				
Swiss Re Europe SA	31,535	446	A1	AA-	2,36%	60%
Munchener Ruck Italia S.p.A.	16,785	95	Aa3	AA-	0,95%	60%
SCOR Global Life SE	11,779	166	A1	A+	2,36%	60%
SCOR Global Life SE (EX REVIOS)	7,229	102	A1	A+	2,36%	60%
Swiss Re Frankona Rueckversicherung - AG	6,547	93	A1	AA-	2,36%	60%
Hannover Rueckversicherung - AG	2,000	19	WR	AA-	1,60%	60%

Fair Value Hierarchy Disclosures

Fair value hierarchy information relating to Mediolanum Vita's Free Capital, Traditional Reserves and Class III Portfolios is set out in the table below.

Data as of Dec. 31, 2012 – Mediolanum Vita

€/'000	L1 2012	L1 2011	L2 2012	L2 2011	L3 2012	L3 2011	TOTAL 2012	TOTAL 2011
Free Capital								
Assets								
Debt securities	3,746,761	4,645,949	232,365	366,352	16	27,365	3,979,142	5,039,666
Equities	-	-	-	-	1,223	1,480	1,223	1,480
Holdings in UCITS	-	-	5,067	9	27,104	29,253	32,171	29,262
Loans	-	-	-	-	-	-	-	-
Financial derivatives	138	-	1,188	576	1,945	1,463	3,271	2,039
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL ASSETS	3,746,899	4,645,949	238,620	366,938	30,288	59,560	4,015,807	5,072,447
Liabilities								
Financial derivatives	-	-	(2,154)	(4,278)	(1,967)	(3,861)	(4,121)	(8,139)
TOTAL LIABILITIES	-	-	(2,154)	(4,278)	(1,967)	(3,861)	(4,121)	(8,139)
TOTAL A+L	3,746,899	4,645,949	236,465	362,660	28,321	55,699	4,011,686	5,064,307
Class III								
Assets								
Debt securities	115,742	116,575	680,356	1,095,143	6,751	55,423	802,849	1,267,141
Equities	-	-	-	-	-	-	-	-
Holdings in UCITS	8,952,574	8,309,871	368	2,875	-	-	8,952,942	8,312,746
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	-	29,497	24,312	31,373	(3,191)	60,870	21,121
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL ASSETS	9,068,316	8,426,446	710,221	1,122,329	38,124	52,232	9,816,661	9,601,008
Liabilities								
Liabilities under financial contracts issued by insurance companies	-	-	-	-	-	-	-	-
Deposits received from reinsurers	-	-	-	-	-	-	-	-
Financial liabilities of reinsurance contracts	-	-	-	-	-	-	-	-
Amounts due to banks	-	-	-	-	-	-	-	-
Amounts due to customers	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
TOTAL A+L	9,068,316	8,426,446	710,221	1,122,329	38,124	52,232	9,816,661	9,601,008

As you can see from the data above, 99% of Level 3 assets are assets backing Class III reserves and as such any movement in their fair value is directly reflected in the same amount in mathematical reserves without any impact on the Company's profitability. These assets mostly consist of options on stock market indices whose value is linked to parameters such as volatility and correlation that are not directly observable in the market.

Fair value hierarchy information relating to Mediolanum International Life Ltd's Free Capital and Class III Portfolios is set out in the table below.

As of Dec. 31, 2012 – Mediolanum International Life Ltd

€/'000	L1 2012	L1 2011	L2 2012	L2 2011	L3 2012	L3 2011	TOTAL 2012	TOTAL 2011
Free Capital								
Assets								
Debt securities	46,046	46,813	2,904	4,726	5,299	7,305	54,250	58,844
Equities	-	-	-	-	-	-	-	-
Holdings in UCITS	116	-	-	-	-	-	116	-
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	-	541	619	156	1,225	697	1,845
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL	46,163	46,813	3,445	5,346	5,456	8,530	55,064	60,689
Class III								
Assets								
Debt securities	241,064	159,216	1,324,728	1,486,593	-	-	1,565,793	1,645,810
Equities	-	-	-	-	-	-	-	-
Holdings in UCITS	594,994	559,863	121,652	156,272	-	-	716,646	716,135
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	-	110,646	123,311	862,405	738,880	973,051	862,191
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL ASSETS	836,058	719,080	1,557,027	1,766,176	862,405	738,880	3,255,490	3,224,136
Liabilities								
Liabilities under financial contracts issued by insurance companies	(46,090)	(27,839)	(27,156)	(52,544)	(15,795)	-	(89,042)	(80,383)
Deposits received from reinsurers	-	-	-	-	-	-	-	-
Financial liabilities of reinsurance contracts	-	-	-	-	-	-	-	-
Amounts due to banks	-	-	-	-	-	-	-	-
Amounts due to customers	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	(46,090)	(27,839)	(27,156)	(52,544)	(15,795)	-	(89,042)	(80,383)
TOTAL A+L	789,968	691,240	1,529,871	1,713,632	846,609	738,880	3,166,448	3,143,752

NOTE: debt securities have been reclassified separating bonds from derivatives.

As you can see from the data above, 99% of Level 3 assets are assets backing Class III reserves and as such any movement in their fair value is directly reflected in the same amount in mathematical reserves without any impact on the Company's profitability. These assets mostly consist of certificates, i.e. hybrid instruments with a significant fixed-rate component and a derivative component that requires a valuation model with input data that are not observable market data.

Banking - Financial Risk and Credit Risk

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 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 €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, 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 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 counterparties, groups of related counterparties or counterparties in the same industry, business segment or geographical area.

Interest Rate Risk

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

Liquidity Risk

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

Residual Risk

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

Strategic Risk

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

Reputational Risk

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

Credit Risk

General

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

Banca Mediolanum Lending Division is responsible for ensuring adequate implementation of the Bank's credit policy in compliance with laws and regulations in force. This division is organised into the Short-term lending unit, the Medium/Long-term lending unit, the Watchlist unit, the Credit Operations unit and the Credit Policy and Monitoring unit.

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 & Analysis unit and collaborates with the Credit Policy and Monitoring unit in the preparation of Mortgage Lending Policy and Rules.

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 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 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.

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. Special attention is paid to the assessment of any security taken.
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 pledges over financial instruments, plus conditional sales, and other forms of security, e.g. surety bonds and endorsements. Although secondary to the assessment of the borrower's creditworthiness, in the assessment of credit risk great emphasis is placed on the appraised value of the collateral received from the obligor and the prudential adjustments applied are properly differentiated according to the type of collateral whose value is subject to regular review against its market value.
The Banking Group does not offset credit risk exposures against positive balances of on or off-balance sheet items.
Credit risk mitigation (CRM) techniques consist of loan-related contracts or other instruments and techniques that reduce credit risk whose risk mitigating effect is recognised in the calculation of regulatory capital, as well as, for risk management purposes, in the internal policies of the Mediolanum Banking Group. Credit risk is inherent in the Business Operations Management division's lending business and in Financial Management division's liquidity management.
Eligible CRM techniques fall into two broad categories:
1. real guarantees;
2. personal guarantees.

Real guarantees are:

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

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.

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 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 €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 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 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:

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

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.

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

€/'000	Non performing	Watch list	Restructured	Past Due	Other Assets	Total
1. Financial assets held for trading	-	-	-	-	587,308	587,308
2. Available-for sale financial assets	-	-	-	-	9,041,941	9,041,941
3. Held-to-maturity investments	-	-	-	-	1,025,038	1,025,038
4. Loans to banks	-	-	-	-	1,082,992	1,082,992
5. Loans to customers	9,033	21,473	7,842	5,876	5,088,817	5,133,041
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	1,366	1,366
Total at Dec. 31, 2012	9,033	21,473	7,842	5,876	16,827,462	16,871,686
Total at Dec. 31, 2011	8,424	53,240	226	6,344	13,880,878	13,949,112

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 and 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 statements'), 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 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 €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. In addition, Banca Mediolanum put in place ad-hoc procedures and tools for the management of collaterals in relation to 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) 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. 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 263/06, 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 risk tolerance based on the Bank's risk appetite. Operating licences and limits are closely monitored on an ongoing basis to ensure they are not exceeded and are regularly reviewed, generally on an annual basis. Derogation from said limits is subject to delegated authorities of the Chief Executive Officer and the Head of Finance.

Credit Risk Stress Testing

Credit risk exposures are essentially gauged using three key parameters: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD).
As to exposure classes for which the credit risk capital charge is calculated, based on the qualitative and quantitative considerations set out below, it was decided to focus attention exclusively on:
- 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.
Although unsecured retail exposures and exposures to regulated financial institutions are small as a whole, it is considered important to stress test them to see the impact adverse macroeconomic conditions and extreme events would have on ordinary banking operations and hence potential developments, under those circumstances, of the risk inherent in those types of assets.

Market Risk

Interest Rate Risk and Pricing Risk – Trading Book

General

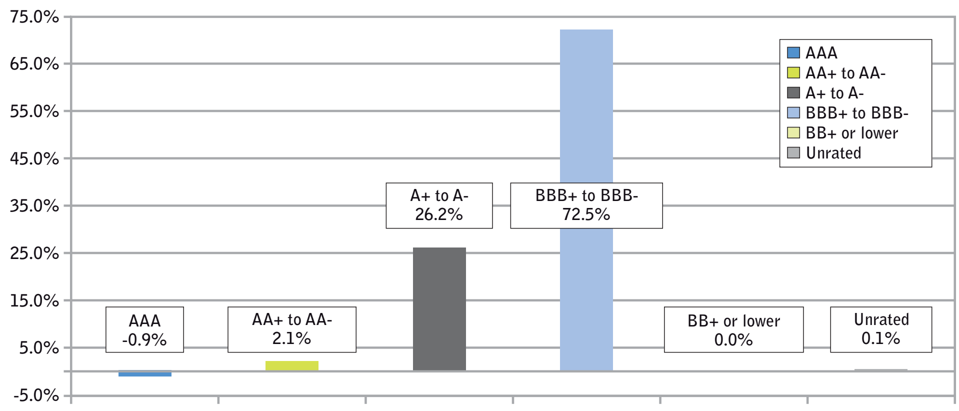
The Banking Group's trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk. According to this classification, at present only Banca Mediolanum has a true trading book.
Specifically, the trading book consists of positions 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.
The reduced credit rating of underlying assets was exclusively due to domestic sovereign debt exposure and Italy's credit rating downgrade in 2012. Given the predominance of domestic treasuries, however, the risk of default for the Mediolanum Banking Group's securities portfolio is relatively low.
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 2012 vs. YE 2011)

Rating (S&P Equivalent)	2012 €/000	2012 %	2011 €/000	2011 %	Change (%)
Total Portfolio	11,424,991	100%	9,203,386	100%	24%
AAA	(99,506)	(0.9%)	(40,447)	(0.4%)	(55%)
AA+ to AA-	234,416	2.1%	662,318	7.2%	(65%)
A+ to A-	2,993,127	26.2%	6,719,071	73.0%	(55%)
BBB+ to BBB-	8,285,635	72.5%	1,524,757	16.6%	443%
BB+ or lower	-	0.0%	25,982	0.3%	(100%)
Unrated	11,320	0.1%	311,705	3.4%	(96%)

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

Banking Group's Portfolio - RATING COMPOSITION



Interest Rate Risk and Pricing Risk - Measurement and Management

The Parent Company's Compliance & 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 2012 vs. YE 2011)

€/'000	2012	2011	Change (%)
Nominal value	349,744	403,289	(13%)
Market value	333,081	340,911	(2%)
Duration	0.92	0.91	1%
VaR 99% - 1 day	260	412	(37%)

Interest rate and pricing risks – Banking book

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.
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 Dec. 31, 2012

€/'000	Balance	+100bps	-100bps
Total assets	14,920,080	89,077	(79,356)
Total liabilities	(15,207,465)	(92,677)	47,239
Off-balance sheet positions (hedging derivatives)	-	3,707	(585)
YEAR'S MOVEMENT	-	106	(32,703)

Hedge Accounting

The introduction of IAS 39 brought about profound changes in the way derivatives and related hedged statement of financial position 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 Treasury 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 2012 vs. YE 2011)

	2012	2011	Change (%)
Hedge ratio	111%	109%	3%

Liquidity risk

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 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 for medium-term funding.

The liquidity risk management framework is approved by the Board of Directors of the Banking Group's 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 2012, Banca Mediolanum continued its quarterly monitoring as promoted by the EBA for compliance with Basel III liquidity risk management and capital requirements.

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 or a possible sovereign debt downgrade;
- 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.

Fair value hierarchy disclosures

Fair value hierarchy information relating to the Mediolanum Banking Group is set out in the table below.

Data as of Dec. 31, 2012 – MEDIOLANUM BANKING GROUP

€/'000	L1 2012	L1 2011	L2 2012	L2 2011	L3 2012	L3 2011	TOTAL 2012	TOTAL 2011
Assets	10,317,994	6,894,178	448,695	827,363	67,126	86,669	10,833,815	7,808,210
Debt securities	10,306,796	6,884,254	368,495	711,829	-	27,090	10,675,291	7,623,174
Equities	404	337	34	35	13,218	13,218	13,657	13,591
Holdings in UCITS	10,794	9,577	76,150	113,846	53,907	46,360	140,851	169,783
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	9	4,016	1,653	-	-	4,016	1,662
Credit derivatives	-	-	-	-	-	-	-	-
Liabilities	(235,672)	(320,066)	(114,211)	(81,035)	-	-	(349,883)	(401,101)
Amounts due to banks	(211,103)	(320,066)	-	-	-	-	(211,103)	(320,066)
Amounts due to customers	(24,569)	-	-	(192)	-	-	(24,569)	(192)
Financial derivatives	-	-	(114,211)	(80,843)	-	-	(114,211)	(80,843)
Total	10,082,323	6,574,112	334,484	746,328	67,126	86,669	10,483,932	7,407,109

In accordance with IASB/IFRS requirements, Level 3 includes holdings in real estate funds that are part of the Banca Mediolanum's AFS portfolio, minority interests in unlisted companies and debt securities measured using an internal model when data are not directly observable in the market.

Insurance contracts - Disclosures under IFRS7

Specific technical teams monitor the following risks:
- Longevity Risk. This risk is kept in check by monitoring developments in survival rates, on the basis of statistics and market analysis;
- Mortality Risk. When structuring a product, mortality risk is estimated based on primary and secondary mortality tables derived from reinsurers' tables.

The risk that the counterparty cancels the contract earlier (lapse risk) and the risk of inadequate loadings to cover the costs of contract acquisition and administrative expenses (expense risk) are prudentially assessed when pricing a new product. Product pricing and profit testing are based on assumptions derived from the company's experience or the local market. To mitigate the risk of early contract cancellation by the counterparty, penalties are applied. Said penalties are calculated to compensate lost revenues, at least partly.

Guidelines for Product Classification

The main assumption adopted to classify a product as insurance, especially those markedly financial in content (index-linked and unit-linked contracts), is the obligation to pay benefits in case of death. Contracts were classified as insurance or investment contracts according to the significance of that obligation.

For the purpose of said classification the most important assumption is the "significance threshold", i.e. the difference between the benefit payable in case of death and the contract mathematical reserve (i.e. the value of the underlying financial asset for class III products).
For traditional products another key element was considered, i.e. the payment of life annuity and the presence of features which can be classified as "Discretionary Participation Features".

Measurement assumptions

In accordance with the principle of prudence, the mortality tables and technical rates used to calculate and measure technical reserves (for class I contracts) were the same used to price premiums (Legislative Decree 174, art. 25 paragraph 11).

Mortality table technical rates

Type of product	Technical rates applied in the calculation of premiums	Technical rates applied in the calculation of reserves
Pure Endowment	S.I.M. 1971: 3% 4%	S.I.M. 1971: 3% 4%
Whole life	S.I.M. 1981: 3% 4%	S.I.M. 1981: 3% 4%
Mixed	S.I.M. 1961 / 1981: 2% 3% 4%	S.I.M. 1961 / 1981: 2% 3% 4%
Annuities	S.I.M. 1931 / 1951 / 1971 S.I.M. p.s. 1971: 2% 3% 4% RG48: 0% IPS55 0% 2% IPS55U 0%	S.I.M. 1931 / 1951 / 1971 S.I.M. p.s. 1971 RG48: 2% 3% 4% IPS55: 2% 3% 4% 0% / IPS55U 0%
Term	S.I.M. 1961 / 1981 / 1992 / 2002: 4% S.I.U. 2002: 4%	S.I.M. 1961 / 1981 / 1992 / 2002: 4% S.I.U. 2002: 4%
Group	S.I.M. 1971 S.I.M. 1971 p.s. RG48: 3% 4%	S.I.M. 1971 S.I.M. 1971 p.s. RG48: 3% 4% IPS55 2%
Index Linked		SIM02
Unit Linked		SIM92

Significant clauses

Certain class I contracts, specifically deferred life annuity contracts, guarantee the payment of minimum income benefits, calculated on the basis of the survival assumptions adopted by the Company when the contract is made. In relation to those contracts the Company constantly monitors survival trends and raises a specific reserve to cover the risk that technical reserves may be inadequate to cover the payment of those benefits.

Insurance Risk

Since for Class III contracts the investment risk is borne by the policyholder, insurance risk is represented only by the risk of death of the policyholder. That risk is covered via treaty reinsurance arrangements (excess per risk treaties) which limit the Company's overall exposure per head insured. No such reinsurance protection is purchased for class III products since the Company judges it can cover the risk of death of the policyholder using its own equity.

Liability adequacy testing (lat)

The company assessed the adequacy of technical reserves for Medinvest segregated funds, using a current estimate of future cash-flows from insurance contracts, net of deferred acquisition costs and intangible assets. Contracts were grouped on the basis of similar technical rate and future cash-flows were discounted at four percent. That exercise showed that the carrying amount of technical reserves is adequate.
No express quantitative testing was performed for class III contracts since liabilities coincide with underlying assets and other technical reserves are broadly covered by annual management fees and loadings (for coverage in case of death of the policyholder) or are calculated using a prudent estimate of actual operating costs (reserve for future expenses).
The Group insurance companies are engaged in the implementation of the Solvency II framework.
In 2012, Mediolanum Vita continued in-depth analysis, knowledge building and implementation of specific actions in relation to the measurement of future solvency capital requirements.

