MEDIOLANUM S.p.A.

ANNUAL REPORT 2013

MEDIOLANUM

MEDIOLANUM GROUP

Table of Contents

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

ANNUAL REPORT 2013

Registered office: Basiglio Milano Tre (MI) - Via F. Sforza - Building Meucci
Share Capital Euro 73,606,725.70 fully paid-in
Tax Registration, VAT and Milan Register of Companies 11667420159

MEDIOLANUM
MEDIOLANUM GROUP

Mediolanum S.p.A. Corporate Bodies

Board of Directors

Carlo Secchi	Chairman of the Board of Directors
Alfredo Messina	Deputy Chairman Vicarious
Massimo Antonio Doris	Deputy Chairman
Ennio Doris	Managing Director
Francesco Barbaro	Director
Luigi Berlusconi	Director
Pasquale Cannatelli	Director
Maurizio Carfagna	Director
Edoardo Lombardi	Director
Mario Molteni	Director
Danilo Pellegrino	Director
Angelo Renoldi	Director
Maria Alessandra Zunino De Pignier	Director

Board of Statutory Auditors

Francesco Vittadini	Chairman of the Board of Statutory Auditors
Riccardo Perotta	Standing Auditor
Antonio Marchesi	Standing Auditor

Secretary of the Board of Directors

Luca Maria Rovere

Officer Responsible for Preparing Accounting and Financial Reporting Documents

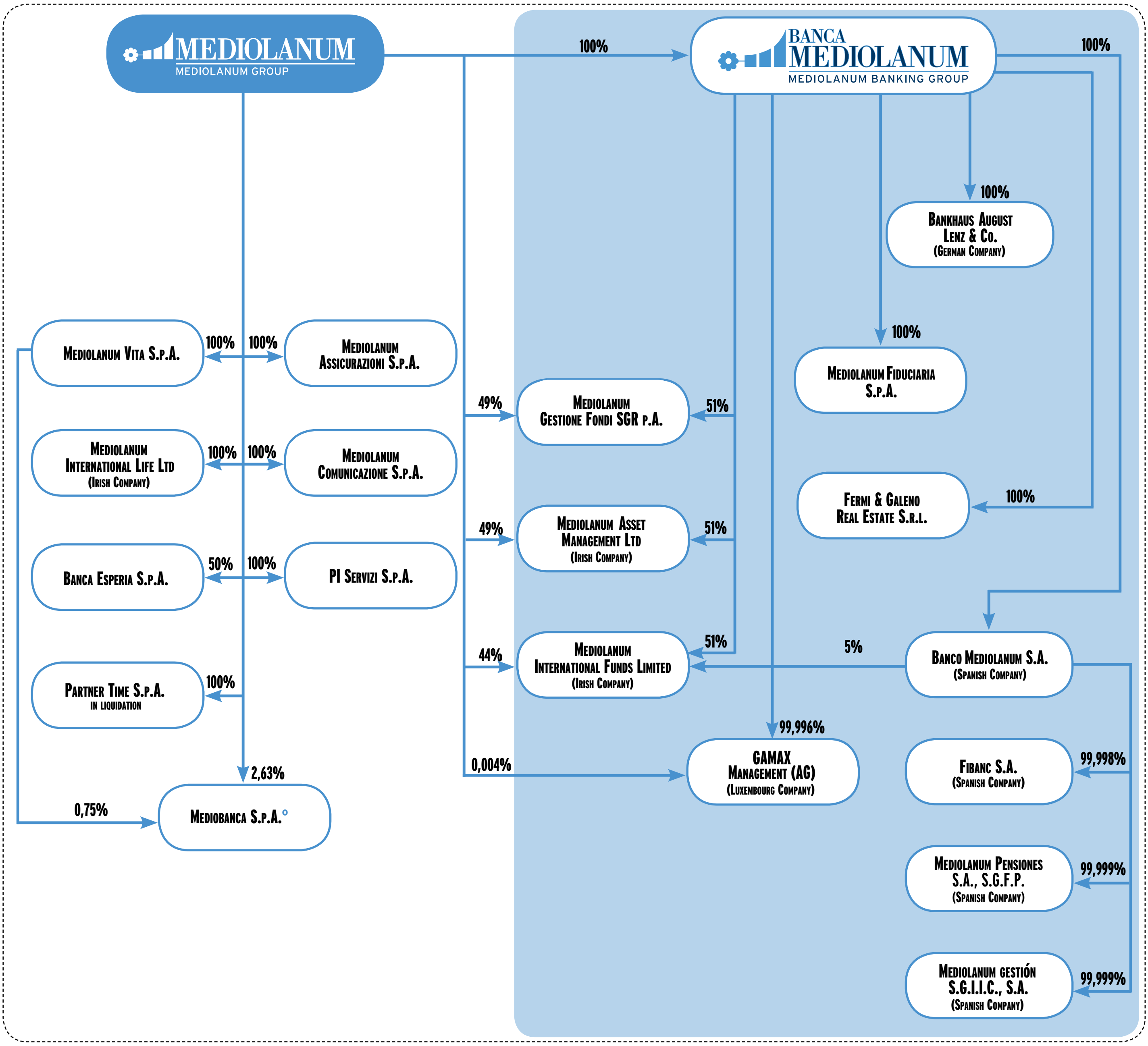
Luigi Del Fabbro

Independent Auditors

Deloitte & Touche S.p.A.

Group structure

Situation as of December 31, 2013



• MEDIOLANUM - FINANCIAL CONGLOMERATE

• MEDIOLANUM BANKING GROUP

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

Consolidated Annual Financial Statements 2013

Mediolanum Group's Financial Highlights

Data for inflows and assets

€/m	Dec. 31, 2013	Dec. 31, 2012	Change %
Total Customer Assets (*)	57,831.8	51,576.9	12%
Consolidated net inflows	3,681.2	1,806.7	104%
Mediolanum Banking Group net inflows	3,752.4	2,427.2	55%
- Net inflows AuM	3,215.5	1,667.4	93%
of which Mutual Funds	*4,756.0*	*2,379.8*	*100%*
- Net inflows AuA	536.8	759.8	(29%)
Net inflows Banca Esperia	(71.2)	(620.5)	(89%)

(*) The figures relate to retail customers only.

Income statement

€/m	Dec. 31, 2013	Dec. 31, 2012	Change %
Profit before tax	544.1	500.6	9%
Income tax	(207.5)	(149.6)	39%
Profit for the year	336.6	351.0	(4%)
of which non-recurring expenses (net of tax) (*)	*(77.4)*	*(82.8)*	*(7%)*
Net profit excluding non-recurring items	414.0	433.8	(5%)

(*) Non-recurring expenses include Euro 53.3 million for tax provisions related to tax litigation, Euro 19.8 million for higher taxes in relation to the IRES increase for fiscal year 2013 and Euro 4.3 million for the impairment of the CGU Germany.

Profitability ratios

€	Dec. 31, 2013	Dec. 31, 2012	Change %
Earnings per share - total	0.458	0.478	(4%)
Diluted earnings per share (*)	0.454	0.475	(4%)
Net earnings per share - non-current liabilities	0.563	0.591	(5%)

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

Capital adequacy

€/m	Dec. 31, 2013	Dec. 31, 2012	Change %
Mostly banking financial conglomerate			
Conglomerate capital	1,075	857	26%
Capital requirements	612	696	(12%)
Net surplus (loss) (*)	463	161	190%
Mediolanum Banking Group			
Regulatory capital	876.5	717.4	22%
RWA	4,862.8	5,183.9	(6%)
Core Tier 1	14.36%	12.14%	18%
Capital for regulatory purposes / Total risk-weighted assets	18.02%	13.84%	30%

(*) The 2012 data has been re-presented according to the rules of the mainly Banking conglomerates.

Reclassified consolidated Income statement as of December 31, 2013

€/t	Dec. 31, 2013	Dec. 31, 2012	Change	Change %
Entry fees	136,888	115,640	21,248	18%
Management fees	563,899	461,982	101,917	22%
Performance fees	181,602	171,937	9,665	6%
Banking service fees	95,064	94,636	428	-
Other fees	32,647	38,462	(5,815)	(15%)
Commission income	1,010,100	882,657	127,443	14%
Net interest income	274,365	313,348	(38,983)	(12%)
Net income (loss) on investments at fair value	19,904	118,096	(98,192)	(83%)
Net financial income	294,269	431,444	(137,176)	(32%)
Net life insurance revenues (excluding commissions)	58,457	44,246	14,211	32%
Valuation Equity method	823	(55,220)	56,043	(101%)
Realised income (loss) on other investments	88,899	29,065	59,834	206%
Impairment of loans	(13,444)	(9,091)	(4,353)	48%
Impairment of other investments	(5,456)	(22,599)	17,143	(76%)
Net income (loss) on other investments	69,999	(2,625)	72,624	ns
Other revenues	23,876	26,801	(2,925)	(11%)
TOTAL REVENUES	1,457,523	1,327,303	130,219	10%
Network commission expenses	(435,359)	(364,428)	(70,931)	19%
Other commission expenses	(51,638)	(41,191)	(10,447)	25%
Administrative expenses	(399,488)	(380,740)	(18,748)	5%
Amortisation and depreciation	(21,483)	(14,259)	(7,224)	51%
Net provisions for risks	(5,493)	(26,102)	20,609	(79%)
TOTAL COSTS	(913,461)	(826,720)	(86,741)	10%
PROFIT BEFORE TAX	544,063	500,584	43,479	9%
Income tax	(207,483)	(149,561)	(57,922)	39%
NET PROFIT (LOSS) FOR THE PERIOD	336,580	351,023	(14,443)	(4%)
of which non-recurring items (after tax)	*(77,407)*	*(82,804)*	*5,397*	*(7%)*
NET PROFIT ex-nonrecurring items	413,987	433,827	(19,840)	(5%)

Summary of Business Performance for the year

€/m	Dec. 31, 2013	Dec. 31, 2012	Change	Change %
Profit for the year	336.6	351.0	(14.4)	(4%)
of which:				
Commission income	1,010.1	882.7	127.4	14%

The outstanding net inflows into mutual funds have driven the growth in recurring revenues represented by management fees (Euro +101.9 million). Performance fees (Euro +9.7 million) and subscription fees in mutual funds (Euro +21.2 million) also increased. The fees for banking services are substantially stable (Euro -0.4 million) as a result of a compensation between the increase in revenues from ATM achieved by Bank August Lenz & Co. and the reduction of Euro 4.1 million of revenues from Banca Mediolanum services, mainly due to lower revenues from fees on current accounts.
Other commissions were down by 5.8 million due to the elimination of commission income from the placement of Mediolanum insurance policies due to the entry in the Group of the aforementioned company effective March 31, 2013.

Net financial income	294.3	431.4	(137.2)	(32%)

Sharp reduction in gains on securities at fair value (Euro -98.2 million), which rose from Euro +118.1 million to 19.9 million benefiting to a lesser extent from profits on the securities of the subsidiary Mediolanum Vita, and reduction in the interest margin of the banks in the group (Euro -39.0 million) due to the reduction in interest rate spreads.

Insurance income (excluding commission)	58.5	44.2	14.2	32%

Increase in net income from insurance of Euro 14.2 million, mainly relating to Mediolanum Assicurazioni S.p.A., which joined the Mediolanum Group 31.03.2013.

Valuation Equity method	0.8	(55.2)	56.0	ns

Significant improvement in the contribution to the group result from the investments valued using the equity method, since the year 2012 was impacted by the impairment loss on the investment in Mediobanca (Euro -62.7 million).

€/m	Dec. 31, 2013	Dec. 31, 2012	Change	Change %
Net income on other investments	70.0	(2.6)	72.3	ns

Higher net income from the sale of securities available for sale (AFS Euro +59.4 million).

Zeroing goodwill for the CGU Germany determined based on the three-year plan from 2014 to 2016 (Euro -4.3 million). In the year 2012, by contrast, an adjustment was made to goodwill for the CGU Spain determined on the basis of the three-year plan from 2013 to 2015 (Euro -20.1 million).
Greater value adjustments on impaired loans (Euro -3.3 million).

Network commission expenses	(435.4)	(364.4)	(70.9)	19%
Other commission expenses	(51.6)	(41.2)	(10.4)	25%

The growth in the distribution volume of mutual funds and the growth of the total assets of customers resulted in an increase of the commissions relegated to the sales networks (Euro -44.6 million); exceptional results in terms of net inflows into mutual funds has led to an increase in expenses for incentives (Euro +22.6 million).
Other commission expense rose mainly as a result of increased expenses on third party managers of mutual funds in relation to the increase in volume (Euro +5.9 million) and higher costs for ATM services in Germany related to Bankhaus August Lenz & Co. (Euro +3.7 million).

Administrative expenses	(399.5)	(380.7)	(18.8)	5%
Amortisation and depreciation	(21.5)	(14.3)	(7.2)	51%

Administrative expenses rose due to the growth in the number of employees (up by 124 employees over the previous year end) and by higher costs for IT systems associated with the development of new technologies for customer service and to support the volume growth of banking business, consulting and organisation of conventions for the sales network.
The depreciation increase is mainly due to greater IT investment and depreciation of the value of the policy portfolio due to the purchase of Mediolanum insurance products (Euro +4.9 million).

Net provisions for risks and charges	(5.5)	(26.1)	20.6	(79%)

Overall reduction in provisions for risks and charges relative to the previous financial year, particularly as concerns the connection with legal disputes. The net decrease in provisions for risks compared to the previous year was due primarily to lower provisions for legal disputes (Euro -17.7 million, of which Euro -12.2 of the Spanish subsidiary Banco Mediolanum) and illegal actions committed of the sales network (Euro -5.3 million), which were partially offset by costs for the Interbank Fund for the Protection of Deposits (up by Euro 4.3 million).

Taxes	(207.5)	(149.6)	(57.9)	39%

The year was affected by non-recurring tax charges of Euro 73.1 million, with particular reference to the provisions relating to tax litigation of Mediolanum Banca and Mediolanum Vita for a total of Euro 53.3 million and higher IRES charges for fiscal year 2013 from 27.5% to 36% (Stability Law 27/12/2013 no.147) for Euro 19.8 million; contrarily, taxes were lower in relation to the lower gross profit compared to the previous year (Euro -15.2 million).

Report on Operations Consolidated Financial Statements at December 31, 2013

Dear Shareholders,

the Mediolanum Group closed FY 2013 with a net profit of Euro 336.6 million, down Euro 14.5 million (-4.1%) from Euro 351 million in 2012.

The reporting year was especially affected by non-recurring tax charges totalling Euro 73.1 million, of which Euro 53.3 million related to the tax litigation provisions and Euro 19.8 million for additional taxes in relation to the higher IRES tax rate for the year 2013 from 27.5% to 36% (Stability Law 27/12/2013 no. 147).

In fact, profit before taxes totalled Euro 544.1 million against Euro 500.6 million for the prior period, with an increase of Euro 43.5 million (+9%).

The financial year under review has been characterized by the strong performance of the business which is reflected in the growth of customer assets as a result of the exceptional net inflows into mutual funds and recurring revenues represented by the management fees (Euro +91.7 million). Net income from other investments (Euro +73.9 million) also contributed incrementally over the previous year. There was also a significant improvement in the contribution to the group result from the investments valued using the equity method (Euro +56 million), since the year 2012 was impacted by the impairment loss on the investment in Mediobanca (Euro -62.7 million).
On the other hand the contribution of net financial income (Euro -138.4 million) to the operating result decreased due to the decline in net interest income for the reduction of market spreads (Euro -40.2 million) and due to the lower contribution of profits and losses from net investments at fair value (Euro -98.2 million).

Network commission expenses increased by Euro 71.3 million compared to the previous year, mainly due to higher relegation of subscription and management fees and an increase in the incentives earned in relation to the excellent commercial results achieved.

Administrative expenses and amortisation increased respectively by Euro 18.4 million and Euro 7.2 million, mainly due to the increase in average headcount and higher expenses and net investment in IT systems related to the development of new technologies for customers service and volume growth of banking operations.
Net provisions for risks and charges showed a decrease compared to the previous year of Euro 20.6 million, mainly due to lower provisions for legal disputes (Euro -17.7 million).

Mediolanum Group’s total assets under management and administration aggregated to Euro 57,831.8 million up 12% over the 2012 year end balance of Euro 51,576.9 million.

Net inflows for the year were positive at Euro 3,681.2 million, more than double the positive result of Euro 1,806.6 million the prior year.

With reference to the Mediolanum Banking Group, the net inflow for the year was positive for Euro +3,752.4 million, up sharply (+55%) compared to net inflows in 2012 (Euro +2,427.2 million).
In particular, net inflows of assets under management and placement of third-party structured bonds registered a positive balance of Euro +3,215.5 million compared with a 2012 balance of Euro +1,667.4 million, mainly due to the contribution of net inflows into mutual funds that amounted to Euro 4,756 million, an outstanding 73% increase over the previous year (12.31.2012: Euro +2,739.8 million).
Net inflows were positive for Euro +536.8 million (12.31.2012: Euro +759.8 million).

Net inflows for 2013 regarding the main networks operating in Italy, distributed by Assoreti, show Banca Mediolanum at the top of the rankings for the fifth consecutive year, with a surplus of Euro 3.4 billion.

Data relating to net inflows into mutual funds released by Assogestioni show that in 2013 Mediolanum posted a positive result of Euro +4.3 billion, compared to Euro +48.7 billion net inflows recorded by the whole domestic industry.

With the Bank of Italy, IVASS and Consob joint press release of August 5, 2013, Mediolanum S.p.A. became part of the bank-oriented financial Conglomerates resulting in the transfer of the supervision coordinator role to the Bank of Italy.
The consolidated financial statements for the year ended December 31, 2013 were prepared for the first time following the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy, in the exercise of its powers pursuant to ar 9 of Legislative Decree no. 38/2005, through Circular no. 262 of December 22, 2005 and subsequent amendments and updates.

The macroeconomic environment

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

2012: 11.9%). Specifically, the unemployment rate increased in Italy to 12.7% versus 11.5% in the prior year, and 26% in Spain versus 20.3% in the prior year. The unemployment rate in Germany decreased slightly to 6.8% versus 6.9% at December 2012.

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

In the final part of 2012, the difficulties in reaching a political agreement to avoid the fiscal cliff in the US and the ensuing concerns about its impact on both US and global growth had brought about market volatility. The agreement reached in extremis in early 2013 contributed to positive figures in January. In February and March, the uncertain outcome of political elections in Italy, the scandal that had affected the party of Prime Minister Mariano Rajoy in Spain, the definition of the rescue package of Cyprus (relevant for the nature of the intervention mechanisms used), the risk of a financial crisis in Slovenia and renewed fears about US and European growth have led to new tensions on the financial markets. In April, the election of the President of the Republic and the formation of a new government in Italy, despite the unfavourable outcome of the elections, have contributed to the reduction in yields of Italy and Spain and rewarded European markets compared to main international listings. Throughout 2013 and especially in the meeting of April 4, the Yen experienced an extraordinary depreciation to all major currencies as a result of new and unexpected measures communicated by the new governor of the Bank of Japan Kuroda in order to centre the inflation target of 2% within the next two years. By unanimous vote, the Bank of Japan established, as a new target of transactions, the amount of the monetary base, replacing the level of the overnight rate; the central bank also approved the purchase of government securities with maturities up to 40 years for a monthly counter-value of Yen 7,000 billion. Lastly, the "principle of notes" in force since 2001 was suspended temporarily, according to which the amount of bonds held by the BOJ could not exceed the value of banknotes in circulation. In 2013, the new address of the Japanese central bank's monetary policy has been the origin of the extraordinary outperformance of the Tokyo Stock Exchange to other financial markets.

At the end of the session of May 1, the statement of the Federal Reserve made explicit the possibility of both increasing and reducing the bond purchase plan based on the evolution in the economic scenario. The main international government and corporate curves responded with a general increase in yields, following the attempt on the part of operators to anticipate the effects of the expected reduction in the quantitative easing program (tapering). In May and June, the fears of the effects, methods and timing of tapering and the uncertain evolution of macroeconomic data (from disappointing Purchasing Managers Index in China) led to a correction in equity markets (from the Tokyo Stock Exchange) and an extraordinary volatility in the bond markets. At the meeting on June 18 and 19, the Chairman Bernanke emphasized again that the Fed was ready, in the presence of economic improvement, to reduce the purchase plan by the end of the year and to complete the entire program in mid-2014. Before the determination of the US central bank, the yields of the major bond markets recorded further increases.

On July 9, the rating agency Standard & Poor's downgraded the long-term rating of Italian government debt to BBB from BBB+, maintaining a negative outlook due to the continuing weak economic outlook.

In the summer months, because of a series of better than expected economic data, the Euro area was the protagonist in the financial markets, facilitating the entry of new international capital. The changed attitude of investors resulted in a temporary appreciation of the Euro against major currencies and a marked increase in German yields.

The improvement of the economic situation has, in fact, resulted in a lower propensity to holding assets with high reliability by reducing the probabilities associated with extreme risks. In contrast, the emerging area has been subject to strong capital outflows, which led to a sharp depreciation of local currencies.
Contrary to the expectations generated by communications in June and July, in September, the Fed opted to continue the purchase plan, finally favouring a limited reduction in yields on major bond markets (in the meeting of September 5, the ten-year US had reached 3%, the maximum in two years) and moving the expectation of the tapering of the operators to the meeting of December 18. On October 9, President Obama announced the appointment of Vice-Chairman Janet Yellen at the helm of the Federal Reserve. Analysts believe the new Fed chairman in favour of the continuation of monetary stimulus measures adopted by the predecessor Ben Bernanke.
The German election of September 22 showed a clear affirmation of the outgoing Chancellor Angela Merkel and government parties (Christian Democratic Union and Christian Social Union), with approximately 42% of votes and allowed the agreement for a Grosse Koalition (Grand Coalition) with the Social Democrats of the SPD.
In September and October, due to reduced fears of an international crisis in Syria, US analysts' attention was again focused on the performance of political negotiations between Democrats and Republicans on raising the state debt ceiling. The non-approval within the time required for the budget for fiscal year 2013 and 2014 resulted in immediate shutdown of the activity of several agencies, in the absence of federal resources.
In November, Standard & Poor's reduced France's credit rating by one notch (AA+ to AA), taking it from negative to stable outlook. The rating agency justified its decision with the inability of the French government to adopt structural reforms, the huge tax burden and the absence in the political debate of any reference to a possible welfare cut.
The sharp slowdown in inflation in the Eurozone and the temporary worsening of some leading indicators had already fuelled the expectations of a cut in the reference rate by the European Central Bank earlier this year. In the meeting of May 2 and, surprisingly, on November 7, the ECB reduced the refinancing rate, respectively, from 0.75% to 0.5% and from 0.5% to a record low of 0.25%.
In the Fed meeting on December 18, the dissemination of data on a significant improvement in employment and consumer confidence certainly created the conditions for the activation of tapering in the amount of USD 10 billion from January 2014, equally between government securities and securities with underlying mortgages. However, the official communication ensured that the benchmark rate will remain unchanged even when the unemployment rate is "significantly below" the level of 6.5%, "especially if expected inflation continues to remain below the long-term target of 2%." Chairman Bernanke stated that further reductions are likely in the purchase plan, based on the evolution of the scenario. However, he added that the forecast is that the reduction process will continue for most of 2014.

Financial Markets

In 2013, yield spreads between Italian and German government bonds declined, specifically from 318 bps at December 31, 2012 to 220 bps at year end 2013, with a peak last March 27 of 351 bps on 10-year notes and from 200 bps at December 31, 2012 to 104 bps at year end 2013, with a peak last February 26 of 211 bps on 2-year notes. Yields on 2-year and 10-year Italian treasuries fell from 1.99% at the start of the year to 1.26% at December 31, with a peak of 2.29% last June 25, and from 4.50% at the start of the year to 4.12% at December 31, with a peak of 4.90% last February 26.
During the year, the main international governmental curves showed a general increase in yields from the Federal Reserve's press release of May for the reduction of the quantitative easing program (tapering) and following the

attempt on the part of operators to anticipate the effects. The yields on two and ten year US government securities passed respectively from 0.24% to 0.38% and from 1.76% to 3.03%, while yields on two and ten year German government yields increased respectively from -0.01% to 0.21% and from 1.32% to 1.93%. Even emerging markets and high yields have suffered an increase in volatility following the announced change in address of the monetary policy of the US central bank. Yields in emerging markets ranged on average from 4.28% at the beginning of the year and 5.47% June 25 to 4.96% at December 31 (Barclays EM Hard Currency Aggregate Yield To Worst index) and in high yield markets from 6.13% at the beginning of the year and 6.97% 25 June to 5.64% December 31 (Barclays US Corporate High Yield to Worst index). In the fourth quarter of 2013, the dissolution of recent concerns on international economic growth and awareness of the persistence of monetary policy, however, also favourable in 2014 have rewarded equity markets with an average increase of 7.6% (MSCI World Index in dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up 9.9% and up 10.7%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up 5.7%). In Q4, the Italian (FTSE MIB +8.8%) and Spanish (IBEX 35 +7.9%), French (CAC40 +3.7%) and Swiss (SMI 2.3%) markets underperformed the German (DAX +11.1%) market. Emerging markets rose +1.5% (MSCI EM in USD).

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

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

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

The performance of the European single currency against the Japanese Yen and the Swiss Franc reflected the policies of the Central Banks of those countries. Throughout 2013, the new course of monetary policy of the Bank of Japan conducted the listing of the Yen from Euro 114.46 in January to 144.73 in December and against the dollar from 86.75 in January to 105.31 in December; in 2013 the Swiss National Bank oversaw the currency market with the aim to prevent any appreciation of the domestic currency (to Euro 1.21 in January and 1.23 in December). The announced tapering of the Federal Reserve was the basis of the weakness of the main currencies of emerging countries, following the massive outflows of international capital that have affected both the stock and bond markets.

In 2013, Brent oil prices remained essentially flat moving from USD 111.94 per barrel at the beginning of the year to USD 110.82 per barrel at year end, with high volatility that brought it to a high of USD 119.34 on February 12 and a low of USD 96.79 on April 17. In 2013, the price of gold recorded a significant correction, moving from USD 1,675.35 per ounce at the beginning of the year to USD 1,205.65 per ounce in December 2013.

The Insurance Market

Net inflows of premiums for individual policies, published by the National Association of Insurance Companies - ANIA - and for new business, which also includes additional single premiums, show, according to a first estimate, inflows for the year 2013 of Euro 62.0 billion, an increase of 30% over the previous year. With reference to the sample of EU companies operating in the freedom of establishment and LPS, subject of ANIA review, in 2013 there were premiums for a total of Euro 12.1 billion, an increase of 72% compared to the figure of the previous year (Euro 7.0 billion).

Including also the activities of these companies, the new total premiums since the beginning of the year amounted to a total of Euro 74.1 billion, 35.5% more than the previous year (Euro 54.7 billion in 2012). This increase is mainly attributable to the segment of traditional class I policies which show an increase of 36.4% from 35.0 billion in 2012 to 47.8 billion in 2013. In December 2013, class V policies recorded an increase of 32.5%, from Euro 1.2 billion in 2012 to 1.6 billion in the year just ended. Lastly, linked policies (class III) recorded an increase of 10.8%, with a balance at the end of 2013 of Euro 12.6 billion (Euro 11.4 billion in 2012).

The Banking Market

Italian households' savings

At the end of the third quarter of 2013, the total financial assets of families in Italy amounted to Euro 3.713 billion, with a year-on-year increase of 1.7%. The trends of the main components may be summarized as follows:
stable and growing:

- the dynamics of notes, coins and bank deposits (both on demand and term), which marked a positive growth rate of 3.8%; the amount of this aggregate on total household financial assets amounted to 32.1% (31.5% the previous year);
- holdings in mutual funds (+17% annualised) and accounted for 8.2% (7.1% the prior year) of total financial assets of households;
- holdings in life insurance, pension funds and severance funds were up 2.8%, with a weight of 18.0% (17.8% in the prior year);
- shares and holdings were up +4.8%, with a weight of 20.7% (20.1% in the prior year);

down:

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

Funding

In 2013, in Italy banking funding slightly declined. In particular, Italian banks recorded inflows into euro-denominated current accounts, term deposits net of receivables sales, deposits repayable upon notice, and repurchase agreements (deposits net of operations with central counterparties) and bonds (net of those repurchased by banks) held by resident customers aggregating to Euro 1,729 billion at year end 2013, down -1.9% (vs. +1.6% at the end of December 2012) and a decrease in the stock of funding of about Euro 32.5 billion.

The analysis of the various components shows deposits of resident customers (net of operations with central counterparties and term deposits connected with sales of receivables) were up +1.9% (+6.2% in December 2012; Euro +23 billion year end 2012). Bond holdings were -9.8% in the year (-6.8% in December 2012; -55.6 billion). Before the start of the crisis - in late 2007 - the amount of bank deposits were about Euro 1,513 billion (+216.2 billion from the end of 2007 to the end of 2013); as follows: 1,000.5 billion of customer deposits (+214.9 billion from the end of 2007 to the end of 2013) and 512.2 billion of bonds (+1.3 billion since 2007).

Lending

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

Non-performing

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

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

Interest and yields

Interest applied to bank deposits of households and non-financial companies slightly decreased, namely from 1.25% at year end 2012 to 0.97% at year end 2013. Average interest on funding from customers (Euro-denominated bank deposits, bonds and repurchase agreements held by households and non-financial companies) was 1.88% in December 2013 (2.08% at December 2012). In the year under review interest rates on repurchase agreements decreased too, from 3.03% in December 2012 to 1.53% in December 2013, while yields on bank bonds increased slightly (3.36% vs. 3.44%).
In 2013, the weighted average rate applied to total loans extended to households and non-financial companies calculated by the Italian Bankers' Association remained substantially stable: from 3.79% to 3.82% at year end. In the year under review, interest on active bank accounts and Euro-denominated revolving loans to households and non-financial companies also remained stable (5.48% in December 2012 to 5.45% in December 2013).
Interest rates applied to new transactions were down to particularly low levels: in December 2012 the rate applied to Euro-denominated loans extended to non-financial companies was 3.47% (3.65% in December 2012), interest on Euro-denominated home loans to households (average for both fixed and floating-rate loans, considering all the various types of loans) was 3.42% (3.69% in December 2012).
In the last month of 2013 fixed-rate lending accounted for 22.2% (22.8% in December 2012).
The yearly average spread between lending and funding interest rates applied to households and non-financial companies declined to 183 bps in 2013, down -4 bps year on year. Before the beginning of the financial crisis the average spread between lending and funding interest rates exceeded 300 bps.

New products and main commercial initiatives in the year

With reference to the activities in the Italian market, in 2013 the main initiatives in offering new products have affected both assets under management and administration.

With reference to the latter, 2013 was an important year for the consolidation of the offering of current accounts and the development of the multi-channel acquisition strategy.
With the aim to continue to guarantee all customers accessible, affordable and characterized by multiple performance opportunities products, starting from March 2013, Banca Mediolanum introduced in the offering of Freedom One Current Account the terms at 3, 6 and 12 months. With the integrated terms in the offering of Freedom One and Freedom Più Current Accounts, customers can increase their chances of yields obtaining a return at the highest market levels of liquidity surplus on the current account.
From October 2013 the possibility to subscribe the Freedom One and Freedom Più Current Accounts online was also introduced, by further simplifying the procedures to access the offer of banking services. In addition to the current account, within the online process it is possible to request payment cards and free transfer of the old account with the Portaconto service.
As for subscription procedures, it is still possible to make use of the support and expertise of the Family Bankers of Banca Mediolanum.
As of December 31, 2013 the stock of Freedom One current accounts is approximately 129,000, with total inflows of Euro 1.02 billion, of which Euro 360 million on time deposits, while the stock of Freedom Più current accounts is equal to about 75,000 for a total of Euro 3.73 billion, of which Euro 1.48 billion on time deposits.

With reference to the offering of loans, Banca Mediolanum felt the desire to actively participate in the recovery of the Italian economy with its Customers through the project "Mediolanum Riparti Italia", an initiative supported by financing products for families at highly subsidized rates, which aims to boost consumption especially in the construction sector. The proposal provides for a mortgage (Mediolanum Riparti Italia) to finance home renovation, at a variable rate with a 2.25% spread + 3-month Euribor that can be requested for a minimum amount of Euro 25,000 and a loan (Loan Mediolanum Riparti Italia), which allows renovating a building for residential use, at a rate equal to 3-month Euribor + variable spread depending on the client's assets with a maximum of 3.5%.
The stock of loans to customers of Banca Mediolanum showed good growth with a balance of Euro 5,228.0 million at the end of 2013 (12.31.2012: Euro 4,917.8 million), an increase of 10.4%. With reference to the asset management segment, 2013 was an important year for the development of the Mutual Fund investments.
In June, the Mediolanum Best Brands range once again enhanced with the launch of four new funds: Multibrand Infrastructure Opportunity Collection and Convertible Strategy Collection and Singlebrand Mediolanum Invesco Balanced Risk Coupon Selection and Mediolanum Carmignac Strategic Selection:

- Infrastructure Opportunity Collection: invests in infrastructure (such as, for example, energy, transport, telecommunications, water resources) with a global approach, mainly through Mutual funds selected from among those of qualified management companies worldwide.
- Convertible Strategy Collection: invests primarily in convertible bonds, which allow combining exposure to bond with the growth opportunities in the equity markets. It allows diversifying the bond portfolio by type of corporate exposure, with the aim to reward the capital in the medium/long term with the possibility of opting for the quarterly distribution of income.
- Mediolanum Invesco Balanced Risk Coupon Selection: offers investors the opportunity to invest globally with the aim of spreading the risk across asset classes and, at the same time receiving a regular income, using the wide range of funds and ETF of Invesco.
- Mediolanum Carmignac Strategic Selection: invests in the global market with a flexible management approach and has as its main objective the protection of capital and the search for yield, through the control of volatility, in collaboration with Carmignac.

In order to achieve the goal of becoming the Bank of reference (so-called "First Bank") for all customers, in July the level of banking services increased further, thanks to the possibility of proceeding with the transfer and placement of Third-Party Funds and SICAV. In this regard, agreements have been signed with 10 of the major international investment houses on the Italian market: Blackrock, Carmignac, DWS, Fidelity, Invesco, JPMorgan, Morgan Stanley, Pictet, Pimco and Schroders.

In the second half of the year, or more precisely in November, the range of funds belonging to the Mediolanum Italian Funds System has also been expanded in order to offer new investment solutions. Two funds were established:

- Mediolanum Flessibile Valore Attivo (Flexible Asset Value): investment solution alternative to the traditional short-medium term instruments, with the aim of enhancing savings, diversifying within the international bond market potentially at higher yield.
- Mediolanum Flessibile Sviluppo Italia (Flexible Development Italy): a new solution to invest in an innovative way in Italian companies considered most promising, through a flexible and diversified fund, thanks to the management expertise on the Italian market of Mediolanum Gestione Fondi.

Consolidated Inflows, Assets under Management and Assets under Administration

Net inflows

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
ITALY			
Life insurance products	(1,513.9)	(991.2)	53%
Asset management products	4,582.8	2,343.3	96%
Total managed assets inflows	3,068.9	1,352.2	127%
Third-party structured bonds	(67.0)	200.7	(133%)
Total managed assets + third-party structured bonds	3,001.9	1,552.9	93%
"Freedom" life policies	(1,710.7)	(1,070.8)	60%
Administered assets	2,048.2	1,776.3	15%
Total administered assets including "Freedom" policies	337.5	705.5	(52%)
BANCA MEDIOLANUM	3,339.4	2,258.3	48%
ESPERIA* BANK GROUP	(71.2)	(620.5)	ns
Total ITALY	3,268.2	1,637.8	100%
SPAIN	450.5	114.3	294%
GERMANY	(37.6)	54.5	(169%)
TOTAL FOREIGN MARKETS	412.9	168.8	145%
TOTAL NET INFLOWS	3,681.2	1,806.7	104%

(*) 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 (*)

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
ITALY			
Banking products	13,690.1	11,336.5	21%
Asset management products	28,835.6	23,384.4	23%
Life Products	13,482.6	13,795.7	(2%)
"Freedom" life policies	1,722.3	3,433.0	(50%)
Consolidation adjustments	(10,370.3)	(9,515.3)	9%
BANCA MEDIOLANUM	47,360.4	42,434.3	12%
BANCA ESPERIA GROUP (**)	7,650.0	6,900.1	11%
Total ITALY	55,010.4	49,334.4	12%
SPAIN	2,376.3	1,799.6	32%
GERMANY	445.2	442.9	1%
TOTAL FOREIGN MARKETS	2,821.5	2,242.5	26%
TOTAL ASSETS UNDER MANAGEMENT & ADMINISTRATION	57,831.8	51,576.9	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, 2013, total assets under management and administration amounted to Euro 57,831.8 million up 12% from Euro 51,576.9 million at December 31, 2012.

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

ITALY - BANKING

In 2013, funding from customers (bank accounts, deposit accounts, repurchase agreements and bonds) continued to grow.
At December 31, 2013, the Group reported positive net inflows into administered assets including structured obligations of Euro 337.5 million versus a positive balance in 2012 of Euro 705.5 million.

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

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
Customer deposits	9,929.8	7,623.1	30%
Banca Mediolanum bonds	355.6	409.7	(13%)
Third-party structured bonds	1,282.8	1,216.1	5%
Securities in custody and under administration	2,088.9	2,074.8	1%
Repurchase agreements	32.9	12.9	155%
Total Assets under Administration	13,690.1	11,336.5	21%

At December 31, 2013, there were 729,208 bank accounts (vs. 707,609 at year end 2012) and 831,855 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 1,042,908 (vs. 1,040,448 in the prior year) of which 878,127 primary holders.

InMediolanum deposit account

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

Freedom Più bank account

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

Freedom One bank account

The Freedom One bank account was launched in September 2012. At December 31, 2013 about 129,000 of these accounts had been opened, accounting for about 68% of all new bank accounts opened in the year.

Of current accounts, 10% activated the Term Deposit service, introduced in March 2013 for this type of current account.
In order to develop the acquisition of new clients through additional channel in October 2013 the possibility of opening on-line accounts through the platform inmediolanum.it was introduced, also with the support of the Family Banker network. Online accounts as of December 31, 2013 were approximately 4,000.
At year end, Freedom Più account balances aggregated to Euro 1.02 billion, of which Euro 360 million locked up in the accounts for a certain term.

ITALY - ASSET MANAGEMENT

The analysis of assets under management in the retail segment at December 31, 2013 is set out below.

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
"Best brands" funds of funds	11,494.7	7,676.9	50%
"Portfolio" funds of funds	532.2	578.5	(8%)
"Challenge" funds	12,541.3	11,980.7	5%
Funds of hedge funds	178.1	193.8	(8%)
Other Italy-based mutual funds	3,803.9	2,839.6	34%
Real estate funds	427.3	436.6	(2%)
Other internationally-based mutual funds & managed accounts	424.5	321.2	32%
Duplication adjustments	(566.4)	(642.9)	(12%)
Total asset management products	28,835.6	23,384.4	23%
of which:			
Stock	54%	56%	(2%)
Bond	37%	36%	1%
Money market	2%	2%	-
Balanced	4%	3%	1%
Other	3%	3%	-

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

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
'Best brands' funds of funds	3,880.1	1,885.7	106%
'Challenge' funds	(234.0)	(8.1)	ns
Other Italy-based mutual funds	1,012.5	569.2	77%
'Real estate' funds	-	0.6	(100%)
Other funds and managed accounts	(75.9)	(104.2)	(27%)
Total mutual funds and management	4,582.8	2,343.3	96%

Net inflows for the year under review were up 96% to Euro 4,582.8 million compared to the prior year's balance of Euro 2,343.3 million.

Gross inflows

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
'Best brands' funds of funds	5,880.3	3,659.0	61%
'Challenge' funds	670.6	1,018.9	(34%)
Other Italy-based mutual funds	1,525.6	1,067.9	43%
'Real estate' funds	-	18.2	(100%)
Other funds and managed accounts	33.5	27.7	21%
Total mutual funds and management	8,110.0	5,791.7	40%

In the period under review gross inflows were up 40% to Euro 8,110.0 million compared to Euro 5,791.7 million in the prior year.

ITALY - LIFE

At December 31, 2012, total life products amounted to Euro 13,795.7 million versus Euro 13,482.6 million at year end 2013.

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
Unit-linked life products	10,692.3	9,851.0	9%
Index-linked life products	1,474.8	2,572.7	(43%)
Traditional life products	1,315.5	1,372.0	(4%)
Total life products (ex-'Freedom')	13,482.6	13,795.7	(2%)
'Freedom' life policies	*1,722.3*	*3,433.0*	*(50%)*

The total gross premiums during the year amounted to Euro 4,660.9 million, a decrease of 41% compared to the previous year (12.31.2012: Euro 7,936.0 million), reflecting greater interest by customers in other asset management products offered by Banca Mediolanum.

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
Recurring premiums	43.1	60.7	(29%)
Single premiums and group policies	99.8	147.2	(32%)
Total new business	142.9	207.9	(31%)
Pension plans in force	507.0	523.4	(3%)
Other business in force	452.0	500.9	(10%)
Total in-force business	958.9	1,024.3	(6%)
Total premiums (ex-'Freedom')	1,101.8	1,232.2	(11%)
'Freedom' premiums	3,559.1	6,703.8	(47%)
Total gross premiums	4,660.9	7,936.0	(41%)

New business amounted to Euro 142.9 million, down 42% (12.31.2012: Euro 207.9 million).
Excluding Freedom, i.e. the Mediolanum Plus policy, gross premiums written in the period under review amounted to Euro 1,101.8 million.

In particular, the recurring multi-year premiums Euro 43.1 million suffered a decrease compared with the previous year (12.31.2012: Euro +60.7 million).
Excluding Mediolanum Plus, single premiums and group policies amounted to Euro 99.8 million versus Euro 147.2 million in the prior year (-32%).

Total in-force business amounted to Euro 958.9 million down 6% from the prior year (12.31.2012: Euro 1,024.3 million).

Excluding Freedom, amounts paid were down 18% from Euro 2,222.8 million in 2012 to Euro 2,615.7 million at year end 2013 due to higher maturities related to index-linked.

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
Claims	58.1	64.8	(10%)
Coupons	54.6	64.5	(15%)
Maturities	1,333.3	1,095.8	22%
Surrenders	1,169.7	997.6	17%
Amounts paid (ex-'Freedom')	2,615.7	2,222.8	18%
Amounts paid under 'Freedom' contracts	5,313.9	7,898.0	(33%)

SPAIN

Assets under management and under administration amounted to Euro 2,376.3 million, up 32% from Euro 1,799.6 million at year end 2012.

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
Assets under management and administration	2,376.3	1,799.6	32%
Assets under management	*1,462.2*	*1,181.2*	*24%*
Assets under administration	*914.1*	*618.4*	*48%*
Gross inflows AuM:	537.9	285.2	89%
Net inflows	450.5	114.3	294%
Assets under management	*237.7*	*88.2*	*170%*
Assets under administration	*212.8*	*26.2*	*ns*

Net inflows for the period amounted to Euro 450.5 million versus Euro 114.3 million at the end of the prior year. This variation is mainly due to the higher placement of products related to AuM and the opening of the high-yield deposits for the AuA.

At December 31, 2013, Banco Mediolanum customers were 84,335 versus 78,856 at December 31, 2012.

GERMANY

Assets under management and under administration were substantially in line with the previous year, from Euro 442.9 million in 2012 to Euro 445.2 million at the end of the period under review.

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
Assets under management and administration	445.2	442.9	-
Assets under management	*372.7*	*356.4*	*5%*
Assets under administration	*72.5*	*86.5*	*(16%)*
Gross inflows AuM:	158.4	90.8	74%
Net inflows	(37.6)	54.5	ns
Assets under management	*(24.1)*	*26.3*	*ns*
Assets under administration	*(13.5)*	*28.2*	*ns*

Net inflows for the period under review was negative for Euro 37.6 million versus a positive balance of Euro 54.5 million at the end of the prior year.
At December 31, 2013 the number of customers increased to 4,537 from 4,533 at year end 2012.

Lending

€/m	Dec. 31, 2013	Dec. 31, 2012	Change
Loans to Customers			
- Banca Mediolanum	5,398.9	4,880.8	11%
- Other consolidated companies	261.6	234.4	12%
Total Lending	5,660.5	5,115.2	11%

Banca Mediolanum

At year end 2013, loans to customers - private individuals and financial institutions other than banks - amounted to Euro 5,660.5 million (12.31.2012: Euro 5,115.2 million), an increase of 11%.
The analysis of the year's developments shows that, net of impaired positions, retail lending displayed notable growth driven by increases in personal loans (up +40%), residential loans (up +15%) and overdraft facilities (up +0.4%) which supported the real economy and households also in these times of prolonged crisis. L&R debt securities were down -7%, no syndicated loan was extended to institutional counterparties and those made in past years had been duly repaid.
Excluding impaired positions, loans were Euro 3,676 million at December 31, 2013 (12.31.2012: Euro 3,194.4 million), with an increase of 15% year on year. Not offered to customers for several years now, pure fixed-rate home loans accounted for less than 13% of the home lending book.
Like in prior years, we confirm again for 2013 that Banca Mediolanum has no subprime mortgage loans on its books and under its particularly prudent and disciplined approach to lending it did not enter into any transactions carrying a high level of credit risk. In addition, it can count on key risk mitigation factors in its lending operations, namely: average LTV (Loan to Value) around 56%, predominance of borrowers who are long-standing customers of the Bank, average size of loans around Euro 118.1 thousand, residual maturity just above 20 years and cus-

tomer base/properties largely in historically low-risk areas and in cities that have been less affected by the decline in housing prices in the past three years.

Customers' overdraft facilities amounted to Euro 406.8 million, substantially in line with the prior year (Euro 405 million). Except for so-called "dual months" (overdraft facilities extended to customers for amounts which are double their monthly salary or pension credited to their bank account) which accounted for 10% of total positions, overdrafts are secured by other Mediolanum Group products held by customers that can be sold in the event of customer default under the relevant prior customer authorisation to do so, and together with careful selection, prior checks and prompt collection of any amounts due, mitigate any potential risk of debtor insolvency.

Personal loans amounted to Euro 645.8 million December 31, 2013, up 40% compared to the prior year (Euro 461 million). These types of loans have been disbursed to natural persons for very low amounts and average durations, also providing, as for overdrafts, mitigation of credit risk thanks to the "mandate to sell" issued by the client in respect of products held by the latter at the Mediolanum Group.

Other lending (excluding dealings on the MTS market, other "technical" forms to guarantee deposits and inter-company loans) aggregating to about Euro 85 million (-16% over year end 2012) consisted of short/medium-term loans extended to prime Italian institutional counterparties and other exposures to high credit-standing companies related to high net worth customers of the Bank.

As to the quality of the loan portfolio, at year end 2012, net impaired loans (after write-downs) amounted to Euro 41.9 million up about Euro 0.4 million over the prior year's balance of Euro 41.5 million. The 2013 year end balance reflects the provision made in relation to the exposure to the Delta Group in the light of the evolution of its restructuring plan as well as the as well as the increase in write-downs on residential loans to take account of the macroeconomic environment. The final levels of coverage of impaired loans confirm the prudential and extremely realistic attitude also in line with the evolution of the current and future macroeconomic environment.

Reflecting both effectiveness of credit management actions and lending growth, the ratio of net impaired loans to total customer loans was down to 0.77% compared to 0.85% in 2012. The Bank's credit risk expressed by this indicator is significantly lower than the level recorded by leading market players.

The very high credit quality of the Bank's loan portfolio is the result, on the one hand, of portfolios being closely monitored and past due/overdrawn customers being invited to promptly honour their obligations, and, on the other hand, of refined policies and tools used to ensure proper assessment of credit standing prior to loan origination including information garnered by sales network members.