Disclosures pursuant to IFRS4

Life insurance

Insurance liabilities

The Group's insurance companies consider the impact on future profitability of all sources of income and expense, especially those related to possible early termination of existing contracts. When pricing certain products penalties are included for early termination of contracts. These penalties are calculated to compensate, at least partly, lost revenues. Additionally, under the vast majority of contracts in force, financial guarantees are not paid in the event of early termination of the contract, which is thus discouraged, and potential costs for the Company are reduced.
The assumptions used for both product pricing and risk assessment are regularly reviewed and updated based on actual experience of early termination of contracts.
An analysis of life insurance reserves by contract maturity is set out in the table below.

€/'000	Insurance	Investment	Total
within one year	962,110	16,000	978,109
1 to 2 years	583,506	6,044	589,551
2 to 3 years	706,093	2,443	708,536
3 to 4 years	638,843	2,537	641,380
over 5 years	12,135,744	-	12,135,744
whole life	2,531,560	62,676	2,594,237
	17,557,856	89,700	17,647,556

The total includes mathematical reserves and technical reserves for contracts under which the risk is borne by the policyholder amounting to €861,733,257 and €12,978,600,411, respectively, the reserve for other technical items amounting to €301,426,600, and investment contracts financial liabilities amounting to €89,041,635.

1. Life Insurance Business – Insurance Risk

The Life Insurance Books of Group's companies largely consist of contracts with a predominantly savings component and a marginal 'pure risk' component (death plus other coverage e.g. disability, injury...). There are also some annuity books that are exposed to longevity risk.
The risks associated with products with a predominantly savings component, and with guarantees of minimum return, are considered when pricing the products setting guarantees in a prudent way, in line with the specific features of each financial market and considering regulatory constraints, if any.
As to the demographic risk associated with death benefit policies, prudent technical rates based on population mortality tables plus adequate loadings are applied when pricing products.
To further mitigate mortality risk the Company reinsures principal in excess of €100,000.
As to longevity risk, the Company regularly reviews the adequacy of technical rates for the annuities it pays out.
For contracts featuring an initial accumulation plan with option to convert capital into annuities in the future generally no guarantee is given of conversion rates for future annuities.
The propensity of policyholders to opt for annuities is also monitored so that adjustments can be promptly made to demographic assumptions and rates.
Regarding the impact of this variable on earnings, the company calculated that a 1% change in said variable would bring about a similar movement of €1.5 million in the group's net profit for 2012.
Lapse risk and expense risk are prudentially assessed and incorporated into the pricing of new products. Product pricing and profit testing are based on assumptions derived from the company's actual experience.
To mitigate risks associated with surrenders in general, penalties are applied. These penalties are calculated to compensate lost revenues. Portfolio reviews on annual planning include analyses that check consistency of assumptions made with actual experiences.
An analysis of life insurance gross premiums by product class and geographic area is set out in the table below.

€/'000	Unit Linked policies	Index Linked policies	Tradizional policies	Group policies	Pension funds	Total
Spain	35,681	64,037	-	-	-	99,718
Germany	12,602	16,187	-	-	-	28,789
Italy	1,179,442	-	6,743,281	5,750	-	7,928,473
	1,227,725	80,224	6,743,281	5,750	-	8,056,980

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

€/'000	Dec. 31, 2012
Liabilities with interest rate guarantee	4,324,578
0%	3,435,121
2%	12,077
3%	126,559
4%	750,821
Liabilities without interest rate guarantee	13,397,172
Total	17,721,750

The total includes mathematical reserves, technical reserves for contracts under which investment risk is borne by the policyholder and reserves relating to management of the pension fund, the reserve for other technical items and investment contracts' financial liabilities.

At December 31, 2012, Technical Reserves amounted to €17,722 million, down over the prior year. The year-on-year decline of about €856 million in 2012, lower than the prior year's decline of €1,933 million.

€/'000	2011	2012	Δ (Val)	Δ (%)
Opening balance	20,511,191	18,578,128		
Closing balance	18,578,128	17,721,751		
Year's Movement	(1,933,063)	(856,377)	1,076,685	n.s.

A more detailed analysis is set out in the table below:

€/'000	2011	2012	Δ (Val)	Δ (%)
Opening balance (at beginning of the year)	20,511,191	18,578,128		
Invested premiums	9,392,624	7,987,473	(1,405,151)	(17.59%)
Release for payments	(10,922,674)	(10,226,887)	695,787	(6.80%)
Change in other items relating to Unit-Linked policies	8,001	(4,245)	(12,246)	288.48%
Change in actuarial items relating to traditional policies	4,322	6,536	2,214	33.88%
Change in additional reserves	77,623	(13,979)	(91,601)	655.30%
Change in Market Value	(630,077)	569,594	1,199,671	210.62%
Revaluation of traditional policies	152,859	156,589	3,730	2.38%
Closing balance	18,578,128	17,721,751	(856,377)	(4.83%)
Year's Movement	(1,933,063)	(856,377)	1,076,685	n.s.

Mathematical Reserves for Unit-Linked Policies without Additional Reserves

In 2012, mathematical reserves for Unit-Linked policies were up about €733 million versus a €220 million decline in 2011. Specifically:

1. invested premiums amounted to €1,149 million of which €131 million relating to new business and €1,017 million to in-force business. Compared to the prior year there was a decline in both new business and in-force business premiums;
2. reserve release for amounts payable to policyholders amounted to about €1,148 million, of which €812 million relating to surrenders, €29 million to claims and €212 million to maturities. Compared to December 2011, surrenders were up €77 million and maturities up €26 million;
3. reserve release due to divestments for administrative costs borne by customers amounted to about €14 million, in line with 2011;
4. investments for bonuses were down €13 million over the prior year;
5. the reserve for changes in market value of insurance funds showed a revaluation of €733 million over the prior year.

€/'000	2011	2012	Δ (Val)	Δ (%)
Opening balance	9,377,997	9,153,374	(224,623)	(2.45%)
Invested premiums	1,318,241	1,148,811	(169,430)	(14.75%)
- new business	265,489	131,332	(134,156)	(102.15%)
- in-force business	1,052,753	1,017,479	(35,274)	(3.47%)
Release for payments	(1,028,596)	(1,148,844)	(120,247)	10.47%
- surrenders	(734,667)	(812,013)	(77,346)	9.53%
- claims	(27,587)	(29,764)	(2,177)	7.31%
- maturities	(186,457)	(212,469)	(26,012)	12.24%
Release for administrative costs	(13,679)	(13,770)	(92)	0.67%
- maintenance	(13,183)	(13,335)	(152)	1.14%
- past due items	(267)	(258)	9	(3.52%)
- switching	(229)	(178)	51	(28.38%)
Invested for bonuses	29,355	15,949	(13,407)	(84.06%)
Other movements	(5,998)	(8,331)	(2,333)	28.00%
Invested/disinvested for generic movements	(3,082)	(5,680)	(2,598)	45.74%
Related guarantees	(673)	(645)	28	(4.28%)
Bid/offer related disinvestments	(2,244)	(2,006)	237	(11.83%)
Change in Market Value	(520,025)	739,319	1,259,344	170.34%
Closing balance	9,157,295	9,886,508	729,213	7.38%
Year's Movement	(220,702)	733,134	953,835	130.10%

Mathematical Reserves for Index-Linked Policies without Additional Reserves

In 2012, mathematical reserves for Index-Linked policies were down about €454 million. The decline was lower than in the prior year. Specifically:

1. invested premiums amounted to €97 million relating exclusively to new business. Compared to the prior year there was an about €14 million decline in premiums;
2. reserve release for payments amounted to about €1,052 million, of which €194 million relating to surrenders, €37 million to claims and €830 million to maturities. Compared to 2011, there was an increase in payments for surrenders;
3. the reserve for changes in market value of securities underlying index-linked policies showed a revaluation of €501 million, up over the prior year.

€/'000	2011	2012	Δ (Val)	Δ (%)
Opening balance	4,827,680	3,587,254	(1,240,426)	(34.58%)
Invested premiums	110,353	96,818	(13,536)	(13.98%)
- *new business*	110,353	96,818	(13,536)	(13.98%)
- *in-force business*	-	-	-	0.00%
Release for payments	(1,227,231)	(1,051,667)	175,565	(16.69%)
- *surrenders*	(180,110)	(194,445)	(14,335)	7.37%
- *claims*	(49,243)	(37,099)	12,144	(32.73%)
- *maturities*	(1,013,618)	(829,697)	183,922	(22.17%)
Change in Market Value	(107,808)	500,822	608,630	121.53%
Closing balance	3,602,994	3,133,227	(469,767)	(14.99%)
Year's Movement	(1,224,686)	(454,027)	770,659	(169.74%)

Mathematical Reserves for Traditional Policies without Additional Reserves

At December 2012, mathematical reserves for traditional policies were down about €1,112 million over the prior year. Specifically:

1. invested premiums amounted to €6,742 million, down compared to 2011, largely relating to Medplus products and term death benefit policies;
2. reserve release for payments amounted to about €8,017 million, of which €7,892 million relating to surrenders, €38 million to claims and €87 million to maturities. Compared to December 2011, payments were down 8.11%;
3. revaluation of traditional policies linked to fund returns was around €157 million, slightly up on the prior year.

€/'000	2011	2012	Δ (Val)	Δ (%)
Opening balance	5,982,047	5,436,410	(545,637)	(10.04%)
Invested premiums	7,964,029	6,741,844	(1,222,185)	(18.13%)
- *new business*	1,295,059	723,943	(571,116)	(78.89%)
- *in-force business*	6,668,970	6,017,901	(651,068)	(10.82%)
Release for payments	(8,666,847)	(8,016,803)	650,044	(8.11%)
- *surrenders*	(8,561,863)	(7,891,656)	670,207	(8.49%)
- *claims*	(32,426)	(37,622)	(5,196)	13.81%
- *maturities*	(72,557)	(87,524)	(14,967)	17.10%
Other Changes	4,322	6,536	2,214	33.88%
Revaluation	152,859	156,589	3,730	2.38%
Closing balance	5,436,410	4,324,577	(1,111,833)	(25.71%)
Year's Movement	(545,637)	(1,111,833)	(566,196)	50.92%

Other Additional Reserves (Bonus Reserve, Expense Reserve, Reserve for Demographics Adjustments, etc)

In 2012, additional reserves were down about €14 million, with a marked movement over the prior year. Specifically:

1. at December 2012, the Bonus Reserve showed a €18 million increase versus a €7 million increase in the prior year;
2. amounts set aside for future expenses declined markedly over 2011;
3. the movement in the reserve for buyers propensity to opt for annuities was €1 million, down over 2011;
4. the reserve for the risk of declining rates was down about €2 million essentially due to good levels of return fore-seeable for the next five-year period in relation to segregated funds.

€/'000	2011	2012	Δ (Val)	Δ (%)
Opening balance	323,305	399,984	76,679	19.17%
Amounts set aside for bonus reserve	6,984	17,573	10,589	60.26%
- *loyalty bonus*	(11,742)	(66)	11,676	n.s.
- *maturity bonus*	18,513	16,358	(2,155)	(13.17%)
- *other bonuses*	51	174	123	70.86%
Amounts set aside for pension products	258	251	(7)	(2.66%)
Amounts set aside for future expenses including Death Benefits	67,625	(30,870)	(98,495)	319.07%
- *Di Più*	68,482	(30,569)	(99,051)	324.03%
- *traditional policies*	(30)	40	71	175.39%
Amounts set aside for propensity to opt for annuities	6,531	1,045	(5,486)	(524.99%)
Amounts set aside for declining rates	(3,749)	(1,926)	1,823	(94.61%)
Amounts set aside for other reasons	(27)	(52)	(25)	48.77%
- *guarantees*	(42)	42	85	200.53%
- *additional premiums*	16	(94)	(110)	116.71%
Closing balance	400,928	386,006	(14,922)	(3.87%)
Year's Movement	77,623	(13,979)	(91,601)	655.30%

Embedded value sensitivity analysis was applied to both in-force business and new business generated in the year to December 31, 2012 (calculated from the date the insurance product was sold). To that end the following stresses were applied:

1. 100 bps decline in risk-free rates;
2. 100 bps increase in risk-free rates;
3. 10% decrease in equity/property values;
4. 25% increase in equity/property implied volatilities;
5. 25% increase in swaption implied volatilities;
6. 10% decrease in maintenance expenses;
7. 10% decrease in acquisition expenses;
8. 10% decrease in lapse rates;
9. 5% decrease in mortality rates for life insurance business;
10. 5% decrease in mortality rates for annuity business.

The quantitative impact is set out in the table below:

	MCEV		Value of new business	
	€/m	%	€/m	%
Base value	1,864.28	-	9.70	-
INTEREST RATES AND ASSETS				
1% reduction in risk-free reference rates	(78.8)	(4.2%)	(0.3)	(2.7%)
1% increase in risk-free reference rates	53.6	2.9%	(0.1)	(1.0%)
10% decrease in equity/property values	(87.0)	(4.7%)	(0.5)	(5.6%)
25% increase in equity/property implied volatilities	(0.7)	(0.0%)	0.0	0.0%
25% increase in swaption implied volatilities	(0.5)	(0.0%)	0.0	0.0%
EXPENSES AND PERSISTENCY				
10% decrease in maintenance expenses	20.2	1.1%	1.0	10.1%
10% decrease in acquisition expenses	0.0	0.0%	3.2	33.2%
10% decrease in lapse rates	43.5	2.3%	2.2	22.2%
INSURANCE RISKS				
5% decrease in mortality rates for life assurance business	3.2	0.2%	0.4	3.7%
5% decrease in mortality rates for annuity business	(1.5)	(0.1%)	0.0	0.0%

Conglomerate – Strategic risk, operational risk, compliance risk, reputational risk

Strategic Risk

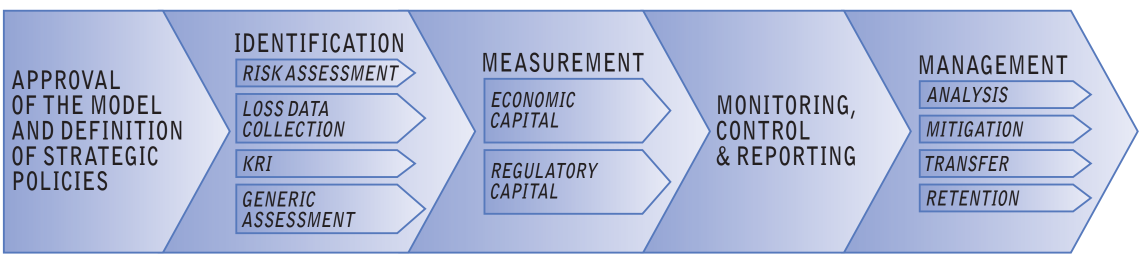
Strategic risk is the current or prospective risk of impact on earnings or capital arising from changes in the industry, adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes.
All Group companies are potentially exposed to strategic risk, each at 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.
The Risk Assessment & Mitigation team takes care of said analyses as part of the KRI process.

Operational Risk

The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events".
The Mediolanum Group has adopted a common risk management framework under which identification, monitoring and mitigation of operational risk is taken care of by Banca Mediolanum's Compliance & Risk Control function as per specific service contracts, in accordance with regulatory requirements and risk management policies.
The activities performed under the common integrated operational risk management framework are summarised in the diagram below:



Each main component in said framework represents a macro-process which is divided into one or more sub-processes. In turn, these sub-processes consist of a series of steps and actions that are documented in internal procedures.

During 2012, 177 organisational units were examined within the Conglomerate. The exercise covered nearly all activities and was the occasion for upgrading the 3,585 operational risk checkpoints. About 84% of checkpoints and related controls were found to be effective, and targeted risk mitigation actions were taken for those that were judged to be unsatisfactory or needing improvement.

The new Group entity Mediolanum Fiduciaria S.p.A. underwent thorough assessment to identify operational, compliance and reputational risks inherent in its business, prior to starting operation. Recommendations were made to the relevant teams regarding controls, procedures and checkpoints to be put in place.

The tests and analyses performed within the Mediolanum Group show the adequacy of the Group regulatory capital vis-à-vis operational risk, not only under the standardised approach but also confirmed by findings of internal statistical analyses of processes and adverse events probability.

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.

As mandated to it under the relevant service contracts Banca Mediolanum's Compliance & Risk Control team monitors the evolution of the banking, financial, insurance and pension regulatory environment to assess the impact of changes in statutes and regulations on the Group business.

Specifically, under the common framework, in relation to compliance risk, the team takes care of:

- annual planning of compliance risk management activities, under a risk-based approach (compliance plan);
- monitoring the evolution of the regulatory environment and promptly informing the relevant organisational units of any changes therein, especially those introduced by supervisory authorities.
- providing guidance and advice on the implementation of law or regulatory requirements, preparing adequate training plans, providing assistance to senior management and corporate governance bodies on any matter involving regulatory risk and compliance;
- mapping applicable regulatory requirements, penalties applied in the event of failed compliance, as well as affected processes and organisational units of Group entities;
- based on said mapping, assessing each single risky event whose occurrence might cause either directly or indirectly penalties, financial losses or reputational damage, to determine the level of inherent risk (or risk impact);
- reviewing *ex-ante* the compliance risk control architecture (e.g. policies, rules, procedures, flows of information, overall configuration, training) to make sure it is appropriate and effective to ensure regulatory compliance;
- verifying *ex-post* the effectiveness of the compliance risk control architecture in place (structure of processes, operating and business procedures) to prevent operational and compliance risks, via ongoing controls and monitoring multiple factors (e.g. tests, indicators, losses, penalties);
- defining, together with units that may be affected, corrective measures needed to mitigate any residual risk identified following the *ex-ante* review and *ex-post* verification of the effectiveness of the control architecture;
- preparing reports and ensuring adequate flows of information to the various internal structures, senior management, corporate governance bodies and supervisory authorities on activities performed and the compliance risk profile.

Reputational risk

Reputational risk is the current or prospective risk of impact on earnings or capital arising from the negative perception of the Conglomerate's image by customers, counterparties, shareholders of the Company, investors or supervisory authorities.
Mediolanum S.p.A. recognises the reputation of the company and of the Conglomerate is the bedrock on which the trust-based relationship with customers and market credibility are built.
Within the Mediolanum Group, reputation is managed and protected through:

- the values that are embedded in our 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.

Reputational damage can result from a multitude of causes, e.g. occurrence of operational risk events, breach of internal or external rules, quality of internal and external communications including via social networks, blogs or other digital media, or other circumstances that could undermine the reputation of the Conglomerate.
The Mediolanum Group has in place internal processes geared to ensuring proper management of relationships with all stakeholders and continuously monitoring their satisfaction. Information on these aspects is set out also in the Group's Social Report. The processes in place are reviewed annually and actions and projects for improvement are undertaken to ensure sustainable growth.

PART G - BUSINESS COMBINATIONS

1. Transactions concluded during the year

In the year under review there was no transaction requiring disclosure under IFRS 3.

2. Post-balance sheet date transactions

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

PART H - RELATED PARTY TRANSACTIONS

Transactions with related parties are part of the ordinary business of companies within the Group. These transactions are made at arm's length and in the interests of the individual entities.

In accordance with IAS 24, the following parties are Mediolanum S.p.A. Group related parties:

- the parent company Mediolanum S.p.A.;
- subsidiaries under its direct or indirect control;
- associates and joint-ventures (Banca Esperia Group, Mediobanca Group);
- parents and subsidiaries.

The following parties also fall within the definition of related parties:

- the members of the Boards of Directors of Group companies;
- Mediolanum S.p.A. key management officers.

As part of its ordinary business, the Group has commercial and financial relationships with companies that are related parties. As part of its distribution and solicitation of investment business, the Group made contracts for the sale of asset management, insurance and banking products and services through the sales networks of Group companies. As part of its banking business, the Group made bank account, custodian, administration and brokerage service contracts. As part of its asset management business, the Group made asset management contracts. In addition the Group made contracts for the organisation of events, television communication, IT and administrative services, rental, personnel secondment and other minor activities with Mediolanum Group companies.

1. Information on related party transactions

€/'000	Associates	Other related parties
Loans and Receivables	29,753	55,515
Available for Sale Financial Assets	63,833	-
Financial Assets at fair value through profit or loss	292,612	176,664
Other receivables	40	804
Other financial liabilities	(737)	(49,291)
Other payables	-	(3,789)

€/'000	Associates	Other related parties
Net commissions	-	12,005
Net income (loss) on financial instruments at fair value through profit or loss	11,820	-
Net income (loss) on investments in subsidiaries, associates and joint-ventures	(6,450)	-
Net interest	1,799	(1,464)
Realised gains (losses)	701	2,192
Unrealised gains (losses)	41,167	11,971
Other revenues (expenses)	40	(18,953)
Other income (expense)	-	74
Operating expenses - other administrative expenses	(6)	(11,065)

2. Key management compensation

€/'000	Directors, Deputy/General Managers & Statutory Auditors	Other key management
Emoluments & social security contributions	7,971	180
Share-based awards (stock options)	124	-

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

At the Extraordinary General Meeting held on April 26, 2005, the shareholders of Mediolanum S.p.A. resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 9,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which could be implemented on multiple occasions and in different years.
The stock options granted to employees would be exercisable upon the expiration of a two-year vesting period at a share price equal to the fair market value – as defined by tax rules – of the Mediolanum stock on the date of the Board of Directors' resolutions relating to the respective capital increases.
The exercise of the Options granted to employees was subject to the satisfaction of the Vesting Conditions established annually by the company that employs them.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the sixty calendar months subsequent to the Vesting Date.

The stock options granted to directors and contract workers would be exercisable upon the expiration of a vesting period of two years for Directors and of three years for Contract Workers, at a share price equal to weighted average of (i) the company's equity value per share as reported in the last financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six months preceding the Grant Date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period, respectively. The exercise of the Options granted to Directors and Contract Workers was subject to the satisfaction of at least one of the following conditions:
(i) that on the Vesting Date the closing price of Mediolanum S.p.A. ordinary shares be not lower than the closing price of Mediolanum S.p.A. ordinary shares on the Grant date; or (ii) that the change in the closing price of Mediolanum S.p.A. ordinary shares in the period between the Grant Date and the Vesting Date (the «Relevant Period») be not lower than the arithmetic mean of the changes recorded in the Relevant Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the "Indices"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Relevant Period; the adjusted mean change in the Indices would be calculated by an independent third party appointed for that purpose by the Board of Directors of the Company; or (iii) that the Embedded Value of the Mediolanum Group, as calculated by an independent third-party appointed for that purpose by the Board of Directors of the Company and reported in the last financial statements approved prior to the Vesting Date, be at least equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers were allowed only upon the expiration of two years for Directors and of three years for Contract Workers from the Grant Date (Vesting Period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the sixty calendar months subsequent to the Vesting Date.

At the Extraordinary General Meeting of Mediolanum S.p.A held on April 23, 2009, the shareholders resolved to extend assessment of the satisfaction of vesting conditions over the entire exercise period i.e. the period spanning from the Vesting Date to 60 months thereafter. The shareholders also resolved to revoke the authority to increase share capital for a consideration through the issue of shares to be allotted to the employees and directors of the Company and its subsidiaries, conferred upon the Board of Directors by the shareholders at the General Meetings of April 26, 2005 and April 19, 2007, and partly executed, and to amend article 6 of the Bylaws accordingly.
As to the Director Stock Option Plan, at its Meeting of May 13, 2009, the Board of Directors of Mediolanum S.p.A. approved the reduction of the vesting period from 36 to 24 months and the extension of the exercise period from 12 to 60 months.
At the same meeting, the Board of Directors of Mediolanum S.p.A. also resolved to increase share capital for a consideration by €60,613.50 by issuing shares to be subscribed by the contract workers of the Company and its subsidiaries in the first five business days of each of the 60 calendar months subsequent to the expiration of three years from May 13, 2009 and to amend article 6 of the Bylaws accordingly.
At its May 13, 2009 meeting, the Board of Directors of Mediolanum S.p.A. resolved to effect the share capital increases under article 2443 of the Italian Civil Code to serve the Contract Worker Stock Option Plan and allot 606,135 rights to the contract workers of the Company and its subsidiaries. The rights are exercisable from the 1st trading day of May 2012 and not later that the 5th trading day of May, 2017 at a price of €1.022.

On March 9, 2010, after consulting with the Compensation Committee, the Board of Directors of Mediolanum S.p.A. approved the guidelines for the Stock Options Plan reserved to the directors and executives of the Company and its subsidiaries ('Top Management Plan 2010') as well as the guidelines for the Stock Options Plan for contract workers – i.e. the members of the sales network – of the Company and its subsidiary ('Sales Network Plan 2010'), collectively the 'Plans'. The Plans were submitted to the Extraordinary General Meeting of April 27, 2010 for approval.

Pursuant to section 84-bis, paragraph 3 of the Regulation for Issuers, readers are informed that:

- The Top Management Plan 2010 is the stock options plan reserved to the directors and other key management of the Company and/or its subsidiaries. The Sales Network Plan 2010 is the stock options plan reserved to the financial advisors working for the Company and its subsidiaries, as may be selected from time to time for their individual role and contribution to business growth.
- The Plans entail annual awards of rights to subscribe to newly issued ordinary shares of the Company (the 'Stock Options'). The implementation of the Plans entails two new rights issues reserved to each of the two categories of Beneficiaries, pursuant to art. 2441, paragraph five, of the Italian Civil Code, as resolved by the Board of Directors under the authority delegated to it by the General Meeting, pursuant to art. 2443 of the Italian Civil Code. The Stock Options under the Top Management Plan 2010 shall vest over a period of three to five years of the Grant Date and be exercisable for a period of three years after the date of vesting. The Stock Options under the Sales Network Plan 2010 shall vest over a period of five to ten years of the Grant Date and be exercisable for a period of three years after the date of vesting.
  The exercise of the Stock Options under the Plans is conditional upon the achievement of specific corporate and/or individual performance targets. The details of the Plans shall be laid down by the Board of Directors after consultation with the competent bodies of the Company and its subsidiaries.
- The Plans are designed to provide incentives to the Beneficiaries and at the same time promote value creation and growth for the Company and, accordingly, its shareholders. The Top Management Plan 2010 is believed to be an adequate scheme to link key management incentives to both medium-term performance of the

Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. The Sales Network Plan 2010 is an adequate scheme to link sales network incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. Considering the length of the vesting period, the Sales Network Plan 2010 is also a powerful way to enhance the sales network loyalty.

On July 8, 2010, after consulting with the Compensation Committee, by virtue of the authorities delegated to it by the Ordinary and Extraordinary General Meetings of April 27, 2010, the Board of Directors of Mediolanum S.p.A. resolved to:

- approve the Rules for the Stock Options Plan reserved to the Directors and Executives of the company and the Group ('Top Management Plan 2010') and the Rules for the Stock Options Plan for the Sales Network of the company and the Group ('Sales Network Plan 2010');
- increase the Company's share capital by a maximum amount of €160,000.00, for a consideration, by issuing up to 1,600,000 shares for the allotment of stock options under the Top Management Plan 2010;
- increase the Company's share capital by a maximum amount of €131,744.20, for a consideration, by issuing up to 1,317,442 shares for the allotment of stock options under the Sales Network Plan 2010;
- grant the beneficiaries – 19 under the Top Management Plan and 193 under the Sales Network Plan – part of the stock options under the Plans.

On May 12, 2011, after consulting with the Compensation Committee, by virtue of the authorities delegated to it by the Ordinary and Extraordinary General Meetings of April 27, 2010, the Board of Directors of Mediolanum S.p.A. resolved, *inter alia*:

- to approve the amendments to the Rules for the Stock Options Plan reserved to the Directors and Executives of the company and the Group ('Top Management Plan 2010') and the Rules for the Stock Options Plan for the Sales Network of the company and the Group ('Sales Network Plan 2010');
- in partial execution of the authorities delegated to the Board of Directors by the shareholders at the Extraordinary General Meeting of April 27, 2010 – to increase the Company's share capital by a maximum amount of €188,200.00 (one hundred and eighty-eight thousand two hundred point zero), for a consideration, by issuing up to 1,882,000 (one million eight hundred and eighty two thousand) dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the Directors and executives of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code for subscription at a price of €1.076 (one point zero seventy six) per share. The shares are to be subscribed, in a single occasion in the first five business days of each of the thirty six calendar months subsequent to the expiration of the three year term starting from today's date, except for any different exceptional circumstances set forth in the Plan rules. The final deadline for share subscription is therefore set at the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the three year term from today's date. In the event that the capital increase is not fully subscribed by said deadline, share capital will be increased by the amount of the subscriptions received as of that date;
- in partial execution of the authorities delegated to the Board of Directors by the shareholders at the Extraordinary General Meeting of April 27, 2010 – to increase the Company's share capital by a maximum amount of €67,427.50 (sixty seven thousand four hundred and twenty seven point fifty), for a consideration, by issuing up to 674,275 (six hundred seventy four thousand two hundred and seventy five) dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph

five, of the Italian Civil Code, as they are reserved to the sales network of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code for subscription at a price of €1.076 (one point zero seventy six) per share. The shares are to be subscribed, in a single occasion in the first five business days of each of the thirty six calendar months subsequent to the expiration of the nine year term starting from today's date, except for any different exceptional circumstances set forth in the Plan rules. The final deadline for share subscription is therefore set at the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the nine year term from today's date. In the event that the capital increase is not fully subscribed by said deadline, share capital will be increased by the amount of the subscriptions received as of that date; and
- to grant the beneficiaries – 17 under the Top Management Plan and 161 under the Sales Network Plan – part of the stock options under the Plans.

On May 10, 2012, by virtue of the authorities delegated to it by the Extraordinary General Meeting of April 27, 2010, as amended by resolution passed by the shareholders at the Ordinary and Extraordinary General Meeting of April 19, 2012, the Board of Directors of Mediolanum S.p.A. resolved:
- to increase the Company's share capital by a maximum amount of €186,405.00, for a consideration, by issuing up to 1,864,050 dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the Directors and executives of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code, setting as final deadline for share subscription the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the three year term from the date of the capital increase resolution;
- to increase the Company's share capital by a maximum amount of €70,840.00, for a consideration, by issuing up to 708,400 dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the sales network of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code, setting as final deadline for share subscription the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the nine year term from the date of the capital increase resolution.

In accordance with art. 79 of Consob Regulation 11971 of May 14, 1999 the interests of Directors and Statutory Auditors in ordinary shares of the company and its subsidiaries are set out in Schedule 3 below prepared pursuant to Annex 3C of said regulation.

2. Fair value measurement of stock options

For measurement of stock options the Group applies the Black-Scholes model for European call options which is a standard, easily replicable model.
The options under the Group stock options plan, however, differ from European-style call options in certain features such as the vesting period, the exercise conditions and the exercise period. The method applied by the Group was to price the options like plain vanilla options, analyse each specific plan feature and measure the relevant impact on the final value of the option.
The results of the analysis of the stock option exercise period were such that the stock options could be treated like European-style call options expiring on the first day of exercise. A European-style call option is priced using the Black-Scholes model and the value thus obtained is then reduced, if necessary, by a certain percentage based on the analysis of the exercise conditions.

3. Changes occurred in the year

In financial year 2012, 518,550 new Mediolanum dividend-bearing ordinary shares were issued following the exercise of stock options by Directors and Sales Network people of companies within the Mediolanum Group. This entailed a €51,855.0 increase in Mediolanum ordinary share capital and a €483,795.23 increase in the share premium account.

The year's movements in option holdings are set out in the table below.

€/'000 Number of options and exercise price	December 31, 2012			December 31, 2011		
	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
A. Opening balance	8,851,973	2.32954	May-17	7,261,693	3.00482	Sept-16
B. Increases	2,572,450	-	-	2,556,275	-	-
B.1. New issues	2,572,450	1.10400	Jan-17	2,556,275	1.07600	Nov-18
B.2 Other	-	-	X	-	-	X
C. Decreases	1,904,146	-	-	(965,995)	-	-
C.1. Cancelled	843,596	1.66621	X	(43,600)	4.41723	X
C.2. Exercised (*)	518,550	1.03297	X	(922,395)	1.08145	X
C.3 Lapsed	542,000	5.23100	X	-	-	X
C.4 Other	-	-	X	-	-	X
D. Closing balance	9,520,277	1.9478	Sept-17	8,851,973	2.32954	May-17
E. Options exercisable at year end	2,183,706	4.8205	X	2,775,521	5.02993	X

(*) Average market price on exercise date was €2,94.

4. 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 €2,216 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 21, 2013

For the Board of Directors
The Chairman
(Carlo Secchi)

Schedules

SCHEDULES

This section presents financial information in accordance with the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP under Regulation No. 7 of July 13, 2007, as subsequently amended by ISVAP Regulation 2784 of March 8, 2010.

In accordance with the regulations mentioned above, for segment reporting purposes, statement of financial position and income statement balances were allocated as follows: 'Life Business' includes only the balances of the Life Insurance companies within the Group while 'Financial Business' includes the balances of the parent company Mediolanum S.p.A., the Mediolanum Banking Group and other Group companies. 'Intersegment' shows intercompany balances that were offset against each other.

This presentation of segmental information differs from that used in past years. The new format was adopted to present information in a manner that is more in line with the Mediolanum Group management reporting approach, as noted in Part E – Segmental information.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

Segment Reporting by Business sector

	LIFE INSURANCE	
€/'000	2012	2011
1. Intangible assets	92,928	100,861
2. Tangible assets	16,825	17,249
3. Reinsurers' share of technical reserves	76,198	89,273
4. Investments	17,595,012	18,367,485
4.1 Investment property	106,798	108,041
4.2 Investments in subsidiaries, associates and joint ventures	-	-
4.3 Held-to-maturity investments	334,370	308,087
4.4 Loans and receivables	344,833	301,164
4.5 Available-for-sale financial assets	3,102,679	2,609,978
4.6 Financial assets at fair value through profit or loss	13,706,332	15,040,215
5. Receivables	11,315	5,850
6. Other assets	541,824	618,189
6.1 Deferred acquisition costs	-	-
6.2 Other	541,824	618,189
7. Cash and cash equivalents	787,780	576,310
Total assets	19,121,882	19,775,217
1. Shareholders' equity	-	-
2. Provisions	1,146	781
3. Technical reserves	17,823,829	18,632,275
4. Financial liabilities	477,679	511,467
4.1 Financial liabilities at fair value through profit or loss	93,163	88,522
4.2 Other financial liabilities	384,516	422,945
5. Payables	143,009	126,627
6. Other liabilities	79,615	71,841
Total liabilities and shareholders' equity	-	-

BANKING		INTERSEGMENT		TOTAL	
2012	2011	2012	2011	2012	2011
60,054	66,005	-	-	152,982	166,866
72,757	52,711	-	-	89,582	69,960
-	-	-	-	76,198	89,273
18,108,346	14,937,615	(939,921)	(838,805)	34,763,437	32,466,295
-	-	-	-	106,798	108,041
382,700	404,493	-	-	382,700	404,493
1,025,038	697,862	-	-	1,359,408	1,005,949
6,895,535	6,689,931	(836,016)	(745,211)	6,404,352	6,245,884
9,216,390	6,452,428	-	-	12,319,069	9,062,406
588,683	692,901	(103,905)	(93,594)	14,191,110	15,639,522
215	134	(157)	(243)	11,373	5,741
511,303	485,038	(289,134)	(267,988)	763,993	835,239
-	-	-	-	-	
511,303	485,038	(289,134)	(267,988)	763,993	835,239
250,031	365,171	(846,547)	(603,095)	191,264	338,386
19,002,706	15,906,674	(2,075,759)	(1,710,131)	36,048,829	33,971,760
-	-	-	-	1,420,447	762,350
189,876	159,912	-	-	191,022	160,693
-	-	-	-	17,823,829	18,632,275
17,312,687	14,861,550	(1,856,164)	(1,513,854)	15,934,202	13,859,163
349,882	401,158	-	(56)	443,045	489,624
16,962,805	14,460,392	(1,856,164)	(1,513,798)	15,491,157	13,369,539
200,917	156,936	(62,599)	(58,309)	281,327	225,254
475,383	398,152	(156,996)	(137,968)	398,002	332,025
-	-	-	-	36,048,829	33,971,760