All this combined with the low level of impaired items reflects in the Bank's very low cost of credit risk for 2013 (excluding impairment of AFS Securities, network items and deposit protection fund) which is under 20 bps.

Further analysis of credit quality in relation to doubtful loans shows that the ratio of non-performing and watch list loans (before or after write-downs) to total loans extended by the Bank is at excellent levels compared to Italy's banking system.

Specifically, the comparison of the gross non-performing loans to total loans ratios on a consistent basis - i.e. eliminating the effect of differences in internal asset valuation methods used by the individual financial institutions - shows that at December 31, 2013 that ratio for Banca Mediolanum was below 0.5% versus 8.1% for the industry (source ABI Italian Bankers Association: Monthly Outlook, February 2014). For residential mortgage loans, that account for about 65% of total loans extended by Banca Mediolanum, the difference is even bigger: for payments that have been overdrawn/past due for 90 days or more, including watch list and non-performing loans, at December 31, 2013 the ratio was 1.02% for Banca Mediolanum versus 7.99% for the market at the end of June 2013 (source Assofin: "Assofin Analysis of Residential Mortgage Loans - Measurement of Risk over 6 months in 2013").

The Sales Networks

Number	Dec. 31, 2013	Dec. 31, 2012	Change
ITALY - BANCA MEDIOLANUM	4,407	4,315	2%
SPAIN	690	590	17%
GERMANY	46	46	-
Total	5,143	4,951	4%

At year end 2013 the Banca Mediolanum sales network consisted of 5,143 financial advisors (4,951 at year end 2012).

Reclassified Consolidated Income Statement at December 31, 2013

€/t	Dec. 31, 2013	Dec. 31, 2012	Change	Change %
Entry fees	136,888	115,640	21,248	18%
Management fees	563,899	461,982	101,917	22%
Performance fees	181,602	171,937	9,665	6%
Banking service fees	95,064	94,636	428	-
Other fees	32,647	38,462	(5,815)	(15%)
Commission income	1,010,100	882,657	127,443	14%
Net interest income	274,365	313,348	(38,983)	(12%)
Net income (loss) on investments at fair value	19,904	118,096	(98,192)	(83%)
Net financial income	294,269	431,444	(137,176)	(32%)
Net life insurance revenues (excluding commissions)	58,457	44,246	14,211	32%
Valuation Equity method	823	(55,220)	56,043	(101%)
Realised income (loss) on other investments	88,899	29,065	59,834	206%
Impairment of loans	(13,444)	(9,091)	(4,353)	48%
Impairment of other investments	(5,456)	(22,599)	17,143	(76%)
Net income (loss) on other investments	69,999	(2,625)	72,624	n.s.
Other revenues	23,876	26,801	(2,925)	(11%)
TOTAL REVENUES	1,457,523	1,327,303	130,219	10%
Network commission expenses	(435,359)	(364,428)	(70,931)	19%
Other commission expenses	(51,638)	(41,191)	(10,447)	25%
Administrative expenses	(399,488)	(380,740)	(18,748)	5%
Amortisation and depreciation	(21,483)	(14,259)	(7,224)	51%
Net provisions for risks	(5,493)	(26,102)	20,609	(79%)
TOTAL COSTS	(913,461)	(826,720)	(86,741)	10%
PROFIT BEFORE TAX	544,063	500,584	43,479	9%
Income tax	(207,483)	(149,561)	(57,922)	39%
NET PROFIT (LOSS) FOR THE PERIOD	336,580	351,023	(14,443)	(4%)
of which non-recurring items (after tax)	*(77,407)*	*(82,804)*	*5,397*	*(7%)*
NET PROFIT ex-nonrecurring items	413,987	433,827	(19,840)	(5%)

For a better comparability of the data, certain 2012 items have been reclassified.
In particular, the most significant reclassification has involved the management fees and the item Amounts paid and changes in technical reserves. These fees, totally relegated to policyholders, were previously represented as a decrease of the change in technical reserves by introducing a slight distortion that has grown over time.

Total commission income for the year 2013 amounted to Euro 1,010.0 million versus Euro 882.7 million in the prior year. The Euro 127.4 million increase was mainly driven by higher management fees (Euro +101.9 million), sales fees (Euro +21.2 million) and performance fees (Euro +9.6 million).

Net financial income increased from Euro 431.4 million in 2012 to Euro 294.3 million at the end of the reporting period, due to a sharp reduction in gains on securities at fair value (Euro -98.2 million), which rose from Euro +118.1 million to +19.9 and a reduction in the interest margin of the banks in the group (Euro -39.3 million) due to the decrease of market spreads.

Net income from insurance rose from Euro 44.2 million to Euro 58.5 million, mainly due to the entry in the Mediolanum Group of Mediolanum Assicurazioni S.p.A., starting from 03.31.2013.

Equity contribution was positive at Euro +0.8 million, versus a negative balance of Euro -55.2 million at December 31, 2012. The year 2012 was affected by the impairment of the investment in Mediobanca S.p.A. for an amount of Euro 62.7 million.

Net income from other investments recorded an increase of Euro 72.6 million due to higher net income on disposal of financial assets available for sale.

Commission expenses increased from Euro 364.4 million in December 2012 to Euro 435.3 million at the end of the reporting period primarily due to the excellent results achieved by the sales network. In particular, the growth in the sale of mutual funds and the growth of the total assets of customers resulted in an increase of front and recurring commissions (Euro +44.6 million), while the exceptional results in terms of net inflows into mutual funds has led to an increase in expenses for incentives (Euro +22.6 million).

The Total costs, net of commission expense, amounted to Euro 426.7 million, an increase of Euro 5.2 million compared to the previous year (12.31.2012: Euro 421.5 million).

Administrative expenses rose by approximately Euro 19 million for both the increase in personnel expenses and the higher costs for IT systems associated with the development of new technologies for customer service and to support the volume growth of banking business, consulting and organisation of conventions for the sales network.

The net decrease in provisions for risks of Euro 20.6 million compared to the previous year was due primarily to lower provisions for legal disputes (Euro -17.7 million, of which Euro -12.2 of the Spanish subsidiary Banco Mediolanum and illegal actions committed of the sales network (Euro -5.3 million), which were partially offset by costs for the Interbank Fund for the Protection of Deposits (up by Euro 4.3 million).

Depreciation and amortisation recorded an increase of Euro 7.2 million mainly due to the amortization of the acquired portfolio of Mediolanum Assicurazioni S.p.A. (Euro +4.9 million) as well as higher depreciation resulting from technology investments.

Income taxes increased from Euro 149.6 million in 2012 to Euro 207.5 million at the end of the year under review mainly due to non-recurring tax charges of Euro 73.1 million. In particular, there were provisions relating to tax litigation of Mediolanum Banca and Mediolanum Vita for a total of Euro 53.3 million and higher IRES charges for fiscal year 2013 due to the higher rate from 27.5% to 36% (Stability Law 27/12/2013 no.147) for Euro 19.8 million; contrarily, taxes were lower in relation to the lower gross profit compared to the previous year (Euro -15.2 million).

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

ITALY - ASSET MANAGEMENT SEGMENT

€/t	Dec. 31, 2013	Dec. 31, 2012	Change
Entry fees	128,628	110,407	18,221
Management fees	313,806	234,905	78,901
Performance fees	104,113	106,909	(2,796)
Other fees	26,785	25,234	1,552
Commission income	573,332	477,455	95,878
Net interest income	476	697	(221)
Net income (loss) on investments at fair value	5	2	3
Net financial income	481	699	(218)
Net income (loss) on other investments	9	(593)	602
Other revenues	279	431	(152)
TOTAL REVENUES	574,101	477,992	96,110
Network commission expenses	(239,877)	(188,231)	(51,646)
Other commission expenses	(16,158)	(11,786)	(4,372)
Administrative expenses	(72,387)	(78,983)	6,596
Amortisation and depreciation	(2,288)	(2,228)	(60)
Net provisions for risks	(137)	(7,618)	7,481
TOTAL COSTS	(330,847)	(288,846)	(42,001)
PROFIT BEFORE TAX	243,255	189,146	54,109

In the "Italy – Asset Management" segment, profit before tax for the year under review amounted to Euro 243.3 million climbing 29% from Euro +189.1 million at the end of the prior year.

Commission income for the year amounted to Euro 573.3 million, up Euro 95.9 million versus 2012 (Euro 477.5 million). The increase is due to higher management fees Euro +78.9 million generated by higher average assets under management compared to the previous year and higher subscription fees (Euro +18.2 million).

Provisions for risks of illegal actions by agents and provisions for legal disputes were lower than 2012; however, the value recoveries thereby generating a negative net allocation for the year 2013 are in line with 2012.

Costs attributable to the segment at the end of the year under review amounted to Euro 330.9 million compared to Euro 288.8 million of the previous year (Euro +15% million); in particular the increase was due to the growth in network commission expense (Euro +51.6 million) due to higher commissions expense for subscription generated by the increase in sales volumes of mutual funds, higher commission expense on AuM and greater incentives to the sales network on the net inflows.

ITALY - BANKING SEGMENT

€/t	Dec. 31, 2013	Dec. 31, 2012	Change	Change%
Banking service fees	76,020	80,110	(4,090)	(5%)
Other fees	2,622	11,247	(8,625)	(77%)
Commission income	78,642	91,357	(12,715)	(14%)
Net interest income	246,974	275,109	(28,135)	(10%)
Net income (loss) on investments at fair value	12,568	33,791	(21,223)	ns
Net financial income	259,542	308,900	(49,358)	(16%)
Net income (loss) on other investments	61,723	(10,448)	72,171	ns
Other revenues	9,997	12,438	(2,441)	(20%)
TOTAL REVENUES	409,904	402,247	7,657	2%
Network commission expenses	(70,295)	(60,577)	(9,718)	16%
Other commission expenses	(12,774)	(12,307)	(467)	4%
Administrative expenses	(207,203)	(175,944)	(31,259)	18%
Amortisation and depreciation	(7,931)	(6,815)	(1,116)	16%
Net provisions for risks	(5,046)	(2,097)	(2,949)	141%
TOTAL COSTS	(303,249)	(257,739)	(45,509)	18%
PROFIT BEFORE TAX	106,655	144,507	(37,853)	ns

For the year under review, the "Italy – Banking" segment recorded a positive balance before tax of Euro 106.7 million versus a positive balance of Euro 144.5 million at the end of the prior year. The decrease is mainly attributable to the decrease in net financial income of Euro -49.4 million.

Net financial income amounted to Euro 259.6 million compared to Euro 308.9 million in the comparative period, due to both the decrease in net interest income (Euro -28.1 million) due to the reduction in the spreads of market rates, and the decrease in net income from investments at fair value (Euro -21.2 million).

Net income from other investments decreased from Euro -10.4 million to Euro 61.7 million in the reporting period and is attributable to increased profits on financial assets available for sale.

Network commission expenses amounted to Euro 70.3 million compared to Euro 60.6 million in the same period of the previous year due to the increase of bank deposits.

Administrative expenses increased from Euro 175.9 million to Euro 207.2 million in the period recording an increase of Euro 31.3 million mainly due to an increase in employees and higher costs for IT systems related the development of new technologies for customers service and volume growth of banking operations.
Provisions increased compared to 2012 due to the provision Interbank Deposit Protection Fund (Euro 4.2 million), partially offset by lower provisions for illicit actions by agents and legal disputes.

ITALY - INSURANCE SEGMENT

€/t	Dec. 31, 2013	Dec. 31, 2012	Change	Change%
Net premiums	4,673,139	7,925,185	(3,252,046)	(41%)
Amounts paid and change in technical reserves	(4,639,138)	(7,899,087)	3,259,949	(35%)
Net life insurance revenues (excluding commissions)	34,001	26,098	7,903	30%
Commission income	298,704	270,055	28,649	11%
Net interest income	16,280	17,097	(817)	(5%)
Net income (loss) on investments at fair value	6,193	81,486	(75,293)	(92%)
Net financial income	22,473	98,583	(76,110)	(77%)
Net income (loss) on other investments	1,905	8,227	(6,322)	(77%)
Other revenues	11,866	11,857	9	-
TOTAL REVENUES	368,949	414,820	(45,872)	(11%)
Network commission expenses	(95,918)	(94,217)	(1,701)	2%
Other commission expenses	(7,280)	(5,522)	(1,758)	32%
Administrative expenses	(75,444)	(83,074)	7,630	(9%)
Amortisation and depreciation	(9,209)	(2,996)	(6,213)	207%
Net provisions for risks	(40)	(3,888)	3,848	(99%)
TOTAL COSTS	(187,891)	(189,697)	1,806	(1%)
PROFIT BEFORE TAX	181,058	225,123	(44,066)	(20%)

Following the entry into the Mediolanum Group, on March 31, 2013, Mediolanum Assicurazioni reclassified Income statement at 12.31.2013 includes the economic effects related to the Company for the period 03.31.2013-12.31.2013. Therefore, the Income statement by business segment "Insurance" segment includes the financial results for Life and Damages.

Gross profit before taxation of Italian Insurance segment recorded a balance of Euro 181.1 million, a decrease of 20% compared to the previous year (Euro -44.1 million) mainly due to the decrease in net financial income with particular reference to the lower profits from investments at fair value (Euro -75.3 million).

Net life insurance revenues before acquisition costs amounted to Euro 34 million (12.31.2012: Euro 26.1 million).

Commission income amounted to Euro 298.7 million compared to Euro 270.1 million in the same period the previous year, with a significant increase in management fees (Euro +18 million).

Net financial income at the end of 2013 amounted to Euro 22.5 million versus Euro 98.6 million in the prior year. The decrease of Euro 76.1 million is due to lower gains on investments at fair value Euro -75.3 million, while net interest income amounted to Euro 17.1 million, substantially in line with the previous year (12.31.2012: Euro 16.3 million).
Net income from other investments decreased from a profit of Euro 8.2 million to a profit of Euro 1.9 million due to lower net income from the sale of securities classified as financial assets available for sale.

Network commission expenses remained substantially unchanged from Euro 94.2 million in 2012 to Euro 95.9 million at year end 2013.

Other expenses amounted to Euro 84.7 million compared to Euro 90 million at December 31, 2012 down by Euro 5.3 million compared to the prior year due to lower administrative costs (Euro -7.6 million), lower accruals of provisions for risks and charges (Euro -3.8 million), partially offset by the amortisation rate on the value of the portfolio of Mediolanum Assicurazioni S.p.A. subject of acquisition (Euro +4.9 million).

ITALY - OTHER SEGMENT

€/t	Dec. 31, 2013	Dec. 31, 2012	Change	Change%
Commission income				
Net interest income	(12,951)	(14,289)	1,338	(9%)
Net income (loss) on investments at fair value	1	4	(3)	(75%)
Net financial income	(12,950)	(14,285)	1,335	(9%)
Valuation Equity method	823	(55,220)	56,043	(101%)
TOTAL REVENUES	(12,127)	(69,505)	57,378	(83%)
Administrative expenses	(387)	-	(387)	ns
TOTAL COSTS	(387)	-	(387)	ns
PROFIT BEFORE TAX	(12,514)	(69,505)	56,991	(82%)

For the year under review, the "Italy – Other" segment recorded a loss before tax of Euro 12.5 million versus a loss of Euro 69.5 million at the end of the prior year.

Net financial income came in negative at Euro 12.9 million versus a negative balance of Euro 14.3 million in the prior year, reflecting mainly the decrease in the debt of Mediolanum S.p.A.

The equity method valuation rose from a negative balance of -55.2 million in 2012 to Euro +0.8 million, mainly as a result of non-recurring charges related to the impairment of the investment in Mediobanca S.p.A., equal to Euro -62.7 million.

Administrative costs for the year 2013 amounted to Euro 387 thousand. The change compared to 2012, consists of expenditure for management consultancy activities carried out on Bankhaus August Lenz to support the definition of the three-year plan.

SPAIN SEGMENT

€/t	Dec. 31, 2013	Dec. 31, 2012	Change	Change%
Net premiums	164,114	99,718	64,396	65%
Amounts paid and change in technical reserves	(142,371)	(85,036)	(57,335)	67%
Net life insurance revenues (excluding commissions)	21,743	14,682	7,061	48%
Commission income	35,879	26,296	9,583	36%
Net interest income	22,905	33,754	(10,849)	(32%)
Net income (loss) on investments at fair value	1,057	2,014	(957)	ns
Net financial income	23,962	35,768	(11,806)	(33%)
Net income (loss) on other investments	10,580	194	10,386	ns
Other revenues	1,213	1,014	199	20%
TOTAL REVENUES	93,377	77,954	15,423	20%
Network commission expenses	(25,082)	(17,601)	(7,481)	43%
Other commission expenses	(3,301)	(2,763)	(538)	19%
Administrative expenses	(29,312)	(27,930)	(1,382)	5%
Amortisation and depreciation	(1,481)	(1,498)	17	(1%)
Net provisions for risks	(270)	(12,499)	12,229	ns
TOTAL COSTS	(59,446)	(62,291)	2,845	(5%)
PROFIT BEFORE TAX	33,931	15,663	18,268	117%

For the year under review, the "Spain" segment recorded a positive balance before tax of Euro 33.9 million versus Euro 15.7 million at the end of the prior year (Euro +18.3 million).

The Net life insurance income of the Spain segment, gross of acquisition costs, amounted to 21.7 million, up over the previous year at Euro 7.1 million.

Commission income recorded an increase, rising from Euro 26.3 million in 2012 to Euro 35.9 million at year-end 2013, primarily due to higher commissions related to sales of funds and to higher commissions on assets under management.

Net financial income amounted to Euro 24 million, a decrease of Euro 11.8 million primarily related to the decrease in net interest income for the reduction of the spread of market interest rates.

The increase in network commission expenses and administrative expenses was offset by lower provisions for risks related to disputes.

Costs rose from Euro 39.1 million in the previous period to Euro 41.9 million in the period under review.

GERMANY SEGMENT

€/m	Dec. 31, 2013	Dec. 31, 2012	Change	Change%
Net premiums	36,507	28,770	7,737	27%
Amounts paid and change in technical reserves	(33,794)	(25,304)	(8,490)	34%
Net life insurance revenues (excluding commissions)	2,713	3,466	(753)	(22%)
Commission income	23,551	17,501	6,050	35%
Net interest income	681	980	(299)	(31%)
Net income (loss) on investments at fair value	80	799	(719)	ns
Net financial income	761	1,779	(1,018)	(57%)
Net income (loss) on other investments	(4,218)	-	(4,218)	ns
Other revenues	575	1,149	(574)	(50%)
TOTAL REVENUES	23,382	23,895	(513)	(2%)
Network commission expenses	(4,187)	(3,803)	(384)	10%
Other commission expenses	(12,133)	(8,823)	(3,310)	38%
Administrative expenses	(14,809)	(14,892)	83	(1%)
Amortisation and depreciation	(574)	(722)	148	(20%)
Net provisions for risks	-	-	-	-
TOTAL COSTS	(31,703)	(28,240)	(3,463)	12%
PROFIT BEFORE TAX	(8,321)	(4,345)	(3,976)	91%

The loss before tax amounted to Euro 8.3 million at year-end 2013, an increase of Euro 4 million compared to the previous year.
The segment is mainly affected by the devaluation of the CGU Germany for Euro 4.3 million.

Key corporate events and performance of companies within the Group

Banking operations (including Group product distribution)

BANCA MEDIOLANUM S.P.A.
For the year ended December 31, 2013, Your Bank reported net profit of Euro 134.7 million, down Euro 54.6 million compared to Euro 189.3 million in the prior year.

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

Total net inflows (managed assets and administered assets) amounted to +3,339.4 million versus +2,258.3 million in the prior year.
Net inflows into asset management and placement of third-party structured bonds posted a positive balance of Euro +3,001.9 million compared with a net increase of Euro +1,552.9 in 2012. More specifically, the mutual fund sector had impressive net inflow results up by Euro +4,582.8 million compared to Euro +2,343.3 million for the previous year.
As to administered assets, Mediolanum Plus policies associated with Freedom bank accounts had net outflows of Euro -1,710.7 million versus Euro -1,070.8 million at December 31, 2012.
Other AuA products recorded net inflows of Euro +2,048.2 million versus Euro +1,776.3 million the prior year.
At year end 2013, the bank had 1,042,908 customers (12.31.2012: 1,040,448).

At December 31, 2013, total balance sheet assets amounted to Euro 19,640.3 million, up Euro 2,575.7 million over the prior year.
Customer deposits grew from Euro 8,897.6 million at year end 2012 to Euro 11,200.1 million at December 31, 2013.
Loans to customers, excluding securities, amounted to Euro 4,967.4 million versus Euro 4,422.6 million at December 31, 2012.
Net interest income amounted to Euro 247 million, down Euro 28.1 million (-10%) versus the prior year (2012: Euro 275.1 million), mainly due to the reduction in interest rate spreads in the market.
Adding net income from trading, net income from hedging and net gains/losses on the sale of available-for-sale financial assets, net financial income amounted to Euro 332.9 million versus Euro 307.1 million in the prior year.
The Euro +25.8 million increase was driven by higher gains on disposal of financial assets available for sale (Euro +77.9 million) and the most positive result from hedging activities (Euro +8.0 million), partially offset by lower interest margins (Euro -28.1 million) and lower gains from trading (Euro -29.3 million).
Net commission income declined by Euro 18.8 million from Euro 75.3 million at year end 2012 to Euro 56.5 million at the end of the year under review, largely reflecting greater amounts provided for incentives to the sales network (Euro -21.7 million) due to the exceptional results of net assets under management, in particular regarding mutual funds.
More specifically, as of December 31, 2013 commission income amounted to Euro 452.0 million against Euro 406.8 million the prior year (Euro +45.2 million) due to the increase in operating expenses (Euro +40.1 million) and sales commissions (Euro +19.1 million). Commission expenses amounted to Euro 395.5 million, up Euro 64.1 million versus 331.4 million in the prior year (+19%).

Dividends decreased from Euro 171 million in the prior year to Euro 155.1 million at the end of the year under review (Euro -15.8 million) and impacted by the reduced dividends received for the previous year from the subsidiary Mediolanum International Funds (Euro -20.9 million) and the subsidiary Mediolanum Asset Management (Euro -6.6 million). This decreases is only offset in part by the greater dividends distributed by the Italian subsidiary Mediolanum Gestione Fondi (Euro +11.5 million).

Net impairment/reversal of impairment was negative for Euro 17.9 million (12.31.2012: Euro -10.4 million), due to higher impairment and losses on impaired loans (Euro -2.1 million) and charges relating to the Interbank Deposit Protection Fund (Euro -4.3 million).

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

During the year, there was a reduction in provisions for risks and charges relative to the previous year, which rose from Euro -35.9 million to Euro -17.5 million on December 31, 2013, in particular due to fewer provisions for legal disputes (Euro +5.1 million), financial crimes (Euro +5.4 million), assistance to the populations impacted by natural disasters (Euro +1.9 million) and contractual obligations towards the sales network (Euro +7.2 million).

Other operating expenses/income went from Euro +14.2 million at December 31, 2012 to Euro +8.5 million at the end of the year under review. The main change in the year relates to non-recurring transactions for the early termination of relationships with some of the sales staff for Euro 5 million, more than offset by lower provisions for contractual obligations in respect of the sales network under provisions for risks and charges.

Banco Mediolanum S.A.

For financial year 2013 the Spanish Group reported net profit of Euro 24.7 million versus Euro 30.3 million in the prior year.
In the year under review, gross inflows into asset management products amounted to Euro 538 million, remaining essentially in line with the prior year's balance, and net inflows were +238 million versus +88.2 million in the prior year.
Assets under administration recorded inflows of Euro +212.8 million (12.31.2012: Euro +26.1 million).
At year end, total assets under management and under administration amounted to Euro 2,376.3 million versus Euro 1,799.6 million at December 31, 2012.
The sales network consisted of 690 people (vs. 590 at 12.31.2012), of who 652 tied advisors (12.31.2012: 551 people).

Bankhaus August lenz & co. AG

For financial year 2013 the Company reported a net loss of Euro 8.2 million versus Euro 8.4 million in the prior year. Net inflows of assets under management were positive for Euro +18 million (12.31.2012: Euro +26 million), while net inflows of assets under administration were negative for Euro -13.5 million (12.31.2012: Euro +28.2 million).
At year end, total assets under management and under administration amounted to Euro 231.1 million (12.31.2012: Euro 214.5 million).
The sales network at December 31, 2013 consisted of 46 people, in line with the previous year.

Asset Management Companies

Mediolanum International Funds LTD

At December 31, 2013 the Company reported net profit of Euro 302.8 million, up Euro 41 million over the prior year (12.31.2012: Euro 261.4 million), largely due to the increase in management fees earned in the period (Euro +82.5 million).
At the end of the year under review, the Company reported net inflows of Euro 3,425.6 million (12.31.2012: Euro +1,718.9 million).

At December 31, 2013, total assets under management amounted to Euro 25,517 million compared to Euro 20,952 million at December 31, 2012 (+21.8%).
In October, the Company resolved to distribute an interim dividend for a total amount of Euro 200 million versus Euro 207 million in the prior year.

Mediolanum Gestione Gondi Sgr P.A.

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

Gamax Management AG

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

Mediolanum Asset Management LTD

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

Life Insurance Companies

Mediolanum Vita S.P.A.

The situation of the IAS/IFRS accounts at December 31, 2013 shows a net profit of Euro 7 million compared to net income of Euro 77.2 million the previous year.
On the basis of GAAP net income amounted to Euro 24.7 million compared to a net profit of Euro 72.3 million in 2012.
The result for the year determined in accordance with international accounting standards generates a decrease in net income, compared to the value calculated in accordance with GAAP, for a total amount of Euro 17.6 million. The decrease is primarily attributable to lower income from financial instruments at fair value for Euro 29.4 mil-

lion (Euro 19.4 million net of tax) and higher depreciation and amortization of tangible assets Euro 1.3 million (Euro 1.0 million net of tax).
The item other effects, positive for Euro 2.3 million, including recovery under IAS/IFRS of the depreciation of the property in Via C. Colombo in Rome, carried out solely for statutory purpose as a result of the appraisal by an independent expert.
The year is also influenced by non-recurring charges totalling Euro 29 million, of which Euro 23.7 million in provisions against the tax dispute and Euro 5.3 million for the increase in IRES corporate income tax rate for FY 2013 from 27.5 to 36% (Stability Law 27/12/2013 no. 147).

Mediolanum Assicurazioni S.P.A.

Mediolanum Assicurazioni S.p.A. became part of the Mediolanum Group on March 31, 2013, the economic-financial effects for the Mediolanum Group are effective from that date. Accordingly, the Company has prepared the Statement of financial position at December 31, 2013 and the Income statement for the period 03.31.2013-12.31.2013 through the application of the IAS/IFRS.
The situation of the IAS/IFRS accounts at December 31, 2013 shows a net profit for the period 03.31 - 12.31.2013 of Euro 3.4 million.
On the basis of GAAP net income for the entire FY amounted to Euro 4.7 million compared to a net profit of Euro 5.5 million in 2012.

Mediolanum International Life Ltd

For financial year 2013 this Company reported net inflows of Euro 266 million versus Euro 258 million in the prior year.
Net inflows in foreign markets (Spain and Germany) amounted to Euro 200.6 million (12.31.2012: Euro 148.3 million).
At December 31, 2012, commitments to policy holders amounted to Euro 2,606 million (2012: Euro 3,300 million).
For financial year 2013 the Company reported net profit of Euro 15.9 million versus Euro 18 million in the prior year. Mediolanum International Life Ltd policies are distributed in Italy by Banca Mediolanum, in Spain by Banco Mediolanum and in Germany through Bankhaus August Lenz & Co.

Joint Ventures

For financial year 2013, the BANCA ESPERIA GROUP reported consolidated net profit of Euro 1.4 million versus Euro 2.6 million in the prior year.
For the year under review this entity recorded a negative balance of Euro -142 million versus outflows of Euro -1,241 million in the prior year.
At year end 2013, total assets under management and administration amounted to Euro 15,300 million versus Euro 13,800 million at the end of the prior year.
At December 31, 2013, the group had 78 private bankers (12.31.2012: 72 people).

Associates

For financial year ended June 30, 2013, the **MEDIOBANCA GROUP** reported net loss of Euro -179.8 million versus Euro 80.9 million in the prior financial year. In particular, net profit for the six-month period from January through June 2013 amounted to Euro -303.6 million versus Euro 17.5 million for the same period of the prior year. The period July-December 2013 closed with a net profit of Euro 304.7 million, a significant improvement compared to the previous year (Euro +123.8 million) due to the positive contribution of the equity portfolio (Euro 245.4 million against a loss of Euro 33.4 million).

Total revenues were down 4.5% from Euro 916.3 million to Euro 875 million, specifically:

- net interest income up by +3.4% (Euro 517.7 million to Euro 535.1 million) confirms the trend of recent quarters: increase of retail and consumer banking partly offset by the decline in wholesale banking, which reflects a lower profitability of loans;
- net commission income and other income (from Euro 201 million to Euro 192.1 million) recorded a decrease influenced by the weak trend in investment banking;
- the result of treasury reflects the weakness of the fixed-income segment penalized by low volatility and low level of interest rates;
- the contribution of companies consolidated at equity increased from Euro 85.8 million to Euro 131.1 million due to the positive performance of Assicurazioni Generali.

Operating costs dropped by 1.5% (Euro 375.6 million to Euro 370 million) due to lower personnel costs (-7.9%).
Value adjustments on receivables increased from Euro 232.8 million to Euro 302 million (+29.7%), Euro 82.3 million (Euro 47.5 million) for corporate and private banking, Euro 200.5 million (Euro 173.5 million) for retail and consumer and Euro 19.7 million (Euro 11.7 million) for leasing.
The sale of shares resulted in net profits of Euro 152.2 million, of which Euro 67.2 million under the Telco reorganization (sale at nominal value of Euro 90 million shareholder loan exchanged for Telefonica shares subsequently sold on the market); additional Euro 38.6 million are derived from the sale of shares on the Gemina/Atlantia market.

Consolidated Shareholders' equity at December 31, 2013, net of minority interests and the result for the year amounted to Euro 7,006.6 million compared to Euro 7,020.5 million at June 30, 2013 and to Euro 6,922.3 million at December 31, 2012.

The impact on the Income statement of equity-accounted companies registered a positive balance of Euro 0.8 million).

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. Said transactions were made at arm's length in consideration of the features of goods and services provided.
In accordance with art. 2391 bis of the Italian Civil Code, art. 71 bis of Consob Regulation 11971/99 (Regulation

for Issuers) and the recommendations set out in the Code of Conduct, adopted by the Company under resolutions passed by the Board of Directors, related party disclosures are set out in the relevant section of the Notes.

Social and environmental responsibility

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

Impairment test

Goodwill recognised in the consolidated accounts for the year ended December 31, 2013 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 subsidiary Banca Mediolanum approved the procedures for impairment test of goodwill allocated to the CGUs above in accordance with IAS 36.

For the purpose of impairment test at December 31, 2013, the subsidiary Banca Mediolanum requested the assistance of a primary specialist firm. The valuations were based on cash-flow estimates derived from the 2014-2016 Plans approved by the Board of Directors of Banca Mediolanum on January 16, 2014, and applying industry standard methods best suited for the purposes of the exercise in the specific cases, in accordance with applicable accounting standards.

In their report the independent experts concluded that – with due consideration of the limits inherent in the use of estimates that are uncertain by their very nature and subject to changes in the macroeconomic environment and external circumstances as well as, in the specific case, based on assumptions relating to future events and management actions that may not materialise – their analysis revealed no impairment of goodwill for the CGU Spain and Italy - Life. CGU Germany recorded a goodwill impairment of Euro 4.3 million.

Impairment testing details are set out in section 10, Part B, of the Notes.

As to the investments in Mediobanca and Banca Esperia, which are accounted for by the equity method, they were tested for impairment as follows.

With regard to investment in Mediobanca S.p.A., an independent expert has been assigned the upgrading of the impairment test as of December 31, 2013, with respect to the analyses carried out on the same shareholding as at the date of June 30, 2013.

In line with the approach followed in previous years and development to June 30, 2013, following a presentation to the market by Mediobanca S.p.A. of 2014-2016 strategic guidelines, the recoverable amount of the investment was determined by the configuration of the value of use.

The recoverable amount of the investment in Mediobanca S.p.A. at December 31, 2013 was determined on the basis of publicly available information and, in particular, the objectives set by the 2014-2016 strategic guidelines, taking account of the actual results at December 31, 2013.

For the valuation of the shareholding held by the Mediolanum Group the Dividend Discount Model variant of

Excess Capital was used. This method is usually used in practice nationally and internationally for the purpose of determining the economic value of companies operating in the financial sector and subject to compliance with the minimum capitalization, and has been applied in continuity with the previous years.
The value of Mediobanca S.p.A. has been subject to sensitivity analysis in relation to possible changes in the underlying assumptions that affect the value, represented in particular by the cost of capital, the growth rate of long-term results and estimated net income with reference to the 2014-2016 strategic guidelines, in consideration of projections made on the basis of the consensus of analysts published following the presentation of the strategic guidelines.
The independent expert issued a report on the impairment test at December 31, 2013 relating to the investment in Mediobanca, which shows that on the basis of the expected evolution of the macroeconomic scenario and sector, the results at December 31, 2013 of Mediobanca S.p.A. of the 2014-2016 strategic guidelines, trends in the consensus of analysts and valuation analysis developed, as reported in the aforementioned report, there is a recoverable amount of the investment between Euro 10.32 and Euro 11.87 with a central value equal to Euro 11.10 per share.
In relation to the results of the impairment process, the carrying value expressed in the consolidated financial statements at December 31, 2013 is adequate and it is therefore not necessary to adjust the carrying value of the investment in Mediobanca.

With regard to the investment in Banca Esperia, the impairment test at 12.31.2013 was conducted with reference to the latest survey available at December 31, 2012, issued on July 23, 2013 by a company specializing in business valuation, which shows a value of Euro 2.14 per share compared to a net asset value equal to Euro 1.43 per share, compared to net assets under administration of Euro 13,225 million.
To determine the exercise price of the Private Bankers Stock Options Plan, the appraisal used the following assumptions: going concern, growth at a normal rate and materialisation of the assumptions.
At December 31, 2013 Banca Esperia reported a net equity of Euro 177 million, corresponding to a net asset value per share of Euro 1.46 and a balance of assets under management of Euro 15.3 million and operating profit of Euro 1.4 million.
In light of the foregoing, given the growth in the size of the investment, both in terms of increase in the balance of equity (+9%) and the balance of assets under management (+16%) and considering the positive result for the year, for a carrying value of the investment in Banca Esperia equal to Euro 1.49 per share compared to a net asset value equal to Euro 1.46 and an appraised value equal to Euro 2.14, there were no conditions to detect lasting impairment.

Tax claims

As already mentioned in the reports of prior year financial statements as a result of the inspection process conducted in 2010 by the Lombardy Regional Revenue - Large Taxpayers Office, on December 23, 2010 Mediolanum Vita received two "Notices of Tax Due and Demands for Payment" claiming a total adjustment of Euro 47.9 million to IRES and IRAP taxable income for tax year 2005 resulting in a Euro 2,512 thousand IRAP tax due plus a penalty in the same amount, and Euro 15,804 thousand IRES tax due with no penalty, in relation to commissions rebated by Mediolanum International Funds Ltd to the Company. The Company, after unsuccessful procedure of "tax settlement", dated May 23, 2011, opposed an appeal to the Provincial Tax Commission of Milan against the aforementioned assessments, resulting in groundlessness and cancellation. On July 28, 2012, owing to the com-

plexity 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.
Subsequently, 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 Euro 128,080 thousand, and to IRAP taxable income aggregating to Euro 127,454 thousand, for tax years 2006 and 2007, resulting in Euro 42,266 thousand IRES tax due plus Euro 41,417 thousand penalties, and additional Euro 6,691 thousand IRAP tax due plus Euro 3,481 thousand penalties.

As you may recall, with reference to Banca Mediolanum two separate Audit Reports had been issued in past years following the field audit Italy's Tax Police (Milan Office - 1st Revenue Protection Group) started on September 16, 2010 and concluded on February 28, 2011. One Audit Report had been issued on October 29, 2010 claiming a Total adjustment of Euro 48.3 million to IRES and IRAP taxable income for tax year 2005, the other on February 28, 2011 claiming a Total adjustment of Euro 121.4 million to IRES and IRAP taxable income for tax years from 2006 through 2009, all relating to fees rebated by the Irish subsidiary Mediolanum International Funds Ltd. On April 29, 2011, the Bank had filed a brief prepared pursuant to section 12, paragraph 7, of Italian Law no. 212 of July 27, 2000 with the IRS Lombardy Office whereby the Bank had asserted the illegitimacy of the claims and its law-abiding conduct, requesting in any case the application of the penalty waiver clause under article 26 of Italy's Law Decree 78 of May 31, 2010. Subsequently, on December 21, 2012 the Bank was notified three Notices of IRES Tax Due and Demands for Payment and as many Notices of IRAP Tax Due and Demands for Payment for tax years 2005, 2006 and 2007, claiming adjustments to taxable income aggregating to Euro 333.5 million, resulting in Euro 110.1 million IRES tax due plus Euro 85.7 million penalties, and Euro 17.5 million IRAP tax due plus Euro 13.6 million penalties.

The two companies, Mediolanum Vita and Banca Mediolanum, even based on the opinion of an external consultant, believe 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 Law Decree no. 78/2010 was not applied although the tax administration itself recognised formal compliance of documentation produced within the required deadline.
For the same reasons and considerations set out above in relation to the Audit Reports, the two Companies started the procedure under the EU Arbitration Convention (Convention 90/436/EEC).

As to the outcome of the claims above, given that the pending issues relate to determinations for which the procedure under the international Arbitration Convention was initiated and considering that the transfer pricing applied by the Company is within the arm's length range as determined by independent economists, in the previous accounts the related Board of Directors had believed based, inter alia, on the opinion of an the external consultant, the risk was only possible and, as pending issues relate to determinations, no sufficiently reliable estimate could be made of the amount of the obligations that may have ultimately resulted for the two Companies. In the light of the foregoing no provision was made in the separate accounts for the year ended December 31, 2012 as well as in the prior years.
However in 2013, there have been significant changes in the international reference environment, with particularly significant impact on the Companies, which are still involved in the European arbitration procedure (90/436/EEC Agreement).

In this respect, there is an ongoing thorough review of the rules on intergroup transactions, as reported by the OECD in the document published on July 19, 2013 and entitled "Action Plan on Base Erosion and Profit Shifting" which argues that the current rules allow allocating a lower amount of taxable profits in the jurisdictions in which the revenues are achieved and a greater amount in the jurisdictions in which there are intangible assets, by their nature, easily transferable within the group.
While confirming again the exceptions relating to tax assessments and appropriateness of transfer prices charged by the aforementioned Companies, in the light of the foregoing, such guidelines in the complex dynamics of relationships between states, on the basis of experience, by analogy, also in dispute are slightly different, lead the Companies to believe that, also with the opinion of an external consultant, the likelihood of outflow of resources has now become "probable" limited only to relegated management fees.
In fact, because of the above revisions in progress at the international level regarding the criteria for determining the intergroup fees, it can not be ruled out that under international procedures implemented by companies prices can be effectively established that fall within a range of values of the free market different than current ones. However, the opinion about the illegality of the sanctions imposed remains confirmed, for the reasons set out above and the exclusion of any obligation to pay back the performance commission, on the basis of established and uniform practice recognized in the reference market.
With regard to the quantification of liabilities, while there have been difficulties in making estimates of items of value such as that concerning the litigation, the two Companies, with the support of the external consultant, considered it reasonable to reconsider some indications contained in the economic analysis prepared in accordance with article 26 Law Decree no. 78/2010 used to document the transfer pricing policy to Financial authorities.
This economic analysis, conducted on a representative panel of operators with respect to the period 2010-2012, in addition to identifying a median value of relegated management fees between 42.00% and 49.30%, also shows a position of the third quartile included between 55.17% and 58.53%.
The Directors of the two Companies, with the support of the external consultant, believe that in the procedures there may be a transfer value that falls in the third interquartile above, reasonably estimated at no more than 57% of management fees, to which, on the basis of estimates made with reference to the years 2005-2013, a greater tax burden corresponds for approximately Euro 53,325 thousand, excluding the application of sanctions for the reasons above.
In light of the foregoing, as of December 31, 2013, provisions were made for a total of Euro 53,325 thousand.

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, 2013 were prepared based on the going concern assumption. Following their examination of the financial position, result of operations and cash-flows, they also confirm they did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern.
In relation to "Impairment of Assets" (IAS 36), as illustrated above, the impairment method used by the Mediolanum Group included assessment of impairment by an independent expert based on current multi-year business plans previously approved by the Board of Directors of the companies. 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.
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, Mediolanum 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" for positions held at December 31, 2013, 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

Given the progressive growth of the banking activity of Mediolanum Group, with the joint press release of August 5, 2013, the Bank of Italy, IVASS and CONSOB inserted Mediolanum S.p.A. among the bank-oriented Financial Conglomerates resulting in the transfer of the supervision coordinator role to the Bank of Italy.

At December 31, 2013, the capital adequacy of the financial conglomerate Mediolanum, calculated in accordance with the related regulations of reference for the bank-oriented financial conglomerates is in line with the requirements of Bank of Italy's Circular 263 of December 27, 2006.
In particular, for the conglomerate capital requirements amounted to Euro 612 million, the conglomerate's assets to cover the required margin amounted to Euro 1,075 million with a surplus of Euro 463 million.

Post balance sheet date events

After December 31, 2013, there was no 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 2014 the presence of a moderate and accelerating global growth, the persistence of low inflation and the adoption of structural reforms can create an economic and political environment conducive to higher corporate profits. In this context, even within a multi-year period, the equity markets may anticipate and benefit from the expected positive evolution of the economic cycle.
The main central banks will continue to ensure low bond yields, in order not to jeopardize the economic results achieved in previous years through the adoption of expansionary monetary policies.
In Italy, the correctness of the path of monetary policy undertaken by the European Central Bank and fiscal consolidation which our country has undergone in recent years is recognized by the markets with the gradual and steady reduction in government yields, more compatible with a sustainable economic recovery.

In such environment, 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.
With due consideration of the developments outlined under "Tax Claims" and of the risks that are inherent in the business conducted by the Bank, barring any exceptional events or circumstances that depend on variables essentially outside the control of Directors and Senior Management – and not in the offing at present – the outlook for 2014 is positive.

Basiglio, March 26, 2014

For the Board of Directors
The Chairma
(Carlo Secchi)

Consolidated Accounts 2013

Statement of Financial Position

Assets

€/t	Dec. 31, 2013	Dec. 31, 2012
10. Cash and cash equivalents	60,443	64,345
20. Financial assets held for trading	1,135,102	1,221,489
30. Financial assets at fair value	12,751,185	12,968,255
40. Available-for-sale financial assets	12,558,883	12,319,068
50. Held-to-maturity investments	2,517,015	1,359,408
60. Loans to banks	1,100,559	1,452,479
70. Loans to customers	5,660,508	5,115,202
80. Hedging derivatives	2,418	1,366
90. Fair value change of financial assets in hedged portfolios (+/-)	-	-
100. Equity investments	391,869	382,699
110. Reinsurers' share of technical reserves	74,675	76,198
120. Tangible assets	193,229	196,377
130. Intangible assets	162,539	152,982
of which:	-	-
- goodwill	125,625	129,886
140. Tax assets	387,653	464,945
a) current	267,318	338,686
b) advanced	120,335	126,259
150. Non-current assets and disposal groups	868	1,094
160. Other assets	324,506	272,922
Total assets	37,321,452	36,048,829

Liabilities and Shareholders' Equity

€/t	Dec. 31, 2013	Dec. 31, 2012
10. Amounts due to banks	4,950,368	3,816,529
20. Amounts due to customers	12,905,464	11,047,980
30. Securities issued	369,409	432,404
40. Financial liabilities held for trading	250,867	261,115
50. Financial liabilities at fair value	70,988	89,042
60. Hedging derivatives	59,127	92,888
70. Fair value change of financial liabilities in hedged portfolios (+/-)	-	-
80. Tax liabilities	238,876	219,788
a) current	130,351	122,578
b) deferred	108,525	97,210
90. Liabilities associated with assets held for sale	962	960
100. Other liabilities	662,404	641,945
110. Employee completion-of-service entitlements	11,871	10,880
120. Provisions for risks and charges:	187,809	191,022
a) severance benefits and similar obligations	586	1,540
b) other provisions	187,223	189,482
130. Technical reserves	15,962,513	17,823,829
140. Valuation reserves	100,781	88,984
150. Redeemable shares	-	-
160. Equity instruments	-	-
170. Reserves	1,156,097	925,981
175. Interim dividend (-)	(73,595)	(73,427)
180. Share premium account	59,376	56,497
190. Share capital	73,600	73,434
200. Treasury shares (-)	(2,045)	(2,045)
210. Shareholders' equity attributable to minority interest (+/-)	-	-
220. Net profit (loss) for the year (+/-)	336,580	351,023
Total liabilities and Shareholders' equity	37,321,452	36,048,829

Consolidated Income Statement

€/t	Dec. 31, 2013	Dec. 31, 2012
10. Interest income and similar income	669,393	784,755
20. Interest expense and similar charges	(249,191)	(235,320)
30. Net interest income	420,202	549,435
40. Commission income	1,021,410	893,558
50. Commission expense	(464,023)	(382,337)
60. Net commission	557,387	511,221
70. Dividends and similar income	3,782	3,159
80. Net income from trading	15,641	132,746
90. Net income from hedging	3,755	(4,279)
100. Gains (losses) on sale/buyback of:	77,708	21,964
a) loans	(2,477)	9
b) available-for-sale financial assets	80,212	21,810
c) held-to-maturity investments	-	30
d) financial liabilities	(27)	115
110. Net result from financial assets and liabilities at fair value	1,173,151	1,118,267
120. Total income	2,251,626	2,332,513
130. Net impairment/reversal of impairment of:	(18,640)	(11,548)
a) loans	(13,444)	(9,091)
b) available-for-sale financial assets	(827)	(2,423)
c) held-to-maturity investments	-	-
d) other financial instruments	(4,369)	(34)
140. Net income from financial operations	2,232,986	2,320,965
150. Net premiums	4,873,759	8,051,307
160. Balance of other insurance income/expenses	(6,141,443)	(9,383,275)
170. Net income from financial and insurance operations	965,302	988,997
180. Administrative expenses:	(384,268)	(364,072)
a) personnel expenses	(162,069)	(153,555)
b) other administrative expenses	(222,199)	(210,517)
190. Net provisions for risks and charges	(18,328)	(49,354)
200. Depreciation and net impairment of tangible assets	(7,758)	(6,737)
210. Amortisation and net impairment of intangible assets	(14,042)	(7,522)
220. Other operating income/expenses	6,521	14,655
230. Operating expenses	(417,875)	(413,030)
240. Profit (loss) on equity investments	895	(55,220)
250. Net income at fair value of tangible and intangible assets	-	-
260. Impairment of goodwill	(4,261)	(20,142)
270. Profit (loss) on disposal of investments	30	5
280. Net profit (loss) before tax on continuing operations	544,091	500,610
290. Income tax expense on continuing operations	(207,483)	(149,561)
300. Net profit (loss) after tax on continuing operations	336,608	351,049
310. Net profit (loss) after tax of non-current assets pending disposal	(28)	(26)
320. Net profit (loss) for the year	336,580	351,023
330. Net profit (loss) for the year attributable to minority interests	-	-
340. Net profit (loss) for the year attributable to the Parent Company	336,580	351,023

Statement of Other Comprehensive Income

€/t	Dec. 31, 2013	Dec. 31, 2012
10. Net profit (loss) for the year	336,580	351,023
Other comprehensive income components, net of income tax without reversals to the income statement		
20. Tangible assets	-	-
30. Intangible assets	-	-
40. Defined benefit plans	26	-
50. Non-current assets or disposal groups held for sale	-	-
60. Share of reserves on investments accounted for by the equity method	107	-
Other comprehensive income components, net of income tax with reversals to the income statement		
70. Hedges of investments in foreign operations	-	-
80. Exchange differences	-	-
90. Cash flow hedges	-	-
100. Available-for-sale financial assets	11,771	372,168
110. Non-current assets or disposal groups held for sale	-	-
120. Share of reserves on investments accounted for by the equity method	(4,496)	28,171
130. Total of other comprehensive income components, net of income tax	7,408	400,339
140. Comprehensive income (Captions 10+130)	343,988	751,362
150. Total comprehensive income attributable to minority interests	-	-
160. Total comprehensive income attributable to the Parent Company	343,988	751,362

Statement of Changes in Equity

at December 31, 2012

€/t	Balance at Dec. 31, 2011	Adjustment to opening balance	Balance at Jan. 1, 2012	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other allocations
Share Capital					
a) ordinary shares	73,382	-	73,382	-	-
b) other shares	-	-	-	-	-
Share premium account	56,013	-	56,013	-	-
Reserves:					
a) retained earnings	763,023	-	763,023	37,929	-
b) other	84,693	-	84,693	-	-
Valuation reserves	(279,983)	-	(279,983)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(2,045)	-	(2,045)	-	-
Net profit (loss) for the year	67,267	-	67,267	(37,929)	(29,338)
Shareholders' equity	762,350	-	762,350	-	(29,338)
Shareholders' equity attributable to minority interest	-	-	-	-	-

at December 31, 2013

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

Changes occurred in the year									
	Movements in equity								
Change in reserves	New share issues	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Treasury share derivatives	Stock options	Change in shareholding interest	Comprehensive income at Dec. 31, 2012	Shareholders' equity at Dec. 31, 2012
-	52	-	-	-	-	-	-	-	73,434
-	-	-	-	-	-	-	-	-	-
-	484	-	-	-	-	-	-	-	56,497
6,709	-	-	(73,388)	-	-	2,216	-	-	736,489
-	-	-	-	-	-	-	-	-	84,693
-	-	-	-	-	-	-	-	400,339	120,356
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2,045)
-	-	-	-	-	-	-	-	351,023	351,023
6,709	536	-	(73,388)	-	-	2,216	-	751,362	1,420,447
-	-	-	-	-	-	-	-	-	-

Changes occurred in the year									
	Movements in equity								
Change in reserves	New share issues	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Treasury share derivatives	Stock options	Change in shareholding interest	Comprehensive income at Dec. 31, 2013	Shareholders' equity at Dec. 31, 2013
-	166	-	-	-	-	-	-	-	73,600
-	-	-	-	-	-	-	-	-	-
-	2,879	-	-	-	-	-	-	-	59,376
12,317	-	-	(73,557)	-	-	3,297	-	-	970,826
-	-	-	-	-	-	-	-	-	84,693
-	-	-	-	-	-	-	-	7,408	127,764
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2,045)
-	-	-	-	-	-	-	-	336,580	336,580
12,317	3,045	-	(73,557)	-	-	3,297	-	343,988	1,650,794
-	-	-	-	-	-	-	-	-	-

Statement of cash flows

Indirect method

€/t	Dec. 31, 2013	Dec. 31, 2012
A. OPERATING ACTIVITIES		
1. Operating	(658,016)	(452,455)
- net income (+/-)	336,580	351,023
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(1,140,793)	(1,109,718)
- gains/losses on hedges (-/+)	(3,755)	4,279
- impairment/reversal of impairment (+/-)	13,444	9,091
- net write-downs/write-backs of tangible and intangible assets (+/-)	21,800	14,259
- net provisions for risks and charges and other costs/revenues (+/-)	18,328	49,354
- unpaid taxes and tax credits (+/-)	96,380	229,257
2. Cash generated/used by financial assets	947,513	(254,551)
- financial assets held for trading	86,387	1,686,427
- financial assets at fair value	216,018	(238,015)
- available-for-sale financial assets	(228,018)	(2,884,494)
- loans to banks: on demand	62,972	167,059
- loans to banks: other loans	288,948	540,281
- loans to customers	(545,306)	(879,164)
- other assets	1,066,512	1,353,355
Cash generated/used by financial liabilities	1,006,392	1,218,996
- due to banks: on demand	30,453	(175,998)
- due to banks: other amounts due	1,103,386	(1,610,011)
- due to customers	1,857,484	4,051,949
- securities issued	(62,995)	(92,480)
- financial liabilities held for trading	(10,248)	(80,230)
- financial liabilities at fair value	(51,815)	33,651
- other liabilities	(1,859,873)	(907,885)
Net cash generated by/used in operating activities	1,295,889	511,990
B. INVESTING ACTIVITIES		
1. Cash generated from	5	101
- sale of tangible assets	5	91
- sale of intangible assets	-	10
2. Cash used for	(1,173,800)	(392,882)
- purchase of investments	-	-
- purchase of held-to-maturity investments	(1,157,607)	(353,459)
- purchase of tangible assets	(3,898)	(24,974)
- purchase of intangible assets	(12,295)	(14,449)
Net cash generated by/used in investing activities	(1,173,795)	(392,781)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	166	52
- issue/purchase of equity instruments	6,176	2,700
- dividend distribution and other	(132,338)	(102,726)
Net cash generated by/used in financing activities	(125,996)	(99,974)
NET CASH GENERATED/USED IN THE YEAR	(3,902)	19,235

Legend: (+) generated (-) used

RECONCILIATION

€/t	Dec. 31, 2013	Dec. 31, 2012
Captions		
Cash and cash equivalents at beginning of the year	64,345	45,110
Net cash generated/used in the year	(3,902)	19,235
Cash and cash equivalents at end of the year	60,443	64,345

Notes to the Consolidated Annual Financial Statements 2013

Notes to the Consolidated Annual Financial Statements at December 31, 2013

These Notes are structured as follows:

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

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

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

The consolidated financial statements for the year ended December 31, 2013 were prepared pursuant to Legislative Decree no. 38 of February 28, 2005, 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 and subsequent.
The Mediolanum Group, under Legislative Decree no. 142 of May 30, 2005, is a financial conglomerate that operates primarily in the banking business.
With the Bank of Italy, IVASS and Consob joint press release of August 5, 2013, Mediolanum S.p.A. became part of the bank-oriented financial Conglomerates resulting in the transfer of the role as supervision coordinator to the Bank of Italy. Consequently, the consolidated financial statements for the year ended December 31, 2013 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 and subsequent updates, in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005. In the light of the inclusion of the Company in the list of bank-oriented conglomerates, the previous year's data have been restated in the form required by the aforementioned sectoral legislation.

Section 2 - Accounting basis

In the preparation of the consolidated financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2013, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS, no departure was made from requirements therein. These separate financial statements consist of the Statement of financial position, the Income statement, the Statement of other comprehensive income, the Statement of changes in equity, the Statement of cash flows and Notes in addition to the Report on operations.
In accordance with art. 5 of Legislative Decree no. 38 of February 28, 2005 the financial statements were prepared using the Euro as reporting currency.
The amounts set out in the Accounts, in the Notes and in the Report are presented in thousands of Euro unless stated otherwise.

The Accounts and the Notes also include comparative information for the year ended December 31, 2012.

Accounts

Statement of Financial Position and Income Statement

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

Statement of Other Comprehensive Income

The Statement of other comprehensive income presents gains and losses relating to the year's changes in the value of assets, stated net of related taxation. Like Statement of financial position and Income statement items, items with a nil balance for both the year under review and the prior year are not indicated. Negative amounts are shown within parentheses.

Statement of Changes in Equity

The Statement of changes in equity shows the composition of Shareholders' Equity as well as the movements in the various equity accounts (i.e. share capital, capital reserves, retained earnings, assets and liabilities valuation reserves and net profit for the year) in the year under review and the prior year. Treasury shares are deducted from equity. The Banking Group did not issue any equity instruments other than ordinary and savings shares.

Statement of Cash Flow

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

Content of the Notes

The Notes set out the information required under the international accounting and financial reporting standards and Bank of Italy's Circular 262/2005, as amended on November 18, 2009 and January 21, 2014.
In accordance with Bank of Italy's requirements, no note is provided for items with a nil balance for both the year under review and the prior year. In the tables with Income statement information, revenues are indicated with no sign, while costs are shown within parenthesis.

Section 3 - Scope and methods of consolidation

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

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

€/t Company	Share capital	% holding	Registered office	Type of relation [1]	Business
Mediolanum Vita S.p.A.	87,720	100.00%	Basiglio	1	Life Insurance
Mediolanum Assicurazioni S.p.A.	25,800	100.00%	Basiglio	1	Damages Insurance
Mediolanum Comunicazione S.p.A.	775	100.00%	Basiglio	1	Audio/film/TV production
PI Servizi S.p.A.	517	100.00%	Basiglio	1	Real estate brokerage
Mediolanum International Life Ltd	1,395	100.00%	Dublin	1	Life Insurance
Banca Mediolanum S.p.A.	600,000	100.00%	Basiglio	1	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.00%	Basiglio	1	Fund management
Mediolanum International Funds Ltd	150	44.00%	Dublin	1	Fund management
Mediolanum Asset Management Ltd	150	49.00%	Dublin	1	Asset management and advice
Gamax Management AG	7,161	0.004%	Luxembourg	1	Fund management

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

€/t Company	Share capital	% holding	Registered office	Type of relation (1)	Business
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00%	Basiglio	1	Fund management
Mediolanum Fiduciaria S.p.A.	240	100.00%	Basiglio	1	Trust company
Mediolanum International Funds Ltd	150	51.00%	Dublin	1	Fund management
Mediolanum Asset Management Ltd	150	51.00%	Dublin	1	Asset management and advice
Gamax Management AG	7,161	99.996%	Luxembourg	1	Fund management
Banco Mediolanum S.A.	86,032	100.00%	Barcelona	1	Banking
Bankhaus August Lenz & Co. AG	20,000	100.00%	Munich	1	Banking
Fermi & Galeno Real Estate S.r.l.	10	100.00%	Basiglio	1	Management of real estate funds

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

€/t Company	Share capital	% holding	Registered office	Type of relation (1)	Business
Mediolanum Gestión S.G.I.I.C. S.A.	2,506	100.00%	Barcelona	1	Fund management
Fibanc S.A.	301	100.00%	Barcelona	1	Financial Advice
Mediolanum Pensiones S.G.F.P. S.A.	902	100.00%	Barcelona	1	Pension Fund management
Mediolanum International Funds Ltd	150	5.00%	Dublin	1	Fund management

Legend:
(1) Type of relation: 1 = majority of voting rights in the ordinary Shareholders' Meeting
2 = dominant influence at ordinary Shareholders' Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = joint management ex Art. 26, paragraph 1, legislative decree no. 87/92
6 = joint management ex Art. 26, paragraph 2, legislative decree no. 87/92
7 = joint control

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

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

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

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

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 items of the Statement of financial position and the Income statement. After minority interests in the net assets and minority interests in the profit or loss of subsidiaries are separately identified, the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

Any resulting difference, if positive, after recognition of the assets or liabilities of the subsidiary, is recognised as goodwill under "Intangible Assets" on first-time consolidation, and under "Other Reserves" thereafter. Negative differences are recognised in the Income statement. Intercompany assets, liabilities, income and expenses are eliminated in full.

Business combinations are accounted for by applying the purchase method. Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's (acquirer's) interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's (acquirer's) cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

If goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The income and expenses of a subsidiary acquired during the reporting period are included in the consolidated financial statements from the date of acquisition.

Accordingly, the income and expenses of a subsidiary disposed of in the reporting period are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. Any difference between the consideration for the disposal of the subsidiary and its carrying amount as of the date of disposal is recognised in the Income statement.

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.

Consolidation using the 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 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 investment, 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 and joint ventures the approved IAS/IFRS annual/interim financial statements of associates were used.

Section 4 – Post Balance Sheet Date Events

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

Section 5 - Other information

Information on the business and the results of operations for the year 2013 of the main subsidiaries is set out in the Report on operations accompanying the consolidated financial statements.
Pursuant to the resolution passed at the Annual General Meeting held on April 20, 2011, the financial statements of Mediolanum S.p.A. are audited by Deloitte & Touche S.p.A.

A.2 - SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

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

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

The following standards, amendments and interpretations have been adopted by the Group for the first time beginning January 1, 2013.

- On May 12, 2011, the IASB issued IFRS 13 – "Fair Value Measurement" that clarifies how fair value is to be measured. IFRS 13 applies any time another IFRS requires or permits fair value valuations or disclosures about measurements based on fair value, with some limited exceptions. In addition, the Standard requires a disclosure concerning fair value measurement (the fair value hierarchy) that is more extensive than that required by IFRS 7. The principle is applicable prospectively as of January 1, 2013. The adoption of the principle has not had significant effects in relation to fair value measurement, but had an impact in terms of reporting on the consolidated financial statements of the Group.

- On June 16, 2011, the IASB also issued an amendment to IAS 19 "Employee Benefits". The amendment eliminates the option to defer the recognition of actuarial gains/losses under the "corridor" approach, requiring immediate recognition of changes in the plan's net assets/liabilities, recognition in the Income statement of service costs, interest cost as well as of actuarial gains/losses resulting from the re-measurement of assets and liabilities in Other comprehensive profit/loss. Expected returns on plan assets are replaced by recognition in the Income statement of interest income calculated using the discount rate used to measure the obligation. The amended standard also introduces additional information to be stated in the notes to the financial statements. The amended standard will become effective for annual periods beginning on January 1, 2013 with retrospective application required. The introduction of the new amended standard had 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 Euro 667 thousand reduced costs in the Income statement and the concurrent recognition of a negative equity reserve. In relation to the immateriality of the impact resulting from the application of the amendment, the previous year's data have not been restated.
- On June 16, 2011, the IASB issued an amendment to IAS 1 – "Presentation of Financial Statements". The amendment requires companies to group items of Other statement of comprehensive profit/loss according to whether they may be subsequently reclassified to profit or loss. The revised standard is applicable to financial years beginning on or after July 1, 2012.
  As a result of adoption of this principle the comparative data was also presented in compliance with the new information requirements.
- On December 16, 2011, the IASB issued amendments to IFRS 7 – "Financial Instruments: disclosures". Amendments require the provision of information on the effects or potential effects of offsetting financial assets and liabilities on the Statement of financial position. The revised standards are applicable to financial years beginning on or after January 1, 2013. Disclosures are to be provided retrospectively. The adoption of the amendments has not entailed the recognition of any effects on the Group's consolidated financial statements.
- On May 17, 2012, the IASB published the Annual Improvements to IFRSs document: 2009-2011 Cycle, which incorporates amendments to Standards in the context of the annual improvement process thereof, focusing on changes deemed necessary but not urgent.
  Below are those that involve a change in the presentation, recognition and measurement of assets and liabilities, excluding those that involve only a change in terminology or editorial changes with minimal effect on accounting, or those that affect standards or interpretations not applicable to the Group:
  – IAS 1 "Presentation of financial statements – Comparative information": it should be noted that any additional comparative information shall be presented in accordance with IAS/IFRS. In addition, it is clarified that if an entity changes an accounting policy or makes an adjustment/reclassification retrospectively, the same entity should present a statement of financial position also at the beginning of the comparative period ("third balance sheet" in the financial statements), while in the notes comparative disclosures are not required for such "third balance sheet", apart from the items concerned;
  – IAS 16 "Property, Plant and Equipment – Classification of servicing equipment": it is clarified that servicing equipment should be classified under "Property, plant and equipment" when used for more than one year, in "Inventory" otherwise;
  – IAS 32 "Financial Instruments: Presentation – Direct taxes on distributions to holders of equity instruments and on transaction costs on capital instruments": it is clarified that direct taxes relating to these cases follow the rules of IAS 12;

– IAS 34 "Interim Financial Reporting – Total assets for reportable segment": it is clarified that the total assets must be reported only if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets of the segment with respect to as reported in the last annual financial statements.

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

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

- On May 12, 2011, the IASB issued "IFRS 10 – Consolidated Financial Statements" superseding "SIC-12 Consolidation – Special Purpose Entities" and the requirements relating to consolidated financial statements of "IAS 27 – Consolidated and Separate Financial Statements". The amended IAS 27 titled Separate Financial Statements sets out the requirements for accounting treatment of investments in subsidiaries, joint ventures, and associates in separate (non-consolidated) financial statements. The main changes set forth in the new principle are as follows:
  - under IFRS 10, there is a single basic standard to consolidate all types of entities, and is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - a stronger definition of control with respect to the past was introduced, based on three elements: (a) power on the Company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such returns;
  - IFRS 10 requires an investor, to assess whether it has control over the Company acquired, to focus on activities that significantly affect the returns of the same;
  - IFRS 10 requires that, in assessing whether control exists, only the substantive rights are considered, i.e. those which are exercised in practice when important decisions must be taken on the Company acquired;
  - IFRS 10 provides practical guides to aid in assessing whether control exists in complex situations, such as de facto control, potential voting rights, the situations in which it is necessary to establish whether the person who has the power of decision is acting as agent or principal etc.

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

  The principle is applied retrospectively as of January 1, 2014. The adoption of the new principle would have had no impact on these financial statements.
- On May 12, 2011, the IASB issued "IFRS 11 – Joint Arrangements" superseding "IAS 31 – Interests in Joint Ventures" and "SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Joint Ventures". The new standard, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements based on the rights and obligations of the arrangement, rather than on the legal form and requires a single method to account for interests in jointly controlled entities in the consolidated financial statements using the equity method. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. The new principle

is applicable retrospectively as of January 1, 2014. Following the issue of IFRS 11, "IAS 28 – Investments in Associates" was amended to include in its scope from the effective date of IFRS 11 also joint ventures. The adoption of the new principle would have had no impact on these financial statements.

- On May 12, 2011, the IASB issued "IFRS 12 – Disclosure of Interests in Other Entities". This new standard includes all disclosure requirements for the consolidated financial statements for all interests in other entities, including subsidiaries, joint arrangements, associates, structured entities and unconsolidated entities. The principle is applied retrospectively as of January 1, 2014. The adoption of the new principle would have had no impact on these financial statements. The Group is assessing the potential impact on disclosures relating to shareholdings.
- On December 16, 2011, the IASB issued amendments to "IAS 32 – Financial Instruments: Presentation of Financial statements" to provide additional guidance on consistent application of IAS 32 regarding offset of financial assets and financial liabilities. The revised standards are applicable retrospectively to financial years beginning on or after January 1, 2014. The adoption of the new principle would have had no impact on these financial statements in terms of measurements and disclosures.
- On June 28, 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document aims to clarify the transitional rules of IFRS 10, Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. These amendments are applicable, together with the principles of reference, from the years beginning on January 1, 2014, subject to earlier application. The adoption of these amendments in these financial statements would have had no impact except for ongoing evaluations on disclosure relating to shareholdings.
- On October 31, 2012 amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" were issued, which introduce an exception to the consolidation of subsidiaries for an investment company, with the exception of cases in which subsidiaries provide services that relate to the investment activities of such companies. In application of these amendments, an investment company must measure its investments in subsidiaries at fair value. To be classified as an investment company, an entity shall:
  - obtain funds from one or more investors with the aim of providing them with investment management services;
  - be committed towards its investors to pursue the commercial purpose of investing funds exclusively to obtain returns from capital appreciation, investment income, or both;
  - measure and evaluate the performance of substantially all investments at fair value.

  These amendments are applicable, together with the standards of reference, from periods beginning on or after January 1, 2014, subject to earlier application. The adoption of these amendments in these financial statements would have had no impact except for ongoing evaluations on disclosure relating to shareholdings.
- On May 29, 2013, the IASB issued some amendments to "IAS 36 – Impairment of Assets – Additional information on the recoverable value of non-financial assets". The amendments are intended to clarify that the additional information to be provided about the recoverable amount of the assets (including goodwill) or cash-generating unit, in the event that their recoverable amount is based on fair value less costs of disposal, only concern the assets for which an impairment loss has been recognized or reversed during the financial year. The amendments shall be effective retrospectively for periods beginning on January 1, 2014. The adoption of said amendment would not have had any material impact on the financial statements.
- On June 27, 2013, the IASB issued amendments to "IAS 39 – Financial Instruments: Recognition and Measurement - Notation of derivatives and continuation of hedge accounting". The changes include the introduction of certain exemptions from the requirements of hedge accounting as defined by IAS 39 in the circumstance

in which an existing derivative is to be replaced with a new derivative that has by law or regulation directly (or indirectly) a central counterparty (Central Counterparty - CCP). The amendments should be applied retrospectively for periods beginning on or after January 1, 2014. Early adoption is permitted. The adoption of this amendment would not have had a material impact on these financial statements.

- On November 12, 2009, the IASB published "IFRS 9 - Financial Instruments": it was subsequently amended on October 28, 2010. The Standard, applicable as from January 1, 2015 in a retrospective fashion, is the first part of a stage process that aims to entirely replace IAS 39 and introduce new criteria for classifying and measuring financial assets and financial liabilities. More specifically, for financial assets the new standard takes a single approach based on the financial instrument management methods and on the characteristics of contractual cash flow of financial assets in order to determine the measurement criteria, replacing the alternative rules established by IAS 39. For financial liabilities, however, the main change concerns the accounting of changes in fair value of a financial liability designated as a financial liability measured at fair value through profit or loss, in the event that these are due to changes in the creditworthiness of the liability. According to the new Standard, such changes are to be recognised in the Statement of other comprehensive income and will no longer pass through the Income statement.
- On November 19, 2013, the IASB published the document "IFRS 9 Financial Instruments - Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39" relative to the requirements of the new model of hedge accounting. The document aims to respond to the criticism on the requirements in IAS 39 that are often considered too stringent and not suitable to reflect the risk management policies of the entity. The primary additions to the document include:
  – changes for the types of transactions eligible for hedge accounting, in particular spreading the risk of non-financial assets/liabilities eligible to be managed in hedge accounting;
  – change in accounting method of forward contracts and derivative options when included in hedge accounting report in order to reduce the volatility of the P/L;
  – changes to the effectiveness test as the current form will be replaced with the principle of "economic relationship" between the hedged item and the hedging instrument; in addition, an assessment of the retrospective effectiveness of the hedging report will no longer be required;
  – greater flexibility of the new accounting rules is offset by additional requests for information on the risk management activities of the Company.

Financial assets 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 derivates 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 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, and 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.

Financial assets held for trading

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

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

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

if the actual results of the hedge are within a range of 80%-125%. Hedge effectiveness is assessed at the date the entity prepares its annual or interim financial statements, using:

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

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

Equity investments

This account relates to investments in 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% or more of the voting power of the investee or, if it holds less than 20% 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% of the voting power of the investee and a third party holds the other 50%. 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 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.

Loans and Receivables

This category includes loans to customers and to banks with fixed or determinable payments, that are not quoted in an active market and that, upon initial recognition, were not classified as available-for-sale financial assets.
Loans and receivables also include trade receivables, repurchase agreements and securities purchased under a public offering or private placement, with fixed or determinable payments, that are not quoted in an active market.
A loan or receivable is initially recognised at fair value on the trade date or, in the case of a debt instrument, on

the settlement date. The fair value of a loan or receivable is the loaned amount, or the transaction price, including any directly attributable costs or income determinable on the trade date, even if settled at a later date, except for those costs that are reimbursed by the borrower/debtor or are internal administrative costs.

Carryovers and repurchase agreements which entail the obligation for a future resale/repurchase are recognised as funding or lending transactions. Specifically, the amount received for the sale of an asset under an agreement to repurchase it at a future date is recognised in the Statement of financial position as a debt, while the amount paid for the purchase of an asset under an agreement to resell it at a future date is recognised as a loan.

After initial recognition, loans and receivables are measured at amortised cost. Amortised cost is the amount at which the financial asset is measured on initial recognition plus or minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any directly attributable costs/income and minus/plus any reduction/reversal for impairment. The effective interest rate is identified by calculating the rate that equates the present value of the future cash flows of the loan, by capital and interest, to the amount disbursed, including any costs/income attributed to the loan. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset.

Amortised cost is not applied to short-terms loans and receivables for which the effect of discounting is immaterial.

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:

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

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

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

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

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

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

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

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

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.

Investment property and other tangible assets

Tangible assets include land, Group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.

These are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one period.

This account also includes assets held under finance leases even when the lessor retains title thereof.

Tangible assets are initially recognised at cost, which comprises the purchase price of the asset and all costs directly attributable to the asset's acquisition and operation.

The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, while the costs of day-to-day servicing are recognised in the Income statement.

Tangible assets, including investment property, are carried at cost less any accumulated depreciation and impairment losses.

Tangible assets are systematically depreciated on a straight-line basis over their useful lives except for land, be it acquired separately or together with buildings, which has an indefinite useful life. Under the international accounting standards land and buildings are separable assets and are to be accounted for separately. When the value of land is embedded in the value of the building, only for land on which a building stands, their respective value is determined by independent experts.

At each interim and annual reporting date, if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. 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 long-term application software, as well as intangible assets generated during the acquisition of a shareholding. 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, the cost is recognised as an expense in the Income statement in the year in which it was incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.
At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from it.

Other Assets

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

Financial liabilities held for trading

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

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

Life Technical Reserves

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.
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.
In the case of net gains related to hedging assets of DPF contracts, the Group allocates a so-called reserve of Shadow Accounting on the basis of the average rates of relegation of returns on segregated funds.
This reserve is recognised in equity when the unrealised gains or losses are recognised in equity, otherwise is recognised in the Income statement.

Damages Technical Reserves

The insurance contracts under IFRS 4 are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.
Insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the present value of net cash flows of the insurer. Regarding Mediolanum Assicurazioni S.p.A., all the policies in the portfolio at 31.03.2013 were classified as insurance contracts.

Premium reserves

The premium reserve for direct insurance is determined analytically for each policy according to the pro-rata basis method, based on gross premiums written, net of acquisition commissions and other acquisition costs, limited to direct costs.

The premium reserve, where necessary, is also integrated in accordance with the provisions of art. 12 to 23 ISVAP Regulation no. 16 of March 4, 2008, given the particular nature of the risks of damage resulting from earthquake, tsunami, volcanic eruption and related phenomena and the equalization reserve for risks of natural disasters.
The possible need for an allocation of the reserve relating to unexpired risks is assessed, as allowed by art. 9 to 11 ISVAP Regulation no.16 of March 4, 2008 on the basis of the ratio of claims/premiums. The premium reserve to reinsurers, as determined in accordance with the underlying treaties, is calculated according to the same criteria used in determining the reserves on direct "quota" treaty, while the flat-rate system was used for the portfolio.

Other Technical Reserves

The ageing reserve was calculated in accordance with the criteria set out in the ISVAP Regulations no. 16 of March 4, 2008.

Accident reserves

The work injuries reserve was determined analytically through an examination of all claims outstanding at the balance sheet date and carried out with reference to what will be, according to the best estimate of future costs currently anticipated, the cost that the Company may be required to compensate (so-called "Ultimate cost").
The reserve includes an estimate for claims incurred but not yet reported at the balance sheet date for which the calculation is on the basis of the experience acquired in previous years.
The reserve is also integrated to take into account the costs of liquidation attributable to compensation.
The claims reserve of indirect work is on the basis of communication by originators and revised in the light of objective facts and statistics available.
The claims reserve as recorded in the accounts is considered, on the basis of objectively known elements, adequate to fully meet the expected charges for the settlement of claims incurred up to the end of the year. The claims reserve to reinsurers is determined using criteria similar to those adopted for the reserves of direct and indirect work and in respect of the underlying treaties.

Reserve arising from the verification of the adequacy of damage technical reserves

A test is conducted on the damage technical reserves in accordance with IFRS 4 (Liability Adequacy Test - LAT). For the purpose of checking the adequacy of the premiums reserve in terms of individual ministerial segment, the calculation of the additional reserve for Risks underway is with the simplified method as required by ISVAP Regulation no. 16 art. 11. Because the reserve claims are valued at the ultimate cost, and not discounted, it is possible to consider the future cash flows of payments as implicitly verified (LAT on the claims reserve).

Debt and securities issued/Other financial liabilities

Other financial liabilities include the various forms of funding from banks and customers as well as bonds issued net of any buybacks.
These financial liabilities are initially recognised when amounts are received or bonds are issued.
They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional

costs/income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.

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

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

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

A financial liability is derecognised when it expires or is extinguished. They are derecognised also when they are bought back. The difference between the carrying amount of the liability and the amount paid to buy it 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 where applicable). To determine the present value of benefit obligations the Projected Unit Credit Method is used. The rate used for discounting is determined on the basis of market rates of high-quality bonds, in line with the estimated residual timing of commitments. Such values involve the recognition in the Income statement of expenses related to work performance and net financial expense and the inclusion of actuarial gains and losses arising from the remeasurement of liabilities in Other comprehensive income/(loss).

Entitlements accrued from January 1, 2007 allocated to either INPS or private pension plans are defined contribution payment obligations, since the Company's obligation is limited to the amount it agrees to contribute to the fund. The defined contribution obligations for each period are the amounts to be contributed for that period.

Employee pension plan

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

Assets and liabilities denominated in foreign currencies

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

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

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

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 the taxable profits or tax losses, including any withholding taxes, tax deductions and tax credits, of all participating Group companies are consolidated into the Parent Company. The Parent Company, as reporting entity, calculates the consolidated taxable profit by adding the taxable profits/losses of all participating Group companies to its own taxable profit/tax loss.
The Mediolanum Group companies that elected to apply the "tax consolidation regime" calculate their tax base and transfer the resulting taxable income to the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company.
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.

Income Statement

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

Specifically:

- commissions are measured on an accrual basis;
- interest income and interest expense are recognised on an accrual basis applying the effective interest method;
- dividends are recognised in the Income statement when their distribution to Shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the Income statement only when actually received.

OTHER INFORMATION

Use of estimates

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

- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- identification of loss events as per IAS 39 - IAS 36;
- assumptions used for the identification of any objective evidence of impairment of intangible assets and equity investments recognised in the Statement of financial position;
- determination of impairment losses on loans and other financial assets;
- estimates to determine technical reserves;
- determination of provisions for risks and charges and for taxes;
- estimates and assumptions for the determination of the probability of utilisation of deferred tax assets;
- assumptions used to determine the costs of stock options plans for top management and contract workers.

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

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible assets with the exception of any goodwill are 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-generating unit's fair value less cost to sell and its value in use. The impairment loss on goodwill is recognised in the Income statement and cannot be reversed in subsequent periods.

Share-based payments

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

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

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

€/t	Reclassified from (2)	Reclassified to (3)	Carrying amount at Dec. 31, 2013 (4)	Fair value at Dec. 31, 2013 (5)	Income components in the absence of the transfer (before tax)		Income components recorded in the year (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
A. Debt securities			80,097	79,683	960	1,077	455	673
	HFT	AFS	70,283	70,283	455	1,033	455	630
	HFT	Loans to customers	9,814	9,400	505	44	-	43
Total			80,097	79,683	960	1,077	455	673
	HFT	Loans to customers	9,814	9,400	505	44	-	43
Total			80,097	79,683	960	1,077	455	673

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

A.4 - FAIR VALUE DISCLOSURES

Fair value disclosures

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

Fair value hierarchy

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

- Level 1: the FV of classified instruments at this level is determined on the basis of quoted prices observed in active markets;

- Level 2: the FV of classified instruments at this level is determined based on valuation models that use inputs observable in active markets;
- Level 3: the FV of classified instruments at this level is determined based on valuation models that primarily use significant inputs unobservable in active markets.

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

Description of migration between the valuation level of assets

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

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

Company	From level 1 to level 2 or vice versa
Mediolanum International Life Ltd	In FY 2013 a security went from level 1 to level 2
Mediolanum Vita Spa	In FY 2013 two securities went from level 1 to level 2 In FY 2013 two securities went from level 2 to level 1
Banca Mediolanum Spa	In FY 2013 a security went from level 2 to level 1

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

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

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

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

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

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

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

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

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

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

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

Hedging of index-linked policies pertaining to the insurance company subsidiary Mediolanum Vita are represented by bonds and derivatives traded outside regulated markets, and characterized by low liquidity and complex financial structures. For their evaluation, complex stochastic models are used. Specifically:

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

The sensitivity of index-linked hedges to changes in equity risk factors is equal to 2.73% of the notional amount. The sensitivity values are derived from the Greeks (delta) of contracts (first derivative of the contract price with respect to changes in the risk factor, evaluated numerically on a variation of 50 basis points of the relevant factors), and represent the sum of the notional values of futures contracts written on the leverage on risk factors corresponding to different equity indices of reference.

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

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

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

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

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

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

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

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

	Dec. 31, 2013			Dec. 31, 2012		
€/t	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	1,100,271	26,806	8,025	1,180,778	32,937	7,774
2. Financial assets at fair value	10,715,215	1,423,027	612,943	9,800,501	2,267,225	900,529
3. Available-for-sale financial assets	12,296,507	145,089	117,287	11,759,893	447,561	111,614
4. Hedging derivatives	-	2,418	-	-	1,366	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	24,111,993	1,597,340	738,255	22,741,172	2,749,089	1,019,917
1. Financial liabilities held for trading	231,526	18,800	541	235,672	23,476	1,967
2. Financial liabilities measured at fair value	47,398	19,020	4,570	46,090	27,157	15,795
3. Hedging derivatives	-	59,127	-	-	92,888	-
Total	278,924	96,947	5,111	281,762	143,521	17,762

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

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

€/t	Financial assets held for trading	Financial assets at fair value	Available-forsale financial assets	Hedging derivatives	Tangible assets	Intangible assets
1. Opening balance	7,774	900,529	111,614	-	-	-
2. Increases	172,669	108,007	13,077	-	-	-
2.1. Acquisitions	161,687	26,090	8,713	-	-	-
2.2. Profits recognised:						
2.2.1. Income statement	1,394	81,554	-	-	-	-
- of which: gains	617	60,787	-	-	-	-
2.2.2. Shareholders' equity	X	X	4,064	-	-	-
2.3. Transferred from other levels	-	-	263	-	-	-
2.4. Other increases	9,588	363	37	-	-	-
3. Decreases	172,418	395,593	7,404	-	-	-
3.1. Sales	163,821	358,362	-	-	-	-
3.2. Redemptions	45	5,021	-	-	-	-
3.3. Losses recognised						
3.3.1. Income statement	345	16,582	5,843	-	-	-
- of which: losses	8	7,687	5,564	-	-	-
3.3.2. Shareholders' equity	X	X	1,551	-	-	-
3.4. Transferred to other levels	-	-	-	-	-	-
3.5. Other decreases	8,207	15,628	10	-	-	-
4. Closing balance	8,025	612,943	117,287	-	-	-

A.4.5.3 Year's movements in financial liabilities at fair value (Level 3)

€/t	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	1,967	15,795	-
2. Increases	-	-	-
2.1. Issues	-	-	-
2.2. Losses recognised			
2.2.1. Income statement	-	-	-
- of which: gains	20	-	-
2.2.2. Shareholders' equity	X	X	-
2.3. Transferred from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	1,426	11,225	-
3.1. Redemptions	-	-	-
3.2. Buybacks	-	-	-
3.3. Profits recognised			
3.3.1. Income statement	-	-	-
- of which: losses	53	-	-
3.3.2. Shareholders' equity	X	X	-
3.4. Transferred to other levels	-	-	-
3.5. Other decreases	1,426	11,225	-
4. Closing balance	541	4,570	-

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

	Dec. 31, 2013				Dec. 31, 2012			
		FV				FV		
€/t	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	2,517,015	2,592,614	4,015	-	1,359,408	1,174,200	208,852	-
2. Loans to banks	1,100,559	93,290	222,128	781,680	1,452,479	63,954	707,332	1,255,512
3. Loans to customers	5,660,508	115,132	328,092	5,222,344	5,115,202	-	263,948	4,619,982
4. Tangible assets held for investment purposes	105,831	-	-	121,280	106,799	-	-	123,710
5. Non-current assets and disposal groups	868	-	-	868	1,094	-	-	1,094
Total	9,384,781	2,801,036	554,235	6,126,172	8,034,982	1,174,200	208,852	6,675,574
1. Amounts due to banks	(4,950,368)	-	-	(4,950,368)	(3,816,529)	-	-	(3,816,529)
2. Amounts due to customers	(12,905,464)	-	-	(13,787,557)	(11,047,980)	-	-	(11,047,980)
3. Securities issued	(369,409)	-	(372,821)	-	(432,404)	-	(429,941)	-
4. Liabilities associated with assets held for sale	(962)	-	-	(962)	(960)	-	-	(960)
Total	(18,226,203)	-	(372,821)	(18,738,887)	(15,297,873)	-	(429,941)	(14,865,469)

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

PART B - INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Analysis of cash and cash equivalents

€/t	Dec. 31, 2013	Dec. 31, 2012
a) Cash	57,111	50,132
b) Demand deposits with Central Banks	3,332	14,213
Total	60,443	64,345

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2013			Dec. 31, 2012		
€/t	L 1	L 2	L 3	L 1	L 2	L 3
A. Non-derivatives assets						
1. Debt securities	1,100,215	25,350	5,542	1,180,524	28,567	5,673
1.1 Structured securities	4	5,331	5,542	4	7,814	5,315
1.2 Other debt securities	1,100,211	20,019	-	1,180,520	20,753	358
2. Equities	-	-	-	-	-	-
3. Holdings in UCITS	56	-	-	116	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,100,271	25,350	5,542	1,180,640	28,567	5,673
B. Derivatives	-	-	-	-	-	-
1. Financial derivatives	-	1,456	2,483	138	4,370	2,101
1.1 Held for trading	-	742	2,304	138	3,829	1,945
1.2 Measured at fair value	-	714	179	-	541	156
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Measured at fair value	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	-	1,456	2,483	138	4,370	2,101
Total (A+B)	1,100,271	26,806	8,025	1,180,778	32,937	7,774

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

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Non-derivatives assets		
1. Debt securities	1,131,107	1,214,764
a) Governments and Central Banks	715,021	434,716
b) Other government agencies	5,397	5,524
c) Banks	375,954	436,376
d) Other issuers	34,735	338,148
2. Equities	-	-
a) Banks	-	-
b) Altri emittenti:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Holdings in UCITS	56	116
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total A	1,131,163	1,214,880
B. Derivatives	-	-
a) Banks	3,918	6,589
- fair value	3,918	6,589
b) Customers	21	20
- fair value	21	20
Total B	3,939	6,609
Total (A + B)	1,135,102	1,221,489

2.3 Year's movements in financial assets held for trading

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	1,214,764	-	116	-	1,214,880
B. Increases	11,390,637	1,384	591	-	11,392,612
B.1 Acquisitions	11,314,580	1,382	589	-	11,316,551
B.2 Increases in fair value	6,934	-	2	-	6,936
B.3 Other increases	69,123	2	-	-	69,125
C. Decreases	11,474,294	1,384	651	-	11,476,329
C.1 Sales	10,469,865	1,362	650	-	10,471,877
C.2 Redemptions	948,726	-	-	-	948,726
C.3 Decreases in fair value	2,508	-	-	-	2,508
C.4 Reclassified to other portfolios	-	-	-	-	-
C.5 Other decreases	53,195	22	1	-	53,218
D. Closing balance	1,131,107	-	56	-	1,131,163

Section 3 - Financial assets at fair value - Caption 30

3.1 Analysis of financial assets at fair value

	Dec. 31, 2013			Dec. 31, 2012		
€/t	L 1	L 2	L 3	L 1	L 2	L 3
1. Debt securities	330,049	1,323,599	612,943	356,806	2,145,205	900,529
1.1 Structured securities	276,704	927,634	588,705	241,064	1,435,375	867,189
1.2 Other debt securities	53,345	395,965	24,238	115,742	709,830	33,340
2. Equities	-	-	-	-	-	-
3. Holdings in UCITS	10,385,166	99,428	-	9,443,695	122,020	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	10,715,215	1,423,027	612,943	9,800,501	2,267,225	900,529

3.2 Analysis of financial assets at fair value by debtor/issuer

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Debt securities	2,266,591	3,402,540
a) Governments and Central Banks	215,793	230,134
b) Other government agencies	-	-
c) Banks	2,037,021	3,139,600
d) Other issuers	13,777	32,806
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Holdings in UCITS	10,484,594	9,565,715
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	12,751,185	12,968,255

3.3 Year's movements in financial assets at fair value

€/t		Debt securities	Equities	Holdings in UCITS	Loans	Total
A.	Opening balance	3,402,540	-	9,565,715	-	12,968,255
B.	Increases	451,234	-	2,604,694	-	3,055,928
	B.1 Acquisitions	272,323	-	619,087	-	891,410
	B.2 Increases in fair value	149,846	-	70,297	-	220,143
	B.3 Other increases	29,065	-	1,915,310	-	1,944,375
C.	Decreases	(1,587,184)	-	(1,685,815)	-	(3,272,998)
	C.1 Sales	(1,203,444)	-	(357,698)	-	(1,561,142)
	C.2 Redemptions	(336,839)	-	-	-	(336,839)
	C.3 Decreases in fair value	(20,424)	-	(5,112)	-	(25,536)
	C.4 Other decreases	(26,477)	-	(1,323,005)	-	(1,349,481)
D.	Closing balance	2,266,591	-	10,484,594	-	12,751,185

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

4.1 Analysis of available-for-sale financial assets

		Dec. 31, 2013			Dec. 31, 2012		
€/t		L 1	L 2	L 3	L 1	L 2	L 3
1.	Debt securities	12,269,767	64,273	263	11,744,882	366,344	-
	1.1 Structured securities	-	-	-	-	-	-
	1.2 Other debt securities	12,269,767	64,273	263	11,744,882	366,344	-
2.	Equities	5,254	-	38,834	4,217	-	30,603
	2.1 Measured at fair value	5,254	-	741	4,217	-	1,223
	2.2 Measured at cost	-	-	38,093	-	-	29,380
3.	Holdings in UCITS	21,486	80,816	78,190	10,794	81,217	81,011
4.	Loans	-	-	-	-	-	-
Total		12,296,507	145,089	117,287	11,759,893	447,561	111,614

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Debt securities	12,334,303	12,111,226
a) Governments and Central Banks	11,641,233	10,470,849
b) Other government agencies	-	-
c) Banks	660,940	1,453,812
d) Other issuers	32,130	186,565
2. Equities	44,088	34,820
a) Banks	-	-
b) Other issuers:	44,088	34,820
- insurance companies	-	-
- financial companies	10,650	9,566
- non-financial companies	15,636	7,849
- other	17,802	17,405
3. Holdings in UCITS	180,492	173,022
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	12,558,883	12,319,068

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

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	12,111,226	34,820	173,022	-	12,319,068
B. Increases	10,402,082	11,536	11,104	-	10,424,722
B.1 Acquisitions	9,995,956	10,429	5,000	-	10,011,385
B.2 Increases in fair value	139,167	1,064	5,554	-	145,785
B.3 Reversal of impairment	11,023	43	518	-	11,584
- in income statement	11,023	X	-	-	11,023
- in equity	-	43	518	-	561
B4. Reclassified from other portfolios	-	-	-	-	-
B.5 Other increases	255,936	-	32	-	255,968
C. Decreases	(10,179,005)	(2,268)	(3,634)	-	(10,184,907)
C.1 Sale	(3,347,702)	(1,726)	-	-	(3,349,428)
C.2 Redemptions	(6,525,300)	-	-	-	(6,525,300)
C.3 Decreases in fair value	(34,417)	(512)	(2,827)	-	(37,756)
C.4 Impairment	(2,517)	(30)	(797)	-	(3,344)
- in income statement	(20)	(30)	(797)	-	(847)
- in equity	(2,497)	-	-	-	(2,497)
C.5 Reclassified to other portfolios	-	-	-	-	-
C.6 Other decreases	(269,069)	-	(10)	-	(269,079)
D. Closing balance	12,334,303	44,088	180,492	-	12,558,883

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

5.1 Analysis of held-to-maturity investments

€/t	Dec. 31, 2013				Dec. 31, 2012			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,517,015	2,592,614	4,015	-	1,359,408	1,174,200	208,852	-
- structured	-	-	-	-	100,505	-	99,504	-
- other	2,517,015	2,592,614	4,015	-	1,258,903	1,174,200	109,348	-
2. Loans	-	-	-	-	-	-	-	-
Total	2,517,015	2,592,614	4,015	-	1,359,408	1,174,200	208,852	-

Legend:
FV = fair value
BV = book value

5.2 Held-to-maturity investments by debtor/issuer

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Debt securities	2,517,015	1,359,408
a) Governments and Central Banks	2,413,568	1,072,852
b) Other government agencies	-	9,945
c) Banks	97,013	276,611
d) Other issuers	6,434	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	2,517,015	1,359,408
Total FV	2,568,432	1,383,052

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

€/t	Debt securities	Loans	Total
A. Opening balance	1,359,408	-	1,359,408
B. Increases	1,667,332	-	1,667,332
B.1 Acquisitions	1,424,569	-	1,424,569
B.2 Reversal of impairment	3	-	3
B.3 Reclassified from other portfolios	-	-	-
B.4 Other increases	242,760	-	242,760
C. Decreases	(509,725)	-	(509,725)
C.1 Sales	-	-	-
C.2 Redemptions	(285,001)	-	(285,001)
C.3 Impairment	(1)	-	(1)
C.4 Reclassified from other portfolios	-	-	-
C.5 Other decreases	(224,723)	-	(224,723)
D. Closing balance	2,517,015	-	2,517,015

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

	Dec. 31, 2013				Dec. 31, 2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	369,774	-	-	369,774	77,258	-	-	77,258
1. Time deposits	12,000	X	X	X	5,500	X	X	X
2. Reserve requirements	357,774	X	X	X	71,758	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans to banks	730,785	93,290	222,128	411,906	1,375,220	63,954	707,332	589,082
1. Loans	411,833	-	-	411,833	588,798	-	-	588,798
1.1 Current accounts and demand deposits	63,245	X	X	X	126,217	X	X	X
1.2 Time deposits	54,903	X	X	X	209,541	X	X	X
1.3 Other loans:	293,685	X	X	X	253,040	X	X	X
- Repurchase agreements	277,173	X	X	X	239,774	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	16,512	X	X	X	13,266	X	X	X
2. Debt securities	318,952	93,290	222,128	73	786,422	63,954	707,332	284
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	318,952	X	X	X	786,422	X	X	X
Total	1,100,559	93,290	222,128	781,680	1,452,478	63,954	707,332	666,340

Legend:
FV = Fair value
BV = Book value

Section 7 – Loans to customers – Caption 70

7.1 Analysis of loans to customers

€/t	Dec. 31, 2013						Dec. 31, 2012					
	Book value			Fair value			Book value			Fair value		
		Impaired						Impaired				
	Performing	Purcha-sed	Other	L1	L2	L3	Performing	Purcha-sed	Other	L1	L2	L3
Loans	5,147,215	-	46,954	-	-	5,222,149	4,575,568	-	44,222	-	-	4,619,790
1. Current accounts	418,148	-	4,810	X	X	X	413,348	-	5,917	X	X	X
2. Repurchase agreements	20,403	-	-	X	X	X	53,716	-	-	X	X	X
3. Mortgages	3,675,984	-	32,696	X	X	X	3,194,411	-	27,166	X	X	X
4. Credit cards, personal loans & salary-guaranteed loans	650,973	-	2,978	X	X	X	466,569	-	3,269	X	X	X
5. Finance leases	-	-	-	X	X	X	1	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	381,707	-	6,470	X	X	X	447,523	-	7,870	X	X	X
Debt securities	466,339	-	-	115,132	328,092	195	495,412	-	-	-	263,948	192
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	466,339	-	-	X	X	X	495,412	-	-	X	X	X
Total	5,613,554	-	46,954	115,132	328,092	5,222,344	5,070,980	-	44,222	-	-	-

As for the item *Loans and receivables to banking customers*, the increase at December 31, 2013 was Euro +545.3 million and mainly concerned mortgages that have increased by Euro +487.1 million.