INCOME STATEMENT AS AT DECEMBER 31, 2012

Segment Reporting by Business sector

	LIFE INSURANCE	
€/'000	2012	2011
1.1 Net premiums written	8,053,673	9,544,821
1.1.1 Gross premiums written	8,056,974	9,549,168
1.1.2 Reinsurance premiums	(3,301)	(4,347)
1.2 Commission income	285,594	257,709
1.3 Net income on financial instruments at fair value through profit and loss	1,455,563	(495,646)
1.4 Income on investments in subsidiaries, associates and jvs	-	-
1.5 Income on other financial instruments and investment property	50,509	69,067
1.6 Other revenues	11,054	11,393
1 Total revenues and income	9,856,393	9,387,344
2.1 Net claims and benefits	(9,389,547)	(9,038,065)
2.1.1 Amounts paid and change in technical reserves	(9,398,399)	(9,043,533)
2.1.2 Reinsurers' share	8,852	5,468
2.2 Commission expense	(6,293)	(6,818)
2.3 Losses on investments in subsidiaries, associates and jvs	-	-
2.4 Loss on other financial instruments and investment property	(21,552)	(69,890)
2.5 Operating expenses	(155,439)	(161,814)
2.6 Other costs	(53,289)	(51,898)
2 Total costs	(9,626,120)	(9,328,485)
Profit (loss) before tax for the period	230,273	58,859

BANKING		INTERSEGMENT		TOTAL	
2012	2011	2012	2011	2012	2011
-	-	(2,366)	(1,404)	8,051,307	9,543,417
-	-	(2,366)	(1,404)	8,054,608	9,547,764
-	-	-	-	(3,301)	(4,347)
707,125	603,353	(99,161)	(108,542)	893,558	752,520
(66,670)	(95,294)	(10,579)	(10,429)	1,378,314	(601,369)
7,483	6,544	-	-	7,483	6,544
675,223	439,749	(19,189)	(21,913)	706,543	486,903
31,647	41,036	(16,266)	(31,452)	26,435	20,977
1,354,808	995,388	(147,561)	(173,740)	11,063,640	10,208,992
-	-	2,098	1,781	(9,387,449)	(9,036,284)
-	-	2,098	1,781	(9,396,301)	(9,041,752)
-	-	-	-	8,852	5,468
(308,575)	(255,901)	-	-	(314,868)	(262,719)
(62,703)	(41,126)	-	-	(62,703)	(41,126)
(265,097)	(265,449)	17,527	21,154	(269,122)	(314,185)
(361,020)	(347,755)	82,589	105,752	(433,870)	(403,817)
(87,076)	(59,477)	45,347	45,053	(95,018)	(66,322)
(1,084,471)	(969,708)	147,561	173,740	(10,563,030)	(10,124,453)
270,337	25,680	-	-	500,610	84,539

Subsidiaries consolidated line by line

Company	Country	Method (1)
Mediolanum Vita S.p.A.	086	G
Banca Mediolanum S.p.A.	086	G
Mediolanum Comunicazione S.p.A.	086	G
Mediolanum Gestione Fondi SGR p.A.	086	G
Mediolanum International Funds Ltd	040	G
Mediolanum Asset Management Ltd	040	G
P.I. Servizi S.p.A.	086	G
Banco Mediolanum S.A.	067	G
Fibanc Pensiones S.G.F.P. S.A.	067	G
Fibanc S.A.	067	G
Ges Fibanc S.G.I.I.C. S.A.	067	G
Mediolanum International Life Ltd	040	G
Bankhaus August Lenz & Co. AG	094	G
Gamax Management AG	092	G
Mediolanum Fiduciaria S.p.A.	086	G
Fermi & Galeno Real Estate S.r.l.	086	G

(1) Consolidation method: Line-by-line consolidation method = G; Proportionate consolidation method = P; Line-by-line consolidation method arising from joint management = U

(2) 1 = italian insurance companies; 2 = EU insurance companies UE; 3 = non EU insurance companies; 4 = insurance holding companies; 5 = EU reinsurance companies; 6 = non EU reinsurance companies; 7 = banks; 8 = asset management companies; 9 = holding companies; 10 = real estate companies; 11 = other

(3) It is the product of holdings in all entities between the entity preparing the consolidated financial statements and the company. When the company is directly owned by more subsidiaries the various products are to be added up

(4) Total shareholding % different from direct/indirect shareholding %

Non-consolidated subsidiaries and associated companies

(Values in euro) Company	Country	Method (1)
Banca Esperia S.p.A.	086	7
Mediobanca S.p.A.	086	7

(1) 1 = Italian insurance companies; 2 = EU insurance companies UE; 3 = non EU insurance companies; 4 = insurance holding companies; 5 = EU reinsurance companies; 6 = non EU reinsurance companies; 7 = banks; 8 = asset management companies; 9 = holding companies; 10 = real estate companies; 11 = other

(2) A = Subsidiaries (IAS27); B = Associates (IAS28); C = *joint ventures* (IAS 31); a star (*) indicates entities classified as held for sales in accordance with IFRS 5

(3) It is the product of holdings in all entities between the entity preparing the consolidated financial statements and the company. When the company is directly owned by more subsidiaries the various products are to be added up

(4) Total shareholding % different from direct/indirect shareholding %

Activity (2)	Direct Shareholding %	Indirect Shareholding % (3)	Total (4)	Group Equity Ratio
1	100.00	100.00		100.00
7	100.00	100.00		100.00
11	100.00	100.00		100.00
8	49.00	100.00		100.00
8	44.00	100.00		100.00
11	49.00	100.00		100.00
11	100.00	100.00		100.00
7	0.00	100.00		100.00
8	0.00	100.00		100.00
11	0.00	100.00		100.00
8	0.00	100.00		100.00
2	100.00	100.00		100.00
7	0.00	100.00		100.00
8	0.00	100.00		100.00
11	0.00	100.00		100.00
10	0.00	100.00		100.00

Activity (2)	Direct Shareholding %	Indirect Shareholding % (3)	Total (4)	Book Value
B	50.00	50.00	50.00	90,294,000
B	2.63	3.38	3.45	292,406,000

Analysis of tangible and intangible assets

€/'000	At cost	Remeasured or at fair value	Book value
Investment property	106,798	-	106,798
Other property	80,520	-	80,520
Other tangible assets	9,062	-	9,062
Other intangible assets	23,096	-	23,096

Analysis of reinsurers' share of technical reserves

	Insurance		Reinsurance		Book value	
Euro/migliaia	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Life business reserves	76,198	89,273	-	-	76,198	89,273
Outstanding claims	322	1,707	-	-	322	1,707
Mathematical reserves	75,876	87,566	-	-	75,876	87,566
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Total reinsurers' share of technical reserves	76,198	89,273	-	-	76,198	89,273

Analysis of financial assets

	Held-to-maturity investments		Loans and receivables	
€/'000	2012	2011	2012	2011
Equity instruments and derivatives at cost	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt instruments	1,359,408	1,005,949	-	-
of which listed	1,174,200	450,593	-	-
Holdings in UCITS	-	-	-	-
Loans to and receivables from banking customers	-	-	5,204,849	4,370,481
Loans to and receivables from banks	-	-	1,191,226	1,866,543
Deposits with cedents	-	-	-	-
Financial assets of insurance contracts	-	-	-	-
Other loans and receivables	-	-	8,277	8,860
Trading derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	-	-	-	-
Total	1,359,408	1,005,949	6,404,352	6,245,884

		Financial assets at fair value through profit or loss					
Available-for-sale financial assets		Financial assets held for trading		Financial assets at fair value through profit or loss		Book value	
2012	2011	2012	2011	2012	2011	2012	2011
-	-	-	-	-	-	-	-
34,821	34,387	-	3	-	-	34,821	34,390
4,217	3,524	-	3	-	-	4,217	3,527
12,111,226	8,847,747	1,214,764	2,883,613	3,402,540	3,796,258	18,087,938	16,533,567
11,744,882	8,374,279	1,180,524	2,752,145	356,806	275,791	14,456,412	11,852,808
173,022	180,272	116	18,773	9,565,715	8,935,348	9,738,853	9,134,393
-	-	-	-	-	-	5,204,849	4,370,481
-	-	-	-	-	-	1,191,226	1,866,543
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,277	8,860
-	-	6,609	5,527	-	-	6,609	5,527
	-	-		1,366	-	1,366	-
-	-	-	-	-	-	-	-
12,319,069	9,062,406	1,221,489	2,907,916	12,969,621	12,731,606	34,273,939	31,953,761

Assets and liabilities relating to contracts issued by insurance companies under which the investment risk is borne by the policyholder and to pension fund management

	Investment funds & indices		Pension funds		Total	
€/'000	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
On-balance sheet assets	12,997,096	12,731,606	-	-	12,997,096	12,731,606
Intercompany assets*	103,896	93,533	-	-	103,896	93,533
Total Assets	13,100,992	12,825,139	-	-	13,100,992	12,825,139
On-balance sheet financial assets	89,042	88,523	-	-	89,042	88,523
On-Balance Sheet Technical Reserves	12,119,036	12,735,460	-	-	12,119,036	12,735,460
Intercompany liabilities*	-	-	-	-	-	-
Total Liabilities	12,208,077	12,823,983	-	-	12,208,077	12,823,983

* Asset and liabilites eliminated upon consolidation

Analysis of technical reserves

€/'000	Insurance FY 2012	Insurance FY 2011	Reinsurance FY 2012	Reinsurance FY 2011	Book value FY 2012	Book value FY 2011
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
Life business reserves	17,823,829	18,632,275	-	-	17,823,829	18,632,275
Outstanding claims	183,262	134,529	-	-	183,262	134,529
Mathematical reserves	4,648,989	5,755,113	-	-	4,648,989	5,755,113
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	12,978,601	12,735,460	-	-	12,978,601	12,735,460
Other reserves	12,977	7,173	-	-	12,977	7,173
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
of which deferred liabilities to policyholders	-	-	-	-	-	-
Total Technical Reserves	17,823,829	18,632,275	-	-	17,823,829	18,632,275

Analysis of financial liabilities

€/'000	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss	
	FY 2012	FY 2011	FY 2012	FY 2011
Quasi-equity instruments	-	-	-	-
Subordinated liabilities	-	-	-	-
Liabilities under financial contracts issued by insurance companies of which	-	-	89,042	80,383
contracts under which the investment risk is borne by the policyholder	-	-	89,042	80,383
pension fund management	-	-	-	-
other contracts	-	-	-	-
Deposits received from reinsureres	-	-	-	-
Financial liabilities of insurance contracts	-	-	-	-
Debt securities issued	-	-	-	-
Amounts due to banking customers	-	-	-	-
Amounts due to banks	-	-	-	-
Other financing received	-	-	-	-
Trading derivatives	25,444	21,087	-	-
Hedging derivatives	-	-	92,888	67,896
Other financial liabilities	235,672	320,258	-	-
Total	261,116	341,345	181,930	148,279

Analysis of technical account items

€/'000	FY 2012		
	Gross	Reinsurers' share	Net
General Business			
PREMIUMS WRITTEN	-	-	-
a Premiums written	-	-	-
b Change in unearned premiums reserve	-	-	-
CLAIMS INCURRED	-	-	-
a Claims paid	-	-	-
b Change in outstanding claims reserve	-	-	-
c Change in recoveries	-	-	-
d Change in other technical reserves	-	-	-
Life Business			
PREMIUMS WRITTEN	8,056,974	3,301	8,053,673
AMOUNTS PAID AND CHANGE IN TECHNICAL RESERVES	9,398,399	8,852	9,389,547
a Amounts paid	10,204,814	21,928	10,182,886
b Change in outstanding claims reserve	47,902	(1,386)	49,288
c Change in mathematical reserves	(1,105,452)	(11,690)	(1,093,762)
d Change in technical reserves for contracts under which the investment risk is borne by the policy holder and for pension fund management	251,669	-	251,669
e Change in other technical reserves	(534)	-	(534)

Other financial liabilities		Book value	
FY 2012	FY 2011	FY 2012	FY 2011
-	-	-	-
-	-	-	-
-	-	89,042	80,383
-	-	89,042	80,383
-	-	-	-
-	-	-	-
75,875	87,565	75,875	87,565
-	-	-	-
432,404	524,884	432,404	524,884
10,983,468	6,942,439	10,983,468	6,942,439
3,813,632	5,602,538	3,813,632	5,602,538
-	-	-	-
-	-	25,444	21,087
-	-	92,888	67,896
185,778	212,113	421,450	532,371
15,491,157	13,369,539	15,934,203	13,859,163

FY 2011		
Gross	Reinsurers' share	Net
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
9,549,168	4,347	9,544,821
9,043,533	5,468	9,038,065
10,951,530	12,368	10,939,162
17,527	744	16,783
(539,971)	(7,644)	(532,327)
(1,368,059)	-	(1,368,059)
(17,494)	-	(17,494)

Analysis of net interest income and investment income

€/'000	Interest income (expense)	Other income	Other expense
Investment income	749,410	10,145	696
a from investment property	-	8,242	696
b from investments in subsidiaries, associates and joint ventures	-	-	-
c from held-to-maturity investments	40,389	-	-
d from loans and receivables	129,334	-	-
e from available-for-sale financial assets	437,839	1,903	-
f from financial assets held for trading	96,949	-	-
g from financial assets at fair value through profit or loss	44,899	-	-
Income on amounts receivable	646	-	-
Net cash and cash equivalents	35,957	-	-
Loss on financial liabilities	(41,687)	-	-
a on financial liabilities held for trading	(9,822)	-	-
b on financial liabilities at fair value through profit or loss	(446)	-	-
c on other financial liabilities	(31,419)	-	-
Expense on amounts payable	(193,632)	-	-
Total	550,694	10,145	696

Insurance - Analysis of expenses

€/'000	General Business		Life Business	
	FY 2012	FY 2011	FY 2012	FY 2011
Gross agents' commissions & other acquisition costs	-	-	119,525	111,179
a Acquisition commissions	-	-	82,183	72,820
b Other acquisition costs	-	-	16,242	13,912
c Change in deferred acquisition costs	-	-	-	-
d Collection commissions	-	-	21,100	24,447
Commissions and profit sharing from reinsurers	-	-	-	-
Investment management expenses	-	-	4,262	4,664
Other administrative expenses	-	-	31,652	45,971
Total	-	-	155,439	161,814

			Unrealised gains		Unrealised losses				
Realised gains	Realised losses	Total	Gains on measurement	Reversal of impairment	Losses on measurement	Impairment losses	Total	Net income (loss) for FY 2012	Net income (loss) for FY 2011
294,987	127,568	926,278	1,168,874	4,623	72,487	80,398	1,020,612	1,946,890	(403,753)
-	-	7,546	-	-	-	1,558	(1,558)	5,988	5,645
7,483	-	7,483	-	-	-	62,703	(62,703)	(55,220)	(34,582)
30	-	40,419	-	-	-	-	-	40,419	36,556
237	228	129,343	-	4,623	-	13,714	(9,091)	120,252	124,474
47,225	25,415	461,552	-	-	-	2,423	(2,423)	459,129	92,798
109,708	20,654	186,003	52,077	-	9,712	-	42,365	228,368	18,393
130,304	81,271	93,932	1,116,797	-	62,775	-	1,054,022	1,147,954	(647,037)
-	-	646	-	-	-	34	(34)	612	660
-	-	35,957	-	-	-	-	-	35,957	61,356
4,589	1,266	(38,364)	11,886	-	2,834	-	9,052	(29,312)	591
4,471	1,263	(6,614)	953	-	2,834	-	(1,881)	(8,495)	(16,558)
-	-	(446)	10,933	-	-	-	10,933	10,487	44,095
118	3	(31,304)	-	-	-	-	-	(31,304)	(26,946)
-	-	(193,632)	-	-	-	-	-	(193,632)	(122,087)
299,576	128,834	730,885	1,180,760	4,623	75,321	80,432	1,029,630	1,760,515	(463,233)

Analysis of other components of statement of other comprehensive income

€/'000	Recognition		Adjustments owed to reclassification to the income statement	
	FY 2012	FY 2011	FY 2012	FY 2011
Net exchange differences reserve	-	-	-	-
Profit (loss) on available for sale financial assets	361,882	(262,077)	10,286	48,726
Profit (loss) on cash flow hedges	-	-	-	-
Profit (loss) on hedges of investments in foreign operations	-	-	-	-
Changes in the equity of investees	28,171	(19,100)	-	-
Changes in intangible assets revaluation reserve	-	-	-	-
Changes in tangible assets revaluation reserve	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-
Actuarial gains (losses) and adjustments on defined benefit plans	-	-	-	-
Other	-	-	-	-
Total other components of statement of other comprehensive income	390,053	(281,177)	10,286	48,726

Analysis of reclassified financial assets and effects on profit (loss) and statement of other comprehensive income

€/'000				Book value of reclassified assets at Dec. 31, 2012		Fair value of reclassified assets at Dec. 31, 2011	
Category of reclassified financial assets		Type of assets	Amount of assets reclassified in FY 2012 on re-classification date	Assets reclassified in the year n	Assets reclassified up until the year n	Assets reclassified in the year n	Assets reclassified up until the year n
from	to						
HFT	AFS	Debt securities	-	-	141,144	-	141,144
HFT	Loans & Receivables	Debt securities	-	-	28,301	-	27,451
Total			-	-	169,445	-	168,595

Other changes		Total changes		Taxation		Balance	
FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
-	-	-	-	-	-	-	-
-	-	372,168	(213,351)	185,054	109,260	88,984	(283,184)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	28,171	(19,100)	-	-	31,372	3,201
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	400,339	(232,451)	185,054	109,260	120,356	(279,983)

Assets reclassified in FY 2012		Assets reclassified up until FY 2012		Assets reclassified in FY 2012		Assets reclassified up until FY 2012	
Profit or loss recognised in the income statement	Profit or loss recognised under other statement of other comprehensive income components	Profit or loss recognised in the income statement	Profit or loss recognised under other statement of other comprehensive income components	Profit or loss that would have been recognised in the income statement if no re-classification had been made	Profit or loss that would have been recognised under other statement of other comprehensive income components if no re-classification had been made	Profit or loss that would have been recognised in the income statement if no re-classification had been made	Profit or loss that would have been recognised under other statement of other comprehensive income components if no re-classification had been made
-	-	-	4,160	-	-	-	10,873
-	-	-	1,175	-	-	-	2,119
-	-	-	5,335	-	-	-	12,992

Fair value hierarchy of financial assets and financial liabilities

€/'000	
Available for sale financial assets	
Financial assets at fair value through profit or loss	Financial assets held for trading
	Financial assets at fair value
Total	
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading
	Financial liabilities at fair value
Total	

Analysis of movements in level 3 financial assets and liabilities

€/'000	Financial Assets			Financial liabilities at fair value through profit or loss	
	Available for sale financial assets	Financial assets at fair value through profit or loss			
		Held for trading	At fair value	Held for trading	At fair value
Opening balance	110,118	39,756	791,113	3,861	-
Purchases/Issues	12,633	104,096	594,669	-	-
Sales/Buybacks	(20,777)	(123,007)	(578,954)	-	-
Redemptions	-	(75)	-	-	-
Gains or losses recognised in the income statement	(857)	1,324	105,198	(318)	-
Gains or losses recognised in other components of statement of other comprehensive income	(5,946)	-	-	-	-
Transferred to level 3	-	-	-	-	-
Transferred to other level	(622)	(5,039)	-	-	-
Other changes	903	(9,281)	(11,497)	(1,576)	-
Closing balance	95,452	7,774	900,529	1,967	-

Level 1		Level 2		Level 3		Total	
FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
11,759,893	8,387,380	463,724	564,908	95,452	110,118	12,319,069	9,062,406
1,180,778	2,752,157	32,937	116,003	7,774	39,756	1,221,489	2,907,916
9,800,501	9,051,992	2,268,591	2,888,501	900,529	791,113	12,969,621	12,731,606
22,741,172	20,191,529	2,765,252	3,569,412	1,003,755	940,987	26,510,179	24,701,928
235,672	320,066	23,477	17,418	1,967	3,861	261,116	341,345
46,090	27,839	120,044	120,440	15,795	-	181,930	148,279
281,762	347,905	143,521	137,858	17,762	3,861	443,045	489,624

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 Shareholders of
MEDIOLANUM S.p.A.