7.2 Analysis of loans to customer by debtor/issuer

	Dec. 31, 2013			Dec. 31, 2012		
		Impaired			Impaired	
€/t	Performing	Purchased	Other	Performing	Purchased	Other
1. Debt securities	466,339	-	-	495,409	-	-
a) Governments	356,551	-	-	350,980	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other issuers	109,788	-	-	144,429	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	109,788	-	-	144,237	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	192	-	-
2. Loans	5,147,215	-	46,954	4,575,571	-	44,222
a Governments	3	-	13	12	-	-
b) Government agencies	86	-	-	48	-	-
c) Others	5,147,126	-	46,941	4,575,511	-	44,222
- non-financial companies	194,164	-	4,240	213,865	-	2,138
- financial companies	222,480	-	5,625	300,750	-	7,614
- insurance companies	449	-	-	1,427	-	-
- other	4,730,033	-	37,076	4,059,461	-	34,470
Total	5,613,554	-	46,954	5,070,980	-	44,222

7.3 Loans to customers: micro-hedging

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

Section 8 – Hedging derivatives – Caption 80

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

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

Legend:
FV= fair value
NV= Notional value

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

€/t	Fair value						Cash flow		Investments in foreign operations
	Hedging								
	Interest rate risk	Currency risk	Credit risk	Pricing risk	Multiple risks	Hedging	Hedging	Hedging	
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans	2,418	-	-	X	-	X	-	X	X
3. Held-to-maturity assets	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	2,418	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets & liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 10 – Equity investments – Caption 100

10.1 Subsidiaries, joint ventures and companies (measured at equity) over which significant influence is exercised: disclosure on holdings

	Registered office	Type of relation	Holding		Voting rights %
			Investing company	% holding	
Banca Esperia S.p.A.	Milan	Joint control	Mediolanum S.p.A.	50.0000	50.0000
Mediobanca S.p.A.	Milan	significant influence	Mediolanum S.p.A.	2.6789	2.6789
Mediobanca S.p.A.	Milan	significant influence	Mediolanum Vita S.p.A.	0.7631	0.7631

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

€/t	Total assets	Net Profit (Loss))	Shareholders' equity	Book value	Fair value		
					L1	L2	L3
A. Investments accounted for by the equity method							
A.1 under joint control	1,848,549	1,538	176,982	90,407	X	X	X
A.2 under significant influence	75,284,524	304,741	7,417,152	301,462	185,045	X	X
Total	77,133,073	306,279	7,594,134	391,869	185,045		

10.3 Year's movements in equity investments

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Opening balance	382,699	404,493
B. Increases	9,170	-
B.1 Acquisitions	-	-
B.2 Reversal of impairment	-	-
B.3 Revaluations	-	-
B.4 Other increases	9,170	40,909
C. Decreases	-	-
C.1 Sales	-	-
C.2 Impairment	-	(62,703)
C.3 Other decreases	-	-
D. Closing balance	391,869	382,699
E. Total revaluations	-	-
F. Total adjustments	-	(62,703)

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, 2013.

Mediolanum S.p.A. decided to verify the hold of the carrying amount of the investment in Mediobanca S.p.A. at December 2013. For that purpose it requested the assistance of a specialist valuation firm.

With regard to the investment in Mediobanca S.p.A., on June 21, 2013, the management of the latter bank presented the market with strategic guidelines for the period 2014-2016.

In light of this event the impairment test was carried out as at June 30, 2013 to verify the hold of the resulting carrying amount of the investment in Mediobanca S.p.A. with the professional support of the independent expert.

As done in prior years, the recoverable amount of the CGUs was determined by calculating their value in use.

The recoverable amount of the investment in Mediobanca S.p.A. at June 30, 2013 was determined on the basis of publicly available information and, in particular, the objectives set by the 2014-2016 strategic guidelines, which have not yet explained the detailed income and equity of outcomes. Prospective data were therefore estimated on the basis of profitability, capitalization, RWA and the distribution of dividends expected and reported in the 2014-2016 strategic guidelines.

For the valuation of the shareholding held by the Mediolanum Group, the Dividend Discount Model variant of Excess Capital was used. This method is usually used in practice nationally and internationally for the purpose of determining the economic value of companies operating in the financial sector and subject to compliance with the minimum capitalization, and has been applied in continuity with the previous years.

The value of Mediobanca S.p.A. has been subject to sensitivity analysis in relation to possible changes in the underlying assumptions that affect the value, represented in particular by the cost of capital, the growth rate of long-term results and estimated net income with reference to the 2014-2016 strategic guidelines, in consideration of projections made on the basis of the consensus of analysts published following the presentation of the strategic guidelines.

On July 22, 2013, Ernst & Young Financial-Business Advisory S.p.A. issued the report on the impairment test at June 30, 2013 relating to the investment in Mediobanca S.p.A., which found that on the basis of the expected evolution of the macroeconomic scenario and sector, the results at March 31, 2013 of Mediobanca S.p.A., of the 2014-2016 strategic guidelines, trends in the consensus of analysts and valuation analysis developed, there is no evidence that the use value of the investments in Mediobanca S.p.A. was lower compared to its carrying value as at June 30, 2013.

The impairment test was thus updated at December 31, 2013, again with the professional support of the independent expert Ernst & Young Financial-Business Advisory S.p.A.

In line with the approach taken in previous years and at June 30, 2013, the impairment test at December 31, 2013 was carried out by determining the recoverable value, based on the configuration of the use value, through the application of the Dividend Discount Model methodology of the so-called variant of Excess Capital.

The recoverable amount of the investment in Mediobanca S.p.A. was determined on the basis of publicly available information and, in particular, the objectives set by the 2014-2016 strategic guidelines and the actual results at December 31, 2013.

The main variables and parameters considered for the purpose of determining the recoverable amount of the investment in Mediobanca are illustrated below:

- Semi-final results of Mediobanca as at December 31, 2013.
- Expected net profits determined on the basis of strategic guidelines for 2014-2016.
- Target capital requirements: Tier 1 Ratio equal to 8.5%.
- Cost of equity at 10.65%, estimated using the Capital Asset Pricing Model (CAPM) assuming:
  - Risk free rate of 4.27% (average 6-month gross yield on 10-yr Italian BTP at December 31, 2013);

- Beta coefficient of 1.28 (average beta coefficient of the Mediobanca stock in July, 2013 based on 2-year weekly data) which reflects the overall average stock volatility;
- Market risk premium of 5% (according to Italian market valuation practice).

• Terminal value estimated by considering:
  - the estimation of potentially distributable dividend over the projection period by maintaining a minimum level of regulatory capital (Tier 1 ratio of 8.5%);
  - a rate of long-term growth of 2%, in line with the valuation practice for the Italian market.

Sensitivity analyses were also performed in relation to possible changes in the underlying assumptions that affect the value, represented in particular by the cost of capital, the growth rate of long-term results and estimated net income with reference to the 2014-2016 strategic guidelines, also in consideration of projections made on the basis of the consensus of analysts published following the presentation of the results at December 31, 2013.
In light of this analysis, with reference to December 31, 2013, taking into account the elements listed above and described, there was a recoverable value of the investment that falls within the range Euro 10.32 and Euro 11.87 with a central value equal to Euro 11.10 per share. Based on these factors, the Board of Directors has therefore decided to confirm the value of the investment.

Section 11 – Reinsurers' share of technical reserves – Caption 110

11.1 Analysis of reinsurers' share of technical reserves

€/t		Dec. 31, 2013	Dec. 31, 2012
A.	Damages	3,016	-
	A1. Premium reserves	813	-
	A2. Accident reserves	1,343	-
	A3. Other reserves	860	-
B.	Life	71,659	76,198
	B1. Mathematical reserves	71,010	75,876
	B2. Reserves for outstanding claims	649	322
	B3. Other reserves	-	-
C.	Technical reserves - under which the investment risk is borne by the policyholder	-	-
	C1. Reserves for contracts whose performance is linked to investment funds and market indices	-	-
	C2. Reserves relating to the administration of pension funds	-	-
D.	Total reinsurers' share of technical reserves	74,675	76,198

Section 12 - Tangible assets - Caption 120

12.1 Analysis of tangible assets held for use carried at cost

€/t	Dec. 31, 2013	Dec. 31, 2012
1.1 Property assets	87,398	89,558
a) land	45,250	45,250
b) buildings	34,108	35,265
c) furnishings	2,430	2,794
d) electronic equipment	4,644	5,279
e) other	966	970
1.2 Assets acquired under finance leases	-	21
a) land	-	-
b) buildings	-	-
c) furnishings	-	21
d) electronic equipment	-	-
e) other	-	-
Total	87,398	89,579

12.2 Analysis of tangible assets held for investment carried at cost

	Dec. 31, 2013				Dec. 31, 2012			
		Fair value				Fair value		
€/t	Book value	L1	L2	L3	Book value	L1	L2	L3
1. Owned assets	105,831	-	-	121,280	106,799	-	-	123,710
a) land	62,027	-	-	-	62,027	-	-	-
b) buildings	43,804	-	-	-	44,772	-	-	-
2. Assets acquired under finance leases	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	105,831	-	-	121,280	106,799	-	-	123,710

12.5 Year's movements in occupied/used tangible assets held for use

€/t	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	45,250	65,810	21,127	33,687	6,048	171,922
A.1 Total net write-downs	-	(30,545)	(18,312)	(28,408)	(5,078)	(82,343)
A.2 Net opening balance	45,250	35,265	2,815	5,279	970	89,579
B. Increases	-	1,017	1,301	1,261	681	4,260
B.1 Acquisitions	-	220	1,281	1,165	622	3,288
B.2 Capitalised improvement costs	-	674	2	28	-	704
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from property held for investment	-	-	-	-	-	-
B.7 Other increases	-	123	18	68	59	268
C. Decreases	-	(2,174)	(1,686)	(1,896)	(685)	(2,093)
C.1 Disposals	-	-	(4)	(1)	-	(5)
C.2 Depreciation	-	(1,857)	(1,621)	(1,758)	(628)	(5,864)
C.3 Impairment:	-	(317)	-	-	-	(317)
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	(317)	-	-	-	(317)
C.4 Decreases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	(61)	(137)	(57)	(255)
D. Net closing balance	45,250	34,108	2,430	4,644	966	87,398
D.1 Total net write-downs	-	(32,461)	(19,476)	(30,901)	(5,253)	(88,091)
D.2 Gross closing balance	45,250	66,569	21,906	35,545	6,219	175,489
E. Measured at cost	-	-	-	-	-	-

12.6 Year's movements in tangible assets held for investment purposes

€/t	Total Land	Total Buildings
A. Opening balance	62,027	44,772
B. Increases	-	610
B.1 Acquisitions	-	610
B.2 Capitalised improvement costs	-	-
B.3 Increases in fair value	-	-
B.4 Reversal of impairment	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from properties held for use	-	-
B.7 Other increases	-	-
C. Decreases	-	(1,578)
C.1 Sales	-	-
C.2 Amortisation and depreciation	-	(1,578)
C.3 Decreases in fair value	-	-
C.4 Impairment	-	-
C.5 Negative exchange differences	-	-
C.6 Reclassified to other portfolios	-	-
a) properties held for use	-	-
b) non-current assets held for sale	-	-
C.7 Other decreases	-	-
D. Closing balance	62,027	43,804
E. Measured at fair value	-	-

Section 13 - Intangible assets - Caption 130

13.1 Analysis of intangible assets

€/t	Dec. 31, 2013 Definite life	Dec. 31, 2013 Indefinite life	Dec. 31, 2012 Definite life	Dec. 31, 2012 Indefinite life
A.1 Goodwill	X	-	X	-
A.1.1 Group	X	125,625	X	129,886
A.1.2 Third-party	X	-	X	-
A.2 Other intangible assets	36,914	-	23,096	-
A.2.1 Measured at cost:	36,914	-	23,096	-
a) Internally generated assets	-	-	-	-
b) Other assets	36,914	-	23,096	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated assets	-	-	-	-
b) Other assets	-	-	-	-
Total	36,914	125,625	23,096	129,886

13.2 Year's movements in intangible assets

€/t		Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
			FINITE	INDEFINITE	FINITE	INDEFINITE	
A.	**Gross opening balance**	129,886	-	-	158,612	-	288,498
	A.1 Total net write-downs	-	-	-	(135,516)	-	(135,516)
A.2	**Opening balance**	129,886	-	-	23,096	-	152,982
B.	**Increases**	-	-	-	29,565	-	29,565
	B.1 Acquisitions	-	-	-	12,295	-	12,295
	B.2 Increases in internal intangible assets	X	-	-	137	-	137
	B.3 Reversal of impairment	X	-	-	-	-	-
	B.4 Increases in fair value	-	-	-	-	-	-
	- in equity	X	-	-	-	-	-
	- through profit or loss	X	-	-	-	-	-
	B.5 Positive exchange differences	-	-	-	-	-	-
	B.6 Other increases	-	-	-	17,133	-	17,133
C.	**Decreases**	(4,261)	-	-	(15,747)	-	(20,008)
	C.1 Disposals	-	-	-	-	-	-
	C.2 Amortisation and Impairment	(4,261)	-	-	(14,042)	-	(18,303)
	- Amortisation	X	-	-	(14,042)	-	(14,042)
	- Impairment	(4,261)	-	-	-	-	(4,261)
	+ in Shareholders' equity	X	-	-	-	-	-
	+ through profit or loss	(4,261)	-	-	-	-	(4,261)
	C.3 Decreases in fair value	-	-	-	-	-	-
	- in equity	X	-	-	-	-	-
	- through profit or loss	X	-	-	-	-	-
	C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
	C.5 Negative exchange differences	-	-	-	-	-	-
	C.6 Other decreases	-	-	-	(1,705)	-	(1,705)
D.	**Net closing balance**	125,625	-	-	36,914	-	162,539
	D.1 Total net write-downs	-	-	-	(147,498)	-	(147,498)
E.	**Gross closing balance**	125,625	-	-	184,412	-	310,037
F.	**Measured at cost**	-	-	-	-	-	-

Legend:
FINITE = Finite life
INDEFINITE = Indefinite life

This section provides disclosures on impairment testing conducted on cash generating units (CGUs) in operation at December 31, 2013, in accordance with IAS 36 and the instructions set forth in the document jointly issued by the Bank of Italy, CONSOB and ISVAP on March 3, 2010.
The purpose of impairment testing is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

Impairment testing was conducted with the assistance of an independent expert applying the methods and assumptions set out below.

DEFINITION OF CGUs AND ALLOCATION OF GOODWILL

Like in prior years, CGUs have been identified on the basis of the geographic area of operations in accordance with the Mediolanum 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.	102.8
CGU Germany	Gamax Management AG - German division	4.3
CGU Italy Life	Gamax Management AG - Italian division	22.7

Following the recognition of impairment in 2010, no goodwill was allocated to Bankhaus August Lenz & Co AG (BAL). In conformity with the Group's business reporting system, Gamax's goodwill amounting to Euro 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 Euro 4.3 million, and goodwill allocated to the CGU Italy Life was Euro 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. The DCF method determines the value in use of a CGU, or an entity, by computing the present value of future cash flows (from operations) it is expected to generate over time.
For the assessment of lenders, it is common practice to apply the Free Cash Flow to Equity (FCFE) model known in Anglo-Saxon countries as "Dividend Discount Model" (DDM), in the Excess Capital variant, that determines the value of the entity on the basis of the future cash flows it expects to be capable of distributing to the Shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific equity risk. Please note that although the name Dividend Discount Model contains the term "dividend", the cash flows it calculates are not the dividends the entity expects to distribute to its Shareholders, but the cash flows potentially available to equity holders net of the assets needed for business operation.

CGU SPAIN

The recoverable amount of the CGU Spain was determined based on value in use calculated by applying the DDM method to the information set out in the 2014-2016 Business Plan (the 2014-2016 Plan) approved by the Boards of Directors of Banco Mediolanum and Banca Mediolanum S.p.A.
The 2014-2016 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the range of possible future developments for the CGU.

The 2014-2016 Plan confirmed the strategic lines set out in the previous plan 2013-2015 Plan, notably the development of Banca Mediolanum's business model in Spain.
The previous plan was updated to incorporate most recent expectations in relation to interest rate developments over the plan period and inflows forecasts on the basis of volumes and sales network numbers at December 31, 2013.
Specifically, the 2014-2016 Plan was based on the following key assumptions:

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

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

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

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

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

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

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

The results of both the base and the prudential scenario did not indicate any impairment losses of the CGU.

With reference to the base scenario, sensitivity analyses have been developed assuming the variation of certain parameters used. The recoverable amount was found to be equal to the carrying amount of the CGU for the following changes in key assumptions:

- discount rate of 14.7% (increase by 178 bps);
- long term growth of -0.9% (decline by 291 bps);
- net profitability 12% lower than 2014-2016 Plan estimates.

CGU GERMANY

The recoverable amount of the CGU Germany was determined based on value in use calculated by applying the DDM method to the information set out in the 2014-2016 Business Plan approved by the directors of Gamax (for the German division of Gamax) and the 2014-2016 Business Plan approved by the directors of BAL.

Both Business Plans were also approved by the Board of Directors of Banca Mediolanum S.p.A.

GAMAX - GERMAN DIVISION

The 2014-2016 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the range of possible future business developments of the German Division of Gamax. The previous plan was updated to incorporate most recent expectations in relation to financial market performance and interest rate developments over the plan period.

At December 31, 2013, the profitability of the German Division of Gamax was Euro 1.4 million, essentially in line with 2012 (Euro 1.5 million).

Specifically, the 2014-2016 Plan of the German Division of Gamax was based on the following key assumptions:

- growth in assets under management and administration at an average annual rate of 17%;
- substantial stability of the commercial margin and overhead costs during the plan period.

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

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

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

BAL

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

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

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

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

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

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

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

CGU GERMANY

The development of the evaluation methodology described leads to the determination of a use-value less than the carrying amount of the CGU. However, given the nature of the balance sheet assets and liabilities measured at fair value, pertaining to the CGU under review, the Directors, with the support of the independent expert, did not consider it necessary to additional impairment of the goodwill allocated for Euro 4.3 million.

CGU ITALY LIFE

Goodwill allocated to this CGU aggregated to Euro 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 (Euro 4.6 billion at December 31, 2013) to its equity (Euro 1.65 billion at December 31, 2013) reveals an implicit multiple of 2.79, indicating no impairment of goodwill allocated to the CGU Italy Life.

Section 14 - Tax assets and liabilities - Caption 140 (assets) and Caption 80 (liabilities)

14.1 Analysis of deferred tax assets

€/t	Dec. 31, 2013	Dec. 31, 2012
Charge to the Income statement	106,689	105,555
Charge to Equity	13,646	20,704
Total	120,335	126,259

14.2 Analysis of deferred tax liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Charge to the Income statement	46,685	33,911
Charge to Equity	61,840	63,299
Total	108,525	97,210

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	105,555	107,740
2. Increases	41,985	42,352
2.1 Deferred tax assets arisen in the year	40,344	24,435
a) relating to prior years	61	114
b) due to changes in the accounting policies	122	(3,221)
c) write-backs	-	(20)
d) other	40,161	27,562
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	1,641	17,917
3. Decreases	40,851	44,537
3.1 Deferred tax assets cancelled in the year	1,306	438
a) reversals	1,248	438
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	58	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	39,545	44,099
a) turned into tax credit under Law 214/2011	-	-
b) other	39,545	44,099
4. Closing balance	106,689	105,555

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	33,911	39,023
2. Increases	14,788	10,198
2.1 Deferred tax liabilities arisen in the year	8,322	6,328
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other (temporary differences arisen in the year)	8,322	6,328
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	6,466	3,870
3. Decreases	2,014	15,310
3.1 Deferred tax liabilities cancelled in the year	307	1,084
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	307	1,084
3.2 Reduced tax rates	-	-
3.3 Other decreases	1,707	14,226
4. Closing balance	46,685	33,911

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	20,704	144,459
2. Increases	10,175	20,539
2.1 Deferred tax assets arisen in the year	10,175	20,539
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	10,175	20,539
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	17,233	144,294
3.1 Deferred tax assets cancelled in the year	17,233	144,297
a) reversals	1,892	8,368
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	15,341	135,929
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	(3)
4. Closing balance	13,646	20,704

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

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Opening balance	63,299	1,993
2. Increases	48,241	117,039
2.1 Deferred tax liabilities arisen in the year	48,223	117,036
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	48,223	117,036
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	18	3
3. Decreases	49,700	55,733
3.1 Deferred tax liabilities cancelled in the year	49,700	55,733
a) reversals	11,290	13,858
b) due to changes in the accounting policies	-	-
c) other	38,410	41,875
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	61,840	63,299

Section 15 - Non-current assets and disposal groups and related liabilities - Caption 15 (assets) and Caption 90 (liabilities)

15.1 Analysis of non-current assets and disposal groups by type of asset

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Individual assets	-	-
A.1 Financial assets	-	-
A.2 Equity investments	207	424
A.3 Tangible assets	661	670
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	868	1.094
B. Disposal Groups	-	-
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity investments	-	-
B.5 Loans to banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	-	-
C. Liabilities associated with individual assets	-	-
C.1 Debt	-	-
C.2 Securities	-	-
C.3 Other	(962)	(960)
Total C	(962)	(960)
D. Liabilities associated with disposal groups	-	-
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other	-	-
Total D	-	-

'Non-current assets and disposal groups' amounted to Euro 868 thousand. This account includes all Statement of financial position assets relating to Partner Time S.p.A. which is in liquidation for Euro 207 thousand and Euro 661 relating to assets held for sale of Banco Mediolanum S.A. (12.31.2012: Euro 1,094 thousand).

Section 16 - Other assets - Caption 160

16.1 Analysis of other assets

€/t	Dec. 31, 2013	Dec. 31, 2012
Commissions receivable	443	395
Receivables from tax authorities	56,574	54,065
Receivables from financial advisors	3,597	4,541
Advances to suppliers and professionals	5,117	5,748
Security deposits	7,849	2,601
Receivables from Fininvest Group and Doris Group companies	-	281
Receivables from employees	422	385
Other receivables	164,679	59,386
Items in transit	66,529	109,565
Accrued income	5,771	660
Prepayments	3,525	4,092
Receivables from the Parent Company, subsidiaries and associates	103	101
Other assets	9,897	31,102
Total	324,506	272,922

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Amounts due to central banks	4,252,588	3,105,719
2. Amounts due to banks	697,780	707,914
2.1 Current accounts and demand deposits	32,141	1,688
2.2 Time deposits	410,647	403,252
2.3 Loans	251,537	302,155
2.3.1 Repurchase agreements	8	6
2.3.2 Other	251,529	302,149
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other amounts due	3,455	3,715
Total	4,950,368	3,816,529
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	4,950,368	3,816,529
Total fair value	4,950,368	3,816,529

Amounts due to banks increased by a total of Euro 1,133.8 thousand, in particular due to the increase in amounts due to central banks (+1,146.9 compared to the previous year).
Time deposits increased by Euro 7.4 million entirely owed to Banca Mediolanum.

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Current accounts and demand deposits	6,750,953	5,626,212
2. Time deposits	3,819,600	2,455,330
3. Loans	2,215,299	2,861,406
3.1 Repurchase agreements	2,212,650	2,861,406
3.2 Other	2,649	-
4. Commitments to buy back own equity instruments	-	-
5. Other amounts due	119,612	105,032
Total	12,905,464	11,047,980
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	13,787,557	11,047,980
Total fair value	13,787,557	11,047,980

Amounts due to banking customers rose from Euro 11,047.9 million to Euro 12,905.5 million; in particular, the increase is attributable to time deposits of Banca Mediolanum, which amounted to Euro 3,815.3 million (12.31.2012: Euro 2,550 million) and repurchase agreements are also mainly related to Banca Mediolanum, which amounted to Euro 2,169.8 million (12.31.2012: Euro 2,843 million).

Section 3 - Securities issued - Caption 30

3.1 Analysis of securities issued

	Dec. 31, 2013				Dec. 31, 2012			
	Book	Fair value			Book	Fair value		
€/t	value	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3
A. Securities	-	-	-	-	-	-	-	-
1. Bonds	369,409	-	372,821	-	432,404	-	429,941	-
1.1 structured	95,372	-	95,372	-	-	-	-	-
1.2 other	274,037	-	277,449	-	432,404	-	429,941	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 othe	-	-	-	-	-	-	-	-
Total	369,409	-	372,821	-	432,404	-	429,941	-

The item *Securities issued* consists of subordinated securities and the bond of Banca Mediolanum and the bond of the parent company Mediolanum S.p.A. (Euro 211 million).

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

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

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

	Dec. 31, 2013					Dec. 31, 2012				
	NV	FV			FV*	NV	FV			FV*
€/t		L1	L2	L3			L1	L2	L3	
A. Non-derivatives liabilities	-	-	-	-	-	-	-	-	-	-
1. Due to banks	195,417	212,562	-	-	212,562	189,316	211,103	-	-	211,103
2. Due to customers	17,550	18,964	-	-	18,964	22,660	24,569	-	-	24,569
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Others	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other securities	-	-	-	-	X	-	-	-	-	X
Total A	212,967	231,526	-	-	231,526	211,976	235,672	-	-	235,672
B. Derivatives	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	-	-	18,800	541	-	-	-	23,476	1,967	-
1.1 Held for trading	X	-	18,800	541	X	X	-	23,476	1,967	X
1.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	18,800	541	X	X	-	23,476	1,967	X
Total A+B	X	231,526	18,800	541	X	X	235,672	23,476	1,967	X

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

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

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

Section 5 - Financial liabilities at fair value - Caption 50

5.1 Analysis of financial liabilities at fair value

	Dec. 31, 2013					Dec. 31, 2012				
	NV	FV			FV*	NV	FV			FV*
€/t		L1	L2	L3			L1	L2	L3	
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Amounts due to customers	70,988	47,398	19,020	4,570	70,988	89,042	46,090	27,157	15,795	89,042
2.1 Structured	-	-	-	-	X	71,456	46,090	25,366	-	X
2.2 Other	70,988	47,398	19,020	4,570	X	17,586	-	1,791	15,795	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	70,988	47,398	19,020	4,570	70,988	89,042	46,090	27,157	15,795	89,042

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

5.3 Year's movements in financial liabilities at fair value

€/t	Amounts due to banks	Amounts due to customers	Securities outstanding	Total
A. Opening balance	-	89,042	-	89,042
B. Increases	-	-	-	-
B1. Issues	-	-	-	-
B2. Disposals	-	-	-	-
B3. Increases in fair value	-	-	-	-
B4. Other increases	-	-	-	-
C. Decreases	-	(18,054)	-	(18,054)
C1. Purchases	-	-	-	-
C.2 Redemptions	-	-	-	-
C.3 Decreases in fair value	-	-	-	-
C4. Other decreases	-	(18,054)	-	(18,054)
D. Closing balance	-	70,988	-	70,988

Section 6 - Hedging derivatives - Caption 60

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

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

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

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

	Fair value						Cash flow		Investments in foreign operations
	Specific								
€/t	Interest rate risk	Currency risk	Credit risk	Pricing risk	Multiple risks	Macro-hedging	Micro-hedging	Macro-hedging	
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Receivables	59,127	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	59,127	-	-	-	-	-	-	-	-
1. Total assets	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets & liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 8 - Tax liabilities - Caption 80

Please refer to section 14 of assets.

Section 10 - Other liabilities - Caption 100

10.1 Analysis of other liabilities

€/t	Dec. 31, 2013	Dec. 31, 2012
Agents' severance benefits	3,967	3,742
Payables to promoters, advisors and dealers	50,474	32,086
Payables to suppliers	49,546	42,547
Payables to parent companies, subsidiaries and associates	566	1,188
Payables to tax authorities	105,137	86,044
Payables to social security agencies	5,750	5,571
Payables to employees	10,034	7,264
Payables to professionals, directors and auditors	10,819	7,318
Security deposits	50	-
Items in transit	105,392	128,684
Deferred income	21,121	19,655
Deferred liabilities	5,568	7,213
Other liabilities	289,918	297,798
Guarantee deposits	2,956	2,835
Tax liabilities borne by the policyholders	1,106	-
Total	662,404	641,945

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

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

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

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

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Opening balance	10,880	10,427
B. Increases	6,741	6,323
B.1 Provisions for the year	4,942	5,632
B.2 Other increases	1,799	691
C. Decreases	(5,750)	(5,870)
C.1 Funds used in the year	(5,378)	(5,254)
C.2 Other decreases	(372)	(616)
D. Closing balance	11,871	10,880
Total	11,871	10,880

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Severance entitlements	586	1.540
2. Other provisions for risks and charges	187,223	189,482
2.1 Legal proceedings	22,187	29,409
2.2 Personnel expenses	-	-
2.3 Other	165,036	160,073
Total	187,809	191,022

12.2 Year's movements in provisions for risks and charges

€/t	Funds entitlements	Other provisions
A. Opening balance	1,540	189,482
B. Increases	23	40,388
B.1 Provisions for the year	7	40,358
B.2 Time-related increases	-	-
B.3 Discount rate changes	-	-
B.4 Other increases	16	30
C. Decreases	(977)	(42,647)
C.1 Used in the year	(31)	(20,335)
C.2 Discount rate changes	-	-
C.3 Other decreases	(946)	(22,312)
D. Closing balance	586	187,223

12.4 Analysis of other provisions for risks and charges

€/t	Balance at Dec. 31, 2012	Provisions for the year	Other changes	Used in the year	Balance at Dec. 31, 2013
Provision:					
- legal proceedings	29,409	2,448	(4,650)	(5,020)	22,187
- other:	-	-	-	-	-
Managerial Allowance	51,552	15,579	(7,716)	(1,093)	58,322
Risks related to FA illegal actions	37,682	5,479	(5,262)	(4,053)	33,846
Customer base entitlements	29,698	5,784	(2,242)	(1,209)	32,031
Portfolio Allowance	18,714	3,428	(1,175)	(2,591)	18,376
Product distribution	9,630	3,216	-	(2,359)	10,487
Other provisions	12,797	4,424	(1,237)	(4,010)	11,974
Total	189,482	40,358	(22,282)	(20,335)	187,223

The net decrease in provisions for risks of Euro -2.3 million compared to the previous year was due primarily to lower provisions for legal proceedings (Euro -7.2 million, of which Euro -12.2 of the Spanish subsidiary Banco Mediolanum and lower net provisions for illegal actions by the sales network (Euro -3.8 million).

Section 13 - Technical reserves - Caption 130

13.1 Analysis of technical reserves

€/t		Insurance	Reinsurance	Dec. 31, 2013	Dec. 31, 2012
A.	Damages	78,903	99	79,002	-
	A.1 Premium reserves	56,685	-	56,685	-
	A.2 Accident	20,622	99	20,721	-
	A.3 Other reserves	1,596	-	1,596	-
B.	Life	3,105,935	-	3,105,935	4,845,228
	B.1 Mathematical reserves	2,923,998	-	2,923,998	4,648,989
	B.2 Reserves for sums to be paid	152,682	-	152,682	183,262
	B.3 Other reserves	29,255	-	29,255	12,977
C.	Technical reserves - under which the investment risk is borne by the policyholders	12,777,576	-	12,777,576	12,978,601
	C.1 Reserves for contracts whose performance is linked to investment funds and market indices	12,777,576	-	12,777,576	12,978,601
	C.2 Reserves arising from pension fund management	-	-	-	-
D.	Total technical reserves	15,962,414	99	15,962,513	17,823,829

The item Technical Reserves amounted to Euro 15,962 million, a decrease of Euro 1,961.3 million compared to the previous year.

Following the entry of Mediolanum Assicurazioni S.p.A. with effect from March 31, 2013, the section on Damages was also completed.

The application of Shadow Accounting resulted in the recognition of higher Technical Reserves of approximately Euro 24 million.

The Liability Adequacy Test performed to verify the adequacy of Life and Damages insurance liabilities has confirmed the adequacy of Technical Reserves recorded.

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

15.1 Analysis of "Share Capital" and "Treasury shares"

€/t		Dec. 31, 2013	Dec. 31, 2012
A.	Share Capital	-	-
	A.1 Ordinary shares	73,600	73,434
	A.2 Savings shares	-	-
	A.3 Privileged shares	-	-
	A.4 Other shares	-	-
B.	Treasury shares	-	-
	B.1 Ordinary shares	(2,045)	(2,045)
	B.2 Savings shares	-	-
	B.3 Privileged shares	-	-
	B.4 Other shares	-	-

15.2 Year's movements in share capital - number of Parent Company shares

€/t		Ordinary	Other
A.	Opening balance shares	73,434	-
	- fully paid up	-	-
	- not fully paid up	-	-
	A.1 Treasury shares (-)	(2,045)	-
	A.2 Outstanding shares: opening balance	71,389	-
B.	Increases	166	-
	B.1 New issues	-	-
	- for a consideration:	-	-
	- business combinations	-	-
	- conversion of bonds	-	-
	- warrants exercised	-	-
	- other	-	-
	- bonus issues:	-	-
	- employees	-	-
	- directors	-	-
	- other	166	-
	B.2 Sale of treasury shares	-	-
	B.3 Other increases	-	-
C.	Decreases	-	-
	C.1 Cancellations	-	-
	C.2 Purchase of treasury shares	-	-
	C.3 Sale of businesses	-	-
	C.4 Other decreases	-	-
D.	Outstanding shares: closing balance	71,555	-
	D.1 Treasury shares (+)	2,045	-
	D.2 Shares at year end	73,600	-
	- fully paid up	-	-
	- not fully paid up	-	-

15.5 Other information

Analysis of Group equity

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Share Capital	73,600	73,434
2. Share premium account	59,376	56,497
3. Reserves	1,156,097	925,981
3a. Interim dividend	(73,595)	(73,427)
4. Treasury shares	(2,045)	(2,045)
a) Parent Company	(2,045)	(2,045)
b) subsidiaries	-	-
5. Valuation reserves	100,781	88,984
6. Equity instruments	-	-
7. Net profit (loss)	336,580	351,023
Total	1,650,794	1,420,447

At December 31, 2013 the Group's capital and reserves amounted to Euro 1,650.8 million versus Euro 1420.4 million in the prior year.
The valuation reserves amounted to Euro 100.8 million compared to 88.9 million at the end of 2012. At December 31, 2013, the reserve also includes the TFR valuation reserve (Euro 26 thousand).
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 related detailed annex herein.

Reconciliation of the Parent Company's Shareholders' equity to consolidated Shareholders' equity

€/t	Share Capital and reserves	Net Profit	Equity
Parent Company Financial Statements at 31.12.2013	546,991	335,452	882,443
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	168,464	534,896	703,360
Differences on investments accounted for by the equity method	60,329	823	61,152
Intercompany dividends	532,306	(532,306)	-
Elimination of intercompany transactions effects	(1,893)	(47)	(1,940)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	6,218	(166)	6,052
Other	1,799	(2,072)	(273)
Consolidated Accounts at Dec. 31, 2013	1,314,214	336,580	1,650,794

Group net profit for the year

Earnings per share – on continuing operations

€/t	Dec. 31, 2013	Dec. 31, 2012
Profit for the year	413,987	433,827
Weighted average number of outstanding shares	735,170	734,079
Earnings per share (in Euro)	0.563	0.591

Earnings per share

€/t	Dec. 31, 2013	Dec. 31, 2012
Profit for the year	336,580	351,023
Weighted average number of outstanding shares	735,170	734,079
Earnings per share (in Euro)	0.458	0.478

Diluted earnings per share

€/t	Dec. 31, 2013	Dec. 31, 2012
Profit for the year	336,580	351,023
Weighted average number of outstanding shares	735,170	734,079
Adjustments for stock options with potential dilution effect	6,902	5,511
Weighted average number of outstanding shares for diluted earnings per share	742,072	739,590
Diluted earnings per share (in Euro)	0.454	0.475

OTHER INFORMATION

1. Guarantees issued and commitments

€/t	Dec. 31, 2013	Dec. 31, 2012
1) Financial guarantees:	26,500	24,210
a) Banks	25,035	22,611
b) Customers	1,465	1,599
2) Commercial guarantees:	45,211	22,745
a) Banks	88	88
b) Customers	45,123	22,657
3) Irrevocable commitments to disburse funds	87,384	99,846
a) Banks	67	250
i) with certain drawdown	67	250
ii) with possible drawdown	-	-
b) Customers	87,317	99,596
i) with certain drawdown	329	3,649
ii) with possible drawdown	86,988	95,947
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	3,841	3,928
6) Other commitments	4,322	3,817
Total	167,258	154,546

2. Assets pledged to secure own liabilities and commitments

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Financial assets held for trading	109,985	252,848
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	4,236,028	4,252,795
4. Held-to-maturity investments	1,799,325	852,583
5. Loans to banks	211,367	441,832
6. Loans to customers	232,977	518,851
7. Tangible assets	-	-

5. Brokerage and asset management on behalf of third parties

€/t	Dec. 31, 2013
1. Orders executed on behalf of customers	-
a) purchases	-
1. settled	29,379,755
2. not settled	-
b) sales	-
1. settled	30,003,985
2. not settled	-
2. Portfolio management	-
a) individual	635,231
b) collective	195,326
3. Securities in custody and under administration	-
a) custodian bank services (other than managed assets)	-
1. securities issued by entities incl. in consolidated accounts	-
2. other securities	904,445
b) custodian bank services (other than managed assets): other	-
1. securities issued by entities incl. in consolidated accounts	177,763
2. other securities	6,133,867
c) third-party securities held by other custodians	6,022,223
d) own securities held by other custodians	14,098,790
4. Other	-

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/t	Debt securities	Loans	Other	Dec. 31, 2013	Dec. 31, 2012
1. Financial assets held for trading	10,245	-	148	10,393	67,145
2. Financial assets at fair value	80,197	-	-	80,197	74,702
3. Available-for-sale financial assets	354,845	-	-	354,845	436,582
4. Held-to-maturity investments	71,628	-	-	71,628	34,558
5. Loans to banks	12,682	5,015	-	17,697	41,774
6. Loans to customers	4,100	130,093	312	134,505	129,346
7. Hedging derivatives	X	X	-	-	-
8. Other Assets	X	X	128	128	648
Total	533,697	135,108	588	669,393	784,755

1.3.1 Interest income on financial assets in foreign currencies

€/t	Dec. 31, 2013	Dec. 31, 2012
Interest income on financial assets in foreign currencies	2,214	1,439

1.4 Analysis of interest expense and similar charges

€/t	Amounts due	Securities	Other	Dec. 31, 2013	Dec. 31, 2012
1. Amounts due to central banks	(17,478)	X	-	(17,478)	(27,932)
2. Amounts due to banks	(2,244)	X	-	(2,244)	(6,835)
3. Amounts due to customers	(179,460)	X	-	(179,460)	(144,270)
4. Securities issued	X	(13,967)	-	(13,967)	(14,596)
5. Financial liabilities held for trading	(8,506)	-	-	(8,506)	(9,822)
6. Financial liabilities at fair value	(92)	-	3	(89)	(446)
7. Other liabilities and funds	X	X	(12,318)	(12,318)	(16,867)
8. Hedging derivatives	X	X	(15,129)	(15,129)	(14,552)
Total	(207,780)	(13,967)	(27,444)	(249,191)	(235,320)

1.5 Interest expense and charges expenses: differentials on hedging transactions

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

Section 2 - Commissions - Captions 40 and 50

2.1 Analysis of commission income

€/t		Dec. 31, 2013	Dec. 31, 2012
a)	Guarantees issued	69	96
b)	Credit derivatives	-	-
c)	Management, brokerage and consulting services:	898,630	777,764
	1. financial instruments brokerage	2,406	2,027
	2. currency brokerage	1	2
	3. portfolio management	838,258	708,657
	3.1. individual	5,413	4,581
	3.2. collective	832,845	704,076
	4. securities in custody and under administration	4,008	4,180
	5. custodian bank	774	616
	6. sale of securities	21,656	23,770
	7. receipt and transmission of orders	5,683	5,473
	8. consulting activities	-	-
	8.1 investment advice	-	-
	8.2 financial structure advice	-	-
	9. services to third parties	25,844	33,039
	9.1 portfolio management	1,322	333
	9.1.1. individual	-	-
	9.1.2. collective	1,322	333
	9.2 insurance products	2,687	11,352
	9.3 other products	21,835	21,354
d)	Collection and payment services	22,544	19,031
e)	Servicing for securitisation transactions	-	-
f)	Factoring services	-	-
g)	Tax collection services	-	-
h)	Management of multilateral trading systems	-	-
i)	Bank accounts custody and management services	15,941	19,926
j)	Other services	84,226	76,741
Total		1,021,410	893,558

2.2 Analysis of commission expense

€/t		Dec. 31, 2013	Dec. 31, 2012
a)	Guarantees received	-	-
b)	Credit derivatives	-	-
c)	Management and brokerage services:	(415,375)	(347,399)
	1. financial instruments brokerage	(1,844)	(1,697)
	2. currency brokerage	-	-
	3. portfolio management:	(4,043)	(2,929)
	3.1 own	(2,651)	(1,464)
	3.2 on mandates from third parties	(1,392)	(1,465)
	4. securities in custody and under administration	(777)	(834)
	5. sale of financial instruments	(24,053)	(17,243)
	6. off-premises sales of financial instruments, products and services	(384,658)	(324,696)
d)	Collection and payment services	(23,229)	(19,459)
e)	Other services	(25,419)	(15,479)
Total		(464,023)	(382,337)

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

		Dec. 31, 2013		Dec. 31, 2012	
€/t		Dividends	Gains from shareholdings in UCITS	Dividends	Gains from shareholdings in UCITS
A.	Financial assets held for trading	-	-	-	-
B.	Available-for-sale financial assets	1,511	2,271	751	2,408
C.	Financial assets at fair value	-	-	-	-
D.	Equity investments	-	X	-	X
Total		1,511	2,271	751	2,408

Section 4 - Net income from trading - Caption 80

4.1 Analysis of net income from trading

€/t	Unrealised Gains (A)	Trading gains (B)	Unrealised Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	6,079	11,093	(2,356)	(4,194)	10,622
1.1 Debt securities	6,077	11,049	(2,356)	(4,172)	10,598
1.2 Equities	-	2	-	(21)	(19)
1.3 Holdings in UCITS	2	42	-	(1)	43
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	3,973	3,341	(698)	(78)	6,538
2.1 Debt securities	3,973	3,341	(698)	(78)	6,538
2.2 Debt	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	259
4. Derivatives	693	7,955	(305)	(11,005)	(1,778)
4.1 Financial derivatives:	693	7,955	(305)	(11,005)	(1,778)
- Debt securities and interest rates	693	7,955	(305)	(11,005)	(2,662)
- Equities and stock indices	-	-	-	-	-
- Currencies and gold	X	X	X	X	884
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	10,745	22,389	(3,359)	(15,277)	15,641

Section 5 – Net income from hedging – Caption 90

5.1 Analysis of net income from hedging

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

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

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2013			Dec. 31, 2012		
€/t	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
Financial assets	-	-	-	-	-	-
1. Loans to banks	-	(2,476)	(2,476)	105	(126)	(21)
2. Loans to customers	16	(17)	(1)	132	(102)	30
3. Available-for-sale financial assets	99,051	(18,839)	80,212	47,225	(25,415)	21,810
3.1 Debt securities	99,049	(18,838)	80,211	46,790	(25,364)	21,426
3.2 Equities	2	(1)	1	2	-	2
3.3 Holdings in UCITS	-	-	-	433	(51)	382
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	30	-	30
Total assets	99,067	(21,332)	77,735	47,492	(25,643)	21,849
Financial liabilities	-	-	-	-	-	-
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	25	(52)	(27)	118	(3)	115
Total liabilities	25	(52)	(27)	118	(3)	115

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

7.1 Analysis of net change in value of financial assets and liabilities at fair value

€/t	Unrealised Gains (A)	Gains realised (B)	Unrealised Losses (C)	Losses realised (D)	Net income [(A+B) – (C+D)]
1. Financial assets	1,236,649	135,859	(98,002)	(96,115)	1,178,391
1.1 Debt securities	124,071	38,306	(13,493)	(16,309)	132,575
1.2 Equities	-	-	-	-	-
1.3 Holdings in UCITS	1,112,578	97,553	(84,509)	(79,806)	1,045,816
1.4 Loans	-	-	-	-	-
2. Financial liabilities	25,178	-	(30,418)	-	(5,240)
2.1 Debt securities	25,178	-	(30,418)	-	(5,240)
2.2 Amounts due to banks	-	-	-	-	-
2.3 Amounts due to customers	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	X	X	X	X	-
4. Credit and financial derivatives	-	-	-	-	-
Total	1,261,827	135,859	(128,420)	(96,115)	1,173,151

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

8.1 Analysis of net impairment of loans

€/t	Impairment (1)			Reversal of impairment (2)					
	Individual		Of Portfolio	Individual		Collective			
	Cancellations	Other		A	B	A	B	Dec. 31, 2013	Dec. 31, 2012
A. Loans to banks									
- Loans	(140)	-	-	-	-	-	183	43	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers									
Impaired loans purchased									
- Loans	-	(114)	X	-	-	X	X	(114)	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other									
- Loans	(2,659)	(12,866)	(2,182)	-	4,062	-	272	(13,373)	(9,091)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(2,799)	(12,980)	(2,182)	-	4,062	-	455	(13,444)	(9,091)

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

	Impairment (1)		Reversal of impairment (2)			
	Individual		Individual			
€/t	Cancellations	Other	A	B	Dec. 31, 2013	Dec. 31, 2012
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(30)	-	-	(30)	(5)
C. Holdings in UCITS	-	(797)	X	X	(797)	(2,418)
D. Loans to banks	-	-	X	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(827)	-	-	(827)	(2,423)

Legend:
A = Interest
B = Other

8.4 Analysis of net impairment of other financial instruments

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

Legend:
A = Interest
B = Other

Section 9 - Net premiums - Caption 150

9.1 Analysis of net premiums

			Direct	Indirect	Dec. 31, 2013	Dec. 31, 2012
A.	Life		-	-	-	-
	A.1	Gross premiums booked (+)	4,855,533	-	4,855,533	8,054,608
	A.2	Reinsurance premiums (-)	(3,095)	-	(3,095)	(3,301)
	A.3	Total	4,852,438	-	4,852,438	8,051,307
B.	Damages		-	-	-	-
	B.1	Gross premiums booked (+)	36,117	-	36,117	-
	B.2	Reinsurance premiums (-)	(2,252)	-	(2,252)	-
	B.3	Change in gross amount of premium reserve (+/-)	(12,813)	-	(12,813)	-
	B.4	Change in premium reserve to reinsurers (+/-)	269	-	269	-
	B.5	Total	21,321	-	21,321	-
C.	Total net premiums		4,873,759	-	4,873,759	8,051,307

Section 10 - Balance of other insurance income/expenses - Caption 160

10.1 Analysis of the balance of other insurance income/expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Net change in technical reserves	1,918,164	833,960
2. Claims paid in the year	(8,062,250)	(10,220,841)
3. Other net insurance income and expenses	2,643	3,606
Total	(6,141,443)	(9,383,275)

10.2 Analysis of "Net change in technical reserves"

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Life	-	-
A. Mathematical reserves	2,417,788	1,062,338
A.1 Gross annual amount	2,422,654	1,074,028
A.2 Reinsurers' share (-)	(4,866)	(11,690)
B. Other technical reserves	2,038	748
B.1 Gross annual amount	2,038	748
B.2 Reinsurers' share (-)	-	-
C. Technical reserves - under which the investment risk is borne by the policyholder	(501,580)	(229,126)
C.1 Gross annual amount	(501,580)	(229,126)
C.2 Reinsurers' share (-)	-	-
Total "Life Reserves"	1,918,246	833,960
2. Damages	-	-
Change in other damages technical reserves other than claims net of reinsurance	(82)	-
Total	1,918,164	833,960

10.3 Analysis of "Claims paid in the year"

€/t	Dec. 31, 2013	Dec. 31, 2012
Life: expenses for claims, net of reinsurance	-	-
A. Amounts paid	(8,087,141)	(10,170,722)
A.1 Gross annual amount	(8,095,982)	(10,192,649)
A.2 Reinsurers' share (-)	8,841	21,927
B. Change in reserve for outstanding claims	30,908	(50,119)
B.1 Gross annual amount	30,580	(48,733)
B.2 Reinsurers' share (-)	328	(1,386)
Total Life claims	(8,056,233)	(10,220,841)
Damages: expenses for claims, net of recoveries and reinsurance	-	-
C. Amounts paid	(5,117)	-
C.1 Gross annual amount	(5,822)	-
C.2 Reinsurers' share (-)	705	-
D. Change in recoveries net of reinsurers' shares	(64)	-
E. Change in claims reserve	(836)	-
E.1 Gross annual amount	(372)	-
E.2 Reinsurers' share (-)	(464)	-
Total damages claims	(6,017)	-

10.4 Analysis of item "Other insurance income/expenses"

€/t	Dec. 31, 2013	Dec. 31, 2012
Life		
A. Gains	10,949	11,026
- Other technical income, net of reinsurance	-	-
- Income and unrealised gains on investments for the benefit of policyholders who bear the risk	-	-
- Change in commissions and other acquisition costs to be amortised	-	-
- Commissions and profit sharing received from reinsurers	-	-
- Other income	10,949	11,026
B. Expenses	(7,484)	(7,420)
- Other technical expenses, net of reinsurance	-	-
- Expenses and unrealised losses on investments for the benefit of policyholders who bear the risk	-	-
- Acquisition commission	-	-
- Other acquisition costs	-	-
- Collection commission	-	-
- Other expense	(7,484)	(7,420)
Total life (A - B)	3,465	3,606

€/t	Dec. 31, 2013	Dec. 31, 2012
Damages		
A. Gains	212	-
- Other technical income, net of reinsurance	-	-
- Change in commissions and other acquisition costs to be amortised	-	-
- Commissions and profit sharing received from reinsurers	-	-
- Other income	212	-
B. Expenses	(1,034)	-
- Other technical expenses, net of reinsurance	-	-
- Acquisition commissions	-	-
- Other acquisition costs	-	-
- Collection commission	-	-
- Other expense	(1,034)	-
Total damages (A - B)	(822)	-

Section 11 - Administrative expenses - Caption 180

11.1 Analysis of personnel expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
1) Employees	(148,479)	(138,599)
a) Wages and salaries	(105,187)	(99,111)
b) Social security contributions	(29,498)	(27,423)
c) Completion of service entitlements	(35)	(461)
d) Pensions	-	-
e) Provision for completion of service entitlements	(4,916)	(5,615)
f) Provisions for severance benefits and similar obligations	(36)	(119)
- defined contribution plan	(29)	(92)
- defined benefit plan	(7)	(27)
g) external supplementary pension funds:	(1,430)	(1,356)
- defined contribution plan	(1,282)	(1,202)
- defined benefit plan	(148)	(154)
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) Other employee benefits	(7,748)	(5,869)
2) Other personnel	(4,094)	(2,788)
3) Directors and Statutory auditors	(9,125)	(10,813)
4) Retirees	-	-
Total	(162,069)	(153,555)

11.2 Average number of employees by category

Category	Dec. 31, 2013	Dec. 31, 2012
1) Employees	2,250	2,125
a) Senior management	94	93
b) Middle management	332	303
c) Other employees	1,824	1,711
2) Other personnel	7	26
Total	2,257	2,133

11.3 Company sponsored defined benefit plans: total costs

€/t	Dec. 31, 2013
Current service costs	(7)
Financial interest	-
Estimated return on assets into which the plan invests	-
Estimated return on redemption rights accounted for as assets	-
Actuarial gains and losses	-
Past service costs	-
Effect of other reductions and cancellations	-
Total	(7)

11.5 Analysis of other administrative expenses

€/t	Dec. 31, 2013	Dec. 31, 2012
IT services	(66,120)	(54,009)
Infoprovider services	(5,793)	(5,853)
Financial services fees and expenses	(2,763)	(2,522)
Miscellaneous services	(18,628)	(14,944)
Intragroup services	(2,202)	(1,439)
Taxes and duties	(2,923)	(2,298)
Television and internet communication services	(2,230)	(4,059)
Network advisory services and consulting	(3,315)	(3,097)
Rentals	(12,452)	(13,979)
Maintenance and repairs	(4,085)	(2,499)
Telephone and postal expenses	(13,038)	(12,068)
Other consulting and advisory services	(19,922)	(27,580)
Contributions to "Punti Mediolanum"	(1,100)	(1,193)
Consumables	(5,869)	(5,268)
Insurance	(2,373)	(2,356)
Membership fees	(5,400)	(5,811)
Advertising and promotional expenses	(27,237)	(28,266)
Organization of conventions	(10,254)	(6,313)
Consulting, education and training for sales network	(1,392)	(1,831)
Company canteen	(197)	(204)
Energy utilities	(1,638)	(1,750)
Business expenses, gifts and other	(4,352)	(5,357)
Market research	(1,050)	(686)
Recruitment and selection of employees	(614)	(407)
Travel expenses	(1,285)	(786)
Recruitment and selection of financial advisors	(70)	(31)
Other administrative expenses	(5,897)	(5,909)
Total	(222,199)	(210,515)

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

12.1 Analysis of net provisions for risks and charges

€/t	Dec. 31, 2013	Dec. 31, 2012
Portfolio allowance	(2,254)	(3,016)
Customer base entitlements	(3,542)	(4,871)
Risks for FA illegal actions	(217)	(5,572)
Product distribution	(3,216)	(1,408)
Legal proceedings	2,179	(1,517)
Managerial allowance	(7,851)	(12,941)
Other net provisions for risks and charges	(3,427)	(20,029)
Total	(18,328)	(49,354)

The net decrease in provisions for risks compared to the previous year was due primarily to lower provisions for legal proceedings, of which Euro -12.2 million related to the Spanish subsidiary Banco Mediolanum and illegal actions by the sales network (Euro -5.3 million).

Section 13 - Depreciation and net impairment of tangible assets - Caption 200

13.1. Analysis of depreciation and net impairment of tangible assets

€/t	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Net income (A + B + C)
A. Tangible assets	-	-	-	-
A.1 Owned	(7,441)	(318)	-	(7,759)
- held for use	(5,864)	(318)	-	(6,182)
- held for investment purposes	(1,577)	-	-	(1,577)
A.2 Acquired under finance leases	-	-	1	1
- held for use	-	-	-	-
- held for investment purposes	-	-	1	1
Total	(7,441)	(318)	1	(7,758)

Section 14 - Amortisation and net impairment of intangible assets - Caption 210

14.1 Analysis of amortisation and net impairment of intangible assets

€/t	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Net income (A + B + C)
A. Intangible assets	-	-	-	-
A.1 Owned	(14,042)	-	-	(14,042)
- internally generated	-	-	-	-
- other	(14,042)	-	-	(14,042)
A.2 Acquired under finance leases	-	-	-	-
Total	(14,042)	-	-	(14,042)

At year end 2013 the item amount to Euro 14,042 thousand (12.31.2012: Euro 7,522 thousand). For the year 2013, the amortization of intangible assets, includes, among other things, the amortization of the acquired portfolio of Mediolanum Assicurazioni S.p.A. for Euro 4.9 million.

Section 15 - Other operating income/expenses - Caption 220

€/t	Dec. 31, 2013	Dec. 31, 2012
Recovery of expenses for contracts and services rendered	179	807
Subtotal Other income	19,028	23,729
Rental income on properties owned	9,146	7,902
Income on divestments	43	-
Recharge of costs to customers	3,517	4,468
Recovery of various costs	519	391
Recharge of costs to promoters	54	140
Other income	5,749	10,828
Total "Other operating income"	19,207	24,536
Other operating expenses		
Losses on divestments	(59)	-
Compensations and settlements	(8,367)	(3,178)
Amortisation of expenses for improvements of third-party assets	(1,080)	(1,003)
Other expense	(3,180)	(5,700)
Total "Other operating expenses"	(12,686)	(9,881)

Section 16 – Profit (Loss) on equity investments – Caption 240

16.1 Analysis of profit (loss) on equity investments

€/t	Dec. 31, 2013	Dec. 31, 2012
1) Joint Ventures	-	-
A. Gains	784	2,613
1. Revaluations	784	2,613
Net gains (losses)	784	2,613
2) Companies under significant influence	-	-
A. Gains	112	4,870
1. Revaluations	39	4,870
4. Other income	73	-
B. Losses	(1)	(62,703)
1. Decrease in value	(1)	-
2. Impairment	-	(62,703)
Net gains (losses)	111	(57,833)
Total	895	(55,220)

Section 18 – Impairment of goodwill – Caption 260

Net impairment of goodwill was Euro 4.3 million (12.31.2012: Euro 20.1 million). This item includes the impairment of the CGU Germany. For more information, please refer to what is described in the equity section of the balance sheet assets.

Section 19 – Profit (loss) on disposal of investments – Caption 270

19.1 Analysis of profit (loss) on disposal of investments

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other Assets	30	5
- Gains on sale	31	5
- Losses on sale	(1)	-
Net profit (loss)	30	5

Section 20 – Income tax expense on continuing operations – Caption 290

20.1 Analysis of income tax expense on continuing operations

€/t		Dec. 31, 2013	Dec. 31, 2012
1.	Current tax (-)	(224,825)	(153,894)
2.	Change in current tax for prior years (+/-)	(438)	4,204
3.	Change in current tax for the year (+)	-	-
3. *bis*	Change in current tax for the year for tax credits under law no. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	24,674	4,536
5.	Change in deferred tax liabilities (+/-)	(6,894)	(4,407)
6.	Income tax expense for the year (-) (-1+/-2+3+3*bis*+/-4+/-5)	(207,483)	(149,561)

At year end 2013 the item amounts to Euro 207.5 million (Euro +57.9 million compared to the previous year). Current taxes for 2013 include provisions related to tax litigation of Banca Mediolanum and Mediolanum Vita for a total of Euro 53.3 million.

Section 21 – Net profit (loss) after tax of non-current assets pending disposal - Caption 310

21.1 Analysis of profit (loss) after tax of non-current assets/liabilities pending disposal

€/t		Dec. 31, 2013	Dec. 31, 2012
1.	Gains	-	-
2.	Expenses	(28)	(26)
3.	Valuation of assets and liabilities	-	-
4.	Net realised gains (losses)	-	-
5.	Taxes and duties	-	-
Net profit (loss)		(28)	(26)

Reconciliation between the theoretical tax rate and the effective tax rate

€/t	Dec. 31, 2013	Dec. 31, 2012
Theoretical IRES tax rate or equivalent taxes	20.05%	18.76%
Profit before tax	544,091	500,610
Theoretical tax	109,102	93,894
Taxable income	55,558	22,950
Other adjustments (+/-)	4,959	3,101
IRES tax expense and equivalent taxes	169,618	119,945
Effective IRES tax rate and equivalent taxes	31.17%	23.96%
Total Tax expense net of provision for tax litigation	154,158	149,561
provision tax litigation	53,325	-
Total taxes to income statement	207,483	149,561
Total effective tax rate	28.33%	29.88%

PART D - INFORMATION ON COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

€/t	Dec. 31, 2013 Gross amount	Dec. 31, 2013 Income tax	Dec. 31, 2013 Net amount
10. Net profit (loss) for the year	X	X	336,580
Other comprehensive income components without reversals to the income statement	133	-	133
20. Tangible assets	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	26	-	26
50. Non-current assets held for sale	-	-	-
60. Share of reserves on investments accounted for in equity	107	-	107
Other comprehensive income components with reversals to the income statement	8,765	(1,490)	7,275
70. Hedges of investments in foreign operations:	-	-	-
a) changes in fair value	-	-	-
b) reversal to income statement	-	-	-
c) other changes	-	-	-
80. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) reversal to income statement	-	-	-
c) other changes	-	-	-
90. Cash flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) reversal to income statement	-	-	-
c) other changes	-	-	-
100. Available-for-sale financial assets:	15,482	(3,711)	11,771
a) changes in fair value	127,543	(38,649)	88,894
b) reversal to income statement	(83,697)	27,687	(56,010)
- impairment	548	(173)	375
- realised gains/losses	(84,245)	27,860	(56,385)
c) other changes	(28,364)	7,251	(21,113)
110. Non-current assets held for sale:	-	-	-
a) changes in fair value	-	-	-
b) reversal to income statement	-	-	-
c) other changes	-	-	-
120. Share of reserves on investments accounted for in equity:	(6,717)	2,221	(4,496)
a) changes in fair value	-	-	-
b) reversal to income statement	-	-	-
- impairment	-	-	-
- realised gains/losses	-	-	-
c) other changes	(6,717)	2,221	(4,496)
130. Total other comprehensive income components	8,898	(1,490)	7,408
140. Comprehensive income (Captions 10+130)	8,898	(1,490)	343,988
150. Total consolidated comprehensive income attributable to minority interests	-	-	-
160. Total consolidated comprehensive income attributable to the Parent Company	8,898	(1,490)	343,988

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk Management and Internal Control

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 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. 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: performed 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 S.p.A. 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 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, and 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 of the Bank, 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; calculates the VaR for portfolios of the insurance companies in accordance with the rules laid down in the reference policies;
- coordinate with Network Inspectors and the Anti-Money Laundering team of the Bank 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 of Banca Mediolanum 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 securities portfolio of the Bank and other Group companies 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, operational and reputational 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 Auditing

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

With the introduction of IFRS 13, a number of changes have been made due to a number of standards, in particular, all related disclosures of the fair value hierarchy FVH are no longer regulated by IFRS 7 but by IFRS 13.

IFRS 13 thus establishes a single standard for fair value valuation and provides a complete indication on the fair value assessment of financial and non-financial assets and liabilities. IFRS 13 therefore proposes a new definition of fair value, defined as "the price that would be received to sell an asset or that would be paid to settle a liability in a normal transaction between market participants at the measurement date". The fair value is thus determined

based on market values. Disclosures on the different fair value levels of items subject to the relative valuation, as required by IFRS 13 have been extensively outlined in Part A of the Notes.
Therefore, **IFRS 7** covered in this section, mainly regards the disclosures to be provided concerning the nature and extent of risks arising from financial instruments to which the Company 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**. 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**. 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.
3. **Liquidity Risk**. Liquidity risk is typically the risk that arises from the difficulty of liquidating assets.
   More specifically, it is the risk that a financial instrument cannot be bought or sold without a material decrease/increase in its price (bid-ask spread risk) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential that an entity will be unable to obtain adequate funding.
   Pursuant to Basel II Second Pillar Supervisory Review of the Internal Capital Adequacy Assessment Process (ICAAP), the regulator requires banking organisations to put in place liquidity risk measurement and management policies and processes.

Information on risks is set out below.

Risk management at Conglomerate level

For financial conglomerates that engage in both insurance and banking, the traditional approach applied by regulators and supervisors to ensure that enough capital is held against risks has been to consider the risk profile of each business (insurance and banking) and set forth capital requirements against the specific risks to which each business is exposed. The insurance business is subject to Solvency II requirements and the banking business to the ICAAP process. At conglomerate level, compliance with these requirements is compounded by assessment, analysis and monitoring of risk concentration.
Risk concentration indicates an exposure with the potential to produce losses that are large enough to threaten the solvency or financial position of the conglomerate entities. Management and control of risk concentration is

carried out by aggregating the exposures of all Conglomerate entities to the same counterparty, be it public or private, regardless of the form of exposure.
Quarterly reports with particulars on the most significant exposures of the Conglomerate to the same counterparties are sent to the supervisory authorities.
Owing to their pervasive nature a common risk framework was adopted at Group level for strategic risk, operational risk, compliance risk and reputational risk. Said framework is applied to the various entities within the Group under a proportionate approach according to the characteristics of the specific business and related statutory and regulatory requirements.
Given the common framework information about strategic risk, operational risk, compliance risk and reputational risk provided in the following pages relates to the entire Group while the information about financial risk and credit risk is given separately for the insurance business and banking business.

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 and subsequent updates) banks are required to have a process (Internal Capital Adequacy Assessment Process, ICAAP) to estimate their own internal capital requirements to cover all risks, including those not captured by the Total capital requirement (pillar 1) as part of the assessment of the bank's current and future exposure, taking account of the bank's strategies and possible developments in the environment in which it operates. Supervisory regulations detail the steps, the frequency and the main risks to be considered and, for certain risks, set out indications on methods that should be used in the assessment. In accordance with the principle of proportionality – under which the level of detail and sophistication of the analysis required in a bank's ICAAP depends on the size, nature and complexity of the bank's activities – the supervisory authorities have classified banks into three categories.
Responsibility for the ICAAP rests with corporate governance bodies.

The Supervisory Review Process (SRP)

The Supervisory Review Process (SRP) entails two integrated steps. The first is the banks' process for assessing their current and future capital adequacy in relation to their risk profile and business strategies (ICAAP). The second is the Supervisory Review and Evaluation Process (SREP) conducted by the national banking supervisory authorities that review and evaluate banks' internal capital adequacy and, if needed, take appropriate action.
The SREP hinges on the collaboration and exchange of information between the Banking Supervisor and banks. The Banking Supervisor (Bank of Italy) can thus gain a deeper understanding of the banks' ICAAP including underlying assumptions, and banks can detail the assumptions underlying their assessment.
Banks define strategies and put in place procedures and tools to maintain adequate capital level – in terms of value and composition – to cover all the risks to which they are or may be exposed, including those risks for which a capital charge is not required.
The ICAAP hinges on the bank's sound risk management framework, effective internal control system, robust corporate governance and well-defined lines of responsibilities.

Board and senior management are responsible for the ICAAP. They are responsible for designing and organising it in accordance with respective competences and prerogatives. They are responsible for the implementation and for regular reviews of the ICAAP to ensure it is commensurate with the operational and strategic environment in which the bank operates.
The ICAAP must be documented, shared and known across the organisation and subject to internal audit.
The Supervisory Review Process reflects the principle of proportionality, i.e.:
- the bank's corporate governance, risk management framework, internal control system and capital assessment process are commensurate with the nature, size and complexity of its activities;
- the frequency and intensity of the SREP depend on the systemic relevance, the nature, size and complexity of the banks.

Classification of intermediaries in relation to the ICAAP

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

To facilitate the practical implementation of the principle of proportionality, banks are divided into three classes, which identify, in principle, banks of different size and operational complexity.
The Mediolanum Banking Group falls within category 2, i.e. banking groups or banks applying the standardised approach, with consolidated or separate assets in excess of Euro 3.5 billion.
Banks apply a consistent approach to deriving capital requirements from the bank's risk measurement under the first pillar and overall internal capital requirements.

Banca Mediolanum's ICAAP

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

Key Risks Mapping

In accordance with Bank of Italy's Circular 263/2006 and subsequent updates, the process for the identification of the key risks for the Mediolanum Banking Group starts from the analysis of the Bank's and Group's statutory lines of business and activities conducted in each of these lines.
Risk mapping therefore starts from the macro lines that make up the Banking Group's business.
In the Mediolanum Banking Group the following main business segments can be identified:
- Lending (Retail and Commercial Banking);

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

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

First pillar risks

Credit Risk (including counterparty risk)

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

Market Risk

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

Operational Risk

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

Second pillar risks

Concentration Risk

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

Interest Rate Risk

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

Liquidity risk

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

Residual Risk

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

Strategic Risk

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

Reputational Risk

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

SECTION 1 - BANKING GROUP CREDIT RISKS

1.1 CREDIT RISK

QUALITATIVE INFORMATION

General

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

Banca Mediolanum Lending Division is responsible for ensuring adequate implementation of the Bank's credit policy in compliance with laws and regulations in force. This division is organised into the Short-term lending unit, the Medium/Long-term lending unit, the 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 Credit Corporate team collaborates with the Policy and Monitoring Unit in the drafting of Corporate Credit Rules and Policies and also deals with the collection of applications and documentation relating to corporate credit (mortgages and ordinary loans) and assessment in accordance with the Company's risk policies and risk appetite, manages relationships with Customers, the sales network and the other units of the Bank, providing assistance for setting the application of corporate credit. The team also sees to the formal and substantive review of credit application and deals with the preliminary investigation and the investigation of all the corporate credit claims, in coordination with the Relevant Customer unit for the specific segment.

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

The Credit Operations team manages the relationships with Customers and the sales network providing all-round assistance across the credit application process 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. All collateral is subject to regular review.

All loans are subject to regular review by the competent units within each Group entity. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors of the respective companies.

Credit risk mitigation techniques

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

Real guarantees are:

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

Personal guarantees include personal guarantees and credit derivatives.
Currently, within the Mediolanum Banking Group, the use of credit derivatives is allowed only for trading purposes and not for banking book credit risk mitigation.
Eligible CRM techniques are mortgages and pledges or other equivalent security interests in assets with a reasonable degree of liquidity and a reasonably stable market value. This category includes guarantees provided by such pledge. Conversely, although taken into account when deciding whether or not to extend a loan, irrevocable orders to sell other Group financial products are not eligible for CRM purposes.

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 that any request for mortgage loan approval be accompanied by a valid property appraisal setting out a true estimate of the value of the property for which the loan is sought and certifying to the highest possible degree that a valid building permit and any other authorisations for the property have been obtained. If not so, the loan will not be extended or the loan amount reduced to be commensurate with the true property value (which depends on its location, on how easily it can be resold, etc.).

The appraisal is made by independent professionally qualified experts who have entered into an agreement with Banca Mediolanum.
The relevant technical unit within the Lending Division is responsible for ensuring that internal procedures for the preparation of property appraisals are thoroughly and properly applied.

Assessment of the quality of the loan portfolio

The Mediolanum Banking Group assesses the quality of the loan portfolio applying the following two-step approach in view of identifying any possible impairment:
- identification of assets to be individually or collectively tested for impairment;
- measurement and recognition of the impairment loss in accordance with the specific impairment rules.

The first step is preliminary to the impairment test that assesses and measures the impairment loss, if any.
Banca Mediolanum tests for impairment loans and endorsements with fixed or determinable payments extended to retail/corporate and institutional clients. Loans and endorsements to retail/corporate clients typically consist of arranged overdraft facilities, loans and credit lines repayable in instalments, while those extended to institutional clients (banks and other financial institutions) are made up of deposits, repurchase agreements (amount paid for the purchase of the asset under an agreement to resell it at a future date) and hot money facilities.
To identify loans and endorsements to be individually/collectively tested for impairment it is necessary to analyse the significance of the exposure and check whether there is objective evidence of any losses. Banca Mediolanum individually tests for impairment all exposures classified as non-performing, watch list and over 90 days past due loans (pursuant to Bank of Italy's instructions) irrespective of their significance. In fact, these are exposures for which there is objective evidence of impairment as per §64 of IAS 39. Other exposures, i.e. performing loans, are collectively tested for impairment. Only for monitoring purposes a Euro 1,000,000 threshold is set for the determination of the significance of the individual exposure. Any exposure in excess of said threshold is examined separately and individually. For exposures that are individually assessed for impairment the recoverable amount of the individual exposure is determined on the basis of:
- estimated recoverable cash flows;
- timing of recoveries;
- the interest rate used to discount future cash flows.

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

Exposures that are not individually assessed are grouped on the basis of similar risk characteristics and collectively assessed for impairment.
The collective impairment loss is obtained by adding up the losses of each group. The collective impairment amount is compared with the previous carrying amount of loans to determine the amount of provisions to set aside or use.
The process for the identification of the groups of loans to be collectively assessed under IAS is in line with the credit risk approach under Bank of Italy's Circular 263 of December 27, 2006 and subsequent updates. Specifically, the risk parameters under said regulation, i.e. probability of default (PD) by rating class and Loss Given Default (LGD) are significant parameters for the classification of loans into groups with similar credit risk characteristics and for the calculation of provisions.
At present, the grouping of loans for the purpose of collective assessment is by rating and client segment (Retail/Corporate).
The calculation of the impairment loss is made applying a Basel-oriented approach, i.e. impairment is approximated to

the concept of Expected Loss (EL) as set out in the relevant regulations. Expected Loss is the average loss the Bank expects to incur on an exposure, over a year, as a result of the deterioration of credit quality or default of the borrower. Banca Mediolanum's loan loss provision for collectively assessed exposures is therefore determined by calculating the Expected Loss (EL) on all exposures in a given rating class, applying the following formula:

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

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.

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

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

Nonperforming loans consist of on- and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers that are unable to meet their payment obligations – even if their insolvency has not been established by a court of law – or in equivalent conditions, regardless of any losses estimated by the lender. These exposures are therefore recognised irrespective of any security taken (real or personal).

Watch list loans consist of on- and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers that are experiencing objective temporary difficulties in meeting their payment obligations, but are expected to make good within a reasonable timeframe. These exposures are recognised irrespective of any security taken.

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, which ensue losses. This category does not include exposures to companies that are going out of business (e.g. voluntary wind-up or similar conditions), as well as country-risk exposures.
An additional impaired loan category was introduced by the Bank of Italy (Circular no. 262 of December 22, 2005 "The Financial Statements of Banks: Instructions for the preparation of financial statements"), i.e. over 90 days past due loans. These consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives) to borrowers other than those classified in the categories above (nonperforming, watch list, restructured) that at the reporting date were over 90 days past due or overdrawn. For recognition in this category, both following conditions are to be satisfied:

- the borrower is past due more than 90 days in a row (to determine actual past due borrowers, overdrawn/unpaid amounts can be offset against balances in credit under other loans/credit facilities extended to the same borrower);
- the maximum value of daily past due/overdrawn amounts and the mean value of daily past due/overdrawn amounts in the last quarter is 5% or more of total exposure.

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

Counterparty risk

Counterparty risk is part of credit risk. Counterparty risk is the risk that a party to a derivative contract may fail to perform on its contractual obligations and, when marked to market, the value of the derivative contract turns out to be positive for Banca Mediolanum. Exposure to counterparty risk is measured applying the present value method to OTC derivative contracts. The replacement cost of each contract is its fair value, if positive. Fair value is positive if the bank is a net creditor of the counterparty.
To protect against counterparty risk arising from said derivatives contracts the Group entered into ISDA Master Agreements. It should be noted that Banca Mediolanum has adequate procedures and tools for the management of collaterals in respect of derivative transactions and used Credit Support Annexes (CSA) as key instruments to mitigate related counterparty risk.

Concentration risk

Concentration risk, as defined in regulations, is the exposure to individual counterparties, groups of individual or related counterparties or counterparties in the same industry, business sector or geographical location. Concentration risk thus falls within the wider category of credit risk.
As required by the Banking Supervisor (Bank of Italy), in relation to capital requirement of single name risk, the banking group's exposure to concentration risk is monitored only for the "Business & Others portfolio". The Group exposure in that portfolio is of limited size and relevance. In addition, the Banking Group put in place a system for monitoring concentration risk on a weekly basis in accordance with rules governing management of large exposures.
In accordance with regulations in force (Bank of Italy's Circular 263/2006,Title IV Chapter 1), for large exposures the Mediolanum Banking Group has set the maximum limit for each exposure at 25% of consolidated regulatory capital. Said limit is the only large exposures regulatory limit applicable to the Mediolanum Banking Group based on volumes and characteristics.
Banca Mediolanum has defined operating licences and limits in accordance with the Institutional Counterparty Credit Risk Policy. These operating licences and limits represent Banca Mediolanum's 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.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

€/t	Bank group						Other companies		
	Non performing	Watch list	Restructured	Past due mpaired	Past due Not impaired	Other Assets	Impaired	Other Assets	Total
1. Financial assets held for trading	-	-	-	2	-	444,960	-	690,086	1,135,048
2. Available-for-sale financial assets	-	-	-	-	-	10,690,532	-	1,643,772	12,334,304
3. Held to maturity investments	-	-	-	-	-	2,208,768	-	308,247	2,517,015
4. Loans to banks	-	-	-	-	-	943,460	-	157,101	1,100,561
5. Loans to customers	11,315	21,459	5,855	8,323	65,538	5,539,012	-	9,007	5,660,509
6. Financial assets at fair value	-	-	-	-	-	-	-	2,266,590	2,266,590
7. Financial assets being disposed of	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	2,418	-	-	2,418
Total at Dec. 31, 2013	11,315	21,459	5,855	8,325	65,538	19,829,150	-	5,074,803	25,016,445
Total at Dec. 31, 2012	9,033	21,473	7,842	5,876	-	16,808,729	-	7,810,639	24,663,592

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

Impaired assets Performing

€/t	Impaired assets: Gross exposure	Impaired assets: Individual impairment	Impaired assets: Net exposure	Performing: Gross exposure	Performing: Collective impairment	Performing: Net exposure	Total (Net exposure)
A. Bank group							
1. Financial assets held for trading	-	-	-	X	X	444,960	444,960
2. Available-for-sale financial assets	-	-	-	10,690,532	-	10,690,532	10,690,532
3. Held-to-maturity investments	-	-	-	2,208,768	-	2,208,768	2,208,768
4. Loans to banks	-	-	-	943,460	-	943,460	943,460
5. Loans to customers	82,928	(35,977)	46,951	5,612,691	(8,141)	5,604,550	5,651,501
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	2,418	2,418
Total A	82,928	(35,977)	46,951	19,455,451	(8,141)	19,894,688	19,941,639
B. Other companies included in the consolidation							
1. inancial assets held for trading	-	-	-	X	X	690,086	690,086
2. Available-for-sale financial assets	-	-	-	1,643,772	-	1,643,772	1,643,772
3. Held-to-maturity investments	-	-	-	308,247	-	308,247	308,247
4. Loans to banks	-	-	-	157,101	-	157,101	157,101
5. Loans to customers	-	-	-	9,007	-	9,007	9,007
6. Financial assets at fair value	-	-	-	X	X	2,266,590	2,266,590
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	-	-	-	2,118,127	-	5,074,803	5,074,803
Total at Dec. 31, 2013	82,928	(35,977)	46,951	21,573,578	(8,141)	24,969,491	25,016,442
Total at Dec. 31, 2012	75,344	(31,121)	44,223	20,000,321	(6,231)	24,619,368	24,663,591

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

€/t	Gross Exposure	Individual impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET				
a) Non performing	-	-	X	-
b) Watch list	-	-	X	-
c) Restructured	-	-	X	-
d) Past due impaired	-	-	X	-
e) Other assets	1,483,450	X	-	1,483,450
TOTAL A	1,483,450	-	-	1,483,450
B. OFF-BALANCE SHEET				
a) Impaired	-	-	X	-
b) Other	28,262	X	-	28,262
TOTAL B	28,262	-	-	28,262
TOTAL A+B	1,511,712	-	-	1,511,712

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

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

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

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

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

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

€/t	Gross exposure	Individual Impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET				
a) Non performing	31,869	(20,556)	X	11,313
b) Watch list	30,114	(8,655)	X	21,459
c) Restructured	11,579	(5,723)	X	5,856
d) Past due impaired	9,366	(1,043)	X	8,323
e) Other assets	18,458,440	X	(8,141)	18,450,299
TOTAL A	18,541,368	(35,977)	(8,141)	18,497,250
B. OFF-BALANCE SHEET				
a) Impaired	517	(502)	X	15
b) Other	150,282	X	(148)	150,134
TOTAL B	150,799	(502)	(148)	150,149
TOTAL A+B	18,692,167	(36,479)	(8,289)	18,647,399

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

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

€/t		Non performing	Watch list	Restructured	Past due
A.	Opening gross balance	25,764	29,606	13,463	6,511
	- of which: loans sold but not derecognised	-	-	-	-
B.	Increases	10,188	17,874	2	26,250
B.1	reclassified from performing loans	382	10,091	-	25,195
B.2	reclassified from other impaired loan categories	6,559	7,026	-	98
B.3	other increases	3,247	757	2	957
C.	Decreases	4,083	17,366	1,886	23,395
C.1	reclassified to performing loans	-	2,697	-	11,116
C.2	cancellations	2,884	462	-	-
C.3	receipts	1,199	7,574	1,886	5,229
C.4	proceeds from sale	-	-	-	-
C.4 *bis*	losses from sale	-	-	-	-
C.5	reclassified to other impaired loan categories	-	6,633	-	7,050
C.6	other decreases	-	-	-	-
D.	Closing gross balance	31,869	30,114	11,579	9,366
	- of which: loans sold but not derecognised	-	-	-	-

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

A.1.8 Bank Group – On-balance sheet credit exposures to customers: analysis of total net impairment

€/t		Non performing	Watch list	Restructured	Past due impaired
A.	Net impairment at beginning of the year	16,732	8,133	5,620	636
	- of which: loans sold but not derecognised	-	-	-	-
B.	Increases	7,390	5,526	248	1,019
B1	Impairment	5,208	5,368	248	992
B.1 *bis*	losses from sale	-	-	-	-
B.2	reclassified from other impaired loan categories	2,182	158	-	27
B.3	other increases	-	-	-	-
C.	Decreases	3,566	5,004	145	612
C.1	revaluations	219	981	145	231
C.2	repayments	441	1,368	-	207
C.2 *bis*	profit from sale	-	-	-	-
C.3	cancellations	2,885	462	-	-
C.4	reclassified to other impaired loan categories	-	2,193	-	174
C.5	other decreases	21	-	-	-
D.	Net impairment at end of the year	20,556	8,655	5,723	1,043
	- of which: loans sold but not derecognised	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

€/t	External rating class						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet credit exposures	456,143	219,294	12,859,965	254,475	67,043	-	6,262,416	20,119,336
B. Derivatives	-	-	-	-	-	-	3,160	3,160
B.1 Financial derivatives	-	-	-	-	-	-	3,160	3,160
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	84	113	-	-	-	71,063	71,260
D. Commitments to disburse funds	-	-	-	540	5	-	68,982	69,527
E. Other	-	-	-	-	-	-	34,464	34,464
Total	456,143	219,378	12,860,078	255,015	67,048	-	6,440,085	20,297,747

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

The Bank does not have internal rating models.

A.3 Analysis of secured loans by type of collateral

A.3.1 Bank group – Secured credit exposures to banks

€/t	Net exposure	Real guarantees (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsements				
							Other derivatives								
		Property, Mortgages	Property, finance leases	Securities	Other real guarantees	CLN	Governments and Central Banks	Other government agencies	Banks	Non financial companies	Governments and Central Banks	Other governments agencies	Banks	Non financial companies	
1. Secured on-balance sheet credit exposures	209,173	-	-	209,250	-	-	-	-	-	-	-	-	-	-	209,250
1.1 Entirely secured	209,173	-	-	209,250	-	-	-	-	-	-	-	-	-	-	209,250
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Bank group – Secured credit exposures to customers

		Real guarantees (1)				Personal guarantees (2)									
						Credit derivatives					Endorsements				
							Other derivatives								
€/t	Net exposure	Property, Mortgages	Property, finance leases	Securities	Other real guarantees	CLN	Governments & central banks	Other Government agencies	Banks	Non financial companies	Governments & central banks	Other Government agencies	Banks	Non financial companies	Total (1)+(2)
1. Secured on-balance sheet credit exposures:	3,833,140	6,459,692	-	(9,218)	14,732	-	-	-	-	-	-	1,802	-	33,594	6,500,602
1.1 Entirely secured	3,761,208	6,403,361	-	(9,218)	-	-	-	-	-	-	-	2	-	19,025	6,413,170
- of which impaired	30,387	53,535	-	(508)	-	-	-	-	-	-	-	2	-	47	53,076
1.2 Partly secured	71,932	56,331	-	-	14,732	-	-	-	-	-	-	1,800	-	14,569	87,432
- of which impaired	3,419	7,229	-	-	-	-	-	-	-	-	-	58	-	334	7,621
2. Secured off-balance sheet credit exposures:	2,763	771	-	-	(437)	-	-	-	-	-	-	-	-	1,534	1,868
2.1 Entirely secured	2,725	771	-	-	(437)	-	-	-	-	-	-	-	-	1,517	1,851
- of which impaired	11	-	-	-	(11)	-	-	-	-	-	-	-	-	-	(11)
2.2 Partly secured	38	-	-	-	-	-	-	-	-	-	-	-	-	17	17
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

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

	Governments			Other government agencies			Financial companies			Insurance companies			Non-financial companies			Others		
€/t	Net exposure	Individual impairment	Collective Impairment	Net exposure	Individual Impairment	Collective Impairment	Net exposure	Individual Impairment	Collecctive Impairment	Net exposure	Individual Impairment	Collecctive impairment	Net exposure	Individual Impairment	Collective Impairment	Net exposure	Individual Impairment	Collective Impairment
A. On-balance sheet exposures																		
A.1 Non performing	-	-	X	-	-	X	-	-	X	-	-	X	218	368	X	11,095	(20,188)	X
A.2 Watch list	-	-	X	-	-	X	-	-	X	-	-	X	3,676	(1,288)	X	17,783	(7,367)	X
A.3 Restructured	-	-	X	-	-	X	5,626	(5,723)	X	-	-	X	230	-	X	-	-	X
A.4 Past due	13	(2)	X	-	-	X	-	-	X	-	-	X	115	(17)	X	8,195	(1,024)	X
A.5 Other exposures	13,058,283	X	-	5,483	X	-	436,993	X	(11)	11,394	X	-	210,191	X	(1,245)	4,727,955	X	(6,885)
Total A	13,058,296	(2)	-	5,483	-	-	442,619	(5,723)	(11)	11,394	-	-	214,430	(1,673)	(1,245)	4,765,028	(28,579)	(6,885)
B. Off-balance sheet exposures																		
B.1 Non performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Watch list	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	15	(502)	X
B.4 Other exposures	-	X	-	-	X	-	1,239	X	-	19,232	X	(55)	4,584	X	(31)	91,053	X	(62)
Total B	-	-	-	-	-	-	1,239	-	-	19,232	-	(55)	4,584	-	(31)	91,068	(502)	(62)
Total A+B at Dec. 31, 2013	13,058,296	(2)	-	5,483	-	-	443,858	(5,723)	(11)	30,626	-	(55)	219,014	(1,673)	(1,276)	4,856,096	(29,081)	(6,947)
Total A+B at Dec. 31, 2012	8,915,102	-	-	32,862	-	-	470,192	(5,620)	(11)	32,350	-	(31)	239,524	(373)	(578)	5,186,857	(25,638)	(5,718)

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

€/t	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment
A. On-balance sheet exposures										
A.1 Non performing	11,090	18,644	223	1,912	-	-	-	-	-	-
A.2 Watch list	16,647	6,846	4,812	1,809	-	-	-	-	-	-
A.3 Restructured	5,855	5,723	-	-	-	-	-	-	1	-
A.4 Past due	8,323	1,043	-	-	-	-	-	-	-	-
A.5 Other exposures	16,630,155	6,988	1,818,088	1,153	807	-	337	-	2,053	-
Total A	16,672,070	39,244	1,823,123	4,874	807	-	337	-	2,054	-
B. Off-balance sheet exposures										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	4	-	11	502	-	-	-	-	-	-
B.4 Other exposures	111,672	123	4,436	25	-	-	-	-	-	-
Total B	111,676	123	4,447	527	-	-	-	-	-	-
Total A+B at Dec. 31, 2013	16,783,746	39,367	1,827,570	5,401	807	-	337	-	2,054	-
Total A+B at Dec. 31, 2012	13,302,833	32,564	1,568,774	5,405	841	-	295	-	4,144	-

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

€/t	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment
A. On-balance sheet exposures										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1,170,950	-	295,802	-	12,523	-	54	-	4,121	-
Total A	1,170,950	-	295,802	-	12,523	-	54	-	4,121	-
B. Off-balance sheet exposures										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	25,127	-	3,135	-	-	-	-	-	-	-
Total B	25,127	-	3,135	-	-	-	-	-	-	-
Total A+B at Dec. 31, 2013	1,196,077	-	298,937	-	12,523	-	54	-	4,121	-
Total A+B at Dec. 31, 2012	1,731,062	-	398,347	-	5,685	-	41	-	2,206	-

B.4 Large exposures

	Nominal	Weighted
a) Book value	14,675,103	679,676
c) Number		13

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

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

Qualitative information

During the year the Mediolanum Group traded exclusively in securitised notes.

Quantitative information

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

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

C.2 Sale transactions

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

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

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

Credit Risk Stress Testing

Credit risk exposures are essentially gauged using three key parameters: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD).

As to exposure classes for which the credit risk capital charge is calculated, based on the qualitative and quantitative considerations set out below, it was decided to focus attention exclusively on:

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

The portfolios above (i.e. the portfolios to which stress testing can be applied) include assets in which the Bank intends to continue to invest in the near future while keeping its exposure to other asset classes contained.

Stress testing is applied also to past due positions. So, for each asset class, and for each portfolio, all exposures, both performing and impaired, at a given baseline date are considered and stressed to see how they would perform under various crisis scenarios. Despite the unsecured credit portfolios to the retail sector and regulated financial institutions, having limited amounts in terms of exposure, it is however considered necessary to assess the effect that adverse macroeconomic conditions and extreme events would have in the management of banking operations. It is therefore important to proceed to the stress tests for this type of use in order to understand, after hypothetical extreme events, the evolutionary dynamics of the intrinsic risk of this type of asset.

D. BANKING GROUP - CREDIT RISK MEASUREMENT MODELS

1.2 BANKING GROUP - MARKET RISK

1.2.1 Interest rate risk and pricing risk – Trading book

Qualitative information

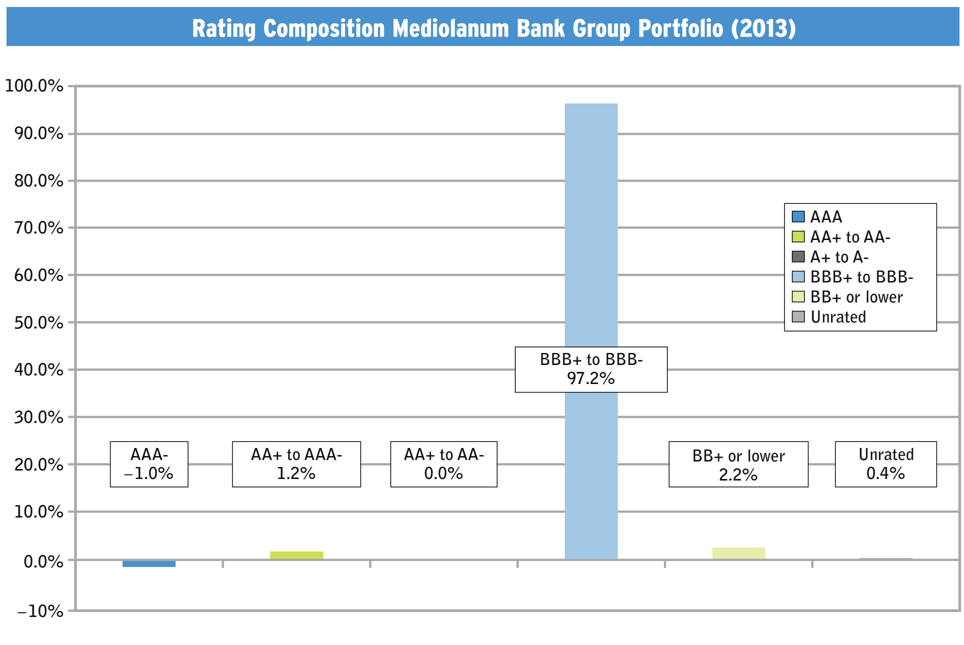
General

The Banking Group's trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk. According to this classification, at present only Banca Mediolanum has a true trading book.
Specifically, the trading book consists of positions held by those Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the Banking Group's Parent Company guidelines. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.
It is noted that the portfolio of the Banking Group is characterized by the predominance of Government Securities as compared to other domestic issuers represented in the table on the rating assigned to the country, presenting thus a relatively low risk of default. Rating analysis for the entire Mediolanum Banking Group's securities portfolio, including both the trading book and the banking book, is set out below.

Banking Group's securities portfolio - RATING COMPOSITION (S&P Equivalent) (YE 2013 vs. YE 2012)

€/t	2013	%	2012	%	Change (%)
Total Portfolio	13,772,210	100%	11,424,991	100%	21%
AAA	(138,725)	(1.0%)	(99,506)	(0.9%)	39%
AA+ to AA-	167,579	1.2%	234,416	2.1%	(29%)
A+ to A-	2,899	-	2,993,127	26.2%	(100%)
BBB+ to BBB-	13,385,550	97.2%	8,285,635	72.5%	62%
BB+ or lower	305,425	2.2%	-	-	100%
Unrated	49,480	0.4%	11,320	0.1%	337%

NOTE: the value of the securities portfolio does not include residual index linked Policies Funds, Shares and Rights. For the current year the rating of the issuer has been indicated.



Class BBB+ to BBB- include Italian government securities.

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 Securities Portfolio - MARKET RISK
(YE 2013 vs. YE 2012)

€/t	2013	2012	Change (%)
Nominal value	246,003	349,744	(30%)
Market value	237,080	333,081	(29%)
Duration	0.92	0.92	-
VaR 99% - 1 d(*)	1,212	1,200	1%

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

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
1.1 Debt securities	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	59,665	149,255	34,424	32,123	138,670	46,108	10,237	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	6,240	4,878	31,693	142,801	36,312	10,773	-
2.1 Repurchase agreements	-	6,240	-	-	-	-	-	-
2.2 Other liabilities	-	-	4,878	31,693	142,801	36,312	10,773	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	20,665	6,356	-	-	-	-	-
+ Short positions	-	6,355	-	13,048	7,608	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	189,426	-	-	-	-	-	-
+ Short positions	-	246,573	926	1,888	16,366	21,212	45,723	-

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

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

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 5 years	Indefinite Maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	195,509	-	-	-	-	-	-
+ Short positions	-	194,922	-	-	-	-	-	-

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities assets	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	36	-	-	-	-	-	-

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

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

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	63	-	-	-	-	-	-
+ Short positions	-	51	-	-	-	-	-	-

1.2.2 Interest rate risk and pricing risk – banking book

Qualitative information

Interest Rate Risk and Pricing Risk - General Information, Measurement and Management

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

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

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

- ensure the stability of net interest income, minimising any adverse impact of changes in interest rates (earnings perspective), largely with near-term focus. The stability of net interest income is mainly influenced by re-pricing risk, yield curve risk, basis risk, re-fixing risk and optionality risk;
- protect the economic value, i.e. the present value of expected cash flows from assets and liabilities. The economic value perspective is focused on the potential medium/long-term effects of changes in interest rates and is mainly associated with re-pricing risk;
- ensure that interest rate risk that has been taken or can be taken be properly identified, measured, monitored and managed in accordance with uniform methods and procedures shared;
- 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 its policy dedicated to ALM PRO including limits and procedures for monitoring annual Net Interest Income and the Economic Value of the Bank.