1. We have audited the consolidated financial statements of Mediolanum S.p.A. and subsidiaries (the "Mediolanum Group"), which comprise the statement of financial position as of December 31th, 2012, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows 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 27th, 2012.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Mediolanum Group as of December 31th, 2012, 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 Mediolanum S.p.A. are responsible for the preparation of the Directors' report and the annual report on Corporate Governance ("Relazione sul governo societario e gli assetti proprietari"), published on the section Corporate Governance/Documents of Business Conduct on Mediolanum website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998,

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on Corporate Governance, 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 and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on Corporate Governance are consistent with the consolidated financial statements of the Mediolanum Group as of December 31th, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
March 26th, 2013

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

Separate Annual Financial Statements 2012

Directors' Report

Dear Shareholder,

The separate financial statements for the year ended December 31, 2012 that we present for your approval show net profit of €133.6 million versus €159.6 million in the prior year.
The bottom line was impacted by the €19.8 million one-off impairment on the stake held in Mediobanca. Given Mediobanca stock performance during 2012, last October Mediolanum decided to review for impairment the value of its stake therein before the end of the financial year. Availing itself of the assistance of an independent valuer, Mediolanum tested for impairment the value of its stake in Mediobanca at September 30, 2012 applying the Dividend Discount Model (DDM) in the Excess Capital variant. The recoverable amount of the stake in Mediobanca was found to range between €9.3 and €9.8 per share, with a median value of €9.5 per share. Based on said valuation, the Board of Directors of Mediolanum S.p.A. resolved to proceed to write down the value of the stake in Mediobanca in the interim accounts at September 30, 2012 to €9.5 per share.
At year end, impairment review was again undertaken to determine the recoverable amount of the investment in Mediobanca at December 31, 2012. To that end, Mediolanum S.p.A. requested again the assistance of an independent valuer. This time the recoverable amount of the stake in Mediobanca was found to range between €9.76 and €10.39 per share, with a median value of €10.05 per share. Based on said valuation, the Board of Directors of Mediolanum S.p.A. resolved to carry the value of the stake in Mediobanca at €10.05 per share in the accounts at December 31, 2012.

BUSINESS REVIEW

In the year under review, to enable the subsidiary Banca Mediolanum S.p.A. to take all opportunities for profitable business growth, also in view of the upcoming Basel III requirements, it was decided to strengthen its capital base. To that end, pursuant to the relevant resolution made by the Board of Directors on July 26, 2012 and notified to the Bank of Italy by letter dated July 31, 2012, Mediolanum S.p.A. injected €25,000,000 into the subsidiary on March 14, 2012 and September 28, 2012. Additionally, on November 6, 2012, the Extraordinary General Meeting of Banca Mediolanum S.p.A. approved the proposal for a capital increase in one or more occasions from €500,000,000 to €700,000,000, setting December 31, 2014 as the final date for subscription thereto, as well as the subsequent amendment to art. 6 of the Bylaws, as per Bank of Italy's procedures under articles 56 and 61 of Legislative Decree 385/93 (Consolidated Banking Act). On December 5, 2012 Mediolanum S.p.A. proceeded to make an initial injection of €100,000,000 as a result of which Banca Mediolanum's share capital increased to €600,000,000.
In 2012, dividends from subsidiaries and associates aggregated to €177.5 million versus €180.3 million in the prior year. The balance includes interim dividends of €108 million (€53.1 million in the prior year).
At year end 2012, the company recorded losses on investments in subsidiaries aggregating to €26 thousand (FY 2011: losses of €339 thousand) and impairment of investments in associates (Mediobanca) of €19.8 million, as already been commented above.

In the year under review, the company recorded impairment of loans aggregating to €185.3 thousand. In the prior year, the company had recorded €775.8 thousand impairment on available for sale financial assets.
Amounts due to banks were down €99.1 million to €302.1 million from €401.2 million at year end 2011. Following issues made during the year, Mediolanum notes issued increased by €98.6 million to €337.7 million at year end 2012 from €239.1 million at year end 2011.
Interest expense amounted to €21.4 million versus €14.7 million in the prior year. The year-on-year increase was mostly due to higher interest rates resulting from bigger interest rate spreads in the market. Interest income stood at €6.6 million, in line with the prior year, and was largely earned (€5.4 million) on the €120 million subordinated loan extended to the subsidiary Mediolanum Vita S.p.A..
At December 31, 2012, staff costs and other administrative expenses aggregated to €10.3 million versus €10.0 million at the end of the prior year.
For financial year 2012 the company reported other net income of €0.7 million up from 0.5 million in the prior year.
Income tax for the year was a positive balance of €0.5 million versus a negative balance of €2.0 million in the prior year.

For information on the performance of the companies that are part of the Mediolanum Group, readers are referred to the Directors' Report in the consolidated financial statements.

Acquisition of entire shareholding

On September 11, 2012, the Board of Directors of Mediolanum S.p.A. resolved to proceed to acquire the entire share capital of Mediolanum Assicurazioni S.p.A..
Being the sellers the majority shareholders of both Mediolanum S.p.A. (the 'acquirer') and Mediolanum Assicurazioni S.p.A. (the 'acquiree'), pursuant to article 4 of the Procedures under Consob Resolution No. 17221, the transaction qualified as a related-party transaction of lesser significance, and as such, pursuant to paragraph 7.1 of said Procedures, it was subject to Mediolanum S.p.A. Audit Committee's prior positive opinion, which was given by unanimous vote.
The acquisition is a strong complementary fit for the Mediolanum Group.
Mediolanum Assicurazioni S.p.A. is an entity operating in the insurance and reinsurance markets with a retail offering made up of a suite of non-life (excluding Motor TPL) standard-contract insurance products for the protection of individuals, households, equity and assets.
At December 31, 2011, Mediolanum Assicurazioni S.p.A. reported net profit of €2.6 million, shareholder's equity of €32.6 million and premiums written of €25.3 million.
The €35.9 million consideration initially agreed by the parties was based on Mediolanum Assicurazioni S.p.A.'s accounts and the value of its in-force business at March 31, 2012, and backed by PriceWaterhouseCoopers Advisory S.p.A.'s valuation of the company's entire capital.
Mediolanum S.p.A. received the approval of the insurance regulator (IVASS, previously named ISVAP) on March 19, 2013, hence the final consideration will be determined based on Mediolanum Assicurazioni S.p.A.'s accounts and the value of its in-force business at March 31, 2013.

Impairment test

Investments in subsidiaries that are part of the Mediolanum Group are carried at historical values which are significantly lower than their value in use. In connection therewith, you are advised that the Mediolanum Group average stock market value in 2012 was 2x its equity book value.

As to the investment in Mediobanca, to determine its recoverable amount for impairment review purposes, Mediolanum S.p.A. requested the assistance of a specialist valuation firm. Recoverable amount was determined using the dividend discount model in the excess capital variant. Due to the lack of future plans approved by the Board of Directors of Mediobanca, the financial projections used for impairment testing were derived from recent research done by financial analysts. For details you are referred to the consolidated financial statements.
The recoverable amount of the stake in Mediobanca calculated applying the dividend discount model in the excess capital variant was found to range between €9.3 and €9.8 per share, with a median value of €9.5 per share. Based on said valuation, the Board of Directors of Mediolanum S.p.A. resolved to proceed to write down the value of the stake in Mediobanca in the interim accounts at September 30, 2012 to €9.5 per share.

At year end, impairment review was again undertaken to determine the recoverable amount of the investment in Mediobanca at December 31, 2012. To that end, Mediolanum S.p.A. requested again the assistance of an independent valuer. This time the recoverable amount of the stake in Mediobanca was found to range between €9.76 and €10.39 per share, with a median value of €10.05 per share. Based on said valuation, the stake in Mediobanca was carried at €10.05 per share in the consolidated accounts at December 31, 2012. The impairment recognised for financial year 2012 on the investment in Mediobanca aggregated to €19.8 million.

As to Banca Esperia, for the purpose of impairment review at December 31, 2012, Directors considered that the company's equity approximated its carrying amount and also used as reference the appraisal at June 30, 2012, requested by Banca Esperia to determine the exercise price of the Private Bankers Stock Options Plan and issued by the independent specialist firm on December 10, 2012. The appraisal used the following assumptions: going concern, growth at a normal rate, materialisation of the assumptions and attainment of the goals set out in the forecasts for 2012 and the Business Plan for 2013-2015.

Said valuation indicated a value per share of €2.05, which was more than twice the carrying amount of the investment at December 31, 2012 (€0.9 per share). It was therefore concluded there was no impairment of the investment in Banca Esperia.

Issues of Mediolanum notes

Pursuant to the resolution passed by the Mediolanum S.p.A. Board of Directors at its Meeting of July 31, 2012, for the purpose of diversifying debt facilities and support subsidiaries' business growth, non-convertible notes, either fixed or floating rate with a floor or equity-linked, were offered to the public.
Key information on the note issues:

- **1-year Fixed Rate Notes**
- Amount of issue: up to €55 million (nominal value).
- Minimum subscription amount: €100,000 per investor, per separate issue.
- Principal repayment: lump sum at maturity.

- Coupons: biannual, corresponding to 3.75% gross annual yield.
- Settlement date: November 14, 2012.
- Maturity date: November 14, 2013.

- 2-year Fixed Rate Notes
- Amount of issue: up to €45 million (nominal value).
- Minimum subscription amount: €100,000 per investor, per separate issue.
- Principal repayment: lump sum at maturity.
- Coupons: biannual, corresponding to 4.00% gross annual yield.
- Settlement date: November 14, 2012.
- Maturity date: November 14, 2014.

As of December 31, 2012, Mediolanum S.p.A. non-convertible notes issued aggregated to €337.2 million (nominal value):
- €49.4 million (nominal value) notes due April 29, 2014, bearing interest at a rate of 3.5%;
- €48.9 million (nominal value) notes due April 29, 2014, bearing interest at 6-month EURIBOR + 1%;
- €48.3 million (nominal value) notes due May 20, 2013, bearing interest at 3.15%;
- €47.8 million (nominal value) notes due May 20, 2015, bearing interest at 6-month EURIBOR;
- €24.4 million (nominal value) notes due May 31, 2013, bearing interest at 3.15%;
- €20.4 million (nominal value) notes due May 31, 2015, bearing interest at 6-month EURIBOR;
- €54.1 million (nominal value) notes due November 14, 2013, bearing interest at 3.75%;
- €43.9 million (nominal value) notes due November 14, 2014, bearing interest at 4.00%.

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

For information on disclosures pursuant to the document jointly issued by the Bank of Italy, CONSOB and ISVAP on March 3, 2010, readers are referred to the Directors' Report and the Notes to the consolidated financial statements.

Main risks and uncertainties

For information about the risks and uncertainties to which the Mediolanum Group is exposed readers are referred to the Directors' Report and the Notes to the consolidated financial statements.

Other information

Pursuant to the resolution passed at the Annual General Meeting held on April 21, 2011, Mediolanum S.p.A. separate accounts are audited by Deloitte & Touche S.p.A..

Treasury Shares

The company holds 385,000 treasury shares aggregating to €2.0 million (0.052% of share capital). During the year there were no movements in treasury shares.

Post balance sheet date events

In the period between December 31, 2012 and the date on which these financial statements were approved there was no material event other than those commented in the same section of the Directors Report, which could have a significant impact on the financial positions, results of operations or cash flows of the company.

Outlook

Excluding post balance sheet date events, considering the risks that are inherent in the business, 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 the year 2013 is positive.

Information on Stock Option Plans

On May 10, 2012, by virtue of the authorities delegated to it by the Extraordinary General Meeting of April 27, 2010, as amended by resolution passed by the shareholders at the Ordinary and Extraordinary General Meeting of April 19, 2012, the Board of Directors of Mediolanum S.p.A. resolved:

- to increase the Company's share capital by a maximum amount of €186,405.00, for a consideration, by issuing up to 1,864,050 dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the Directors and executives of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code, setting as final deadline for share subscription the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the three year term from the date of the capital increase resolution;
- to increase the Company's share capital by a maximum amount of €70,840.00, for a consideration, by issuing up to 708,400 dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the sales network of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code, setting as final deadline for share subscription the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the nine year term from the date of the capital increase resolution.

Dear Shareholder,

We assure you that the financial statements for the year ended December 31, 2012 presented to you for examination and approval were prepared in compliance with the law in force.
In requesting your approval of the financial statements including this report, we propose the following appropriation of the year's net profit of €133,619,860.24:

- distribution of a full-year dividend of €0.18 per share (par value of €0.10) to the shareholders, including the interim dividend of €0.10 paid in November 2012. The final dividend of €0.08 per share will be due for payment from May 23, 2013 (ex-dividend date May 20, 2013). Said dividend will not be payable for treasury shares held after the close of business on May 17, 2013;
- the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit.

Basiglio, March 21, 2013

For the Board of Directors
The Chairman
(Secchi Carlo)

Accounts 2012

Statement of financial position

Assets

€	Dec. 31, 2012	Dec. 31, 2011
Non current assets		
Intangible assets	2,117	2,686
Tangible assets	33,357	58,301
Investments in subsidiaries and associates	1,124,448,592	994,291,547
Loans to subsidiaries	120,073,973	120,073,973
Available-for-sale financial assets	19,972,124	19,349,466
Total Non current assets	1,264,530,162	1,133,775,973
Current assets		
Receivables from		
Subsidiaries	761,244	709,593
Related parties	60,570	20,570
Others	15,113,404	1,415,486
Cash and cash equivalents		
Bank deposits	26,070,273	135,371,624
Cash	10,440	9,666
Tax Assets		
Current	165,933,754	118,350,809
Deferred	6,749,361	3,516,330
Other assets	1,965	610,738
Total Current assets	214,701,012	260,004,816
TOTAL ASSETS	1,479,231,174	1,393,780,789

Shareholders' equity and liabilities

€	Dec. 31, 2012	Dec. 31, 2011
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	73,433,792	73,381,937
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	56,496,878	56,013,083
Lehman Brothers operation equity reserve	84,692,746	84,692,746
Retained earnings	328,252,650	271,262,249
Valuation reserve for AFS financial instruments	614,096	-
Net profit (loss) for the period	133,619,860	159,592,247
Total Capital and reserves	675,064,906	642,897,146
Non current liabilities		
Completion-of-service entitlements	521,545	501,167
Notes issued	210,542,479	239,076,737
Total Non current liabilities	211,064,024	239,577,904
Current liabilities		
Payables		
Due to banks	302,149,384	401,215,060
Notes issued	127,141,091	-
Due to subsidiaries	528,589	402,744
Due to other related parties	93,163	146,432
Other payables	2,108,149	1,293,740
Tax liabilities		
Current	160,451,931	107,709,479
Deferred	14,766	6,205
Other liabilities	615,171	532,079
Total Current liability	593,102,244	511,305,739
TOTAL LIABILITIES	804,166,268	750,883,643
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,479,231,174	1,393,780,789

Income Statement

€	Dec. 31, 2012	Dec. 31, 2011
Dividends and similar income		
from subsidiaries	176,270,997	176,310,295
from associates	1,132,236	3,849,601
from available for sale financial assets	55,359	124,559
Interest income and similar income	6,614,433	6,635,593
Interest expense and similar charges	(21,416,951)	(14,663,310)
Net income from trading	64	-
Impairment/reversal of impairment of:		
investments in associates	(19,816,936)	-
available for sale financial assets	-	(775,834)
loans and other financial instruments	(185,268)	-
NET INCOME FROM FINANCIAL OPERATIONS	142,653,934	171,480,904
Staff costs	(4,580,394)	(3,918,829)
Other administrative expenses	(5,671,220)	(6,070,224)
Amortisation and depreciation		
intangible assets	(570)	(1,156)
tangible assets	(24,944)	(28,094)
Other income (expenses)	700,334	517,397
OPERATING EXPENSES	(9,576,793)	(9,500,906)
Profit (loss) on investments in subsidiaries, associates and joint-ventures	(26,019)	(339,146)
PROFIT (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	133,051,122	161,640,852
Income tax	568,738	(2,048,605)
PROFIT (LOSS) AFTER TAX ON CONTINUING OPERATIONS	133,619,860	159,592,247
NET PROFIT (LOSS) FOR THE PERIOD	133,619,860	159,592,247
EARNINGS PER SHARE	0.182	0.217

Statement of other comprehensive income

€	Dec. 31, 2012	Dec. 31, 2011
NET PROFIT (LOSS) FOR THE PERIOD	133,619,860	159,592,247
OTHER STATEMENT OF OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
AVAILABLE-FOR-SALE FINANCIAL ASSETS	614,096	-
TOTAL OTHER STATEMENT OF OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	614,096	-
TOTAL STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	134,233,956	159,592,247

Statement of changes in equity

as of December 31, 2012

€	Balance at Jan. 1, 2012	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital	73,381,937	-	-
Share premium account	56,013,083	-	-
Reserves:			
a) retained earnings	271,262,249	130,254,872	-
b) other	84,692,746	-	-
Valuation reserves:			
a) AFS fin. instruments	-	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	159,592,247	(130,254,872)	(29,337,375)
Shareholders' equity	642,897,146	-	(29,337,375)

as of December 31, 2011

€	Balance at Jan. 1, 2011	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital	73,287,996	-	-
Share premium account	55,086,936	-	-
Reserves:			
a) retained earnings	257,874,516	64,657,786	-
b) other	84,692,746	-	-
Valuation reserves			
a) AFS fin. instruments	80,279	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	115,932,434	(64,657,786)	(51,274,648)
Shareholders' equity	584,909,791	-	(51,274,648)

Movements in the year							
	Shareholders' Equity						
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2012	Shareholders' equity at Dec. 31, 2012
-	51,855	-	-	-	-	-	73,433,792
-	483,795	-	-	-	-	-	56,496,878
-	-	-	(73,388,286)	-	123,815	-	328,252,650
-	-	-	-	-	-	-	84,692,746
-	-	-	-	-	-	614,096	614,096
-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	133,619,860	133,619,860
-	535,650	-	(73,388,286)	-	123,815	134,233,956	675,064,906

Movements in the year							
	Shareholders' Equity						
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2011	Shareholders' equity at Dec. 31, 2011
-	93,941	-	-	-	-	-	73,381,937
-	926,147	-	-	-	-	-	56,013,083
-	-	-	(51,337,341)	-	67,288	-	271,262,249
-	-	-	-	-	-	-	84,692,746
-	-	-	-	-	-	(80,279)	-
-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	159,592,247	159,592,247
-	1,020,088	-	(51,337,341)	-	67,288	159,511,968	642,897,146

Statement of cash flow

Indirect method

€/'000	Dec. 31, 2012	Dec. 31, 2011
Profit (loss) before tax for the period	133,051	161,641
Changes in non-monetary items		
Completion-of-service entitlements	189	176
Amortisation and depreciation	26	29
Stock Options	124	67
Other	19,843	3,615
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	(9,885)	(4,046)
Paid taxes	-	-
Net cash from monetary items relating to investment and financial activities	-	-
NET CASH FROM OPERATING ACTIVITIES	143,348	161,482
Net cash from subsidiaries, associates and joint venture	(150,000)	(25,250)
Net cash from available-for-sale financial assets	-	-
Net cash from tangible and intangible assets	-	-
Other cash flows from investment activities	-	-
NET CASH FROM INVESTING ACTIVITIES	(150,000)	(25,250)
Net cash from equity instruments	536	1,020
Net cash from treasury shares	-	-
Distribution of dividends	(102,727)	(102,612)
Net cash from subordinated liabilities	-	-
Net cash from other financial liabilities	(459)	84,821
NET CASH FROM FINANCING ACTIVITIES	(102,650)	(16,771)
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	135,382	15,921
Net increase (decrease) in cash and cash equivalents	(109,302)	119,461
Cash and cash equivalents at end of the period	26,080	135,382

Notes to the Separate Annual Financial Statements 2012

Notes to the separate annual financial statements

These notes are structured as follows:

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

PART A - ACCOUNTING BASIS

Pursuant to Legislative Decree No. 38 of February 28, 2005, the Mediolanum S.p.A. separate financial statements for the year ended December 31, 2012 were prepared in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS) 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 pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

The separate financial statements consist of the statement of financial position, the Income Statement, the Statement of statement of other comprehensive income, the Statement of Changes in Equity, the Statement of Cash Flows (Accounts) and these Explanatory Notes, which set out the information required under art. 2427 and other articles of the Italian Civil Code on financial reporting as well as other applicable statutes.
The separate financial statements also include the Directors' Report.
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 Directors' Report 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, 2011.
The financial statements were prepared in compliance with the general requirements of IAS 1 and the specific accounting standards adopted by the European Commission, as presented in Part B (Accounting Policies) herein, as well as in compliance with 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.

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2012.

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 the items of income and expense, are consistent with those applied in the preparation of the separate financial statements for the year ended December 31, 2011.

For information on new standards, interpretations and amendments to standards readers are referred to Part B Accounting Policies in the Notes to the consolidated financial statements.

Equity investments

This account relates to investments in subsidiaries, associates and joint ventures carried at cost.

On initial recognition these investments are measured at cost, i.e. the fair value of the investment, plus any directly attributable transaction costs or income.

After initial recognition equity investments continue to be carried 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 investment, 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.

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 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 date they are extended 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 statement of financial position date the Company 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.
Available-for-sale financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and receivables

This account includes trade receivables.
A receivable is initially recognised on the billing date or due date.
At each interim and annual reporting date the Company assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition.
An impaired account is individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount at the time of assessment and the present value of estimated future cash flows. 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 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 cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Tangible assets

Tangible assets include furnishings, fixtures, fittings, plant and equipment.
These are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one period.
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 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.
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 include the costs of software used over more than one year.

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. Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

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. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from it.

Financial liabilities

Other financial liabilities include the various forms of funding from banks and companies within the Group. These financial liabilities are initially recognised when amounts are received.

They are initially measured at fair value, i.e. generally the amount received, plus any additional costs/income directly attributable to the individual funding transaction. 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.

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 risks and charges are recognised in the income statement.

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. As to the discount rate it was decided to apply the rate implied in IBOXX EUR Corporate AA indices published by Markit Group Ltd as these indices correspond to the implied internal rate of return of euro-denominated liquid corporate securities. The resulting values are recognised under staff costs as the net total of current service costs, past service costs, accrued interest and actuarial gains or losses. Actuarial gains or losses are fully recognised under staff costs.
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.

Notes issued

Notes (bonds) are initially recognised when amounts are received or notes 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 notes issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, notes 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.

Notes are derecognised from the statement of financial position when they expire or are 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.

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 so-called 'liability method' on temporary differences between the tax base of an asset or liability and its carrying amount at the statement of financial position date. 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.

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, dividends are recognised in the income statement when their distribution to shareholders is established.

Other information

Use of estimates

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

- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);

- identification of loss events as per IAS 39;
- assumptions used for the identification of any objective evidence of impairment of intangible assets and equity investments recognised in the statement of financial position;
- determination of impairment losses on loans and other financial assets;
- determination of provisions for risks and charges;
- 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;
- estimates to determine technical reserves;
- assumptions used to determine employee completion-of-service entitlements.

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 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 fair value of an investment in an equity instrument 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 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 on the vesting date.
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.

PART C - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

INTANGIBLE ASSETS

€/'000	Dec. 31, 2012		Dec. 31, 2011	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
Other intangible assets	2	-	3	-
Other intangible assets	2	-	3	-
Total	2	-	3	-

Year's movements in tangible assets

€/'000		Total at Dec. 31, 2012
Opening balance		3
Increases		-
Decreases		1
- Value adjustments	1	-
- Amortisation	1	-
Closing balance		2

TANGIBLE ASSETS

€/'000	Dec. 31, 2012		Dec. 31, 2011	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
Owned	33	-	58	-
- furnishings	32	-	55	-
- other	1	-	3	-
Total (at cost and re-measured)	33	-	58	-

Year's movements in tangible assets

€/'000	Furnishings	Electronic equipment	Other	Total
Opening balance	55	-	3	58
Increases	-	-	-	-
Additions	-	-	-	-
Reversal of impairment	-	-	-	-
Increases in fair value:	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
Other changes	-	-	-	-
Decreases	23	-	2	25
Sales	-	-	-	-
Depreciation	23	-	2	25
Impairment	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
Decreases in fair value:	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
Other changes	-	-	-	-
Closing balance	32	-	1	33

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

€/'000	Dec. 31, 2012	Dec. 31, 2011
Subsidiaries:		
Banca Mediolanum S.p.A.	600,239	450,239
Mediolanum Vita S.p.A.	166,681	166,681
Mediolanum International Life Ltd	60,131	60,131
PI Servizi S.p.A.	7,760	7,760
Mediolanum Gestione Fondi SGR p.A.	2,507	2,507
Mediolanum Asset Management Ltd	1,911	1,911
Mediolanum Comunicazione S.p.A.	1,687	1,687
Mediolanum International Funds Ltd	1,194	1,194
Partner Time S.p.A. (in liquidation)	447	473
Gamax Management AG	1	1
Total subsidiaries	842,558	692,584
Associates and joint ventures:		
Mediobanca S.p.A.	227,578	247,396
Banca Esperia S.p.A.	54,312	54,312
Total associates and joint ventures	281,890	301,708
Total	1,124,448	994,292

In the year under review, to enable the subsidiary Banca Mediolanum S.p.A. to take all opportunities for profitable business growth, also in view of the upcoming Basel III requirements, it was decided to strengthen its capital base. To that end, pursuant to the relevant resolution made by the Board of Directors on July 26, 2012 and notified to the Bank of Italy by letter dated July 31, 2012, Mediolanum S.p.A. injected €25,000,000 into the subsidiary on March 14, 2012 and September 28, 2012. Additionally, on November 6, 2012, the Extraordinary General Meeting of Banca Mediolanum S.p.A. approved the proposal for a capital increase in one or more occasions from €500,000,000 to €700,000,000, setting December 31, 2014 as the final date for subscription thereto, as well as the subsequent amendment to art. 6 of the Bylaws, as per Bank of Italy's procedures under articles 56 and 61 of Legislative Decree 385/93 (Consolidated Banking Act). On December 5, 2012 Mediolanum S.p.A. proceeded to make an initial injection of €100,000,000 as a result of which Banca Mediolanum's share capital increased to €600,000,000.

Investments in subsidiaries that are part of the Mediolanum Group are carried at historical values which are significantly lower than their value in use. In connection therewith, you are advised that the Mediolanum Group average stock market value in 2012 was 2x its equity book value.

As to the investment in Mediobanca, to determine its recoverable amount for impairment review purposes, Mediolanum S.p.A. requested the assistance of a specialist valuation firm. Recoverable amount was determined using the dividend discount model in the excess capital variant. Due to the lack of future plans approved by the Board of Directors of Mediobanca, the financial projections used for impairment testing were derived from recent research done by financial analysts.
Given Mediobanca stock performance during 2012, last October Mediolanum decided to review for impairment the value of its stake therein before the end of the financial year. Availing itself of the assistance of an independent valuer, Mediolanum tested for impairment the value of its stake in Mediobanca at September 30, 2012. The recoverable amount of the stake in Mediobanca calculated applying the dividend discount model in the excess capital vari-

ant was found to range between €9.3 and €9.8 per share, with a median value of €9.5 per share. Based on said valuation, the Board of Directors of Mediolanum S.p.A. resolved to proceed to write down the value of the stake in Mediobanca in the interim accounts at September 30, 2012 to €9.5 per share.
At year end, impairment review was again undertaken to determine the recoverable amount of the investment in Mediobanca at December 31, 2012. To that end, Mediolanum S.p.A. requested again the assistance of an independent valuer. This time the recoverable amount of the stake in Mediobanca was found to range between €9.76 and €10.39 per share, with a median value of €10.05 per share. Based on said valuation, the stake in Mediobanca was carried at €10.05 per share in the consolidated accounts at December 31, 2012. The impairment recognised for financial year 2012 on the investment in Mediobanca aggregated to €19.8 million.
As to Banca Esperia, for the purpose of impairment review at December 31, 2012, Directors considered that the company's equity approximated its carrying amount and also used as reference the appraisal at June 30, 2012, requested by Banca Esperia to determine the exercise price of the Private Bankers Stock Options Plan and issued by the independent specialist firm on December 10, 2012. The appraisal used the following assumptions: going concern, growth at a normal rate, materialisation of the assumptions and attainment of the goals set out in the forecasts for 2012 and the Business Plan for 2013-2015.
Said valuation indicated a value per share of €2.05, which was more than twice the carrying amount of the investment at December 31, 2012 (€0.9 per share). It was therefore concluded there was no impairment of the investment in Banca Esperia.

"*Loans to subsidiaries*" related to the indefinite-maturity subordinated loan up to €120,000,000.00 (one hundred and twenty million euro) extended to the subsidiary Mediolanum Vita S.p.A. and fully drawn down. The interest rate applied was 4.50% p.a. The account also includes interest accrued on the loan at year end.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Dec. 31, 2012		Dec. 31, 2011	
€/'000	Book Value	of which: equity reserve	Book Value	of which: equity reserve
Fair value – Level 1	3,813	614	3,190	-
Assicurazioni Generali S.p.A.	3,813	614	3,190	-
Fair value – Level 2	-	-	-	-
Fair value – Level 3	16,159	-	16,159	-
Sia SSB S.p.A.	6,204	-	6,204	-
Istituto Europeo di Oncologia	4,703	-	4,703	-
Cedacri S.p.A.	4,940	-	4,940	-
Nomisma S.p.A.	312	-	312	-
TOTAL	19,972	614	19,349	-

Equity investments carried at cost related to stakes in privately held (unlisted) companies that based on the analysis of the financial information set out in their most recent annual report and accounts did not show any evidence of impairment.
The €623 thousand increase in the balance of this account relates to the increased value of Generali and the stake held in that entity.

Holdings were as follows:

Company	Share Capital	% holding	Registered Office
Assicurazioni Generali S.p.A.	1,556,873,283	0.018	Piazza Duca degli Abruzzi 2 Trieste (TS)
Sia SSB S.p.A.	22,091,287	1.282	Via Gonin 36 Milano (MI)
Istituto Europeo di Oncologia	80,579,007	4.615	Via Ripamonti 435 Milano (MI)
Cedacri S.p.A.	12,609,000	5.504	Via del Conventino 1 Collecchio (PR)
Nomisma S.p.A.	6,605,830	4.718	Strada Maggiore 44 Bologna (BO)

CURRENT ASSETS

Receivables

'*Receivables from subsidiaries*' (€761.2 thousand) and '*Receivables from other related parties*' (€60.6 thousand) related to amounts receivable for the provision of corporate affairs services, staff secondment and management compensation.

'*Other receivables*' amounting to €15,113 thousand (FY 2011: €1,415 thousand) almost entirely (€15,000 thousand) consisted of the down payment made during the year for the acquisition of Mediolanum Assicurazioni S.p.A.. Since closing did not occur within the initially scheduled deadline the second tranche of the down payment amounting to €10,000 thousand was reimbursed in the first days of January 2013.

CASH AND CASH EQUIVALENTS

€/'000	Dec. 31, 2012	Dec. 31, 2011
Bank deposits	26,070	135,372
Cash on hand	10	10
Total	26,080	135,382

"Bank deposits" related to bank accounts balances including interest accrued at year end. Cash and cash equivalents held with the subsidiary Banca Mediolanum S.p.A. amounted to €26,040 thousand.

TAX ASSETS

Analysis of Current Tax Assets

€/'000	Dec. 31, 2012	Dec. 31, 2011
Tax consolidation regime		
Mediolanum Vita S.p.A.	30,449	16,521
Mediolanum Gestione Fondi SGR p.A.	14,442	15,833
Mediolanum Comunicazione S.p.A.	-	242
Banca Mediolanum S.p.A.	30,023	-
Total Tax consolidation regime	74,914	32,596
IRS		
(IRES & IRAP) advances	4,277	2,995
Prior years' tax credit (IRES)	68,368	68,808
Current year's tax credit (IRES)	9,387	10,127
VAT	9	-
Tax credit reimbursements due (IRES)	8,978	3,825
Total IRS	91,020	85,755
Total current tax assets	165,934	118,351

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITAL AND RESERVES

Share Capital

Share capital is fully paid up and amounts to €73,433,791.90 divided into 734,337,919 ordinary shares.
In 2012, to service the Stock Options Plans, capital was increased by €51,855 which corresponds to 518,550 shares.

Share premium account

The balance on the share premium account increased from €56,013 thousand at December 31, 2011 to €56,497 thousand at the end of the year under review. The increase relates to the subscriptions for the shares issued under the Stock Option Plans.

Retained earnings

Analysis of retained earnings

€/'000	Dec. 31, 2012	Dec. 31, 2011
Legal reserve	17,363	17,363
Extraordinary reserve	501,619	422,690
FTA reserve	(123,109)	(123,109)
Interim dividend	(73,427)	(51,364)
Other	5,807	5,682
Total	328,253	271,262

The legal reserve remained unchanged since it had already reached the statutory limit. The interim dividend amount is before dividend on treasury shares.

AFS Revaluation Reserve

The AFS revaluation reserve amounted to €614 thousand and relates to the fair value measurement of the holdings in Generali.

NON CURRENT LIABILITIES

EMPLOYEE COMPLETION-OF-SERVICE ENTITLEMENTS

An analysis of the year's movements in this account is set out in the table below.

€/'000	
Balance at December 31, 2011	501
Amount accrued and posted to the income statement	189
Benefits/advances paid during the year	(18)
Amounts contributed to pension funds	(140)
Amounts contributed to INPS	(8)
Other	(2)
Balance at December 31, 2012	522

NOTES ISSUED

Pursuant to the resolution passed by the Mediolanum S.p.A. Board of Directors at its Meeting of July 31, 2012, for the purpose of diversifying debt facilities and support subsidiaries' business growth, non-convertible notes, either fixed or floating rate with a floor or equity-linked, were offered to the public.
Key information on the note issues:

- 1-year Fixed Rate Notes
- Amount of issue: up to €55 million (nominal value).
- Minimum subscription amount: €100,000 per investor, per separate issue.
- Principal repayment: lump sum at maturity.
- Coupons: biannual, corresponding to 3.75% gross annual yield.
- Settlement date: November 14, 2012.
- Maturity date: November 14, 2013.

- 2-year Fixed Rate Notes
- Amount of issue: up to €45 million (nominal value).
- Minimum subscription amount: €100,000 per investor, per separate issue.
- Principal repayment: lump sum at maturity.
- Coupons: biannual, corresponding to 4.00% gross annual yield.
- Settlement date: November 14, 2012.
- Maturity date: November 14, 2014.