Movements in annual net interest income
Data as of December 31, 2013

€/t	Balance	+100bps	-100bps
Total assets (*)	17.709.787	85.910	(54.294)
Total liabilities (*)	(17.596.490)	(106.708)	62.648
Off-balance sheet positions (hedging derivatives)	70.106,53	3.361,78	(2.049,56)
YEAR'S MOVEMENT		(17.437)	6.304

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

Fair Value Hedges

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

Hedge Ratio
(YE 2013 vs. YE 2012)

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

Cash Flow Hedges

There are no cash flow hedges as defined under IAS.

Quantitative information

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	2,183,671	5,981,181	3,515,423	2,567,236	4,655,837	132,799	411,034	8,019
1.1 Debt securities	652,864	2,315,240	3,505,014	2,549,345	4,540,500	1,322	2,727	-
- with early redemption option	-	3,656	-	-	-	-	2,507	-
- other	652,864	2,311,584	3,505,014	2,549,345	4,540,500	1,322	220	-
1.2 Loans to banks	39,475	686,033	-	352	-	-	-	2,114
1.3 Loans to customers	1,491,332	2,979,908	10,409	17,539	115,337	131,477	408,307	5,905
- current accounts	417,674	81	363	295	500	703	-	-
- other loans	1,073,658	2,979,827	10,046	17,244	114,837	130,774	408,307	5,905
- with early redemption option	798,182	2,893,855	5,728	11,413	93,969	121,276	287,802	-
- other	275,476	85,972	4,318	5,831	20,868	9,498	120,505	5,905
2. Non-derivative liabilities	10,667,299	4,871,832	786,985	2,131,562	7,369	120,630	-	2,649
2.1 Amounts due to customers	7,614,644	3,535,124	647,275	1,938,048	4,435	-	-	2,649
- current accounts	6,980,920	1,283,568	598,647	1,927,276	-	-	-	-
- other payables	633,724	2,251,556	48,628	10,772	4,435	-	-	2,649
- with early redemption option	-	-	-	-	-	-	-	-
- other	633,724	2,251,556	48,628	10,772	4,435	-	-	2,649
2.2 Amounts due to banks	3,052,655	1,310,991	101,437	193,514	-	-	-	-
- current accounts	8,464	-	-	-	-	-	-	-
- other payables	3,044,191	1,310,991	101,437	193,514	-	-	-	-
2.3 Securities issued	-	25,717	38,273	-	2,934	120,630	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	25,717	38,273	-	2,934	120,630	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	3,868	10,186	16,345	283,423	455,106	569,217	-
+ Short positions	3,216	182,016	2	1,005	198,922	430,003	522,982	-
Other								
+ Long positions	-	376,990	-	-	-	-	-	-
+ Short positions	-	3,629	3,669	7,478	65,674	85,571	210,969	-
4. Other off-balance sheet								
+ Long positions	-	-	-	(17,857)	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	12,262	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	12,249	-	-	-	-	-	-	-
1.3 Loans to customers	13	-	-	-	-	-	-	-
- current accounts	13	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	68,074	14,503	-	-	-	-	-	-
2.1 Amounts due to customers	44,870	-	-	-	-	-	-	-
- current accounts	33,195	-	-	-	-	-	-	-
- other payables	11,675	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	11,675	-	-	-	-	-	-	-
2.2 Amounts due to banks	23,204	14,503	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	23,204	14,503	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	22,478	-	-	-	-	-	-
+ Short positions	-	(22,478)	-	-	-	-	-	-

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	591	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	591	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	279	-	-	-	-	-	-	-
2.1 Amounts due to customers	279	-	-	-	-	-	-	-
- current accounts	130	-	-	-	-	-	-	-
- other payables	149	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	149	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	1,448	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,448	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	1,428	-	-	-	-	-	-	-
2.1 Amounts due to customers	1,428	-	-	-	-	-	-	-
- current accounts	664	-	-	-	-	-	-	-
- other payables	764	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	764	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

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

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

€/t	On demand	To 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite Maturity
1. Non-derivative assets	855	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	855	-	-	-	-	-	-	-
1,.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	23	-	-	-	-	-	-	-
2.1 Amounts due to customers	23	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	23	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	23	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Qualitative information – Pricing risk

Pricing Risk - General information, Measurement and Management

The Banking Group measures the pricing risk exposure of the banking book applying the same methods used to measure interest rate risk.

Pricing Risk-Hedges

There are no hedges as defined under IAS.

1.2.3 Currency Risk

Qualitative information

Currency Risk - General information, Measurement and Management

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

Currency Risk-Hedges

There are no hedges as defined under IAS.

Internal models and other sensitivity analysis methods

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

1.2.4 Derivative instruments

A. Financial derivatives

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

	Dec. 31, 2013		Dec. 31, 2012	
€/t	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	87,434	26,615	69,587	41,770
a) Options	-	-	-	-
b) Swap	87,029	-	69,583	-
c) Forward	405	-	4	-
d) Futures	-	26,615	-	41,770
e) Other	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	370,304	-	252,364	-
a) Options	-	-	-	-
b) Swap	367,131	-	252,364	-
c) Forward	3,173	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	457,738	26,615	321,951	41,770
Average amount	39,626	-	92,078	2,883

A.2.1 Hedging derivatives

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

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

	Positive fair value			
	Dec. 31, 2013		Dec. 31, 2012	
€/t	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading book	26	-	2,620	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	2,620	-
d) Equity Swap	-	-	-	-
e) Forward	26	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - hedging derivatives	2,418	-	1,366	-
a) Options	2,418	-	1,366	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	2,444	-	3,986	-

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

	Negative fair value			
	Dec. 31, 2013		Dec. 31, 2012	
€/t	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading book	17,551	-	21,321	-
a) Options	-	-	-	-
b) Interest rate swap	17,551	-	17,264	-
c) Cross currency swap	-	-	4,057	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - hedging derivatives	59,127	-	92,888	-
a) Options	-	-	-	-
b) Interest rate swap	59,127	-	92,888	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	76,678	-	114,209	-

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

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others
1. Debt securities and interest rates							
- notional amount	-	-	87,105	-	-	-	329
- positive fair value	-	-	-	-	-	-	1
- negative fair value	-	-	17,551	-	-	-	-
- future exposure	-	-	1,086	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	247,578	121,093	-	1,450	182
- positive fair value	-	-	721	-	-	19	-
- negative fair value	-	-	412	658	-	-	-
- future exposure	-	-	2,454	1,211	-	15	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

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

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

€/t	To 12 months	1 to 5 years	Over 5 years	Total
A. Trading book	374,438	16,366	66,934	457,738
A.1 Financial derivatives on debt securities and interest rates	4,134	16,366	66,934	87,434
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	370,304	-	-	370,304
A.4 Financial derivatives on other values	-	-	-	-
B. Banking book	14,776	65,674	366,647	447,097
B.1 Financial derivatives on debt securities and interest rates	14,776	65,674	366,647	447,097
B.2 Financial derivatives on equities and stock indices	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total at Dec. 31, 2013	389,214	82,040	433,581	904,835
Total at Dec. 31, 2012	270,031	79,360	453,487	802,878

B. Credit derivatives

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

1.3 LIQUIDITY RISK

Qualitative information

Liquidity Risk - General information, Measurement and Management

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

Quantitative information

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	896,021	311,391	423,390	969,857	350,646	379,473	2,951,642	10,436,335	2,993,030	360,886
A.1 Government securities	4,199	48	409,000	913,607	182,982	138,033	2,467,520	8,984,352	37,019	-
A.2 Other debt securities	837	66	14,355	15,253	96,555	132,808	280,821	353,503	27,132	-
A.3 Holdings in UCITS	137,172	-	-	-	-	-	-	-	-	-
A.4 Loans	753,813	311,277	35	40,997	71,109	108,632	203,301	1,098,480	2,928,879	360,886
- Banks	34,192	287,589	-	14,034	2,381	-	-	-	-	354,981
- Customers	719,621	23,688	35	26,963	68,728	108,632	203,301	1,098,480	2,928,879	5,905
Non-derivative liabilities	7,635,593	1,489,646	1,305,057	262,359	1,789,461	762,283	2,214,856	3,209,525	174,055	2,649
B.1 Current accounts and deposits	7,441,561	81,649	204,688	261,216	1,181,199	753,264	2,179,431	4,435	-	2,649
- Banks	15,755	-	44,864	4,520	311,588	101,596	194,209	-	-	-
- Customers	7,425,806	81,649	159,824	256,696	869,611	651,668	1,985,222	4,435	-	2,649
B.2 Debt securities	-	-	-	-	1,021	1,692	2,696	59,956	126,571	-
B.3 Other liabilities	194,032	1,407,997	1,100,369	1,143	607,241	7,327	32,729	3,145,134	47,484	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	927	-	1,469	70,655	-	-	6,345	-	-
- Short positions	-	1,882	-	-	127,711	-	-	13,048	7,608	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	17,551	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments irrevocable to disburse funds										
- Long positions	-	-	-	-	-	-	(17,857)	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	1,014	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	12,262	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	12,262	-	-	-	-	-	-	-	-	-
- Banks	12,249	-	-	-	-	-	-	-	-	-
- Customers	13	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	68,074	-	-	14,505	-	-	-	-	-	-
B.1 Current accounts and deposits	68,074	-	-	14,505	-	-	-	-	-	-
- Banks	23,204	-	-	14,505	-	-	-	-	-	-
- Customers	44,870	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	1,245	97,890	-	121,093	-	-	-	-	-
- Short positions	-	809	98,165	1,450	49,717	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	(22,478)	-	-	-	-	-	-	-	-
- Short positions	-	22,478	-	-	-	-	-	-	-	-
C.4 Commitments irrevocable to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial Guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial Guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	591	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	591	-	-	-	-	-	-	-	-	-
- Banks	591	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	279	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	279	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	.	-	-	-	-	-	-
- Customers	279	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	5	97,752	-	-	-	-	-	-	-
- Short positions	-	13	97,454	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments irrevocable to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial Guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial Guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	1,448	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,448	-	-	-	-	-	-	-	-	-
- Banks	1,448	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	1,428	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	1,428	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	.	-	-	-	-	-	-
- Customers	1,428	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	36	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments irrevocable to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial Guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial Guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

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

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	849	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	849	-	-	-	-	-	-	-	-	-
- Banks	849	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	23	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	23	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	.	-	-	-	-	-	-
- Customers	23	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	63	-	-	-	-	-	-	-	-
- Short positions	-	51	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments irrevocable to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial Guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial Guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Information on assets committed and recorded

€/t	Committed		Not committed		Total
	BV	FV	BV	FV	Dec. 31, 2013
1. Cash and cash equivalents	-	X	(1,764)	X	(1,764)
2. Debt securities	(6,563,211)	(6,605,038)	(6,123,679)	(6,133,050)	(25,424,978)
3. Equities	-	-	(21,490)	(454)	(21,944)
4. Loans	(124,719)	X	(5,412,664)	X	(5,537,383)
5. Other financial assets	-	X	(140,332)	X	(140,332)
6. Non-financial assets	-	X	(369,753)	X	(369,753)
Total at Dec. 31, 2013	(6,687,930)	(6,605,038)	(12,069,682)	(6,133,504)	(31,496,154)

Legend:
BV = Book value
FV = Fair value

3. Information on owned assets committed and not recorded

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

Liquidity Risk Stress Testing

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

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

Generally, the systemic events tested in stress scenario simulations may include:
- a financial market shock that brings about a significant change in interest rates and exchange rates;
- a crisis in a geographical area or market (e.g. emerging markets or Eurozone Mediterranean markets), identified by a fall in major stock market indices 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.

1.4 OPERATIONAL RISK

Qualitative information

General aspects, operational risk measurement and management

The Compliance & Risk Control team coordinates with Network Inspectors and the Anti-Money Laundering team for management and control of operational risk associated with the activities carried out by the sales network, and with Accounting & Finance officers for verification of capital adequacy vis-à-vis operational risk capital requirements.
Within the Compliance & Risk Control function operational risk controls are carried out by the Risk Assessment & Mitigation and Risk Control teams. Specifically:
- the Risk Assessment & Mitigation team is responsible for assessing both non-compliance, reputational and operational risk exposures of the various organisational units through integrated risk assessment as well as for developing a system of recurring second level controls;
- the Risk Control team is responsible for assessing and monitoring exposures to operational risk through collection and analysis of operational loss data.

These teams coordinate their work with the Compliance unit team.
The Compliance & Risk Control function is separate and independent of operating units and reports directly to the Parent Company's Senior Management.
In consideration of the characteristics and the type of business conducted by Banca Mediolanum, special attention is given to risks associated with the operation of the sales network and the multiple channels, i.e. also those channels which enable access and transactions from a remote location. These risks are managed, inter alia, through local controls and procedures for risk assessment, management, prevention and mitigation.
In line with what is required by industry regulations, Banca Mediolanum adopted and regularly updates a specific framework for the management of operational risk.
The reference framework for the management and control of operational risk is composed of four basic processes:
1. Identification;
2. Measurement;
3. Monitoring, Control and Reporting;
4. Management.

Each of these processes is characterized by specific objectives, models, methodologies and tools. The **identification** is the activity of finding and collecting information relating to operational risks through the coordinated and consistent processing of all relevant sources of information. The aim is the establishment of a comprehensive information base.
The identification is done through the definition and classification of the information needed for the integrated management of operational risks.

The information necessary for this purpose are:

- qualitative and quantitative assessments of the risk exposure of key business processes, as part of the annual risk self-assessment conducted by the Risk Assessment & Mitigation Sector of the Compliance & Risk Control function;
- actual internal loss data, together with all information relevant to the measurement and management of risks (including recoveries from insurance and direct), collected through the process of Loss Data collection by the Risk Control Sector of the Compliance & Risk Control function;
- preliminary analysis, by the Risk Assessment & Mitigation Sector of the Compliance & Risk Control function, of the risk exposure to the entry into new businesses or new contracts/commercial agreements, as well as a result of organizational changes/regulations.

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

- economic capital;
- regulatory capital.

Following the examination of the results of self-assessment, initially made on November 7, 2007, and then reviewed on an annual basis (latest results examined on March 19, 2014), the Board of Directors resolved to apply, at individual level, the standardised approach to operational risk capital measurements, considering that both quantitative and qualitative requirements for the adoption of said approach are satisfied. Instead, to measure the operational risk capital charge at consolidated level, in the light of the different stages in the implementation of the operational risk control model at the various subsidiaries, in accordance with the proportionality principle, effective from January 1, 2008, the Group adopted a "combination of the basic indicator approach and the standardised approach". Said combination of approaches is applied in compliance with the requirements set forth in the Bank of Italy's Circular 263/2006, as schematically set out in the table below.

Methods applied for the calculation of the operational risk capital charge

	Individual	Consolidated
Banca Mediolanum S.p.A.	Standard[1]	Standard[1]
Mediolanum Gestione Fondi SGR p.A.	Circ. BdI 189/93[2]	Standard[1]
Mediolanum Fiduciaria S.p.A.	Not applicable	Basic indicator[1]
Fermi & Galeno Real Estate Srl	Not applicable	Basic indicator[1]
Mediolanum International Funds Ltd	Not applicable	Standard[1]
Mediolanum Asset Management Ltd	C.R.D.[3]	Standard[1]
Bankhaus August Lenz & Co.	Basic indicator[1]	Basic indicator[1]
Banco Mediolanum S.A.	Basic indicator[1]	Basic indicator[1]
Fibanc S.A.	Not applicable	Basic indicator[1]
Mediolanum Pensiones, S.A. S.G.F.P.	Not applicable	Basic indicator[1]
Mediolanum Gestión S.G.I.I.C. S.A.	Not applicable	Basic indicator[1]
Gamax Management A.G.	Not applicable	Basic indicator[1]

(1) Methods for the calculation of the operational risk capital charge as defined in the Bank of Italy's Circular 263/2006.
(2) The Bank of Italy's Circular 189/1993 sets forth a capital requirement for "other risks" equal to the higher of the percentage applied to managed assets and 25% of fixed operational costs.
(3) IFSRA local transposition of the Capital Requirement Directive "Notice on the implementation of the CRD" (December 28, 2006) and "Investment firms guidelines on ICAAP submission". Standardised approach applied on an individual basis for Mediolanum Asset Management. No operational risk capital charge required of Mediolanum International Funds on an individual basis.

Readers are reminded that pursuant to Bank of Italy's Circular 263/2006, the combination of the Basic Indicator approach and the Standardised approach is allowed at consolidated level, provided that the operational segments to be covered under said method do not exceed 10% of the average of the last three annual measurements of the relevant indicator. The satisfaction of the 10% requirement was ascertained by the Board of Directors prior to passing the relevant resolution and again in subsequent years. The latest review was made by the Board of Directors at its meeting of March 19, 2014 when satisfaction of said requirement was confirmed also for the year 2014.

"Monitoring, Control and Reporting" consists of the following:

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

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

In 2013, 140 organisational units of entities within the Banking Group were examined identifying over 2,600 operational risk checkpoints. About 85% of checkpoints were judged to be adequate or in need of being just better formalised. Mitigation actions were taken in relation to controls that were judged to be unsatisfactory or in need of improvement.

Compliance Risk

It is the risk of legal penalties or fines, financial losses or reputational damage resulting from failed compliance with statutes, regulations, codes of conduct, self discipline or internal rules.
Across the Mediolanum Banking Group, Banca Mediolanum S.p.A. defined a single compliance risk management framework that entrusts the Compliance team with the responsibility of ensuring compliance within the Parent Company as well as for supervision, guidance and control of Group companies within its remit.
The scope of work of the Compliance unit has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance Model and in relation to specific regulatory areas.
The different steps of the main Compliance cycle, provided by the Group Compliance Policy, include the following activities:

- Planning: annual planning of compliance risk management activities (compliance plan).
- Regulatory alert: analysis of regulatory changes and information on their possible impact on the bank's business to the relevant organisational units.
- Mapping rules: identification of applicable regulatory requirements and associated penalties for the enhancement of the legal/regulatory aspect and size of the business, i.e. risks that insist on activities.
- Valuation Risk Impact: assignment of a risk "inherent" (or Risk Impact) to each risk event whose occurrence could result in a direct or indirect punitive, financial or reputational damage.
- Guidance and advice: preparation of opinions as well as assistance for education sessions.

- Compliance Assessment Mapping of processes, procedures, innovative projects, products, contracts.
- Effectiveness assessments, "ongoing", of compliance with the regulations, even through analysis of specific "indicators".
- Mitigation actions: planning of corrective actions to mitigate any identified risk.
- Reporting: preparation of information on compliance matters for Senior Management and/or Supervisory Authorities.

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

Strategic Risk

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

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

Strategic risk identification processes are part of usual management planning and control, entail analyses of market scenario and changes in the competitive environment resulting from macroeconomic events or regulatory developments. These analyses are typically conducted upon budgeting and planning as well as upon the occurrence of external events that may have a significant impact on the group's business.
Strategic risk arising from improper implementation of business decisions or losses arising from business decisions are also monitored as part of the Loss Data Collection exercise carried out by the Risk Control team.

Reputational risk

Under the new regulations governing capital requirements for banks, reputational risk is classified among `other risks' that are difficult to measure in relation to which banks put in place adequate controls and mitigation measures. Reputational risk is the current or prospective risk of impact on earnings or capital arising from the negative perception of the Bank's image by customers, counterparties, shareholders, investors or supervisory authorities.
Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:

- the materialisation of other risks (e.g. market risk, liquidity risk, legal risk or strategic risk) not adequately kept in check;
- the occurrence of operational risk events (e.g. malfunctioning, disservice) with impact on the stakeholders' perception of the bank;
- failed compliance with statutes, regulations and codes of conducts, including those that may be outside the purview of the Compliance team;

- internal or external communications being ineffectively or inappropriately handled;
- the behaviour of corporate officers, employees or contract workers.

More generally, internal events include all events directly associated with the processes in place and the business conducted by the Bank as well as any management or operational choices made by the Bank (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).
External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the Bank or the Group. These events are not directly associated with processes in place or business conducted by the Bank, but are related to the circulation of negative opinions or information about the Bank or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the Bank and its management).
The materialisation of reputational risk may also have effects on other risks (e.g. liquidity risk, in the event of a significant decline in the number of customers as a consequence of the damaged reputation of the Bank).
Banca Mediolanum recognises the reputation of the Bank and of the Group is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, within the Group, reputation is managed and protected through:
- the values that are embedded across the organisation;
- the promotion of a corporate culture built on integrity, fairness and compliance at all levels of the organisation;
- the adoption of a reputational risk governance and control model.

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

SECTION 2 – INSURANCE COMPANY RISKS

INSURANCE - FINANCIAL RISK AND CREDIT RISK

2.1 INSURANCE RISKS

Introduction

The Group conducts insurance business through three entities: the Italian companies Mediolanum Vita and Mediolanum Assicurazioni and the Irish company Mediolanum International Life LTD.
The risk management models are tailored to the complexity of the business and the characteristics of the products sold. In certain instances, e.g. class III products dealt with by both Mediolanum Vita and Mediolanum International Life, control processes are geared to protect the policyholders who bear the investment risk thereof, through the validation of pricing models and control of issuers' solvency. The Irish company has limited free capital which is mainly invested in term deposits held with other Mediolanum Group companies. As for any index-linked residues as a result of redemptions, they will be freed up quickly with the counterparties and thus the residual counterparty risk in free assets can be considered marginal. The concentration risk and credit risk is also monitored at Group level through a credit VAR methodology (refer to the section on index-linked contracts for more detail on the control methodology and procedure).
Overall portfolio risk is also monitored for the Italian insurance company Mediolanum Vita, as it offers a broader, more diversified portfolio of products (prevalence of class III products, class I products, and residual portfolio of products in class I, i.e. capitalisation plans, and class VI i.e. pension funds).
Mediolanum Assicurazioni S.p.A. is a company operating in the damages segment and has a portfolio management related mainly to cover claims reserves, in relation to which activities are performed to control the risks of the Company. Risk management and control activities are carried out by both the operating units of each Company and by second-level functions, e.g. Risk Control team of Banca Mediolanum.

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 using an Asset Liability Management model. In particular, these activities are 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 (risk mitigation).

Asset Liability Management

As mentioned in the previous paragraph, only the company Mediolanum Vita S.p.A. uses an advanced system for improved asset-liability measurement and management of the Company.
In particular, the model in question is based on 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.
Similarly, also for the Company Mediolanum Assicurazioni, which operates in the damages segment, the main results of the monitoring of controls carried out during the year will be outlined.

Solvency II

The Mediolanum Group started the implementation of its Solvency II compliance project several years ago. The project, conducted at Group level, involves all Company departments. 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 and Damages Mediolanum Assicurazioni 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 for both companies mentioned. 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 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 the 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.

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.

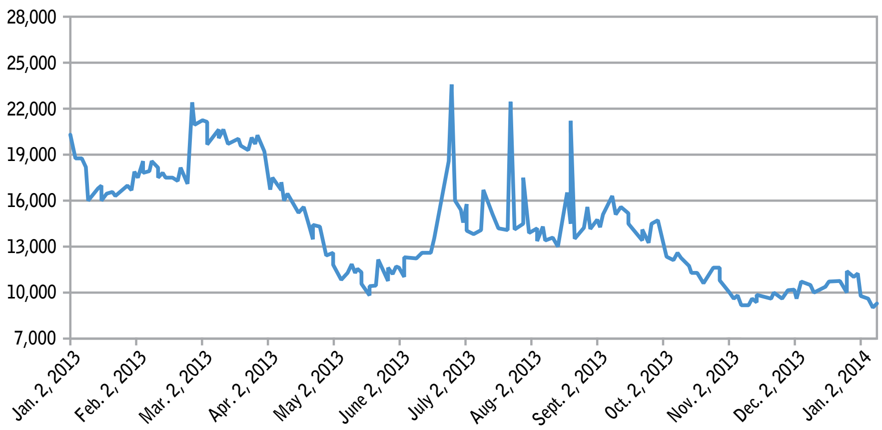
MEDIOLANUM VITA

Market Risk

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

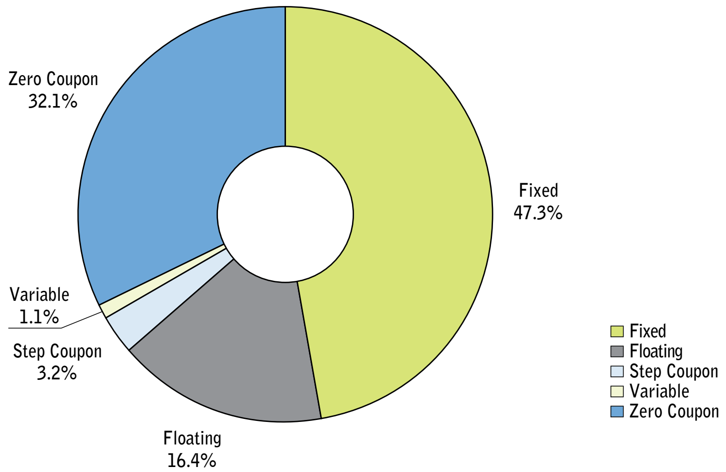
The chart below shows Value at Risk (VaR) in FY 2013:

VaR Portfolio Mediolanum Vita S.p.A. (€/t)



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 (2013)



Credit risk

The risk that over the life of a financial instrument linked to an insurance product there may be an event which changes the repayment ability (creditworthiness) of the counterparty (issuer) and consequently the value of the credit position. Credit risk can be divided into two components: the risk of default 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 security as a result of the deterioration of the credit standing/rating of the debtor.

The credit risk for Mediolanum Vita can arise mainly from the issuer risk as a result of the default of the securities in the portfolio. It should be noted that the securities portfolio of Mediolanum Vita is characterized by the predominance of domestic government securities relative to other issuers involving in fact an exposure to the risk of default that is irrelevant.

Securities portfolio Mediolanum Vita - Rating COMPOSITION (S&P Equivalent) (YE 2013 vs. YE 2012)

€/t	2013	%	2012	%	Change (%)
Total Portfolio	2,578,663	100%	4,083,176	100%	(37%)
AAA	-	-	-	-	nd
AA+ to AA-	14,033	0.5%	23,569	-	(40%)
A+ to A-	73,387	2.8%	140,667	3.5%	(48%)
BBB+ to BBB-	2,168,496	84.1%	3,285,948	80.5%	(34%)
BB+ or lower	313,388	12.2%	632,991	15.5%	(50%)
Unrated	9,360	0.4%	-	-	100%

NOTE: the value of the securities portfolio does not include residual Index Linked Policies Funds, Shares and Rights.
For the current year the rating of the issuer has been indicated.

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

**Securities portfolio Mediolanum Vita - POSITION
(YE 2013 vs. YE 2012)**

IAS Category €/t	2013	2012	Change (%)
HFT			
Nominal value	590,321	574,366	3%
Market value	591,804	553,764	7%
AFS			
Nominal value	1,524,591	3,067,540	(50%)
Market value	1,568,807	3,057,314	(49%)
HTM			
Nominal value	308,856	353,856	(13%)
Market value	308,410	337,809	(9%)
L&R			
Nominal value	112,287	131,343	(15%)
Market value	109,643	134,289	(18%)
TOTAL			
Nominal value	2,536,056	4,127,105	(39%)
Market value	2,578,663	4,083,176	(37%)

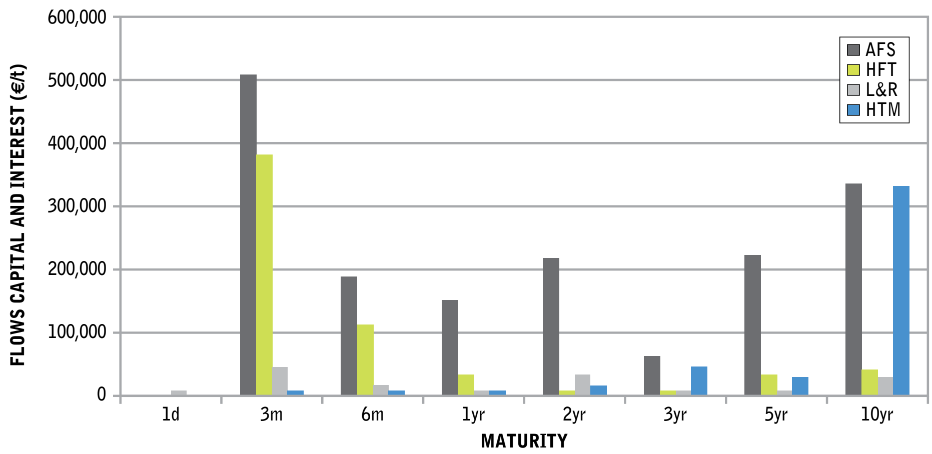
NOTE: the value of the securities portfolio does not include residual Index Linked Policies Funds, Shares and Rights.

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.

Analysis of portfolio Mediolanum Vita S.p.A. (31.12.2013)



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, etc.) 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.

Index Linked portfolio - Credit risk

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

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

Index Linked portfolio - Credit VaR

In addition to expected losses (EL) also unexpected losses (UL) are computed for credit risk. Unexpected losses are unusual losses that occur rarely and have a high severity. Unexpected losses are 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").

Credit VaR Group portfolio Index Linked
(YE 2013 vs. YE 2012)

€/t	2013	2012	Change (%)
Expected loss	7,759.04	28,616.90	(73%)
Unexpected loss	169,469.35	380,645.27	(55%)
Credit VaR (99%)	177,228.40	409,262.17	(57%)

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.

Reinsurance credit risk Mediolanum Vita portfolio
Data as at December 31, 2013

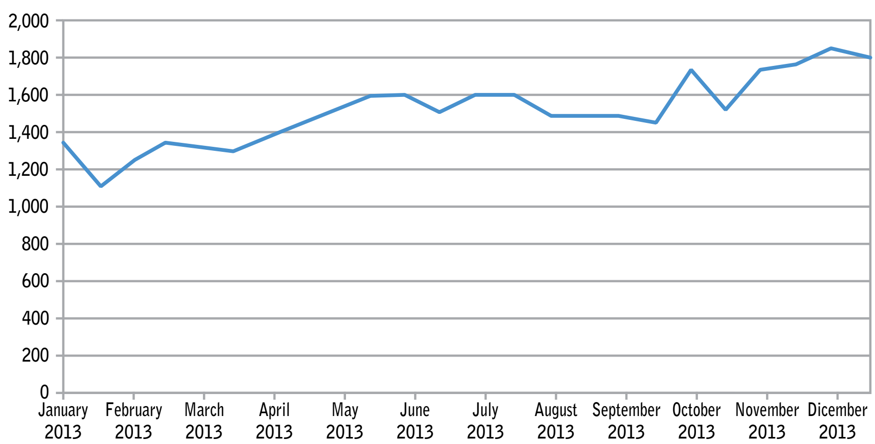
€/t	Technical reinsured reserves	Expected loss	Moody's rating	S&P Rating	PD	LGD
Total	71,010	540				
Swiss Re Frankona Rueckversicherung - AG	6,275	54	Aa3	AA-	1.44%	60%
SCOR Global Life SE (EX REVIOS)	6,406	55	A1	A+	1.44%	60%
Hannover Rueckversicherung - AG	1,813	12	WR	AA-	1.06%	60%
Munchener Ruck Italia S.p.A.	15,713	66	Aa3	AA-	0.70%	60%
Swiss Re Europe SA	29,421	254	Aa3	AA-	1.44%	60%
SCOR Global Life SE	11,382	98	A1	A+	1.44%	60%

MEDIOLANUM ASSICURAZIONI S.P.A.

Market Risk

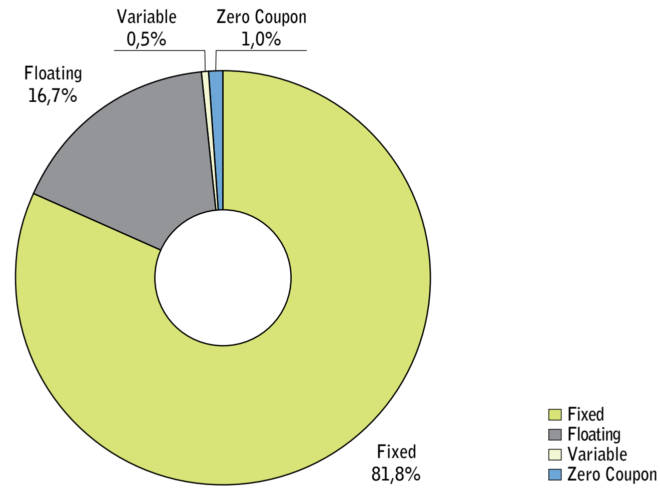
Market risk associated with the portfolio of Mediolanum Assicurazioni S.p.A. is managed in accordance with regulatory requirements and market best practice, applying Value at Risk measurement and management processes on the basis of guidelines and general rules set out in the control policy adopted by the Company.
The chart below shows Value at Risk (VaR) in FY 2013:

VaR Portfolio Mediolanum Assicurazioni S.p.A.



The table below sets out an analysis of the Mediolanum Assicurazioni S.p.A. portfolio by rate.

Analysis of the Mediolanum Assicurazioni S.p.A. portfolio by type of assets (2013)



Credit risk

The risk that over the life of a financial instrument linked to an insurance product there may be an event which changes the repayment ability (creditworthiness) of the counterparty (issuer) and consequently the value of the credit position. Credit risk can be divided into two components: the risk of default 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 security as a result of the deterioration of the credit standing/rating of the debtor.

The credit risk for Mediolanum Assicurazioni, in line with the other companies of the Group, can arise mainly from the issuer risk as a result of the default of the securities in the portfolio. It should be noted that the securities portfolio is characterized by the predominance of domestic government securities relative to other issuers involving in fact an exposure to the risk of default that is irrelevant:

Securities portfolio Mediolanum Assicurazioni - Rating COMPOSITION (S&P Equivalent) (YE 2013 vs. YE 2012)

€/t	2013	%	2012	%	Change (%)
Total Portfolio	96,230	100%	78,852	100%	22%
AAA	-	-	-	-	ns
AA+ to AA-	-	-	-	-	ns
A+ to A-	1,489	1.5%	2	-	100%
BBB+ to BBB-	85,103	88.4%	77,849	98.7%	9%
BB+ or lower	7,123	7.4%	1,002	1.3%	611%
Unrated	2,516	2.6%	-	-	100%

NOTE: the value of the securities portfolio does not include the marginal portion of Funds, Shares and Rights.
For the current year the rating of the issuer has been indicated.

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

**Securities portfolio Mediolanum Assicurazioni - POSITION
YE 2013**

IAS Category €/t	2013
HFT	
Nominal value	16,250
Market value	16,586
AFS	
Nominal value	59,250
Market value	60,926
HTM	
Nominal value	12,500
Market value	13,198
L&R	
Nominal value	5,839
Market value	5,520
TOTAL	
Nominal value	93,839
Market value	96,230

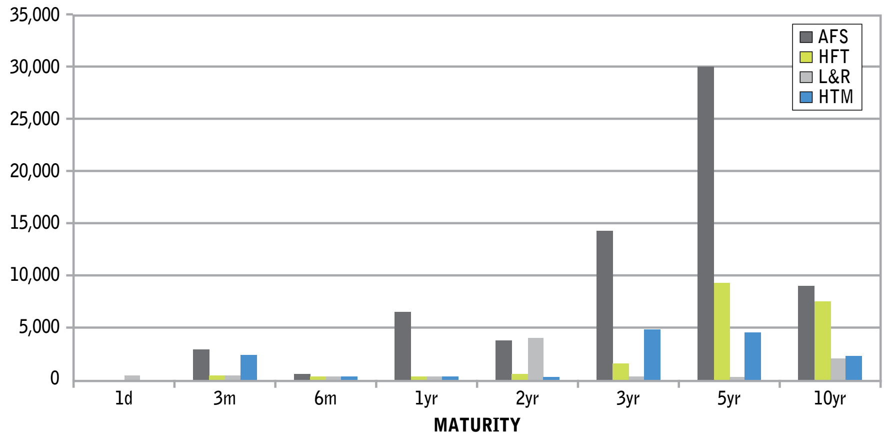
NOTE: the value of the securities portfolio does not include the marginal portion of Funds, Shares and Rights.

It should be noted that the classification of the portfolio securities of the Company in accordance with the international accounting standards was carried out as of March 2013, following the integration of the Company into the Group Mediolanum S.p.A., therefore a comparison with the previous year is not possible.

Liquidity risk

Liquidity risk of the Mediolanum Assicurazioni S.p.A. portfolio 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.

Analysis of Mediolanum Assicurazioni portfolio (31.12.2013)



The insurance liabilities related to reported claims reserves can be settled in the short term, therefore the Company invests cash in readily realizable securities.

Insurance Risks - Life

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.

€/t	Insurance	Investment	Total
within one year	1,111,427	6,016	1,117,443
1 to 2 years	1,018,063	-	1,018,063
2 to 3 years	720,704	2,150	722,854
3 to 4 years	607,829	-	607,829
over 5 years	9,724,179	-	9,724,179
whole life	2,522,010	63,485	2,585,494
Total	15,704,211	71,650	15,775,861

The total includes mathematical reserves and technical reserves for contracts under which the risk is borne by the policyholder amounting to Euro 921,080,834 and Euro 12,777,577,100, respectively, the reserve for other technical items amounting to Euro 316,110,003, and investment contracts financial liabilities amounting to Euro 70,987,493.
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 related to 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 Euro 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 Euro 1.5 million in the group's net profit for 2013. 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.

€/t	Unit Linked	Index Linked	Traditional	Collective	Pension funds	Total
Spain	100,076	64,037	-	-	-	164,113
Germany	20,330	16,187	-	-	-	36,517
Italy	1,050,752	-	3,598,149	6,040	-	4,654,941
Total	1,171,158	80,224	3,598,149	6,040	-	4,855,571

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

€/t	Dec. 31, 2013
Liabilities with interest rate guarantee	2,587,477
-	1,733,720
2%	15,504
3%	120,639
4%	717,614
Liabilities without interest rate guarantee	13,188,388
Total	15,775,865

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.
The value of Technical Reserves as at December 31, 2013 amounted to Euro 15,776 million, a decrease of 56% over the previous year or about Euro 1,946 million, an increase over the figure recorded in the same period in 2012 which stood at Euro 856 million.

€/t	2012	2013	Δ (Val)	Δ (%)
Opening balance	18,578,128	17,721,751		
Closing balance	17,721,751	15,775,891		
Year's movement	(856,377)	(1,945,859)	(1,089,482)	55.99%

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

€/t	2012	2013	Δ (Val)	Δ (%)
Opening balance	18,578,128	17,721,751		
Invested premiums	7,987,473	4,762,114	(3,225,359)	(67.73%)
Release for payments	(10,226,887)	(8,039,923)	2,186,964	(27.20%)
Change in other items related to Unit Linked policies	(4,245)	(9,888)	(5,643)	57.07%
Change in actuarial items related to traditional policies	6,536	2,545	(3,991)	ns
Change in additional reserves	(13,979)	10,198	24,176	ns
Change in market value	1,238,135	1,254,539	16,403	1.31%
Revaluation of traditional policies	156,589	74,557	(82,033)	ns
Closing balance	17,721,751	15,775,891	(1,945,859)	(12.33%)
Year's movement	(856,377)	(1,945,859)	(1,089,482)	55.99%

Mathematical Reserves for Unit-Linked Policies without Additional Reserves

In 2013, mathematical reserves for Unit-Linked policies were up about Euro 900 million in line with the figure recorded for the same period in 2012.

The analysis is explained by the following key factors:

1. invested premiums amounted to Euro 1,047 million of which Euro 94 million relating to the 1st year and Euro 953 million to in-force business. From the comparison with the prior year, there was a modest reduction vs 2012;
2. reserve release for amounts payable to policyholders amounted to about Euro 1,210 million, of which Euro 820 million relating to surrenders, Euro 30 million to claims and Euro 275 million to maturities. Compared to December 2012, surrenders and claims were substantially in line but maturities increased by 23%;
3. reserve release due to divestments for administrative costs borne by customers amounted to about Euro 13 million, in line with 2012;
4. investments for bonuses were down Euro 1 million over the prior year;
5. the reserve for changes in market value of insurance funds showed a revaluation of 1,073 in 2013 up over 2012.

€/t	2012	2013	Δ (Val)	Δ (%)
Opening balance	9,153,374	9,886,409	733,035	7.41%
Invested premiums	1,148,811	1,046,735	(102,076)	(9.75%)
- *new business*	131,332	93,939	(37,393)	(39.81%)
- *in-force business*	1,017,479	952,796	(64,683)	(6.79%)
Release for payments	(1,148,844)	(1,210,439)	(61,596)	5.09%
- *surrenders*	(812,013)	(819,953)	(7,940)	0.97%
- *claims*	(29,764)	(29,875)	(111)	0.37%
- *maturities*	(212,469)	(274,761)	(62,292)	22.67%
Release for administrative/operating costs	(13,770)	(12,896)	875	(6.78%)
- *for management rights*	(13,335)	(12,454)	880	(7.07%)
- *past due items*	(258)	(255)	3	(1.14%)
- *switching*	(178)	(187)	(8)	4.48%
Invested for bonuses	15,949	14,963	(985)	(6.58%)
Other movements	(8,331)	(10,967)	(2,636)	24.04%
Invested/divested for generic movements	(5,680)	(8,435)	(2,755)	32.67%
Related guarantees	(645)	(618)	27	(4.44%)
Bid/offer related disinvestments	(2,006)	(1,808)	198	(10.95%)
Change in market value	753,319	1,073,001	333,682	31.10%
Closing balance	9,886,508	10,786,806	900,299	8.35%
Year's movement	733,134	900,397	167,263	18.58%

Mathematical Reserves for Index-Linked Policies without Additional Reserves

At December 2013, mathematical reserves for Index-Linked policies were down about Euro 1,117 million, up 58% vs 2012.
Specifically:

1. invested premiums amounted to Euro 120 million relating exclusively to new business. From the comparison with the prior year, there was an increase of about 19%;
2. reserve release for payments amounted to about Euro 1,420 million (of which Euro 373 million relating to surrenders, Euro 58 million for claims, Euro 990 million for maturities). Compared to 2012, there was an increase in all payment items;
3. the reserve for changes in market value of securities underlying index-linked policies showed a slight revaluation of Euro 183 million, down over the prior year.

€/t	2012	2013	Δ (Val)	Δ (%)
Opening balance	3,587,254	3,123,652	(463,602)	(14.84%)
Invested premiums	96,818	119,621	22,804	19.06%
- *new business*	96,818	119,621	22,804	19.06%
- *in-force business*	-	-	-	-
Release for payments	(1,051,667)	(1,419,525)	(367,859)	25.91%
- *surrenders*	(194,445)	(372,577)	(178,131)	47.81%
- *claims*	(37,099)	(57,559)	(20,461)	35.55%
- *maturities*	(829,697)	(989,389)	(159,692)	16.14%
Change in market value	500,822	183,346	(317,476)	ns
Closing balance	3,133,227	2,007,095	(1,126,132)	(56.11%)
Year's movement	(454,027)	(1,116,558)	(662,531)	59.34%

Mathematical Reserves for Traditional Policies without Additional Reserves

At December 2013, mathematical reserves for traditional policies were down about Euro 1,737 million over the prior year. Specifically:

1. invested premiums amounted to Euro 3,596 million, down compared to 2012, largely relating to MedPlus products and term death benefit policies;
2. reserve release for payments amounted to about Euro 5,410 million broken down as follows: Euro 5,320 million for surrenders; Euro 22 million for claims; Euro 68 million for maturities. Compared to December 2012, payments were down 48%;
3. revaluation of traditional policies linked to fund returns was around Euro 75 million, a sharp decrease over the prior year.

€/t	2012	2013	Δ (Val)	Δ (%)
Opening balance	5,436,410	4,324,577	(1,111,833)	(25.71%)
Invested premiums	6,741,844	3,595,758	(3,146,087)	(87.49%)
- *new business*	723,943	38,121	(685,822)	ns
- *in-force business*	6,017,901	3,557,637	(2,460,265)	(69.15%)
Release for payments	(8,016,803)	(5,409,959)	2,606,844	(48.19%)
- *surrenders*	(7,891,656)	(5,320,013)	2,571,643	(48.34%)
- *claims*	(37,622)	(22,306)	15,316	(68.66%)
- *maturities*	(87,524)	(67,639)	19,885	(29.40%)
Other changes	6,536	2,545	(3,991)	ns
Revaluation	156,589	74,557	(82,033)	ns
Closing balance	4,324,577	2,587,477	(1,737,099)	(67.13%)
Year's movement	(1,111,833)	(1,737,099)	(625,266)	35.99%

Other additional reserves (Bonus Reserves, Expense Reserves, Reserve for Demographic Adjustments etc.)

In 2013, additional reserves increased by about Euro 10 million, down over the prior year. Specifically:

1. at December 2013, the Bonus Reserve showed a Euro 4 million increase mainly due to the bonus at maturity;
2. amounts set aside for future expenses declined markedly in 2013 over 2012;
3. the movement in the reserve for buyers propensity to opt for annuities was Euro 1.7 million, up over 2012;
4. the reserve for the risk of declining rates was down about Euro 0.2 million essentially due to good levels of return foreseeable for the next five-year period in relation to segregated funds.

€/t	2012	2013	Δ (Val)	Δ (%)
Opening balance	399,984	384,372	(15,612)	(4,06%)
Amounts set aside for bonus reserve	17,573	21,304	3,731	17,51%
- *loyalty bonus*	(66)	(1,912)	(1,847)	96,56%
- *maturity bonus*	16,358	20,894	4,536	21,71%
- *other bonuses*	174	(418)	(591)	141,66%
Amounts set aside for pension products	251	(285)	(536)	188,18%
Amounts set aside for future expenses including Death Benefits	(30,870)	(10,032)	20,838	ns
- *Di Più*	(30,569)	(9,300)	21,269	ns
- *traditional policies*	40	(29)	(69)	ns
Amounts set aside for propensity opt for annuities	1,045	(711)	(1,756)	ns
Amounts set aside for declining rates	(1,926)	(165)	1,761	ns
Other provisions	(52)	86	138	160,13%
- *guarantees*	42	217	175	80,58%
- *additional premiums*	(94)	(131)	(36)	27,91%
Closing balance	386,006	394,569	8,564	2,17%
Year's movement	(13,979)	10,198	24,176	n.s.

Embedded value sensitivity analysis was applied to both in-force business and new business generated in the year to 12.31.2013 (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:

€/m	MCEV	%	Value of new business	%
Base value	1,800		31	
INTEREST RATES AND ASSETS				
1% reduction in risk-free reference rates	(69)	(3.8%)	-	0.4%
1% increase in risk-free reference rates	47	2.6%	(1)	(2.1%)
10% decrease in equity/property values	(89)	(5.0%)	(1)	(2.3%)
25% increase in equity/property implied volatilities	-	-	-	-
25% increase in swaption implied volatilities	(1)	(0.1%)	-	-
EXPENSES AND PERSISTENCY				
10% decrease in maintenance expenses	26	1.5%	1	4.2%
10% decrease in acquisition expenses	-	-	1	1.9%
10% decrease in lapse rates	40	2.2%	2	5.7%
INSURANCE RISKS				
5% decrease in mortality rates for life assurance business	2	0.1%	-	0.9%
5% decrease in mortality rates for annuity business	(1)	(0.1%)	-	-

Insurance Risks - Damages

Insurance risks that have the most impact on damage insurance risks are the rates risk and the reservation risk. The Company is not exposed to any significant catastrophe risks.

Underwriting risk is the risk that the premiums are insufficient to meet future claims and expenses. In particular, the Company carries out a careful analysis to define the pricing of insurance products through simulations in terms of product portfolios.