As of December 31, 2012, Mediolanum S.p.A. non-convertible notes issued aggregated to €337.2 million (nominal value):

- €49.4 million (nominal value) notes due April 29, 2014, bearing interest at a rate of 3.5%;
- €48.9 million (nominal value) notes due April 29, 2014, bearing interest at 6-month EURIBOR + 1%;
- €48.3 million (nominal value) notes due May 20, 2013, bearing interest at 3.15%;
- €47.8 million (nominal value) notes due May 20, 2015, bearing interest at 6-month EURIBOR;
- €24.4 million (nominal value) notes due May 31, 2013, bearing interest at 3.15%;
- €20.4 million (nominal value) notes due May 31, 2015, bearing interest at 6-month EURIBOR;
- €54.1 million (nominal value) notes due November 14, 2013, bearing interest at 3.75%;
- €43.9 million (nominal value) notes due November 14, 2014, bearing interest at 4.00%.

CURRENT LIABILITIES

PAYABLES

Amounts ***Due to banks*** aggregated to €302,149 thousand and relate to amounts due under credit facilities received (€300,000 thousand) plus the related interest expense accrued at year end.

Amounts ***Due to subsidiaries*** (€529 thousand) and Amounts ***Due to other related parties*** (€93 thousand) relate to outsourcing and other services.

Other payables amounting to €2,108 thousand mostly relate to employee buyouts (€756 thousand), amounts due to suppliers (€296 thousand), withholding tax (€278 thousand) and pension contributions (€148 thousand) paid in the first months of 2013.

TAX LIABILITIES

Analysis of Current Tax Liabilities

€/'000	Dec. 31, 2012	Dec. 31, 2011
IRS		
Ires	74,911	-
Irap	3,903	4,277
Total IRS	78,814	4,277
Tax consolidation regime		
Banca Mediolanum S.p.A.	46,332	79,732
Mediolanum Vita S.p.A.	33,769	21,996
Mediolanum Comunicazione S.p.A.	260	627
Mediolanum Gestione Fondi SGR p.A.	942	458
Partner Time S.p.A. (in liquidation)	91	443
Mediolanum Fiduciaria S.p.A.	158	24
PI Servizi S.p.A.	86	152
Total Tax consolidation regime	81,638	103,432
Total current tax liabilities	160,452	107,709

Current tax liabilities under the tax consolidation regime relate to tax credits of Group companies that adhere to Italy's tax consolidation regime.

OTHER LIABILITIES

Other liabilities amounted to €615 thousand versus €532 thousand at December 31, 2011. They largely consisted of allowances for vacation accruals and additional months for the year under review.

PART D - INFORMATION ON THE INCOME STATEMENT

DIVIDEND AND SIMILAR INCOME

Dividends ***from subsidiaries*** amounted to €176,271 thousand versus €176,310 thousand at December 31, 2011 as set out in the table below.

€/'000	Dec. 31, 2012	Dec. 31, 2011
Mediolanum International Life Ltd	17,000	86,240
Banca Mediolanum S.p.A.	15,005	60,003
Mediolanum International Funds Ltd	129,800	15,000
Mediolanum Gestione Fondi SGR p.A.	6,136	9,187
Mediolanum Asset Management Ltd	8,330	5,880
Total	176,271	176,310

Dividends from ***associates*** amounted to €1,132 thousand entirely relating to the dividend received from Mediobanca S.p.A.

Dividends from ***available-for-sale financial assets*** amounted to €55 thousand (€125 thousand at December 31, 2011) and consisted of dividends received from Assicurazioni Generali S.p.A.

INTEREST INCOME AND SIMILAR INCOME

An analysis of interest income and similar income is set out below.

€/'000	Dec. 31, 2012	Dec. 31, 2011
Bank accounts	309	917
Receivables from IRS	205	-
Hot money transactions	686	304
Other	5,415	5,415
Total	6,614	6,636

Interest income on bank accounts primarily related to accounts held with the subsidiary Banca Mediolanum S.p.A..
'*Other*' interest income related to interest accrued on the subordinated loan extended to the subsidiary Mediolanum Vita S.p.A..

INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges amounted to €21,417 thousand (€14,663 thousand at the end of the prior year) and primarily related to interest expense on financing facilities in place amounting to €12,499 thousand and on notes issued in the year amounting to €8,902 thousand.

STAFF COSTS

An analysis of this account is set out in the table below.

€/'000	Dec. 31, 2012	Dec. 31, 2011
Wages and salaries	3,170	2,548
Social security contributions	812	834
Completion-of-service entitlements	189	166
Remuneration of Directors	1,488	1,526
Directors' benefits	147	124
Key personnel	(1,548)	(1,627)
Pension fund	21	23
Other	302	325
Total	4,580	3,919

The increase in wages and salaries largely relates to employee buyouts.

Average number of employees

An analysis of the average number of employees by category is set out in the table below.

Category	Dec. 31, 2012
Senior management	2
Middle management	5
Other personnel	13
Total	20

OTHER ADMINISTRATIVE EXPENSES

€/'000	Dec. 31, 2012	Dec. 31, 2011
Intercompany services	1,404	1,517
Professional services	1,322	1,410
Vehicle rentals	722	1,206
Emoluments of corporate officers	219	236
Property rentals and other related expenses	173	200
Donations	51	51
Utilities	15	23
Miscellaneous services	291	397
Other	1,474	1,031
Total	5,671	6,071

Professional services include fees for legal counselling, technical and administrative expertise, audit of financial statements and other professional services.

OTHER INCOME (EXPENSES)

€/'000	Dec. 31, 2012	Dec. 31, 2011
Central functions:		
- subsidiaries	432	436
- companies that are part of the Fininvest Group and of the Doris Group	68	68
Other income	200	225
Total other income	700	729
Other expenses	-	(212)
Total other expenses	-	(212)
Total other income (expenses)	700	517

Total other net income increased from €517 thousand in the prior year to €700 thousand at year end 2012.

INCOME TAX

Income tax relates to the IRES (corporate income tax) and IRAP (regional business tax) tax expense for the year calculated in accordance with tax rules and rates.

€/'000	Dec. 31, 2012	Dec. 31, 2011
Current tax expense (IRES)	(4,222)	(2,222)
Change in deferred tax assets (IRES)	(300)	-
Change in prior year's deferred tax assets (IRES)	50	2
Total tax expense for the year (IRES)	(4,472)	(2,220)
Current tax expense (IRAP)	3,903	4,268
Change in deferred tax assets (IRAP)	-	1
Total tax expense for the year (IRAP)	3,903	4,269
Change in deferred tax liabilities	-	-
Total	(569)	2,049

The reconciliation between the theoretical tax expense and the effective tax expense is set out in the table below.

€/'000	Rate	Taxable amount	Tax expense
Calculation of taxable income (IRES)			
Profit before tax	-	133,051	-
Theoretical tax	27.50%	-	36,589
Temporary differences deductible in following years	-	88	-
Prior years' temporary differences	-	(182)	-
Permanent differences	-	(148,311)	-
Total taxable income	-	(15,354)	-
Taxable income (27.50%)	-	(15,354)	-
Current tax expense for the year	-	-	(4,222)
Prior years' taxes	-	-	-
Current tax expense recognised in the income statement	-	-	(4,222)
Average rate on profit before tax	3.17%	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	69,667	-
Costs which are not significant for the purpose of IRAP calculation	-	(568)	-
Total	-	69,099	-
Theoretical tax	5.57%	-	3,849
Prior years' temporary differences	-	(11)	-
Permanent differences	-	968	-
Taxable income (rate of 5.57%)	-	70,056	-
Current tax expense for the year	-	-	3,903
Prior years' taxes	-	-	-
Current tax expense recognised in the income statement	-	-	3,903

PART E - SEGMENTAL INFORMATION

No disclosure is provided in this section as segmental information is not significant at level of separate financial statements. Readers are referred to the consolidated financial statements.

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

For information on risks and risk management readers are referred to the same section of the consolidated financial statements. No additional information is provided herein in consideration of the immateriality of risk inherent in the company's positions at year end.

PART G - BUSINESS COMBINATIONS

Transactions concluded during the year

In 2012 there were no transactions requiring disclosure under IFRS 3.

Post-balance sheet date transactions

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

PART H - RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/ General Managers	Other key management
Emoluments & social security contributions	1,772	180
Other pension benefits and insurance	-	-
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	124	-

The Board of Directors consists of 13 members and the Board of Statutory Auditors of 3 members.

2. Information on related party transactions

Related party transactions primarily refer to transactions with companies that are part of the Mediolanum Group and, in particular, with the subsidiary Banca Mediolanum S.p.A. in relation to bank accounts held with Banca Mediolanum and services provided by central functions e.g. internal audit, IT systems management, organisation and HR, general affairs, legal affairs, taxation, central procurement and management of suppliers, risk management and compliance services.
In addition, personnel was seconded to companies within the Mediolanum Group.
All transactions are made on an arm's length basis at market conditions, personnel secondment and services provided by central functions are charged on the basis of actual costs incurred.
For companies that are within the scope of the tax consolidation regime, related party transactions include also amounts receivable and payable as a result of the application of said tax regime.
Analysis of related party balances at December 31, 2012 by related party category:

€/'000	Tax assets	Receivables	Cash	Other financial assets	Other payables	Tax liabilities
(a) Parent company	-	-	-	-	-	-
(b) Entities exercising significant influence over the company	-	15,000	-	-	50	-
(c) Subsidiaries	74,914	761	26,040	120,074	535	81,638
(d) Associates	-	-	-	-	-	-
(e) Joint ventures	-	40	-	-	-	-
(f) Key management	-	-	-	-	-	-
(g) Other related parties	-	21	-	-	43	-

Details on related party transactions in excess of €10 thousand made in the year are set out in the table below. The information required under art. 78 of Consob Regulation 11971 of May 14, 1999, as subsequently amended, is set out in Schedules 1, 2 and 3 prepared pursuant to Annex E of said regulation.

€/'000	Dec. 31, 2012
Interest income and similar income:	
Mediolanum Vita S.p.A.	5,415
Banca Mediolanum S.p.A.	995
Corporate affairs services:	
Mediolanum Vita S.p.A.	86
Banca Mediolanum S.p.A.	185
Mediolanum Gestione Fondi SGR p.A.	128
Mediolanum Comunicazione S.p.A.	11
Mediolanum Fiduciaria S.p.A.	12
Mediolanum Assicurazioni S.p.A.	57
Vacanze Italia S.p.A.	11
Other revenues:	
Banca Esperia S.p.A.	40
Banca Mediolanum S.p.A.	105
Mediolanum Gestione Fondi SGR p.A.	34
Interest expense and similar charges:	
Banca Mediolanum S.p.A.	512
Banca Mediolanum S.p.A. centralised services:	
IT services	421
Miscellaneous administrative services	991
Office rental:	
Banca Mediolanum S.p.A.	131
Aircraft rental:	
Alba Servizi Aerotrasporti S.p.A.	511
Key personnel:	
Charged Banca Mediolanum S.p.A.	288
Charged Banca Mediolanum S.p.A.	1,662
Charged Mediolanum Vita S.p.A.	159
Charged Mediolanum Comunicazione S.p.A.	14
Other expenses:	
Fininvest S.p.A.	50
Finedim Italia S.p.A.	21

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

In 2012, 518,550 new Mediolanum dividend-bearing ordinary shares were issued following the exercise of stock options by Directors and Sales Network members of companies within the Mediolanum Group. This entailed a €51,855.0 increase in Mediolanum ordinary share capital and a €483,795.23 increase in the share premium account.

On May 10, 2012, by virtue of the authorities delegated to it by the Extraordinary General Meeting of April 27, 2010, as amended by resolution passed by the shareholders at the Ordinary and Extraordinary General Meeting of April 19, 2012, the Board of Directors of Mediolanum S.p.A. resolved:

- to increase the Company's share capital by a maximum amount of €186,405.00, for a consideration, by issuing up to 1,864,050 dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the Directors and executives of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code, setting as final deadline for share subscription the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the three year term from the date of the capital increase resolution;
- to increase the Company's share capital by a maximum amount of €70,840.00, for a consideration, by issuing up to 708,400 dividend-bearing ordinary shares, par value of €0.1 each, with the exclusion of shareholders' pre-emptive rights pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the sales network of the company and its subsidiaries pursuant to article 2359 paragraph 1, N. 1, of the Italian Civil Code, setting as final deadline for share subscription the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the nine year term from the date of the capital increase resolution.

For information on the fair value of stock options and the year's movements readers are referred to the relevant section of the notes to the consolidated financial statements.

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 €124 thousand and entailed a corresponding increase in the Company's equity reserves (December 31, 2011: €67 thousand).

SCHEDULES

Additional information is provided in the Schedules set out in the following pages that form an integral part of these notes.

Basiglio, March 21, 2013

For the Board of Directors
The Chairman
(Secchi Carlo)

Schedules

SCHEDULE 1

Analysis of equity reserves

Type/description	Amount	Possible utilisation (A, B, C)	Usable amount	Utilisation in the prior three years: loss coverage	Utilisation in the prior three years: other
Share capital:	73,433,792	-	-	-	-
Capital reserves:					
- share premium account	56,496,878	A B C	56,496,878	-	-
- Lehman Brothers operation equity reserve	84,692,746	A B C	84,692,746	-	-
Retained earnings:					
- legal reserve	17,362,794	B	17,362,794	-	-
- other reserves	308,844,740	A B C	308,844,740	-	-
Valutation reserves:					
- available-for-sale financial assets	614,096	[1]		-	-
Total	541,445,046		467,397,158	-	-
of which non-distributable	-	-	17,362,794	-	-
of which distributable	-	-	450,034,364	-	-

Legend:

A: capital increase

B: loss coverage

C: distribution to shareholders

[1] Reserve not available under art. 6 of Legislative Decree 38/2005.

SCHEDULE 2

Analysis of deferred taxation

	FY 2012		FY 2011	
	Amount of temporary differences	Tax rate applied	Amount of temporary differences	Tax rate applied
Deferred tax assets:				
Impairment losses on tangible assets	-	-	-	-
Impairment losses on intangible assets	-	-	-	-
Provisions for risks and charges	-	-	-	-
Business expenses	-	-	-	-
Remuneration of Directors	87,587	27.50%	181,503	27.50%
TARSU	9,849	27.50%	9,849	27.50%
Adjustment to completion-of-service entitlements under IAS	-	-	-	-
Total	97,436	-	191,352	-
Deferred tax liabilities:				
Accelerated depreciation and amortisation	-	-	-	-
Excess depreciation and amortisation	-	-	-	-
Impairment of loans	-	-	-	-
Available-for-sale financial assets	31,133	27.50%	-	32.32%
Adjustment to completion-of-service entitlements under IAS	22,563	27.50%	22,563	27.50%
Total	53,696	-	22,563	-
Net deferred tax liabilities (assets)	12,029	-	46,416	-
Deferred tax assets on tax losses for the year	4,222,254	-	3,463,708	-
Deferred tax assets on tax losses for the prior year	2,500,313	-	-	-
Temporary differences excluded from the calculation of deferred tax liabilities (assets)	-	-	-	-
Tax losses carried forward	-	-	-	-
....				
....				
Net amount	-	-	-	-

Deferred tax assets on tax losses for the year relate to both Mediolanum S.p.A.'s tax losses as well as the tax losses transferred to the parent company by Group companies under the tax consolidation regime.

SCHEDULE 3

Analysis of directly and indirectly controlled subsidiaries and associates

€/'000 Name	Share capital	Equity	
		Total	Share
Subsidiary			
Banca Mediolanum S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	600,000	969,451	969,451
Mediolanum Vita S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	87,720	370,808	370,808
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	51,289	25,132
Mediolanum Comunicazione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	775	1,200	1,200
Partner Time S.p.A. (on liquidation) Via F. Sforza P.zzo Meucci Basiglio (MI)	520	447	447
PI Servizi S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	517	7,873	7,873
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	12,416	-
Mediolanum International Life Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	1,395	70,732	70,732
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	10,291	5,043
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	60,722	26,718

(1) The amount includes the share of profit of subsidiaries indirectly controlled by the Group.

Net profit			
Total	Share	% holding	Carrying amount
189,264	189,264[1]	100	600,239
72,324	72,324	100	166,681
34,982	17,141	49	2,507
76	76	100	1,687
(26)	(26)	100	447
94	94	100	7,760
4,111	-	0.004	1
17,951	17,951	100	60,131
14,183	6,950	49	1,911
261,416	115,023	44	1,193

Analysis of directly and indirectly controlled subsidiaries and associates (continued)

€/'000 Name	Share capital	Equity Total	Share
Subsidiary			
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	12,305	12,305
Bankhaus August Lenz & Co. AG Holbeinstrasse 11 81679 Münich	20,000	38,471	38,471
Banco Mediolanum S.A. Avenida Diagonal 668/670 Barcelona	86,032	187,907	187,907
Mediolanum Fiduciaria S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	240	1,273	1,273
Fermi & Galeno Real Estate S.r.l. Via F. Sforza P.zzo Galeno Basiglio (MI)	10	21,700	21,700
Fibanc Pensiones S.G.F.P., S.A. Avenida Diagonal 668/670 Barcelona	902	1,900	1,900
Fibanc S.A. Avenida Diagonal 668/670 Barcelona	301	417	417
Ges Fibanc S.G.I.I.C., S.A. Calle Enteza 325/335 Barcelona	2,506	3,846	3,846
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	51,289	26,157
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	10,291	5,248
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	60,722	34,004

Subsidiances			
Mediobanca S.p.A. Piazzetta E. Cuccia, 1 Milan	430,565	4,421,588	116,597
Banca Esperia S.p.A. Via Del Lauro, 7 Milan	63,000	152,637	76,319

Net profit			
Total	Share	% holding	Carrying amount
4,194	4,194	99.996	-
(8,419)	(8,419)	100	-
29,992	29,992	100	-
(402)	(402)	100	-
(5,560)	(5,560)	100	-
164	164	100	-
2	2	100	-
98	98	100	-
34,982	17,841	51	-
14,183	7,233	51	-
261,416	146,393	56	-
(200,151)	(5,278)	2.637	227,579
1,103	552	50	54,311

SCHEDULE 4
MEDIOLANUM S.P.A.
Analysis of significant investments under art. 125 of Consob Regulation No. 11971/1999

As of December 31, 2012

Company name	Country	Total holding %
Banca Esperia S.p.A.	Italy	50.000
Banca Mediolanum S.p.A.	Italy	100.000
Banco Mediolanum S.A.	Spain	100.000
Bankhaus August Lenz & Co. AG	Germany	100.000
Fibanc Pensiones, S.A., S.G.F.P.	Spain	99.999
Fibanc, S.A.	Spain	99.998
Gamax Management AG	Luxembourg	100.000
Ges. Fibanc, S.G.I.I.C., S.A.	Spain	99.999
Mediolanum Asset Management Ltd	Ireland	100.000
Mediolanum Comunicazione S.p.A.	Italy	100.000
Mediolanum Fiduciaria S.p.A.	Italy	100.000
Fermi & Galeno Real Estate S.r.l.	Italy	100.000
Mediolanum Gestione Fondi SGR p.A.	Italy	100.000
Mediolanum International Funds Ltd	Ireland	100.000
Mediolanum International Life Ltd	Ireland	100.000
Mediolanum Vita S.p.A.	Italy	100.000
Partner Time S.p.A. on liquidation	Italy	100.000
PI Servizi S.p.A.	Italy	100.000

Type of holding	Shareholder	% holding
direct ownership	Mediolanum S.p.A.	50.000
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banco Mediolanum S.A.	99.999
indirect ownership	Banco Mediolanum S.A.	99.998
indirect ownership	Banca Mediolanum S.p.A.	99.996
direct ownership	Mediolanum S.p.A.	0.004
indirect ownership	Banco Mediolanum S.A.	99.999
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	49.000
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	49.000
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	44.000
indirect ownership	Banca Mediolanum S.p.A.	5.000
direct ownership	Mediolanum S.p.A.	100.000
direct ownership	Mediolanum S.p.A.	100.000
direct ownership	Mediolanum S.p.A.	100.000
direct ownership	Mediolanum S.p.A.	100.000

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 GROUP

(in euro, excluding VAT and expenses)

Service	Company	Fee (€/'000)
Audit	Deloitte & Touche S.p.A. and other entities that are part of their network	863,105
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	723,808
Tax advice	Deloitte & Touche S.p.A. and other entities that are part of their network	166,550
Other	Deloitte & Touche S.p.A. and other entities that are part of their Italian network	918,340
Other	Other entities that are part of the Deloitte & Touche international network	324,600
Total		2,996,403

Please note that the €723,808 fee was charged to mutual funds, segregated funds, unit-linked policies and to the pension fund as set out in the relevant statements and is not a cost that remains charged to the company that gave the audit mandate.

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 S.p.A.

(in euro, excluding VAT and expenses)

Service	Company	Fee (€/'000)
Audit	Deloitte & Touche S.p.A.	185,760
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	-
Tax advice	Deloitte & Touche S.p.A. and other entities that are part of their network	-
Other	Deloitte & Touche S.p.A. and other entities that are part of the Deloitte Italian network	172,540
Total		358,300

Responsibility Statements

Responsibility Statements
Pursuant to section 154-bis, paragraph 2, Legislative Decree 58/98

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

   of accounting and financial reporting procedures in the preparation of the annual report and accounts for financial year 2012.

2. The adequacy and the effective application of accounting and financial reporting procedures in the preparation of the 2012 annual report and accounts were assessed applying a process defined by Mediolanum S.p.A. in accordance with the *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission*, which is an internationally accepted framework.

3. We also confirm that:

   3.1 the annual report and accounts for the year ended December 31, 2012:

   a) have been prepared in accordance with the International Accounting and Financial Reporting Standards adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002 as well as the regulations implementing section 9 of Legislative Decree 38/2005;
   b) reflect the accounting entries and records;
   c) give a true and fair view of the financial position, result of operations and cash flows of the issuer and of all entities included in the consolidated financial statements;

   3.2 the directors' report includes reliable information on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Basiglio, March 21, 2013

Chief Executive Officer	Chief Financial Officer
(Ennio Doris)	*(Luigi Del Fabbro)*

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the General Meeting convened to approve Mediolanum S.p.A. Financial Statements for the year ended December 31, 2012 pursuant to article 153 of Legislative Decree no. 58/1998 and to article 2429 paragraph 3 of the Italian Civil Code

Dear Shareholder,

pursuant to article 153 of Legislative Decree No. 58 of February 24, 1998 and to article 2429 of the Italian Civil Code, we report on our supervisory activities. We have performed our statutory supervisory duties in accordance with the Italian Civil Code, article 148 et seq. of the aforesaid Legislative Decree, with the instructions contained in CONSOB Communication No. DEM/1025564 of April 6, 2001, and also taking into account the principles of conduct recommended by the National Council of Accountants.

* * *

We confirm that Mediolanum S.p.A. financial statements for the year ended December 31, 2012, which reported net profit of €133,619,860, were prepared in accordance with the international accounting and financial reporting standards (IAS/IFRS) and were delivered to us with our prior waiver of statutory terms.
In addition to the specific statutory disclosures required in financial reporting, the notes to the financial statements set out information deemed appropriate to give a true and fair view of the Company's financial position, results of operations and cash flows.
The Directors' Report sets out appropriate comprehensive information on operations.
You are reminded that Mediolanum S.p.A., being the parent company of the Mediolanum Group, a financial conglomerate operating mainly in the insurance sector, is required to submit the Consolidated Financial Statements, which include the accounts of your Company and those of its directly or indirectly controlled subsidiaries.
Based on our examinations, we confirm the Consolidated Financial Statements of the Mediolanum Group were prepared in accordance with the law and give a fair view of the financial position, results of operations and cash flows of the Group for the financial year ended December 31, 2012. We also confirm the Directors' Report gives a fair view of the company's affairs and information therein is consistent with the information set out in the consolidated financial statements for the year ended December 31, 2012.
For the seventh year in a row, alongside the Annual Report and Accounts your company prepared the Social Report, which demonstrates the connection between competitive business strategies, the values of the Group and the relationship with the stakeholders.

* * *

With regards to the manner in which we performed our statutory duties, we advise you that:

- we attended all the meetings of the Board of Directors, of the Audit & Risk Committee and of the Nomination & Compensation Committee;

- we held a number of meetings with the head of Internal Audit to exchange information on activity performed and on audit programmes;
- we performed periodic checks to verify compliance with the law and the company's Bylaws, adherence to principles of proper management and the adequacy of the company's organisational structure and internal control system;
- we had regular exchanges of information with the independent auditing firm;
- we constantly monitored the events relating to the Company and the Group.

In conclusion of our activity, in accordance with CONSOB recommendations and instructions, we wish to highlight the following:

1. Most significant transactions with regard to the company's financial position, results of operations and cash flows.

During the year, we received regular information from Directors on the activities carried out by the Company and its subsidiaries including transactions which could have a significant impact on financial position, result of operations and cash flows.

In their Report, the Directors have comprehensively illustrated said transactions, which included:

- the injections made into the subsidiary Banca Mediolanum S.p.A. on March 14, 2012 and September 28, 2012, each amounting to €25 million, to strengthen the capital of the subsidiary. Additionally, on November 6, 2012, the General Meeting of Banca Mediolanum S.p.A. approved the proposal for a capital increase in one or more occasions from €500 million to €700 million and on December 5, 2012, Mediolanum S.p.A. proceeded to make an initial injection of €100 million;
- the issue and public offering of non-convertible notes aggregating to €337.2 million (nominal value), pursuant to the resolution passed by the Mediolanum S.p.A. Board of Directors on July 31, 201, mainly for the purpose of diversifying debt facilities and support subsidiaries' business growth;
- the issue of 518,550 new Mediolanum dividend-bearing ordinary shares following the exercise of stock options. This entailed a €51,855.00 increase in Mediolanum ordinary share capital and a €483,795.23 increase in the share premium account;
- on September 11, 2012, the Board of Directors of Mediolanum S.p.A. resolved to proceed to acquire the entire share capital of Mediolanum Assicurazioni S.p.A. for €35.9 million, a consideration determined on the basis of Mediolanum Assicurazioni S.p.A.'s accounts and the value of its in-force business at March 31, 2012, as backed by PriceWaterhouseCoopers Advisory S.p.A.'s valuation of the company's entire capital. Said consideration is subject to adjustments based on Mediolanum Assicurazioni S.p.A.'s accounts and net present value of its in-force business as of the end of the month in which the insurance regulator will give the green light to the transaction which is expected by the end of March 2013.

We ascertained that the transactions that were resolved and implemented were in accordance with the law and the company's Bylaws, and in line with proper management principles. We satisfied ourselves that said transactions were not manifestly imprudent or risky, did not represent a potential conflict of interest, were not in contrast with the resolutions passed at General Meetings and did not put the company's equity at risk. For more detailed information on the characteristics of the transactions and their recognition in the accounts you are referred to the Directors' Report.

As set out in the Directors' Report, after December 31, 2012 there were no other events which could have a significant impact on the financial position, results of operations and cash flows of the Company.

2012 financial results were impacted by the €19.8 million one-off impairment on the stake held in Mediobanca. In light of Mediobanca stock performance during 2012, last October Mediolanum decided to review for impairment the value of its stake therein before the end of the financial year. At year end, impairment review was again undertaken to determine the recoverable amount of the investment in Mediobanca at December 31, 2012. On both occasions, for impairment review purposes Mediolanum S.p.A. requested the assistance of an independent valuer. The recoverable amount of the stake in Mediobanca at year end 2012 was found to range between €9.76 and €10.39 per share. Based on said valuation, the Board of Directors of Mediolanum S.p.A. resolved to carry the value of the stake in Mediobanca at the median value of €10.05 per share in the accounts at December 31, 2012.

2. Atypical and/or unusual intercompany or related party transactions.

During the year, we did not detect or receive any indication from the Board of Directors, the Independent auditors or the head of Internal Audit of the existence of any atypical and/or unusual third-party, intercompany or related party transactions.

Related party transactions, which mainly relate to the exchange of services with Group companies, as illustrated by the Directors in the Notes to the Financial Statements, were carried out at arm's length. Staff secondment and centrally managed services were charged on the basis of actually incurred costs.

We satisfied ourselves that the abovementioned transactions, which are of an ordinary nature, were fair and in the best interests of the company, and were in connection and expedient to the achievement of the company's purpose.

3. Appropriateness of the information disclosed in the Directors' Report on atypical and/or unusual, intercompany or related party transactions.

See section 2. above.

4. Disclosures contained in the Independent Auditors' Report.

The independent auditors Deloitte & Touche S.p.A. issued their report on the Annual Financial Statements without observations, certifying that they are in accordance with applicable rules governing financial statement preparation.

5. Notices or complaints under article 2408 of the Italian Civil Code.

On April 18, 2012 the shareholder Carlo Fabris lodged a complaint under article 2408 of the Italian Civil Code with the Board of Statutory Auditors. In his complaint said shareholder claimed the illegitimacy of the resolution passed by the Board of Directors at its meeting of November 10, 2010 whereby the Board had repealed the last paragraph of article 9 of the Company's Bylaws that required publication of the Notice of the Annual General Meeting in Italy's Official Journal. The shareholder claimed that said amendment had not been mandated by law and as such it should have been voted by shareholders at the Annual General Meeting and not resolved by the Board of Directors. Our response on the matter given at the Annual General Meeting held on April 19, 2012, as recorded in the AGM Minutes, mirrors our response to shareholder Fabris dated October 5, 2012. We confirm again herein that, we believe the amendment to article 9 of the Bylaws of Mediolanum S.p.A. approved by the Board of Directors at its meeting of November 10, 2010 satisfied all requirements of the law and the Bylaws.

6. Conferral of further appointments to the independent auditors or other parties linked to them and related costs.

We have reviewed evidence of the fees paid by the Company to the independent auditors Deloitte & Touche S.p.A., and entities that are part of their international network as detailed below.

Mediolanum Group

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Deloitte & Touche S.p.A. and other entities that are part of their network	863,105
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	723,808
Tax advice	Deloitte & Touche S.p.A. and other entities that are part of their network	166,550
Other	Deloitte & Touche S.p.A. and other entities that are part of their Italian network	918,340
Other	Other entities that are part of their international network	324,600
Total		2,996,403

Please note that the €723,808 fee was charged to mutual funds, segregated funds, unit-linked policies and to the pension fund as set out in the relevant statements and is not a cost that remains charged to the company that gave the audit mandate

Mediolanum S.p.A.

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Deloitte & Touche S.p.A.	185,760
Other	Deloitte & Touche S.p.A. and other entities that are part of their Italian network	172,540
Total		358,300

7. Opinions given pursuant to the law.

During the year we have given the opinions requested of the Board of Statutory Auditors pursuant to the law and the company's Bylaws. Specifically, on October 1 and October 18, 2012, we issued two attestations under art. 2412, paragraph 1, of the Italian Civil Code, in connection with the company's issues of non-convertible notes.

8. Frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors.

In 2012, we attended 6 meetings of the Board of Directors (on March 1, March 22, May 10, July 31, September 11 and November 8, 2012) and held 9 meetings of the Board of Statutory Auditors (January 18, March 27, April 17, June 18, September 6, October 1, October 4, October 18 and November 29, 2012).
No Executive Committee has been established.

9. Remarks on adherence to principles of proper management.

On the basis of the information obtained or received from directors and the independent auditors, and also by attending the meetings of the Board of Directors and of the Audit and Risk Committee, we have monitored adherence to principles of proper management, checking compliance of management choices with general criteria of economic rationality and the directors' observance of their duty of diligence in fulfilling their mandate. We have no remark to make in this respect.

10. Remarks on the adequacy of the organisational structure.

We have examined the Company's organisational structure and reviewed its adequacy within the scope of our authority by means of inspections, collection of information and exchanges with the independent auditors Deloitte & Touche S.p.A.. No material aspect requiring disclosure emerged from our examination.

11. Adequacy of the internal control system.

The internal control system, i.e. the system designed to verify compliance with the internal operational and administrative procedures adopted to ensure proper management, prevent possible financial and operational risks as well as any frauds against the company, is in substance adequate to the size of the Company.
In particular, we regularly collected information on the activities performed, during the meetings of the Audit and Risk Committee and in meetings with the head of Internal Audit.
We advise you that the organisational, management and control Model under Legislative Decree 231/2001 was updated in March 2012 adding environmental compliance to the purview of the model. Further updating is scheduled in 2013 to incorporate other amendments to legislation made in 2012.

12. Accounting system adequacy and reliability.

On the basis of our reviews and verifications, we satisfied ourselves that the accounting system is adequate, it is reliable and suitable to represent fairly the company's affairs.

13. Adequacy of the instructions given to subsidiaries.

We satisfied ourselves that the instructions given by the Company to its subsidiaries, pursuant to article 114, paragraph 2, of Legislative Decree 58/1998, enable subsidiaries to provide timely information to the Parent Company for its compliance with statutory disclosure requirements.

14. Remarks on meetings with the independent auditors.

From the exchanges we had with the representatives of the independent auditing firm Deloitte & Touche S.p.A., pursuant to article 150 of Legislative Decree 58/1998, no issue emerged that needs to be brought to your attention.

15. Compliance with the Code of Conduct for listed companies.

As early as 2000 the company adhered to the Code of Conduct for listed companies issued by Borsa Italiana and since then it has been regularly reviewing and fine-tuning corporate governance rules to align them with any regulatory changes as set out in the Annual Report on Corporate Governance.
In compliance with the provisions of paragraph 5 of article 3 of the Code of Conduct, we verified the correct application of the criteria and control procedures adopted by the Board of Directors to assess the independence of its members, as well as compliance of Board members with the independence requirements set forth in the Code of Conduct.

16. Final remarks on our supervisory work.

In the performance of our statutory supervisory duties, as described above, we did not find any omissions, inconsistencies or irregularities requiring reporting.

17. Proposals of the Board of Statutory Auditors to the General Meeting.

In consideration of the foregoing, within the scope of our authority, we express our favourable opinion on the approval of the financial statements for the year ended December 31, 2012 and agree with the resolutions proposed by the Board of Directors.

Milan, March 26, 2013

THE BOARD OF STATUTORY AUDITORS
Ezio Simonelli
Riccardo Perotta
Francesco Vittadini

Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
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Italia

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Fax: +39 02 83322112
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AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010

To the Shareholders of
MEDIOLANUM S.p.A.

1. We have audited the separate financial statements of Mediolanum S.p.A., which comprise the statement of financial position as of December 31th, 2012, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the relative notes. These separate financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these separate financial statements based on our audit.

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

   For the opinion on the prior year's separate financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 27th, 2012.

3. In our opinion, the separate financial statements give a true and fair view of the financial position of the Mediolanum S.p.A. as of December 31th, 2012, 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 Mediolanum S.p.A. are responsible for the preparation of the Directors' report and the annual report on Corporate Governance ("Relazione sul governo societario e gli assetti proprietari"), published on the section Corporate Governance/Documents of Business Conduct on Mediolanum website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on Corporate

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

Governance, with the separate financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' report and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on Corporate Governance are consistent with the separate financial statements of the Mediolanum S.p.A. as of December 31th, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
March 26th, 2013

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

General Meeting of April 23, 2013

Annual General Meeting of April 23, 2013

RESOLUTIONS ABSTRACT

At the 2013 Annual General Meeting shareholders representing 69.016% of share capital by majority of votes resolved:

Ordinary Meeting:

- to approve the financial statements for the year ended December 31, 2012, which reported net profit of €133,619,860.24 including the Directors' Report;
- to appropriate net profit for the year amounting to €133,619,860.24 as follows:
  - distribution of a full-year dividend of €0.18 per share (par value of €0.10) to the shareholders, including the 2012 interim dividend of €0.10 paid in November 2012 and the final dividend of €0.08 (before withholding tax) per share;
  - the remainder to the extraordinary reserve as the legal reserve has already reached the statutory limit;
  - the final dividend will be due for payment from May 23, 2013 (coupon No. 26) through intermediaries, record date May 22, 2013;
- to authorise the Board of Directors to purchase and sell up to 8,000,000 treasury shares with par value of €0.10 each, which correspond to about 1.09% of share capital, within the limit amount of €40 million, for a period of one year and in any case for a period of no more than eighteen months;
- to confirm Board Director Prof. Carlo Secchi;
- to confirm Board Director Francesco Barbaro
  up until the expiration of the entire Board of Directors, i.e. up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2013;
- to confirm Prof. Carlo Secchi as Chairman of the Board of Directors;
- to approve the Board of Directors Report on Compensation Policies.

Extraordinary Meeting:

- to approve the amendments to the Bylaws as proposed by the Board of Directors in their Report, namely the amendments to articles 9, 10, 11, 12, 17, 23 and 27 of the Bylaws relating to:
  a. gender quotas;
  b. exercise of certain rights of shareholders in listed companies;
  c. authorities delegated to the Board of Directors regarding issues of non-convertible bonds.