The reservation risk measures the risk that the claims reserves in the accounts are not sufficient to meet the obligations to policyholders or claimants. The claims reserve represents the ultimate cost incurred by the Company to repay all obligations deriving from this claim or claims already received or estimated (IBNR claims), and is determined on the basis of documentation and direct valuations available at the reporting date. The reservation risk is constantly monitored through actuarial analyses similar to those used for the determination of reserves, noting the development of the ultimate cost and varying the reserves in line with the reservation policies (continuous reserve).

Development claims reserves for the main generation classes

For Accident and Sickness the development of claims by generation at December 31, 2013 is provided.

Reserve amount €	Generation/event year						
	2008	2009	2010	2011	2012	2013	Total
at 31.12 of the year of generation N	4,174	4,110	4,522	4,583	4,646	6,019	22,035
at 31.12 of the year N+1	4,100	3,674	4,715	4,981	4,818	-	22,288
at 31.12 of the year N+2	3,832	3,502	4,688	4,610	-	-	16,633
at 31.12 of the year N+3	3,773	3,443	4,590	-	-	-	11,806
at 31.12 of the year N+4	3,768	3,366	-	-	-	-	7,134
at 31.12 of the year N+5	3,787	-	-	-	-	-	3,787
Total amount of cumulative claim payments	3,737	3,300	4,450	3,783	3,341	1,108	
Claims reserve in the financial statements at Dec. 31, 2013	50	66	140	827	1,477	4,911	

PART F - INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 - CONSOLIDATED CAPITAL

A. Qualitative Information

In accordance with strategic guidelines for growth, the Mediolanum Group takes all measures needed to ensure adequate capital levels and controls thereof. By continuously monitoring capital levels the Group prevents any tensions that may arise in the future.

B. Quantitative information

B.1 Analysis of consolidated equity by type of company

€/t	Banking group	Insurance companies	Other companies	Consolidation elisions and adjustments	Dec. 31, 2013
Share capital	556,360	114,915	73,600	(671,275)	73,600
Share premium account	(92,298)	50,000	59,376	42,298	59,376
Reserves	136,257	262,361	340,983	269,306	1,008,907
Equity instruments	-	-	-	-	-
(Treasury Shares)	-	-	(2,045)	-	(2,045)
Valuation reserves	93,564	5,724	1,597	(104)	100,781
- Available-for-sale financial assets	93,572	5,659	1,524	-	100,755
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets and disposal groups	-	-	-	-	-
- Actuarial gains (losses) relating to defined benefit plans	(8)	(39)	73	-	26
- Share of reserves on investments accounted for by the equity method	-	-	-	-	-
- Special revaluation statutes	-	104	-	(104)	-
Profit (loss) for the year (+/-) - Group/Minorities	343,872	22,461	335,604	(365,357)	336,580
Shareholders' Equity	1,133,735	455,461	882,710	(821,112)	1,650,794

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

Assets/values	Banking group		Insurance companies		Other companies		Dec. 31, 2013	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt securities	97,576	(5,614)	25,583	(16,483)	-	-	123,159	(22,097)
2. Equities	254	1	-	(582)	1,524	-	1,778	(581)
3. Holdings in UCITS	5,632	(4,277)	67	(2,926)	-	-	5,699	(7,203)
4. Loans	-	-	-	-	-	-	-	-
Total at Dec. 31, 2013	103,462	(9,890)	25,650	(19,991)	1,524	-	130,636	(22,881)
Total at Dec. 31, 2012	126,737	(35,680)	27,618	(30,305)	614	-	154,969	(65,985)

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

€/t	Debt securities	Equities	Holdings in UCITS	Loans
1. Opening balance	92,062	626	(3,704)	-
2. Increases	123,940	1,074	3,894	-
2.1 Increase in fair value	104,998	1,045	3,525	-
2.2 Reclassification to the income statement from reserves	845	29	346	-
- impairment	-	29	346	-
- realised	845	-	-	-
2.3 Other increases	18,097	-	23	-
3. Decreases	114,940	503	1,694	-
3.1 Decrease in fair value	18,484	503	1,687	-
3.2 Impairment	-	-	-	-
3.3 Reclassification to the income statement from positive - reserves - realized	57,230	-	-	-
3.4 Other increases	39,226	-	7	-
4. Closing balance	101,062	1,197	(1,504)	-

SECTION 2 - BANKING CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

In its Circular Letter no. 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular Letter incorporates the international capital requirements that were introduced following the adoption of the international accounting and financial reporting standards (IAS/IFRS). To safeguard the quality of regulatory capital and reduce the potential volatility arising from the adoption of the international accounting and financial reporting standards, certain 'prudential filters' are applied to financial data. Consolidated regulatory capital is made up of the regulatory capital of individual Group companies plus related items resulting from consolidation, specifically, core capital and supplementary capital include the share of the Group and the share of minority interests (so-called Shareholders' equity attributable to minority interest).

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

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

The provisions of the measure apply only to securities issued by Central governments of EU countries.

The option is allowed for securities already in the AFS portfolio on December 31, 2009, or purchased after December 31, 2009, but before the adoption of said treatment option, and directly recognised in the AFS assets category. The deadline for adopting the treatment option was June 30, 2010.

The Board of Directors of Banca Mediolanum adopted said treatment option for all entities in the Banking Group on June 23, 2010. In the determination of Regulatory capital at December 31, 2013, the adoption of this option resulted in a decrease of the positive elements of Tier 2 supplementary capital amounting to Euro 45,807 thousand resulting in a decline of the same amount in consolidated regulatory capital as at December 31, 2013. With reference to the application in Italy of Regulation (EU) no. 575/2013 (RRC) and the 2013/36/UE Directive (CRD), on January 16, 2014, the Board of Directors of Banca Mediolanum S.p.A. resolved to exercise the option provided for by Part II, Chapter 14 (Transitional Provisions in own funds), Section II, point 2 last paragraph of the Bank of Italy Circular no. 285 of December 17, 2013.

As a result of the exercise of said power and as of January 1, 2014, Banca Mediolanum S.p.A. and the Mediolanum Banking Group will not include in any element of own funds, profits or losses not realized related to exposures to the central government classified as "Financial assets available for sale", for the entire period covered by the CRR.

2.2 The regulatory capital of banks

A. Qualitative Information

Regulatory capital is the sum of core capital - Tier 1 capital - (Euro 698.26 million), included in the calculation without restrictions, and supplementary capital - Tier 2 capital - (Euro 178.23 million) which cannot exceed the amount of Tier 1 capital, before deductions, and Tier 3 capital. Shareholdings, non-innovative, innovative, hybrid capital instruments and subordinated assets held in other banks, financial and insurance companies are deducted from Tier 1 and Tier 2 capital.

1. Tier 1 capital

Tier 1 capital includes paid-up share capital (Euro 602.67 million), reserves (Euro 229.35 million) and net profit for the period (Euro 60.95 million) after dividends distributed to companies that are not part of the banking group. All Tier 1 capital components include the share of minority interests. Intangible assets (Euro 16.40 million) and goodwill (Euro 173.16 million) are deducted from capital components.
At December 31, 2013 there are no prudential filters related to Tier 1 capital. Negative components of core capital (Euro 5.15 million) consisted of shares in an open-ended collective investment scheme.

2. Tier 2 capital

Tier 2 capital consists of the positive valuation reserves (net of tax) related to equity securities classified as "Financial assets available for sale" (Euro 1.02 million), from the net positive valuation reserves (net of tax) related to debt securities classified as "Financial assets available for sale" (Euro 0.35 million) and level 2 subordinated liabilities (Euro 182.69 million).
The negative elements of Tier 2 capital consist of 50% of the shares held by an investment company with variable capital (Euro 5.15 million) and negative filters consisting of the excluded portion, 50% of positive reserves on equities classified as "Financial assets available for sale" (Euro 0.51 million) and the excluded portion, 50%, of positive reserves on debt securities classified as "Financial assets available for sale" (Euro 0.17 million).

3. Tier 3 capital

At December 31, 2013, Mediolanum Banking Group's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/t	Dec. 31, 2013	Dec. 31, 2012
A. Tier 1 before prudential filters	703,403	637,083
B. Tier 1 prudential filters:	-	(2,535)
B1 - Positive IAS/IFRS prudential filters (+)	-	-
B2 - Negative IAS/IFRS prudential filters (-)	-	(2,535)
C. Tier 1 before items to be deducted (A + B)	703,403	634,548
D. Deductions from Tier 1	5,146	5,073
E. Total TIER1 (C - D)	698,257	629,475
F. Tier 2 before prudential filters	184,059	93,041
G. Tier 2 prudential filters:	(684)	-
G1 Positive IAS/IFRS prudential filters (+)	-	-
G2 Negative IAS/IFRS prudential filters (-)	(684)	-
H. Tier 2 before items to be deducted (F + G)	183,375	93,041
I. Deductions from Tier 2	5,146	5,073
L. Total TIER2 (H-I)	178,229	87,968
M. Deductions from Tier 1 and Tier 2	-	-
N. Regulatory capital (E + L + M)	876,486	717,443
0. Tier 3	-	-
P. Regulatory capital included TIER3 (N + 0)	876,486	717,443

2.3 Capital adequacy

A. Qualitative Information

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

At December 31, 2013, Mediolanum Banking Group's free capital amounted to Euro 487.46 million.

Tier 1 capital ratio (core capital/RWA) was 14.36% and Total capital ratio (regulatory capital/RWA) was 18.02%, above the minimum requirement of 8%.

B. Quantitative information

€/t	Non-weighted amounts Dec. 31, 2013	Non-weighted amounts Dec. 31, 2012	Weighted amounts/requirements Dec. 31, 2013	Weighted amounts/requirements Dec. 31, 2012
A. Risk assets				
A.1 Credit and counterparty risk	19,991,113	16,602,173	3,357,917	3,758,654
1. Standardised approach	19,991,113	16,602,173	3,357,917	3,758,654
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk			268,633	300,692
B.2 Market risk			8,743	20,363
1. Standardised approach			8,743	20,077
2. Internal models			-	-
3. Concentration risk			-	286
B.3 Operational risk			111,647	93,657
1. Basic approach			6,924	5,859
2. Standardised approach			104,723	87,798
3. Advanced approach			-	-
B.4 Other prudential requirements			-	-
B.5 Other computational elements			-	-
B.6 Total prudential requirements			389,023	414,712
C. RWA and capital ratios				
C.1 Risk-weighted assets (RWA)*			4,862,788	5,183,904
C.2 Core capital/RWA (Tier 1 capital ratio)			14.36%	12.14%
C.3 Regulatory capital including Tier 3/RWA (Total capital ratio)			18.02%	13.84%

(*) RWA are determined by multiplying total prudential requirements (B.6) by 12.5 (reciprocal of the min. coefficient equal to 8%).

SECTION 3 - INSURANCE CAPITAL AND CAPITAL REQUIREMENTS

Below is a list of the Mediolanum Group's insurance companies subject to supervision:

- Mediolanum Vita and Mediolanum Assicurazioni subject to IVASS supervision;
- Mediolanum International Life subject to the supervision of the Bank of Ireland.

The solvency margin of the above companies, calculated in accordance with the rules in force is presented in the following table:

€/t	Solvency capital requirement	Elements	Equity surplus (deficit)	Hedging index
Mediolanum Vita	208,367	394,271	185,904	1.89
Mediolanum Assicurazioni	8,296	31,992	23,696	3.86
Mediolanum International Life	4,502	45,869	41,367	10.19

SECTION 4 - CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

€/t	Dec. 31, 2013
A. Total assets of the conglomerate	1,075
B. Banking capital requirements	391
C. Insurance solvency capital requirements	221
D. Total capital requirements of the conglomerate (B + C)	612
E. Surplus (deficit) of the conglomerate (A - D)	463

Given the progressive growth of the banking activity of Mediolanum Group, with the joint press release of August 5, 2013, the Bank of Italy, IVASS and CONSOB inserted Mediolanum S.p.A. among the bank-oriented Financial Conglomerates resulting in the transfer of the supervision coordinator role to the Bank of Italy.

At December 31, 2013, the capital adequacy of the financial conglomerate Mediolanum, calculated in accordance with the related regulations of reference for the bank-oriented financial conglomerates is in line with the requirements of Bank of Italy's Circular 263 of December 27, 2006 of the Bank of Italy. In particular, for the conglomerate capital requirements amounted to Euro 612 million, the conglomerate's assets to cover the required margin amounted to Euro 1,075 million with a surplus of Euro 463 million.

PART G – BUSINESS COMBINATIONS

1.1 Business combinations

With respect to the information required pursuant to IFRS 3 note that in FY 2013, 100% was acquired of the Company Mediolanum Assicurazioni S.p.A., an insurance company operating in damages:

€/m	Date of transaction	1	2	3	4
Mediolanum Assicurazioni S.p.A.	31 March 2013	44.6	100%	36.1	3.4

Legend:
1 = Cost of transaction
2 = Percentage of investments acquired with voting right in the ordinary Shareholders' Meeting
3 = Total group revenues
4 = Group net profit/loss

On September 11, 2012 the Board of Directors of Mediolanum S.p.A. resolved to acquire the entire share capital of the company Mediolanum Assicurazioni S.p.A., based in Basiglio, Milano 3, Meucci Building – Via F. Sforza. Being the sellers the majority Shareholders of both Mediolanum S.p.A. (the "acquirer") and Mediolanum Assicurazioni S.p.A. (the "acquire"), 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.
In addition, on March 19, 2013, Italy's insurance regulator IVASS issued the authorization provision 32-13-000332, related to the acquisition of the entire share capital of the company Mediolanum Assicurazioni S.p.A. The acquisition was thus completed, which took effect from March 31, 2013.
The acquisition is a strong complementary fit for the Mediolanum Group. Mediolanum Assicurazioni S.p.A. is an entity operating in the insurance 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.
The amount for the acquisition of investments, initially set at Euro 35.9 million was adjusted, as contractually agreed, on the basis of the net assets of the Company, as of March 31, 2013 and the book value of the agreements, estimated at the same date by the by the independent actuary appointed.
To this end, on May 6, 2013, the Board of Directors of Mediolanum Assicurazioni approved the accounting position as of March 31, 2013, which results in a value of adjusted Shareholders' equity of Euro 33.4 million. Also on the same date it received the report of the actuary of estimates on the value of the policy portfolio at March 31, 2013 of Euro 11.2 million, net of the related tax effect. Adding the two values, the final amount was equal to Euro 44.6 million.

For the purposes of first consolidation of the investment at March 31, 2013, IFRS 3 has been applied, which regulates business combinations.

The aforesaid principle states that in the first consolidation all the assets and liabilities of the acquired companies and the consequent consolidation are measured at fair value, which corresponds to the amount for which an asset could be exchanged, or a liability settled in a normal transaction between knowledgeable and willing parties, on the date of effect of the transaction. In this context, all of the identifiable assets should be recognized and measured, including any intangible assets with definite useful life, and any additional liabilities not recognized in the financial statements in accordance with GAAP.

With reference to the technical reserves (insurance liabilities), IFRS 4 (insurance contracts) is used to represent the fair value measuring insurance liabilities in accordance with accounting principles and separately recording an intangible asset (Value of the Portfolio) which represents the present value of the future profitability of the contracts in the portfolio.
The Statement of financial position of the Company as at March 31, 2013 thus shows a value of the IAS/IFRS equity, including the relative value of the portfolio at March 31, 2013, amounting to Euro 44.7 million, compared to what was recorded under "Retained profit and other reserves" a reserve of transition to IAS/IFRS for Euro 73.2 thousand.

Section 2 - Post-balance sheet date transactions

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

PART H – RELATED PARTY TRANSACTIONS

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);
- parent companies 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.
On March 19, 2013, following the IVASS authorization, on March 26, 2013 Mediolanum S.p.A. acquired the entire share capital of Mediolanum Assicurazioni S.p.A., with effect from March 31, 2013. Therefore, the balances for Mediolanum Assicurazioni S.p.A. are no longer included in the transactions with related parties.

1. Information on related party transactions

€/t	Associates	Other related parties
Loans to customers	-	2,830
Other assets	252,439	11,233
Loans and receivables	29,862	-
Available-for-sale financial assets	-	6,500
Financial assets at fair value through profit or loss	51,885	-
Amounts due to customers	(839)	(38,411)
Other liabilities	(268)	(1,974)

€/t	Associates	Other related parties
Net commission	(2,855)	2
Net income (loss) on financial instruments at fair value through profit and loss	3,257	-
Net interest	571	1,116
Administrative expenses	(3)	(14,234)
Net profit (loss)	82	-
Other operating income and expenses	17,884	10,781
Service provision and other costs	-	(6,713)

2. Key management compensation

€/t	Directors, Deputy/General Managers and Auditors	Other key management
Emoluments and social security contributions	10,667	180
Other compensation	345	-

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

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 options offered - as defined by the tax law - of the same on the date of the respective resolutions to increase the share capital by the Board of Directors.
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 Euro 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 Euro 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 ("Contract Workers 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 Contract Workers 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 Contract Workers 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 plans also anticipate that the exercise of the Options is subject to certain performance targets of the Company and/or the individual. 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 cre-

ation 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 Contract Workers 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 Contract Workers 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 Contract Workers of the Company and the Group ("Contract Workers Plan 2010");
- increase the Company's share capital by a maximum amount of Euro 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 Euro 131,744.20, for a consideration, by issuing up to 1,317,442 shares for the allotment of stock options under the Contract Workers Plan 2010;
- to grant the beneficiaries – 19 under the Top Management Plan and 193 under the Contract Workers 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 Contract Workers of the Company and the Group ("Contract Workers 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 Euro 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 Euro 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, no. 1, of the Italian Civil Code for subscription at a price of Euro 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 Euro 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 Euro 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, no. 1, of the Italian Civil Code for subscription at a price of Euro 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;
- to grant the beneficiaries – 17 under the Top Management Plan and 161 under the Contract Workers 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 Euro 186,405.00, for a consideration, by issuing up to 1,864,050 dividend-bearing ordinary shares, par value of Euro 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, no. 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 Euro 70,840.00, for a consideration, by issuing up to 708,400 dividend-bearing ordinary shares, par value of Euro 0.1 each, with the exclusion of Shareholders' preemptive 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, no. 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.
On May 9, 2013, 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:
- approve some amendments and updates of the Regulations of the Plan for Directors and Executives of the Company and the Group ("Top Management Plan 2010") and the plan for the Employees of the Company and the Group ("Contract Workers Plan 2010") for certain performance targets relating to the Company and/or on an individual basis, in the exercise of the option. The proposed changes to the operating conditions also apply in respect of Options previously allotted in previous allocation cycles;

- increase the Company's share capital by a maximum amount of Euro 136,155.00, for a consideration, by issuing up to 1,361,550 shares for the allotment of stock options under the Top Management Plan 2010;
- increase the Company's share capital by a maximum amount of Euro 95,100.00, for a consideration, by issuing up to 951,000 shares for the allotment of stock options under the Contract Workers Plan 2010;
- to grant the beneficiaries – 20 under the Top Management Plan 2010 and 135 under the Contract Workers Plan 2010 – part of the stock options under the Plans.

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.

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In financial year 2013, 1,663,888 new Mediolanum dividend-bearing ordinary shares were issued following the exercise of stock options by Directors and Contract Workers of companies within the Mediolanum Group.
This entailed a Euro 166,388.80 increase in Mediolanum ordinary share capital and a Euro 2,879 thousand increase in the share premium account.
The year's movements in option holdings are set out in the table below.

	Total Dec. 31, 2013			Total Dec. 31, 2012		
€/t	Number of options	Average FY prices	Average maturity	Number of options	Average FY prices	Average maturity
A. Opening balance	9,520,277	1.948	Sept-17	8,851,973	2.330	May-17
B. Increases	2,312,550	-	-	2,572,450	-	-
B.1 New issues	2,312,550	1.250	Nov-18	2,572,450	1.104	Jan-17
B.2 Other increases	-	-	X	-	-	X
C. Decreases	2,695,463	-	-	1,904,146	-	-
C.1 Cancelled	431,900	1.129	X	843,596	1.666	X
C.2 Exercised (*)	1,664,438	1.469	X	518,550	1.033	X
C.3 Past due	599,125	6.374	X	542,000	5.231	X
C.4 Other decreases	-	-	X	-	-	X
D. Closing balance	9,143,364	1.551	Jul-16	9,520,277	1.948	Sept-17
E. Options exercisable at year-end	985,158	4.972	X	2,183,706	4.821	X

(*) The average market price at the date of the exercise was equal to Euro 5.14.

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to Euro 3,297 thousand and entailed a corresponding increase in equity reserves (21.31.2012: Euro 2,216 thousand).

PART L - SEGMENTAL INFORMATION

This section presents consolidated financial data reported by operating segment, in compliance with IFRS 8, segment reporting reflects the management reporting approach of the Mediolanum Group (so-called "management reporting approach"), and is consistent with the information disclosed to the market and to the various stakeholders.
Segment reporting of consolidated financial data for the period enables readers and users to assess the quality and sustainability over time of the financial results generated by the Mediolanum Group in its different operating segments.

Note on the method applied to segment reporting

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

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

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

Basiglio, March 26, 2014

For the Board of Directors
The Chairman
Carlo Secchi

Reconciliation of the Income statement at December 31, 2013 to the reclassified Income statement

€/t	Consolidated Income statement
10. Interest income and similar income	669,393
20. Interest expense and similar charges	(249,191)
30. Net interest income	420,202
40. Commission income	1,021,410
50. Commission expense	(464,023)
60. Net commission	557,387
70. Dividends and similar income	3,782
80. Net income from trading	15,641
90. Net income from hedging	3,755
100. Net profit (loss) on sale or buyback of:	77,708
a) Receivables	(2,477)
b) Available-for-sale financial assets	80,212
c) Held-to-maturity investments	-
d) Financial liabilities	(27)
110. Net result from financial assets and liabilities measured at fair value	1,173,151
120. Total income	2,251,626
130. Impairment/reversal of impairment of:	(18,640)
a) Receivables	(13,444)
b) Available-for-sale financial assets	(827)
c) Held-to-maturity investments	-
d) Other financial instruments	(4,369)
140. Net income from financial operations	2,232,986
150. Net premiums	4,873,759
160. Balance of other income/expenses from insurance activities	(6,141,443)
170. Net income from financial and insurance operations	965,302
180. Administrative expenses:	(384,268)
a) Personnel expenses	(162,069)
b) Other administrative expenses	(222,199)
190. Net Provisions for risks and charges	(18,328)
200. Depreciation and net impairment of tangible assets	(7,758)
210. Amortisation and net impairment of intangible assets	(14,042)
220. Other operating income/expense	6,521
230. Operating expenses	(417,875)
240. Net Profit (loss) on equity investments	895
250. Net income on tangible and intangible assets at fair value	-
260. Impairment of goodwill	(4,261)
270. Net Profit (loss) on disposal of investments	30
280. Net Profit (loss) before tax on continuing operations	544,091
290. Income tax expense on continuing operations	(207,483)
300. Net Profit (loss) after tax on continuing operations	336,608
310. Net Profit (loss) after tax of non-current assets pending disposal	(28)
320. Net profit (loss) for the year	336,580
330. Net Profit (loss) for the year attributable to minority interests	-
340. Net Profit (loss) for the year attributable to the Parent Company	(336,580)
RECLASSIFICATIONS	
Financial income and expense on assets/liabilities pertaining to policyholders (including investment contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

	RECLASSIFIED INCOME STATEMENT - REVENUES							
	Net premiums	Amounts paid and change in reserves	Commission income	Net interest income	Net profit (loss) on investments at fair value	Equity method	Net income (loss) on other investments	Other revenues
	-	-	-	669,393	-	-	-	-
	-	-	-	(249,191)	-	-	-	-
	-	-	-	420,202	-	-	-	-
	-	-	1,021,410	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	1,021,410	-	-	-	-	-
	-	-	-	-	-	-	3,782	-
	-	-	-	-	15,641	-	-	-
	-	-	-	-	3,755	-	-	-
	-	-	-	-	-	-	77,708	-
	-	-	-	-	-	-	(2,477)	-
	-	-	-	-	-	-	80,212	-
	-	-	-	-	-	-		-
	-	-	-	-	-	-	(27)	-
	-	-	-	-	1,173,151	-	-	-
	-	-	1,021,410	420,202	1,192,547	-	81,490	-
	-	-	-	-	-	-	(18,640)	-
	-	-	-	-	-	-	(13,444)	-
	-	-	-	-	-	-	(827)	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(4,369)	-
	-	-	1,021,410	420,202	1,192,547	-	62,850	-
	4,873,759	-	-	-	-	-	-	-
	-	(6,141,443)	-	-	-	-	-	-
	4,873,759	(6,141,443)	1,021,410	420,202	1,192,547	-	62,850	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(317)	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	7,625	11,201
	-	-	-	-	-	-	7,308	11,201
	-	-	-	-	-	823	72	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(4,261)	-
	-	-	-	-	-	-	30	-
	4,873,759	(6,141,443)	1,021,410	420,202	1,192,547	823	65,999	11,201
	-	-	-	-	-	-	-	-
	4,873,759	(6,141,443)	1,021,410	420,202	1,192,547	823	65,999	11,201
	-	-	-	-	-	-	(28)	-
	4,873,759	(6,141,443)	1,021,410	420,202	1,192,547	823	65,971	11,201
	-	-	-	-	-	-	-	-
	4,873,759	(6,141,443)	1,021,410	420,202	1,192,547	823	65,971	11,201
	-	1,318,494	-	(145,837)	(1,172,643)	-	-	-
	-	7,647	(11,310)	-	-	-	4,028	12,675
	4,873,759	(4,815,302)	1,010,100	274,365	19,904	823	69,999	23,876

Reconciliation of the Income statement at December 31, 2013 to the reclassified Income statement

€/t
10. Interest income and similar income
20. Interest expense and similar charges
30. Net interest income
40. Commission income
50. Commission expense
60. Net commission
70. Dividends and similar income
80. Net income from trading
90. Net income from hedging
100. Profit (loss) on sale or buyback of:
a) Receivables
b) Available-for-sale financial assets
c) Held-to-maturity investments
d) Financial liabilities
110. Net result from financial assets and liabilities measured at fair value
120. Total income
130. Impairment/reversal of impairment of:
a) Receivables
b) Available-for-sale financial assets
c) Held-to-maturity investments
d) other financial instruments
140. Net income from financial operations
150. Net premiums
160. Balance of other income/expenses from insurance activities
170. Net income from financial and insurance operations
180. Administrative expenses:
a) Personnel expenses
b) Other administrative expenses
190. Net Provisions for risks and charges
200. Depreciation and net impairment of tangible assets
210. Amortisation and net impairment of intangible assets
220. Other operating income/expense
230. Operating expenses
240. Net Profit (loss) on equity investments
250. Net income on tangible and intangible assets at fair value
260. Impairment of goodwill
270. Net Profit (loss) on disposal of investments
280. Net Profit (loss) before tax on continuing operations
290. Income tax expense on continuing operations
300. Net Profit (loss) after tax on continuing operations
310. Net Profit (loss) after tax of non-current assets pending disposal
320. Net profit (loss) for the year
330. Net Profit (loss) for the year attributable to minority interests
340. Net Profit (loss) for the year attributable to the Parent Company
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						
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 for the period
-	-	-	-	-	-	669,393
-	-	-	-	-	-	(249,191)
-	-	-	-	-	-	420,202
-	-	-	-	-	-	1,021,410
(411,090)	(52,933)	-	-	-	-	(464,023)
(411,090)	(52,933)	-	-	-	-	557,387
-	-	-	-	-		3,782
-	-	-	-	-	-	15,641
-	-	-	-	-	-	3,755
-	-	-	-	-	-	77,708
-	-	-	-	-	-	(2,477)
-	-	-	-	-	-	80,212
-	-	-	-	-	-	-
-	-	-	-	-	-	(27)
-	-	-	-	-	-	1,173,151
(411,090)	(52,933)	-	-	-	-	2,251,626
-	-	-	-	-	-	(18,640)
-	-	-	-	-	-	(13,444)
-	-	-	-	-	-	(827)
-	-	-	-	-	-	-
-	-	-	-	-		(4,369)
(411,090)	(52,933)	-	-	-	-	2,232,986
-	-	-	-	-	-	4,873,759
-	-	-	-	-	-	(6,141,443)
(411,090)	(52,933)	-	-	-	-	965,302
-	-	(384,268)	-	-	-	(384,268)
-	-	(162,069)	-	-	-	(162,069)
-	-	(222,199)	-	-	-	(222,199)
-	-	-	-	(18,328)	-	(18,328)
-	-	-	(7,441)	-	-	(7,758)
-	-	-	(14,042)	-	-	(14,042)
-	-	(12,305)	-	-	-	6,521
-	-	(396,573)	(21,483)	(18,328)	-	(417,875)
-	-	-	-	-	-	895
-	-	-	-	-	-	-
-	-	-	-	-	-	(4,261)
-	-	-	-	-	-	30
(411,090)	(52,933)	(396,573)	(21,483)	(18,328)	-	544,091
-	-	-	-	-	(207,483)	(207,483)
(411,090)	(52,933)	(396,573)	(21,483)	(18,328)	(207,483)	336,608
-	-	-	-	-	-	(28)
(411,090)	(52,933)	(396,573)	(21,483)	(18,328)	(207,483)	336,580
-	-	-	-	-	-	-
(411,090)	(52,933)	(396,573)	(21,483)	(18,328)	(207,483)	336,580
-	-	-	-	-	-	-
(24,269)	1,295	(2,915)		12,835	-	-
(435,359)	(51,638)	(399,488)	(21,483)	(5,493)	(207,483)	336,580

FINANCIAL INFORMATION BY OPERATING SEGMENT AT DECEMBER 31, 2013

	ITALY					
€/t	Insurance	Banking	Ass. Man.	Other	Consolidation adjustments	Total
Net premiums	4,673,138	-	-	-	-	4,673,138
Amounts paid and change in reserves	(4,639,137)	-	-	-	-	(4,639,137)
Net life insurance revenues (excluding commissions)	34,001	-	-	-	-	34,001
Entry fees	-	-	128,628	-	-	128,628
Management fees	227,034	-	313,806	-	-	540,840
Performance fees	70,078	-	104,113	-	-	174,191
Banking service fees	-	76,020	-	-	-	76,020
Other fees	1,592	2,622	26,785	-	-	30,999
Commission income	298,704	78,642	573,332	-	-	950,678
Net interest income	16,280	246,974	476	(12,951)	-	250,779
Net income (loss) on investments at fair value	6,193	12,568	5	1	-	18,767
Net financial income	22,473	259,542	481	(12,950)	-	269,546
Equity method	-	-	-	823	-	823
Net income (loss) on other investments	1,977	75,607	288	-	-	77,872
Impairment of loans	22,00	(13,062)	-	-	-	(13,040)
Impairment of other investments	(94)	(822)	(279)	-	-	(1,195)
Net income (loss) on other investments	1,905	61,723	9	-	-	63,637
Other revenues	11,866	9,997	279	-	-	22,142
TOTAL REVENUES	368,949	409,904	574,101	(12,127)	-	1,340,827
Network commission expenses	(95,918)	(48,840)	(261,332)	-	-	(406,090)
Other commission expenses	(7,280)	(12,774)	(16,158)	-	-	(36,212)
Administrative expenses	(75,444)	(207,203)	(72,387)	(387)	-	(355,421)
Amortisation and depreciation	(9,209)	(7,931)	(2,288)	-	-	(19,428)
Net provisions for risks	(40)	(5,046)	(137)	-	-	(5,223)
TOTAL COSTS	(187,891)	(281,794)	(352,302)	(387)	-	(822,374)
PROFIT BEFORE TAX	181,058	128,110	221,600	(12,514)	-	518,453
Income tax for the period	-	-	-	-	-	(199,443)
Third-party Profit/Loss	-	-	-	-	-	-
NET PROFIT FOR THE PERIOD	-	-	-	-	-	319,010
Goodwil	22,794	-	-	-	-	22,794
Equity investments	-	-	-	391,869	-	391,869
HTM investments + LR	425,827	2,872,464	-	-	-	3,298,291
AFS instruments	1,680,695	9,499,375	67,381	21,826	-	11,269,277
Fin. Assets / liabilities at FV through profit or loss	657,851	194,813	-	-	-	852,664
Financial assets - risk borne by policyholder	12,161,614	-	-	-	-	12,161,614
Net treasury position	(392,164)	3,366,347	(44,266)	213,752	-	3,143,669
- of which intragroup	*566,720*	*479,165*	*17,180*	*37,734*	-	*1,100,799*
Loans to customers	-	4,910,663	-	-	-	4,910,663
Bank funding	-	13,333,156	-	-	-	13,333,156
- of which intragroup	-	*919,893*	-	-	-	*919,893*
Net technical reserves	15,243,775	-	-	-	-	15,243,775

ABROAD			
Spain	Germany	Consolidation adjustments	Total
164,114	36,507	-	4,873,759
(142,371)	(33,794)	-	(4,815,302)
21,743	2,713	-	58,457
7,815	445	-	136,888
17,493	5,566	-	563,899
4,797	2,614	-	181,602
4,619	14,433	(8)	95,064
1,155	493	-	32,647
35,879	23,551	(8)	1,010,100
22,905	681	-	274,365
1,057	80	-	19,904
23,962	761	-	294,269
-	-	-	823
11,027	-	-	88,899
(447)	43	-	(13,444)
-	(4,261)	-	(5,456)
10,580	(4,218)	-	69,999
1,213	575	(54)	23,876
93,377	23,382	(62)	1,457,524
(25,082)	(4,187)	-	(435,359)
(3,301)	(12,133)	8	(51,638)
(29,312)	(14,809)	54	(399,488)
(1,481)	(574)	-	(21,483)
(270)	-	-	(5,493)
(59,446)	(31,703)	62	(913,461)
33,931	(8,321)	-	544,063
(7,639)	(401)	-	(207,483)
-	-	-	-
26,292	(8,722)	-	336,580
102,831	-	-	125,625
-	-	-	391,869
-	4,015	-	3,302,306
1,261,514	28,092	-	12,558,883
24,305	5,547	-	882,516
579,724	119,691	-	12,861,029
637,830	(89,543)	-	3,691,956
(489,014)	*9,823*	-	*621,608*
167,402	8,550	-	5,086,615
605,665	78,741	-	14,017,562
2,540	*1,343*	-	*923,776*
590,276	124,774	-	15,958,825

FINANCIAL INFORMATION BY OPERATING SEGMENT AT DECEMBER 31, 2012

	ITALY					
€/t	Insurance	Banking	Ass. Man.	Other	Consolidation adjustments	Total
Net premiums	7,925,185	-	-	-	-	7,925,185
Amounts paid and change in reserves	(7,899,087)	-	-	-	-	(7,899,087)
Net life insurance revenues (excluding commissions)	26,098	-	-	-	-	26,098
Entry fees	-	-	110,407	-	-	110,407
Management fees	208,773	-	234,905	-	-	443,678
Performance fees	60,603	-	106,909	-	-	167,512
Banking service fees	-	80,110	-	-	-	80,110
Other fees	679	11,247	25,234	-	-	37,160
Commission income	270,055	91,357	477,455	-	-	838,867
Net interest income	17,097	275,109	697	(14,289)	-	278,614
Net income (loss) on investments at fair value	81,486	33,791	2	4	-	115,283
Net financial income	98,583	308,900	699	(14,285)	-	393,897
Equity method	-	-	-	(55,220)	-	(55,220)
Realised gains (losses) on other investments	8,227	137	318	-	-	8,682
Impairment of loans	-	(9,044)	-	-	-	(9,044)
Impairment of other investments	-	(1,541)	(916)	-	-	(2,457)
Net income (loss) on other investments	8,227	(10,448)	(598)	-	-	(2,819)
Other revenues	11,857	12,438	431	-	-	24,726
TOTAL REVENUES	414,820	402,247	477,987	(69,505)	-	1,225,549
Network commission expenses	(94,217)	(60,577)	(188,230)	-	-	(343,024)
Other commission expenses	(5,522)	(12,307)	(11,786)	-	-	(29,615)
Administrative expenses	(83,074)	(175,945)	(78,983)	-	-	(338,002)
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)	(257,740)	(288,845)	-	-	(736,283)
PROFIT BEFORE TAX	225,123	144,506	189,142	(69,505)	-	489,267
Income tax for the period	-	-	-	-	-	(140,714)
Third-party Profit/Loss	-	-	-	-	-	-
NET PROFIT FOR THE PERIOD	-	-	-	-	-	348,553
Goodwill	22,794	-	-	-	-	22,794
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	609,277	331,689	-	-	-	940,966
Financial assets - risk borne by policyholder	12,361,225	-	-	-	-	12,361,225
Net treasury position	(745,190)	2,455,483	(44,060)	275,498	-	1,941,731
- of which intragroup	*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 intragroup	-	*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	-	8,053,673
(85,036)	(25,304)	-	(8,009,427)
14,682	3,466	-	44,246
4,997	236	-	115,640
13,034	5,270	-	461,982
3,406	1,019	-	171,937
3,804	10,728	(6)	94,636
1,055	247	-	38,462
26,296	17,500	(6)	882,657
33,754	980	-	313,348
2,014	799	-	118,096
35,768	1,779	-	431,444
-	-	-	(55,220)
20,383	-	-	29,065
(47)	-	-	(9,091)
(20,142)	-	-	(22,599)
194	-	-	(2,625)
1,014	1,149	(88)	26,801
77,954	23,894	(94)	1,327,303
(17,601)	(3,803)	-	(364,428)
(2,763)	(8,823)	10	(41,191)
(27,930)	(14,892)	84	(380,740)
(1,498)	(722)	-	(14,259)
(12,499)	-	-	(26,102)
(62,291)	(28,240)	94	(826,720)
15,663	(4,346)	-	500,584
(8,452)	(395)	-	(149,561)
-	-	-	-
7,211	(4,741)	-	351,023
102,831	4,261	-	129,886
-	-	-	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)	-	2,526,734
(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

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 31, 2013, 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.
The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements, the Directors have reclassified certain comparative data related to the prior year's consolidated financial statements with respect to the data previously reported and audited by us, on which we issued auditors' reports dated March 26, 2013. These reclassifications of comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2013.

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 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of 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 Investor relations/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 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 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
April 4, 2014

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

Separate Annual Financial Statements 2013

Report on Operations Separate Financial Statements at December 31, 2013

Dear Shareholders,

the separate financial statements for the year ended December 31, 2013 that we present for your approval show net profit of Euro 335.5 million, an exceptional increase of Euro 201.9 million versus Euro 133.6 million in the prior year.

This increase is primarily attributable to higher dividends received from subsidiaries, which rose from Euro 176.3 million in the previous year to Euro 366.2 million for the year under review (Euro +189.9 million), of which Euro 88 million related to advances for the year 2013 (12.31.2012: Euro 108 million). In particular, the growth in dividends from subsidiaries attributable to the subsidiaries Banca Mediolanum S.p.A. and Mediolanum Vita S.p.A. (respectively Euro +145 million and Euro +72.3 million compared to FY 2012).
At year-end there were also losses on investments in subsidiaries for a total of Euro -0.5 million, mainly related to the losses recorded in the year by the subsidiary P.I. Servizi S.p.A. (Euro -0.4 million).

With regard to equity investments in associates during the year, there were no dividends for the year under review (Euro -1.1 million vs 31/12/2012).
The Income statement of the previous year also included value adjustments on equity investments in associated companies for the impairment of the investment in Mediobanca (Euro -19.8 million), which was not included in the financial statements at December 31, 2013.

From a financial perspective, the balance of the bonds rose from Euro 337.7 million December 31, 2012 to Euro 211.04 million at the end of the year under review in relation to the repayment of the issue matured in 2013. Payables to banks also decreased from Euro 302.1 million in the previous year to Euro 251.5 million at December 31, 2013 (Euro -50.6 million).
Financial expenses charged to the year totalled Euro 19.4 million from Euro 21.4 million the prior year, down by Euro 2 million in relation to the reduction in indebtedness and in particular the reduction in interest rates charged on amounts due to banks.
Interest income stood at Euro 5.6 million, largely earned on the Euro 120 million subordinated loan extended to the subsidiary Mediolanum Vita S.p.A. (Euro +5.4 million), and recording a decrease of Euro -1 million compared to the balance of the year 2012 (Euro +6.6 million). At December 31, 2013, personnel expenses and other administrative expenses aggregated to Euro 10.1 million, slightly down versus Euro 10.3 million at the end of the prior year.
For financial year 2013 the Company reported other net income and expenses of Euro +0.7 million in line with the prior year.
Income tax for the year was a negative balance of Euro -7.6 million versus a positive balance of Euro +0.5 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 Report on Operations in the consolidated financial statements at December 31, 2013.

Acquisition of shareholdings

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 "acquire"), 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.
Following the IVASS authorization March 19, 2013, on March 26, 2013 Mediolanum S.p.A. acquired the entire share capital of Mediolanum Assicurazioni S.p.A., with effect from March 31, 2013.
Detailed information is provided in part G of the Notes to the Consolidated Financial Statements.

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.

With regard to the investment in Mediobanca S.p.A., on June 21, 2013, the management of the latter bank presented the market with strategic guidelines for the period 2014-2016.
In light of this event the impairment test was carried out as at June 30, 2013 to verify the hold of the resulting carrying amount of the investment in Mediobanca S.p.A. with the professional support of the independent expert Ernst & Young Financial-Business Advisory S.p.A.
As done in prior years, the recoverable amount of the CGUs was determined by calculating their value in use.
The recoverable amount of the investment in Mediobanca S.p.A. at June 30, 2013 was determined on the basis of publicly available information and, in particular, the objectives set by the 2014-2016 strategic guidelines, which have not yet explained the detailed income and equity of outcomes. Prospective data were therefore estimated on the basis of profitability, capitalization, RWA and the distribution of dividends expected and reported in the 2014-2016 strategic guidelines.
For the valuation of the shareholding held by the Mediolanum Group the Dividend Discount Model variant of Excess Capital was used. This method is usually used in practice nationally and internationally for the purpose of determining the economic value of companies operating in the financial sector and subject to compliance with the minimum capitalization, and has been applied in continuity with the previous years.
The value of Mediobanca S.p.A. has been subject to sensitivity analysis in relation to possible changes in the underlying assumptions that affect the value, represented in particular by the cost of capital, the growth rate of long-term results and estimated net income with reference to the 2014-2016 strategic guidelines, in consideration

of projections made on the basis of the consensus of analysts published following the presentation of the strategic guidelines.

On July 22, 2013, Ernst & Young Financial-Business Advisory S.p.A. issued the report on the impairment test at June 30, 2013 relating to the investment in Mediobanca S.p.A., which found that on the basis of the expected evolution of the macroeconomic scenario and sector, the results at March 31, 2013 of Mediobanca S.p.A., of the 2014-2016 strategic guidelines, trends in the consensus of analysts and valuation analysis developed, there is no evidence that the use value of the investments in Mediobanca S.p.A. was lower compared to its carrying value as at June 30, 2013.

The impairment test was thus updated at December 31, 2013, again with the professional support of the independent expert Ernst & Young Financial-Business Advisory S.p.A.

In line with the approach taken in previous years and at June 30, 2013, the impairment test at December 31, 2013 was carried out by determining the recoverable value, based on the configuration of the use value, through the application of the Dividend Discount Model methodology of the so-called variant of Excess Capital.

The recoverable amount of the investment in Mediobanca S.p.A. was determined on the basis of publicly available information and, in particular, the objectives set by the 2014-2016 strategic guidelines and the actual results at December 31, 2013.

The main variables and parameters considered for the purpose of determining the recoverable amount of the investment in Mediobanca are illustrated below:

- Semi-final results of Mediobanca as at December 31, 2013.
- Expected net profits determined on the basis of strategic guidelines for 2014-2016.
- Target capital requirements: Tier 1 Ratio equal to 8.5%.
- Cost of equity at 10.65%, estimated using the Capital Asset Pricing Model (CAPM) assuming:
  - Risk-free rate of 4.27% (average 6-month gross yield on 10-yr Italian BTP at December 31, 2013);
  - Beta coefficient of 1.28 (average beta coefficient of the Mediobanca stock in December, 2013 based on 2-year weekly data) which reflects the overall average stock volatility;
  - Market risk premium of 5% (according to Italian market valuation practice).
- Terminal value estimated by considering:
  - the estimation of potentially distributable dividend over the projection period by maintaining a minimum level of regulatory capital (Tier 1 ratio of 8.5%);
  - a rate of long-term growth of 2%, in line with the valuation practice for the Italian market.

  Sensitivity analyses were also performed in relation to possible changes in the underlying assumptions that affect the value, represented in particular by the cost of capital, the growth rate of long-term results and estimated net income with reference to the 2014-2016 strategic guidelines, also in consideration of projections made on the basis of the consensus of analysts published following the presentation of the results at December 31, 2013.

In light of this analysis, with reference to December 31, 2013, taking into account the elements listed above and described, there was a recoverable value of the investment that falls within the range Euro 10.32 and Euro 11.87 with a central value equal to Euro 11.10 per share. Based on these factors, the Board of Directors has therefore decided to confirm the value of the investment.

With regard to the investment in Banca Esperia, the impairment test at 12.31.2013 was conducted with reference to the latest survey available at December 31, 2012, issued on July 23, 2013 by a company specializing in business valuation, which shows a value of Euro 2.14 per share compared to a net asset value equal to Euro 1.43 per share, compared to net assets under administration of Euro 13,225 million.
To determine the exercise price of the Private Bankers Stock Options Plan the appraisal used the following assumptions: going concern, growth at a normal rate and materialisation of the assumptions.
At December 31, 2013 Banca Esperia reported a net equity of Euro 177 million, corresponding to a net asset value per share of Euro 1.46 (Euro +0.12 vs 06.30.2012; +9%) and a balance of assets under management of Euro 15.3 million and operating profit of Euro 1.5 million.
In light of the foregoing, given the growth in the size of the investment, both in terms of increase in the balance of equity (+9%) and the balance of assets under management (+16%) and considering the positive result for the year, for a carrying value of the investment in Banca Esperia equal to Euro 0.9 per share compared to a net asset value equal to Euro 1.46 and an appraised value equal to Euro 2.14, there were no conditions to detect lasting impairment.

Issues of Mediolanum notes

As of December 31, 2013, there are outstanding non-convertible bonds for a total nominal amount of Euro 210.4 as follows:

- Euro 49.4 million (nominal value) notes due April 29, 2014, bearing interest at a rate of 3.5%;
- Euro 48.9 million (nominal value) notes due April 29, 2014, bearing interest at 6-month EURIBOR + 1%;
- Euro 47.8 million (nominal value) notes due May 20, 2015, bearing interest at 6-month EURIBOR;
- Euro 20.4 million (nominal value) notes due May 31, 2015, bearing interest at 6-month EURIBOR;
- Euro 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 new disclosures pursuant to the document jointly issued by the Bank of Italy, CONSOB and ISVAP on March 3, 2010, readers are referred to the Report on operations 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 Report on operations 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 Euro 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, 2013 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

With due consideration of the risks that are inherent in the business conducted by the Bank, barring any exceptional events or circumstances that depend on variables essentially outside the control of Directors and Senior Management – and not in the offing at present – the outlook for 2014 is positive.

Information on Stock Option Plans

On May 9, 2013, 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:

- approve some amendments and updates of the Regulations of the Plan for Directors and Executives of the Company and the Group (Top Management Plan 2010) and the plan for the Employees of the Company and the Group (Contract Workers Plan 2010) for certain performance targets relating to the Company and/or on an individual basis, in the exercise of the option. The proposed changes to the operating conditions also apply in respect of Options previously allotted in previous allocation cycles;
- increase the Company's share capital by a maximum amount of Euro 136,155.00, for a consideration, by issuing up to 1,361,550 shares for the allotment of stock options under the Top Management Plan 2010;
- increase the Company's share capital by a maximum amount of Euro 95,100.00, for a consideration, by issuing up to 951,000 shares for the allotment of stock options under the Contract Workers Plan 2010;
- to grant the beneficiaries – 20 under the Top Management Plan 2010 and 135 under the Contract Workers Plan 2010 – part of the stock options under the Plans.

Dear Shareholders,

We assure you that the financial statements for the year ended December 31, 2013 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 Euro 335,451,793.34:

- distribution of a full-year dividend of Euro 0.25 per share (par value of Euro 0.10) to the Shareholders in 2013, including the interim dividend of Euro 0.10 paid in November 2013. The final dividend of Euro 0.15 per share will be due for payment from May 22, 2014 (ex-dividend date May 19, 2014).Said dividend will not be payable for treasury shares held after the close of business on May 16, 2014;
- the remainder to the extraordinary reserve as the legal reserve has already reached the statutory limit.

Basiglio, March 26, 2014

For the Board of Directors
The Chairman
(Secchi Carlo)

Accounts 2013

Statement of financial position

Assets

€	Dec. 31, 2013	Dec. 31, 2012
Non current assets		
Intangible assets	1,547	2,117
Tangible assets	10,683	33,357
Investments in subsidiaries and associates	1,168,665,406	1,124,448,592
Loans to subsidiaries	120,073,973	120,073,973
Available-for-sale financial assets	21,787,375	19,972,124
Total Non current assets	1,310,538,984	1,264,530,162
Current assets		
Loans and receivables		
Subsidiaries	482,767	761,244
Related parties	58,836	60,570
Others	208,412	15,113,404
Cash and cash equivalents		
Bank deposits	36,253,301	26,070,273
Cash on hand	10,690	10,440
Tax assets		
Current	100,432,475	165,933,754
Deferred	1,632,995	6,749,361
Other Assets	29,387	1,965
Total Current assets	139,108,861	214,701,012
TOTAL ASSETS	1,449,647,845	1,479,231,174

Liabilities

€	Dec. 31, 2013	Dec. 31, 2012
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	73,600,181	73,433,792
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	59,376,339	56,496,878
Lehman Brothers operation equity reserve	84,692,746	84,692,746
Retained earnings	329,770,677	328,252,650
Valuation reserve for AFS financial instruments	1,597,172	614,096
Net profit (loss) for the period	335,451,793	133,619,860
Total Capital and reserves	882,443,793	675,064,906
Non current liabilities		
Employee completion-of-service entitlements	339,719	521,545
Bonds - after the FY	67,951,346	210,542,479
Total Non current liabilities	68,291,065	211,064,024
Current liabilities		
Payables		
Due to banks	251,528,704	302,149,384
Bonds - within the FY	143,088,944	127,141,091
Due to subsidiaries	669,949	528,589
Due to other related parties	98,029	93,163
Other payables	1,383,271	2,108,149
Tax liabilities		
Current	101,802,212	160,451,931
Deferred	27,448	14,766
Other liabilities	314,430	615,171
Other liabilities	498,912,987	593,102,244
TOTAL LIABILITIES	567,204,052	804,166,268
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,449,647,845	1,479,231,174

Income Statement

€	Dec. 31, 2013	Dec. 31, 2012
Dividends and similar income		
from subsidiaries	366,186,438	176,270,997
from associates	-	1,132,236
from available-for-sale financial assets	382,108	55,359
Interest income and similar income	5,643,767	6,614,433
Interest expense and similar charges	(19,367,257)	(21,416,951)
Net income from trading	90	64
Impairment/reversal of impairment of:		
Investments in associates	-	(19,816,936)
Available-for-sale financial assets	-	-
Loans and other financial transactions	-	(185,268)
NET INCOME FROM FINANCIAL OPERATIONS	352,845,146	142,653,934
Personnel expenses	(4,666,742)	(4,580,394)
Other administrative expenses	(5,444,008)	(5,671,220)
Amortisation and depreciation		
intangible assets	(570)	(570)
tangible assets	(22,674)	(24,944)
Other income (expenses)	715,824	700,334
OPERATING EXPENSES	(9,418,170)	(9,576,793)
Profit (loss) on investments in subsidiaries, associates and joint-ventures	(453,708)	(26,019)
PROFIT (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	342,973,266	133,051,122
Income tax	(7,521,473)	568,738
PROFIT (LOSS) AFTER TAX ON CONTINUING OPERATIONS	335,451,793	133,619,860
NET PROFIT (LOSS) FOR THE PERIOD	335,451,793	133,619,860
EARNINGS PER SHARE	0.456	0.182

Statement of other comprehensive income

€	Dec. 31, 2013	Dec. 31, 2012
10. NET PROFIT (LOSS) FOR THE YEAR	335,451,793	133,619,860
Other statement of other comprehensive income, net of income tax without reversals to the income statement		
20. Tangible assets	-	-
30. Intangible assets	-	-
40. Defined benefit plans	73,468	-
50. Non-current assets held for sale	-	-
60. Share of reserves on investments accounted for by the equity method	-	-
Other statement of other comprehensive income, net of income tax without reversals to the income statement		
70. Hedges of investments in foreign operations	-	-
80. Exchange differences	-	-
90. Cash flow hedges	-	-
100. Available-for-sale financial assets	909,609	614,096
110. Non-current assets held for sale	-	-
120. Share of reserves on investments accounted for by the equity method	-	-
130. TOTAL OTHER STATEMENT OF OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	983,077	614,096
140. COMPREHENSIVE INCOME (CAPTIONS 10 + 130)	336,434,870	134,233,956

Statement of Changes in Equity

Situation as of December 31, 2013

€	Balance at Jan. 1, 2013	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other appropriation
Share capital	73,433,792	-	-
Share premium account	56,496,878	-	-
Reserves:			
a) retained earnings	328,252,650	74,876,109	-
b) other	84,692,746	-	-
Valuation reserves:			
a) AFS fin. instruments	614,096	-	-
b) Defined benefit plans	-	-	-
Treasury Shares	(2,045,116)	-	-
Net profit (loss) for the year	133,619,860	(74,876,109)	(58,743,751)
Shareholders' equity	675,064,906	-	(58,743,751)

Situation 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 appropriation
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) for the year	159,592,247	(130,254,872)	(29,337,375)
Shareholders' equity	642,897,146	-	(29,337,375)

	Changes occurred in the year							
		Movements in equity						
	Change in reserves	Shares Issues	Purchase of treasury Shares	Extraordinary dividends distribution	Change in equity instruments	Stock options	Net Profit Dec. 31, 2013	Shareholders' equity Dec. 31, 2013
	-	166,389	-	-	-	-	-	73,600,181
	-	2,879,461	-	-	-	-	-	59,376,339
	27,518	-	-	(73,556,246)	-	170,646	-	329,770,677
	-	-	-	-	-	-	-	84,692,746
	-	-	-	-	-	-	909,609	1,523,705
	-	-	-	-	-	-	73,468	73,468
	-	-	-	-	-	-	-	(2,045,116)
	-	-	-	-	-	-	335,451,793	335,451,793
	27,518	3,045,850	-	(73,556,246)	-	170,646	336,434,870	882,443,793

	Changes occurred in the year							
		Movements in equity						
	Change in reserves	Shares Issues	Purchase of treasury Shares	Extraordinary dividends distribution	Change in equity instruments	Stock options	Net Profit Dec. 31, 2012	Shareholders' equity Dec. 31, 2012
	-	51,855	-	-	-	-	-	73,433,792
	-	483,795	-	-	-	-	-	56,496,878
	-	-	-	(73,388,286)	-	-	-	382,252,650
	-	-	-	-	-	-	-	84,692,746
	-	-	-	-	-	-	614,096	614,096
	-	-	-	-	-	-	-	(2,045,116)
	-	-	-	-	-	-	133,619,860	133,619,860
	-	535,650	-	(73,388,286)	-	-	134,233,956	675,064,906

Statement of cash flows

Indirect method

€/t	Dec. 31, 2013	Dec. 31, 2012
Profit (loss) before tax for the period	342,973	133,051
Changes in non-monetary items		
Completion-of-service entitlements	178	189
Amortisation and depreciation	23	26
Stock Options	171	124
Other changes	453	19,843
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	(7,598)	(9,885)
Paid taxes	26,036	-
Net cash generated/used by monetary items relating to investment and financial activities	-	-
NET CASH FROM OPERATING ACTIVITIES	362,237	143,348
Net cash generated/used by subsidiaries and associates and joint ventures	(44,670)	(150,000)
Net cash from available-for-sale financial assets	(893)	-
Net cash from tangible and intangible assets	-	-
Other cash flows from investment activities	-	-
NET CASH FROM INVESTING ACTIVITIES	(45,563)	(150,000)
Net cash from equity instruments	3,046	536
Net cash from treasury shares	-	-
Distribution of dividends	(132,272)	(102,727)
Net cash from subordinated liabilities	-	-
Net cash from other financial liabilities	(177,264)	(459)
NET CASH FROM FINANCING ACTIVITIES	(306,490)	(102,650)
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	26,080	135,382
Net increase (decrease) in cash and cash equivalents	10,184	(109,302)
Cash and cash equivalents at end of the period	36,264	26,080

Notes to the Separate Annual Financial Statements 2013

Notes to the Separate Annual Financial Statements at December 31, 2013

These notes are structured as follows:

PART A - ACCOUNTING BASIS

The financial statements at December 31, 2013 was prepared, pursuant to Legislative Decree no. 38 of February 28, 2005, 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) no. 1606 of July 19, 2002.

The separate financial statements consist of the Statement of financial position, the Income statement, the Statement of other comprehensive income, the Statement of changes in equity, the Statement of cash flows (Accounts) and these 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 Report on operations.
In accordance with art. 5 of Legislative Decree no. 38/2005 the separate financial statements were prepared using the Euro as reporting currency.
The amounts set out in the Accounts are presented in units of euro, while the amounts set out in the Notes and the Report on operations are presented in thousands of euro except where otherwise stated.
The Accounts and the Notes also include comparative information for the year ended December 31, 2012.
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, 2013.
The accounting policies applied in the preparation of the separate financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as 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, 2012.
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.
In relation to the disclosure required by IFRS 13, please refer to as shown in the notes to the consolidated financial statements. It should be noted that the current assets and liabilities have a carrying value that can be assimilated at fair value (level 3). Non-current assets measured at cost primarily consist of a subordinated intercompany loan with a fair value of level 3, which approximates carrying value. Non-current liabilities mainly consist of bonds with a fair value of Level 2 equal to Euro 213.5 million.

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

The following standards, amendments and interpretations have been adopted by the Group for the first time beginning January 1, 2013.

- On May 12, 2011, the IASB issued IFRS 13 – "Fair Value Measurement" that clarifies how fair value is to be measured. IFRS 13 applies any time another IFRS requires or permits fair value valuations or disclosures about measurements based on fair value, with some limited exceptions. In addition, the Standard requires a disclosure concerning fair value measurement (the fair value hierarchy) that is more extensive than that required by IFRS 7. The principle is applicable retrospectively as of January 1, 2013. The adoption of the principle has not had significant effects in relation to fair value measurement, but had an impact in terms of reporting on the financial statements of the FY.
- On June 16, 2011, the IASB also issued an amendment to IAS 19 "Employee Benefits". The amendment eliminates the option to defer the recognition of actuarial gains/losses under the "corridor" approach, requiring immediate recognition of changes in the plan's net assets/liabilities, recognition in the Income statement of service costs, interest cost as well as of actuarial gains/losses resulting from the re-measurement of assets and liabilities in Other comprehensive profit/loss. The amended standard also introduces additional information to be stated in the notes to the financial statement. 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 will become effective for annual periods beginning on or after January 1, 2013 with retrospective application required. The introduction of the new amended standard had an impact on the 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 Company estimates the impact of the adoption of the amended standard will be about Euro 25 thousand reduced costs in the Income statement and the concurrent recognition of a negative equity reserve of Euro 14.8 thousand after tax.
- On June 16, 2011, the IASB issued an amendment to IAS 1 – "Presentation of Financial Statements". The amendment requires companies to group items of Other comprehensive profit/loss according to whether they may

be subsequently reclassified to profit or loss. The revised standard is applicable to financial years beginning on or after July 1, 2012.

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

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 subsidiary or associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the Income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the Income statement.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial assets held for trading or Held-to-maturity investments.
In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.
Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on the trade date if they are loans or receivables.
On initial recognition Available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the Held-to-maturity investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.
After initial recognition Available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the Income statement.

Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.

At each interim and annual balance sheet date the Bank assesses whether there is objective evidence of any impairment loss.

If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the Income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

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

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.

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

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 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 new IAS 19 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 remeasurement of assets and liabilities in Statement of other comprehensive income. In addition, the return on assets, included in net financial expense is calculated based on the discount rate of the liability and not on its expected return.

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 liability method on temporary differences between the tax base of an asset or liability and its carrying amount in the Statement of financial position. A deferred tax liability is recognised for all taxable temporary differences.
A deferred tax asset is recognised for all deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax losses and unused tax credits can be utilised.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the Group companies' tax positions.
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. The estimates are mainly regarding:

- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- identification of loss events as per IAS 39;
- assumptions used for the identification of any objective evidence of impairment of intangible assets and equity investments recognised in the Statement of financial position;
- determination of impairment losses on loans and other financial assets;
- 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;
- 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 E for information on financial risk.

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible asset 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 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.

PART C – INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

INTANGIBLE ASSETS

	Dec. 31, 2013		Dec. 31, 2012	
€/t	Definite life	Indefinite life	Definite life	Indefinite life
Other intangible assets	2	-	2	-
Assets measured at cost:	2	-	2	-
- Internally generated intangible assets	-	-	-	-
- Other assets	2	-	2	-
Assets measured at fair value:	-	-	-	-
- Other internally generated intangible assets	-	-	-	-
- Other assets	-	-	-	-
Total	2	-	2	-

Year's movements in intangible assets

	Goodwill	Other internally generated intangible assets		Other intangible assets		Total
€/t		Definite	Indefinite	Definite	Indefinite	
Gross opening balance	-	-	-	2	-	2
Total net write-downs	-	-	-	-	-	-
Net opening balance	-	-	-	2	-	2
Increases	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Increases in internal intangible assets	X	-	-	-	-	-
Reversal of impairment	X	-	-	-	-	-
Increases in fair value:	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
Positive exchange differences	-	-	-	-	-	-
Other increases	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
- amortisation	X	-	-	-	-	-
- depreciation	-	-	-	-	-	-
+ Shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
Reclassified to non-current assets held for sale	-	-	-	-	-	-
Negative exchange differences	-	-	-	-	-	-
Other decreases	-	-	-	-	-	-
Net closing balance	-	-	-	2	-	2
Total net reductions in value	-	-	-	-	-	-
Gross closing balance	-	-	-	2	-	2
Measured at cost	-	-	-	-	-	-

TANGIBLE ASSETS

€/t	Dec. 31, 2013	Dec. 31, 2012
Owned assets held for use	11	33
– furnishings	10	32
– other	1	1
Total tangible assets	11	33

Year's movements in tangible assets

€/t	Land	Buildings	Furnishings	Electronic equipment	Other	Total
Net opening balance	-	-	32	-	1	33
Increases	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
Capitalised improvement costs	-	-	-	-	-	-
Reversal of impairment	-	-	-	-	-	-
Increases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
Positive exchange differences	-	-	-	-	-	-
Reclassified from property held for investment	-	-	-	-	-	-
Other increases	-	-	-	-	-	-
Decreases	-	-	(22)	-	-	(22)
Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
Amortisation and depreciation	-	-	(21)	-	-	(21)
Impairment:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
Decreases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
Negative exchange differences	-	-	-	-	-	-
Reclassified to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
Other decreases	-	-	(1)	-	-	(1)
Net closing balance	-	-	10	-	1	11
Total net write-downs	-	-	-	-	-	-
Gross closing balance	-	-	10	-	1	11
Measured at cost	-	-	-	-	-	-

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

€/t	Dec. 31, 2013	Dec. 31, 2012
Subsidiaries		
Banca Mediolanum S.p.A.	600,239	600,239
Mediolanum Vita S.p.A.	166,681	166,681
Mediolanum Assicurazioni S.p.A.	44,670	-
Mediolanum International Life Ltd	60,131	60,131
PI Servizi S.p.A.	7,335	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	1,193	1,194
Partner Time S.p.A. (in liquidazione)	419	447
Gamax Management A.G.	1	1
Total subsidiaries	886,774	842,558
Associates and joint ventures		
Mediobanca S.p.A.	227,578	227,578
Banca Esperia S.p.A.	54,312	54,312
Total associates and joint ventures	281,890	281,890
Total	1,168,665	1,124,448

Investments in subsidiaries that are part of the Mediolanum Group are carried at historical values which are significantly lower than their value in use.

With regard to investment in Mediobanca S.p.A., Ernst & Young Financial-Business Advisory S.p.A. has been assigned the upgrading of the impairment test as of December 31, 2013, with respect to the analyses carried out on the same shareholding as at the date of June 30, 2013.

In line with the approach followed in previous years and development to June 30, 2013, following a presentation to the market by Mediobanca S.p.A. of 2014-2016 strategic guidelines, the recoverable amount of the investment was determined by the configuration of the value of use.

The recoverable amount of the investment in Mediobanca S.p.A. at December 31, 2013 was determined on the basis of publicly available information and, in particular, the objectives set by the 2014-2016 strategic guidelines, taking account of the actual results at December 31, 2013.

For the valuation of the shareholding held by the Mediolanum Group the Dividend Discount Model (Excess Capital variant) was used. This method is usually used in practice nationally and internationally for the purpose of determining the economic value of companies operating in the financial sector and subject to compliance with the minimum capitalization, and has been applied in continuity with the previous years.

The value of Mediobanca S.p.A. has been subject to sensitivity analysis in relation to possible changes in the underlying assumptions that affect the value, represented in particular by the cost of capital, the growth rate of long-term results and estimated net income with reference to the 2014-2016 strategic guidelines, also in consideration of projections made on the basis of the consensus of analysts published following the presentation of the strategic guidelines.

Ernst & Young Financial-Business Advisory S.p.A. issued the report on the impairment test at December 31, 2013 relating to the investment in Mediobanca, which found that on the basis of the current expected evolution of the macroeconomic scenario and sector, of the results at December 31, 2013 of Mediobanca S.p.A., of the 2014-

2016 strategic guidelines, trends in the consensus of analysts and valuation analysis developed, as reported in the aforementioned report, there is a recoverable amount of the investment of about Euro 11.10 per share.
In relation to the results of the impairment process, the carrying value expressed in the consolidated financial statements at December 31, 2013 amounting to Euro 10.36 per share, the carrying amount of Euro 10.05 per share is adequate and it is therefore not necessary to adjust the carrying value of the investment in Mediobanca.

"Loans to subsidiaries" is related to the indefinite-maturity subordinated loan up to Euro 120,000,000.00 (Euro one hundred and twenty million) extended to the subsidiary Mediolanum Vita S.p.A. The loan is 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

€/t	Dec. 31, 2013	Dec. 31,2012
Fair Value – Level 1	4,735	3,813
Assicurazioni Generali S.p.A.	4,735	3,813
Fair Value – Level 2	-	-
Fair Value – Level 3	17,053	16,159
Sia SSB S.p.A.	6,204	6,204
Istituto Europeo di Oncologia	4,703	4,703
Cedacri S.p.A.	5,834	4,940
Nomisma S.p.A.	312	312
Total	21,787	19,972

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 increase in this item, amounting to Euro 1,815 thousand relates to the valuation of Generali shares, which resulted in a reversal of the same for Euro 922 thousand and the purchase of Cedacri S.p.A. shares totalling Euro 893 thousand.

Holdings were as follows:

Company	Share capital	% holding	Registered office
Assicurazioni Generali S.p.A.	1,556,873,283	0.018	Piazza Duca degli Abbruzzi 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	6.38	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" (Euro 482.8 thousand) and "Receivables from other related parties" (Euro 58.8 thousand) related to amounts receivable for the provision of corporate affairs services, staff secondment and management compensation.

"Other receivables" amounting to Euro 208.4 thousand (12.31.2012: Euro 15,113 thousand) decreased by Euro 14,904.6 thousand. In the previous year, this item was almost entirely (Euro 15,000 thousand) the advance payment during the year for the purchase of Mediolanum Assicurazioni S.p.A.

CASH AND CASH EQUIVALENTS

€/t	Dec. 31, 2013	Dec. 31, 2012
Cash on hand	11	10
Bank deposits	36,253	26,070
Total	36,264	26,080

"Bank deposits" relate 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 Euro 36,224 thousand.

TAX ASSETS

Analysis of Current Tax Assets:

€/t	Dec. 31, 2013	Dec. 31, 2012
Tax consolidation regime		
Mediolanum Assicurazioni S.p.A.	3,185	-
Mediolanum Vita S.p.A.	22,526	30,449
Mediolanum Gestione Fondi SGR p.A.	18,872	14,442
Mediolanum Comunicazione S.p.A.	90	-
Banca Mediolanum S.p.A.	41,045	30,023
Total Tax consolidation regime	85,718	74,914
IRS		
(IRES & IRAP) advances	5,025	4,277
Prior years' tax credit (IRES)	-	68,368
Current year's tax credit (IRES)	4,803	9,387
VAT	-	9
Tax credit reimbursements due (IRES)	4,886	8,978
Total IRS	14,714	91,020
Total	100,432	165,934

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

Share Capital

Share capital is fully paid up and amounts to Euro 73,600,180.70 divided into 736,001,807 ordinary shares.
In 2013, to service the Stock Options Plans, capital was increased by Euro 166,388.80 which corresponds to 1,663,888 shares.

Share premium account

The balance on the share premium account increased from Euro 56,497 thousand at December 31, 2012 to Euro 59,376 thousand at the end of the year under review. The increase relates to the subscriptions for the shares issued under the Stock Option Plans.

Other reserves

Retained earnings and Capital reserves may be broken down as follows:

€/t	Dec. 31, 2013	Dec. 31, 2012
Retained earnings		
Legal reserve	17,363	17,363
Extraordinary reserve	503,134	501,619
Other FTA reserves	(123,109)	(123,109)
Interim dividend	(73,595)	(73,427)
Other	5,978	5,807
Capital reserves		
Shareholders' reserve to cover extraordinary expenses Lehman B.	84,693	84,693
Total	414,464	412,946

There is no change in the legal reserve as it has reached the limit established by the law.
Dividends are to be considered gross of the dividend on treasury shares.

Valuation reserve

The AFS valuation reserve amounted to Euro 1,524 thousand and relates to the measurement of the holdings in Generali (12.31.2012: Euro 614 thousand).
The TFR valuation reserve was also recorded for Euro 74 thousand.

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.

€/t	Dec. 31, 2013	Dec. 31, 2012
Opening balance	522	501
Increases	206	189
Provisions for the year	178	189
Other increases	28	-
Decreases	388	168
Funds used in the year	216	166
Other decreases	172	2
of which business combinations	-	-
Closing balance	340	522

NOTES ISSUED

As of December 31, 2013, non-convertible notes issued aggregated to Euro 210,4 million (nominal value) as follows:

- Euro 49.4 million (nominal value) notes due April 29, 2014, bearing interest at 3.5%;
- Euro 48.9 million (nominal value) notes due April 29, 2014, bearing interest at 6-month EURIBOR + 1%;
- Euro 47.8 million (nominal value) notes due May 20, 2015, bearing interest at 6-month EURIBOR;
- Euro 20.4 million (nominal value) notes due May 31, 2015, bearing interest at 6-month EURIBOR;
- Euro 43.9 million (nominal value) notes due November 14, 2014, bearing interest at 4.00%.

CURRENT LIABILITIES

PAYABLES

Payables to banks aggregated to Euro 251,529 thousand and relate to amounts due under credit facilities received (Euro 250,000 thousand) plus the related interest expense accrued at year end.

Payables to subsidiaries (Euro 670 thousand) and Payables to other related parties (Euro 98 thousand) relate to outsourcing and other services.

Other payables amounted to Euro 1,383 thousand, a decrease of Euro 725 thousand compared to the previous year. The change is mainly due to the debt recognised to employees for buyouts recognised last year for Euro 756 thousand.

TAX LIABILITIES

Analysis of Current tax liabilities:

€/t	Dec. 31, 2013	Dec. 31, 2012
IRS		
Ires	30,690	74,911
Irap	9,178	3,903
Total IRS	39,868	78,814
Tax consolidation regime		
Banca Mediolanum S.p.A.	13,149	46,332
Mediolanum Assicurazioni S.p.A.	2,807	-
Mediolanum Vita S.p.A.	29,922	33,769
Mediolanum Comunicazione S.p.A.	64	260
Mediolanum Gestione Fondi SGR p.A.	15,666	942
Partner Time S.p.A. (in liquidation)	12	91
Mediolanum Fiduciaria S.p.A.	207	158
P.I. Servizi S.p.A.	107	86
Total Tax consolidation regime	61,934	81,638
Total	101,802	160,452

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" amounting to Euro 314 thousand (12.31.2012: Euro 615 thousand) largely consisted of allowances for vacation accruals and additional months for the year under review.

PART D - INFORMATION ON THE INCOME STATEMENT

DIVIDENDS AND SIMILAR INCOME

Dividends and similar income amounted to Euro 366,568 thousand (12.31.2012: Euro 177,459 thousand) as follows:

€/t	Dec. 31, 2013	Dec. 31, 2012
from subsidiaries	366,186	176,271
from associates	-	1,132
from available-for-sale financial assets	382	55
Total	366,568	177,459

In particular, dividends from shareholdings in associated companies are as follows:

€/t	Dec. 31, 2013	Dec. 31, 2012
Mediolanum International Life Ltd	3,000	17,000
Banca Mediolanum S.p.A.	160,002	15,005
Mediolanum International Funds Ltd	111,760	129,800
Mediolanum Gestione fondi SGR p.A.	17,141	6,136
Mediolanum Vita S.p.A.	72,323	-
Mediolanum Asset Management Ltd	1,960	8,330
Total	366,186	176,271

Dividends from available-for-sale financial assets amounted to Euro 382 thousand (12.31.2012: Euro 55 thousand) and mainly consist of dividends received by Sia SSB S.p.A. (Euro 327 thousand).

The prior year benefited from dividends collected from the associated company Mediobanca S.p.A. for Euro 1,132 thousand.

INTEREST AND SIMILAR INCOME

These include:

€/t	Dec. 31, 2013	Dec. 31, 2012
Loans to banks	244	995
Other	5,400	5,619
Total	5,644	6,614

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. (Euro 5,400 thousand).

INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges amounted to Euro 19,367 thousand (12.31.2012: Euro 21,416 thousand) and are primarily related to interest expense on financing facilities in place amounting to Euro 8,715 thousand and on notes issued in the year amounting to Euro 10,639 thousand.

PERSONNEL COSTS

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

€/t	Dec. 31, 2013	Dec. 31, 2012
Wages and salaries	1,831	3,170
Social security contributions	588	812
Completion of service entitlements	178	189
Remuneration of Directors	1,560	1,488
Directors' benefits	192	147
Key personnel	(412)	(1,548)
Pension fund	21	21
Other	708	302
Total	4,666	4,580

Personnel costs amounted to Euro 4,666 thousand, substantially in line with the previous year (Euro +86 thousand). The decrease in Wages and salaries (Euro -1,339 thousand) is mainly due to the incentives of employee buyouts recorded last year for Euro 756 thousand. The decrease in the Key personnel (Euro -1,136 thousand) is due to the lower number of seconded staff.

Average number of employees

An analysis of the average number of employees in 2013 by category is set out in the table below.

Category	Dec. 31, 2013	Dec. 31, 2012
1) Employees	21	20
a) Senior management	2	2
b) Middle management	6	5
c) Other employees	13	13
2) Other personnel	-	-
Total	21	20

OTHER ADMINISTRATIVE EXPENSES

€/t	Dec. 31, 2013	Dec. 31, 2012
IT services	(19)	(26)
Infoprovider services	(19)	(15)
Miscellaneous services	(139)	(125)
Intragroup services	(1,814)	(1,382)
Taxes and duties	(16)	(8)
Television and internet communication services	(111)	(102)
Rentals	(1,101)	(896)
Maintenance and repairs	(11)	(11)
Other consulting and advisory service	(1,431)	(1,329)
Consumables	(54)	(60)
Insurance	(114)	(72)
Membership fees	(172)	(118)
Advertising and promotional expenses	(1)	(3)
Energy utilities	(29)	(29)
Business expenses, gifts and other	(78)	(55)
Other administrative expenses	(335)	(1,101)
Total	(5,444)	(5,332)

Other administrative expenses amounted to Euro 5,444 thousand in line with the previous year (Euro -227 thousand).

OTHER INCOME AND EXPENSES

€/t	Dec. 31, 2013	Dec. 31, 2012
Other income	716	700
Total other operating income	716	700
Other operating expenses		
Compensations and settlements	-	-
Amortisation of expenses for improvements of third-party assets	-	-
Other expenses	-	-
Total other operating expenses	-	-
NET total of other operating income and expenses	716	700

Other operating income and expenses amounted to Euro 716 thousand, substantially in line with the previous year (Euro +16 thousand). This item mainly includes the recovery of costs incurred for intra-group services.

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.

€/t	Dec. 31, 2013	Dec. 31, 2012
1. Current tax (-)	(9,177)	(3,903)
2. Decrease in current tax for prior years (+/-)	37	275
3. Decrease in current tax for the year (+)	-	-
3. *bis* Change in current tax for the year for tax credits under Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	1,619	4,197
5. Change in deferred tax liabilities (+/-)	-	-
6. Income tax expense for the year (-) (-1+/-2+3+3*bis*+/-4+/-5)	(7,521)	569

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

€/t	Rate	Taxable amount	Tax expense
Calculation of taxable income (IRES)			
Profit before tax	-	342,973	-
Theoretical tax	36.00%	-	123,470
Temporary differences deductible in following years	-	62	-
Prior years' temporary differences	-	(88)	-
Permanent differences	-	(347,404)	-
Total taxable income	-	(4,456)	-
Taxable income (rate of 27.50%)	-	(4,456)	-
Current tax expense for the year	-	-	-
Prior years' taxes	-	-	-
Current tax expense recognised in the income statement	-	-	-
Average rate on profit before tax	ns	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	164,640	-
Costs which are not significant for the purpose of IRAP calculation	-	(652)	-
Total	-	163,988	-
Theoretical tax	5.57%	-	9,134
Prior years' temporary differences	-	-	-
Permanent differences	-	781	-
Taxable income (rate of 5.57%)	-	164,769	-
Current tax expense for the year	-	-	9,178
Prior years' taxes	-	-	(37)
Current tax expense recognised in the income statement	-	-	9,141

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

With reference to the information required under IFRS 3, readers are referred to the Report and the Notes to the consolidated financial statements.

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

€/t	Directors, Statutory Auditors, Deputy/General Managers and Auditors	Other key management
Emoluments & social security contributions	2,028	180
Other compensation	6	-

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, 2013 by related party category:

€/t	Tax assets	Receivables	Cash	Other financial assets	Other payables	Tax liabilities
(a) Parent Company	-	-	-	-	-	-
(b) Entities exercising significant influence over the Company	-	-	-	-	50	-
(c) Subsidiaries	85,718	528	36,224	120,074	676	61,934
(d) Associates	-	-	-	-	-	-
(e) Joint ventures	-	10	-	-	-	-
(f) Key managers	-	-	-	-	-	-
(g) Other related parties	-	6	-	-	48	-
Total	85,718	544	36,224	120,074	774	61,934

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

€/t	Dec. 31, 2013
Interest income and similar income:	
Mediolanum Vita S.p.A.	5,400
Banca Mediolanum S.p.A.	244
Corporate affairs services:	
Mediolanum Vita S.p.A.	128
Banca Mediolanum S.p.A.	143
Mediolanum Gestione Fondi SGR p.A.	171
Mediolanum Comunicazione S.p.A.	29
Mediolanum Fiduciaria S.p.A.	43
Mediolanum Assicurazioni S.p.A.	86
Vacanze Italia S.p.A.	11
Other revenues:	
Banca Mediolanum S.p.A.	28
Banca Esperia S.p.A.	10
Mediolanum Gestione Fondi SGR p.A.	42
Interest expense and similar charges:	
Banca Mediolanum S.p.A.	630
Banca Mediolanum S.p.A. centralised services:	
IT services	292
Miscellaneous administrative services	1,227
Office rental:	
Banca Mediolanum S.p.A.	135
Fermi & Galeno Real Estate S.r.l.	62
Aircraft rental:	
Alba Servizi Aerotrasporti S.p.A.	641
Key personnel:	
Charged Banca Mediolanum S.p.A.	340
Charged Banca Mediolanum S.p.A.	587
Charged Mediolanum Vita S.p.A.	228
Charged Mediolanum Gestione Fondi SGR p.A.	64
Other expenses:	
Fininvest S.p.A.	50
Finedim Italia S.p.A.	10

The information required under art. 78 of Consob Regulation no. 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.

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

In financial year 2013, 1,663,888 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 Euro 166,388.8 increase in Mediolanum ordinary share capital and a Euro 2,879,460.62 increase in the share premium account.

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 at December 31, 2013.

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to Euro 171 thousand and entailed a corresponding increase in the Company's equity reserves (12.31.2012: Euro 124 thousand).

ANNEXES

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

Basiglio, March 26, 2014

For the Board of Directors
The Chairman
(Secchi Carlo)

Annexes to the Notes

ANNEX 1

Analysis of equity reserves

€	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	73,600,181	-	-	-	-
Capital reserves:					
- share premium account	59,376,339	A, B, C	59,376,339	-	-
- Shareholders' contribution reserve to cover Lehman B.	84,692,746	A, B, C	84,692,746	-	-
Retained earnings:					
- legal reserve	17,362,794	B	17,362,794	-	-
- other reserves	310,362,767	A, B, C	310,362,767	-	-
Valuation reserves:					
- available-for-sale financial assets	1,523,705	(1)		-	-
- TFR valuation	73,468	(1)		-	-
Total	546,992,000		471,794,646	-	-
of which non-distributable	-	-	17,362,794	-	-
of which distributable	-	-	454,431,852	-	-

Legend:
A: capital increase
B: loss coverage
C: distribution to Shareholders

(1) Reserve not available under art. 6 of Legislative Decree 38/2005

ANNEX 2

Analysis of deferred taxation

	FY 2013		FY 2012	
	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	62,044	27.50%	87,587	27.50%
TARSU	9,849	27.50%	9,849	27.50%
Adjustment to completion-of-service entitlements under IAS	-	-	-	-
Total	71,893	-	97,436	-
Deferred tax liabilities:				
Accelerated depreciation and amortisation	-	-	-	-
Excess depreciation and amortisation	-	-	-	-
Impairment of loans	-	-	-	-
Available-for-sale financial assets	77,247	27.50%	31,133	27.50%
Adjustment to completion-of-service entitlements under IAS	22,563	27.50%	22,563	27.50%
Total	99,810	-	53,696	-
Net deferred tax liabilities (assets)	(7,677)	-	12,029	-
Deferred tax assets on tax losses for the year	1,613,225	-	4,222,254	-
Deferred tax assets on tax losses of the prior year	-	-	2,500,313	-
Temporary differences excluded from the calculation of deferred tax (assets) and liabilities	-	-	-	-
Tax losses carried forward	-	-	-	-
...				
...				
Net amount	-	-	-	-

Deferred tax assets on tax losses for the year is the result of the tax benefit related to both Mediolanum S.p.A.'s tax losses as well as the tax losses transferred by Group companies under the tax consolidation regime.

ANNEX 3

Analysis of directly and indirectly controlled subsidiaries and associates

€/t Company	Shareholders' equity Share capital	Shareholders' equity Total	Shareholders' equity Share
Subsidiaries			
Banca Mediolanum S.p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	600,000	940,318	940,318
Mediolanum Vita S.p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	87,720	337,717	337,717
Mediolanum Assicurazioni S.p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	25,800	37,420	37,420
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	5,165	47,455	23,253
Mediolanum Comunicazione S.p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	775	1,364	1,364
Partner Time S.p.A. (in liquidation) Via F. Sforza, Meucci Building, Basiglio (MI)	520	419	419
PI Servizi S.p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	517	7,449	7,449
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	13,743	1
Mediolanum International Life Ltd 2 Shelbourne Building, Shelbourne Road Ballsbridge, Dublin 4, Ireland	1,395	83,588	83,588
Mediolanum Asset Management Ltd 2 Shelbourne Building, Shelbourne Road Ballsbridge, Dublin 4, Ireland	150	22,476	11,013
Mediolanum International Funds Ltd 2 Shelbourne Building, Shelbourne Road Ballsbridge, Dublin 4, Ireland	150	109,483	48,173

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

Net profit			
Total	Share	% holding	Carrying amount
134,703	134,703[2]	100	600,239
7,020	7,020	100	166,681
3,429	3,429	100	44,671
31,029	15,204	49	2,507
164	164	100	1,687
(28)	(28)	100	419
(425)	(425)	100	7,335
5,328	-	0.004	1
15,855	15,855	100	60,131
16,187	7,932	49	1,911
302,774	133,221	44	1,193

Analysis of directly and indirectly controlled subsidiaries and associates

€/t Company	Shareholders' equity Share capital	Total	Share
Companies indirectly controlled through Banca Mediolanum			
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	13,743	13,742
Bankhaus August Lenz & Co. AG Holbeinstrasse 11 81679 Munich	20,000	30,178	30,178
Banco Mediolanum S.A. Avenida Diagonal 668/670 Barcelona	86,032	189,934	189,934
Mediolanum Fiduciaria S.p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	240	1,361	1,361
Fermi & Galeno Real Estate S.r.l. Via F. Sforza, Meucci Building, Basiglio (MI)	10	22,891	22,891
Mediolanum Pensiones S.G.F.P. S.A. Calle Entenza 321 Barcelona	902	2,142	2,142
Fibanc S.A. Avenida Diagonal 668/670 Barcelona	301	421	421
Mediolanum Gestion S.G.I.I.C. S.A. Calle Entenza 321 Barcelona	2,506	4,061	4,061
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza, Meucci Building, Basiglio (MI)	5,165	47,455	24,202
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	22,476	11,463
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	109,483	61,310

Subsidiaries			
Mediobanca S.p.A. Piazzetta E. Cuccia, 1 Milano	430,565	4,492,248	118,461
Banca Esperia S.p.A. Via Del Lauro, 7 Milano	63,000	155,670	77,835

Net profit			
Total	Share	% holding	Carrying amount
5,328	5,328	99.996	-
(8,213)	(8,213)	100	-
24,252	24,252	100	-
(512)	(512)	100	-
1,091	1,091	100	-
242	242	100	-
2	2	100	-
201	201	100	-
31,029	15,825	51	-
16,187	8,255	51	-
302,774	169,553	56	-
(237,668)	(6,267)	2.637	227,579
4,247	2,124	50	54,311

ANNEX 4
MEDIOLANUM S.P.A.
Analysis of significant investments under art. 125 of Consob Regulation no. 11971/1999

As of December 31, 2013

Company	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
Mediolanum Pensiones, S.A., S.G.F.P.	Spain	99.999
Fibanc, S.A.	Spain	99.998
Gamax Management AG	Luxembourg	100.000
Mediolanum Gestión, 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. in liquidation	Italy	100.000
PI Servizi S.p.A.	Italy	100.000
Mediolanum Assicurazioni	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
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
Audit	Deloitte & Touche S.p.A. and other entities that are part of their network	1,008,073
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	755,500
Signing tax return	Deloitte & Touche S.p.A. and other entities that are part of their network	8,869
Other services	Other entities that are part of Deloitte & Touche S.p.A. international network	947,520
Total		2,719,961

Please note that the Euro 736,719 fee was charged to mutual funds, segregated funds and unit-linked policies 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
Audit	Deloitte & Touche S.p.A.	184,673
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	-
Signing tax return	Deloitte & Touche S.p.A.	3,130
Other services	Deloitte & Touche S.p.A. and other entities that are part of the Deloitte italian network	163,395
Total		351,198

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 company and
   - the actual application of accounting and financial reporting procedures in the preparation of the annual report and accounts for financial year 2013.

2. The adequacy and the actual application of accounting and financial reporting procedures in the preparation of the 2013 annual report and accounts were assessed applying a process defined by Mediolanum S.p.A. in accordance with the Internal Control – Integrated Framework Model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally accepted framework.

3. We also confirm that:

   3.1 the annual report and accounts for the year ended December 31, 2013:
   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 26, 2014

CEO
(*Ennio Doris*)

Chief Financial Officer responsible
for accounting and financial reporting
(*Luigi Del Fabbro*)

Report of the Board of Statutory Auditors

Financial Statements at december 31, 2013

Report of the Board of Statutory Auditors pursuant to art. 153, Legislative Decree 58/1998 and art. 2429, paragraph 2, Civil Code

Dear Shareholders,

pursuant to art. 153 of Legislative Decree no. 58 of February 24, 1998 and art. 2429 of the Civil Code, we inform you that we have performed our statutory supervisory duties in accordance with the Italian Civil Code, art. 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, 2013, which reported net profit of Euro 335,451,793, were prepared in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS) and were delivered to us in 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, classified as of 2013 as a financial conglomerate operating mainly in the banking 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, 2013. The Board of Auditors also believes that the Directors' Report of the Mediolanum Group is correct and consistent with the Consolidated Financial Statements at December 31, 2013.

For the eighth 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 management of relations with 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 and in the notes, the Directors have comprehensively illustrated said transactions, which included:

- the acquisition of the entire share capital of Mediolanum Assicurazioni S.p.A., on March 26, 2013, with effect from March 31, 2013, following the IVASS authorization;
- the issue of 1,663,888 new Mediolanum dividend-bearing ordinary shares following the exercise of stock options. This entailed a Euro 166,388.80 increase in Mediolanum ordinary share capital and a Euro 2,879,460.62 increase in the share premium account.

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, 2013 there were no other events which could have a significant impact on the financial position, results of operations and cash flows of the company.

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 aforementioned 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 art. 2408 of the Italian Civil Code.

It should be noted that on April 22, 2013, the Board of Auditors received a complaint pursuant to art. 2408 of the Italian Civil Code, by the shareholder Carlo Fabris, on the failure to read the questions asked by the same shareholder on the agenda of the meeting on April 19, 2012 and related responses provided by the company. The Board of Auditors, provided that their considerations concerning as claimed by the shareholder Fabris on April 22, 2013 were annexed to the minutes of the meeting of April 23, 2013, and made available to all participants at the same meeting, and also that the same were notified by response letter addressed to the shareholder Fabris, hereby confirms that during the meeting held April 19, 2012 the company successfully fulfilled the requirements of art. 127-ter of the TUF Consolidated Finance Act with regard to the questions posed by the shareholder above on the matters on the agenda of the above meeting.

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 Banking Group

(in Euro, excluding VAT and expenses)

Service	Party that provided the service	Fee
Auditing	Deloitte & Touche S.p.A. and other entities that are part of their network	1,008,073
Signing tax return	Deloitte & Touche S.p.A.	8,869
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	755,500
Other services	Other entities of the Deloitte network	947,520
Total		2,719,961

Please note that the Euro 736,719 fee was charged to mutual funds, segregated funds and unit-linked policies 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 Euro, excluding VAT and expenses)

Service	Party that provided the service	Fee
Auditing	Deloitte & Touche S.p.A.	184,673
Signing tax return	Deloitte & Touche S.p.A.	3,130
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	-
Other services	Other entities of the Deloitte network	163,395
Total		351,198

7. Opinions given pursuant to the law.

During the year we have not given the opinions requested pursuant to the law.

8. Frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors.

During the year 2013 the members of the Board of Statutory Auditors attended 6 meetings of the Board of Directors (January 22, February 27, March 21, May 9, July 30 and November 12, 2013). 7 Board meetings were held (February 26, March 26, April 19, April 23, May 27, July 23, and October 21). 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.

The Board acknowledges that the organization, management and control model pursuant to Legislative Decree 231/2001 adopted by the company is constantly updated based on the new offences introduced by the legislation.

12. Accounting system adequacy and reliability.

On the basis of our reviews and verifications, we satisfied ourselves that the accounting system is adequate, reliable and suitable to represent fairly the company's affairs.

13. Adequacy of the instructions given to subsidiaries.

The Board considers that the provisions provided by the company to its subsidiaries, pursuant to art. 114, paragraph 2, of Legislative Decree 58/1998 are adequate to promptly provide the parent the information necessary for the fulfilment of reporting obligations required by law.

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 art. 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 art. 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, 2013 and agree with the resolutions proposed by the Board of Directors.
We wish to thank you for your confidence in us, and remind you that with the approval of these financial statements our mandate has expired and we therefore kindly request that you resolve in regard.

Milan, 04 April 2014

BOARD OF STATUTORY AUDITORS
Francesco Vittadini
Riccardo Perotta
Antonio Marchesi

Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
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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 31, 2013, 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 26, 2013.

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 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of 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 Investor relations/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 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 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
April 4, 2014

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

General Meeting of April 29, 2014

Annual General Meeting of April 29, 2014

RESOLUTIONS ABSTRACT

At the Annual General Meeting, shareholders representing 71.83% of share capital by majority of votes resolved:

- to approve the financial statements for the year ended December 31, 2013, which reported net profit of Euro 335,451,793.34 including the Directors' Report;
- to appropriate net profit for the year amounting to Euro 335,451,793.34 as follows:
  - distribution of a full-year dividend of Euro 0.25 per share (par value of Euro 0.10) to the shareholders, including the 2012 interim dividend of Euro 0.10 paid in November 2012 and the final dividend of Euro 0.15 (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 22, 2014 (coupon no. 28) through intermediaries, record date May 21, 2014;
- to authorise the Board of Directors to purchase and sell up to 8,000,000 treasury shares with par value of Euro 0.10 each, which correspond to about 1.09% of share capital, within the limit amount of Euro 60 million, for a period of one year and in any case for a period of no more than eighteen months;
- to entrust the administration of the company to a Board of Directors composed of 15 members;
- to fix the term of office of the Board of Directors for three years and until the date of the meeting called to approve the financial statements at December 31, 2016;
- to determine, until new resolution, the gross annual emolument payable to the Board of Directors, including the amount due to directors vested with special powers, for Euro 1,735,000.00 (one million seven hundred thirty-five thousand/00) with the right to several withdrawals during the year, authorizing the board to provide for the allocation among its members;
- to appoint the following as directors:
  - Carlo Secchi, Chairman;
  - Maurizio Carfagna;
  - Ennio Doris;
  - Danilo Pellegrino;
  - Alfredo Messina;
  - Anna Scarfone;
  - Massimo Antonio Doris;
  - Angelo Renoldi;
  - Pasquale Cannatelli;
  - Mario Molteni;
  - Edoardo Lombardi;

   - Elena Biffi;
   - Luigi Berlusconi;
   - Maria Alessandra Zunino De Pignier;
   - Roberto Maviglia*;
- to appoint the following as auditors:
   - Stefano Fiorini* Chairman of the Board of Statutory Auditors:
   - Francesca Novati, statutory auditor;
   - Riccardo Perotta, statutory auditor;
   - Mario Signani*, alternate auditor;
   - Ferdinando Gatti, alternate auditor;
   - Francesca Meneghel, alternate auditor;
- to determine, pursuant to law, the term of office of the Supervisory Board for three years or until the date of the Shareholders' Meeting called to approve the financial statements as at 31.12.2016;
- to determine the annual gross remuneration of the statutory auditors, plus reimbursement of expenses incurred in carrying out their duties, as follows:
   - to the Chairman of the Board of Statutory Auditors Euro 90,000.00;
   - to each statutory auditor Euro 60,000.00;
- to approve the Board of Directors' Report on Compensation Policies.

* candidate from the minority list