MEDIOLANUM S.p.A.

ANNUAL REPORT 2014

mediolanum

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

Graphic design updated to March 25, 2015

ANNUAL REPORT 2014

Registered office: Basiglio Milano Tre (MI) - Via F. Sforza - Building Meucci
Share Capital Euro 73,743,699.80 fully paid-in
Tax Registration, VAT and Milan Register of Companies 11667420159

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Mediolanum S.p.A. Corporate Bodies

Board of directors

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

Board of statutory auditors

Stefano Fiorini	Chairman of the Board of Statutory Auditors
Francesca Novati	Standing Auditor
Riccardo Perotta	Standing Auditor

Secretary of the board of directors

Luca Maria Rovere

Officer responsible for preparing accounting and financial reporting documents

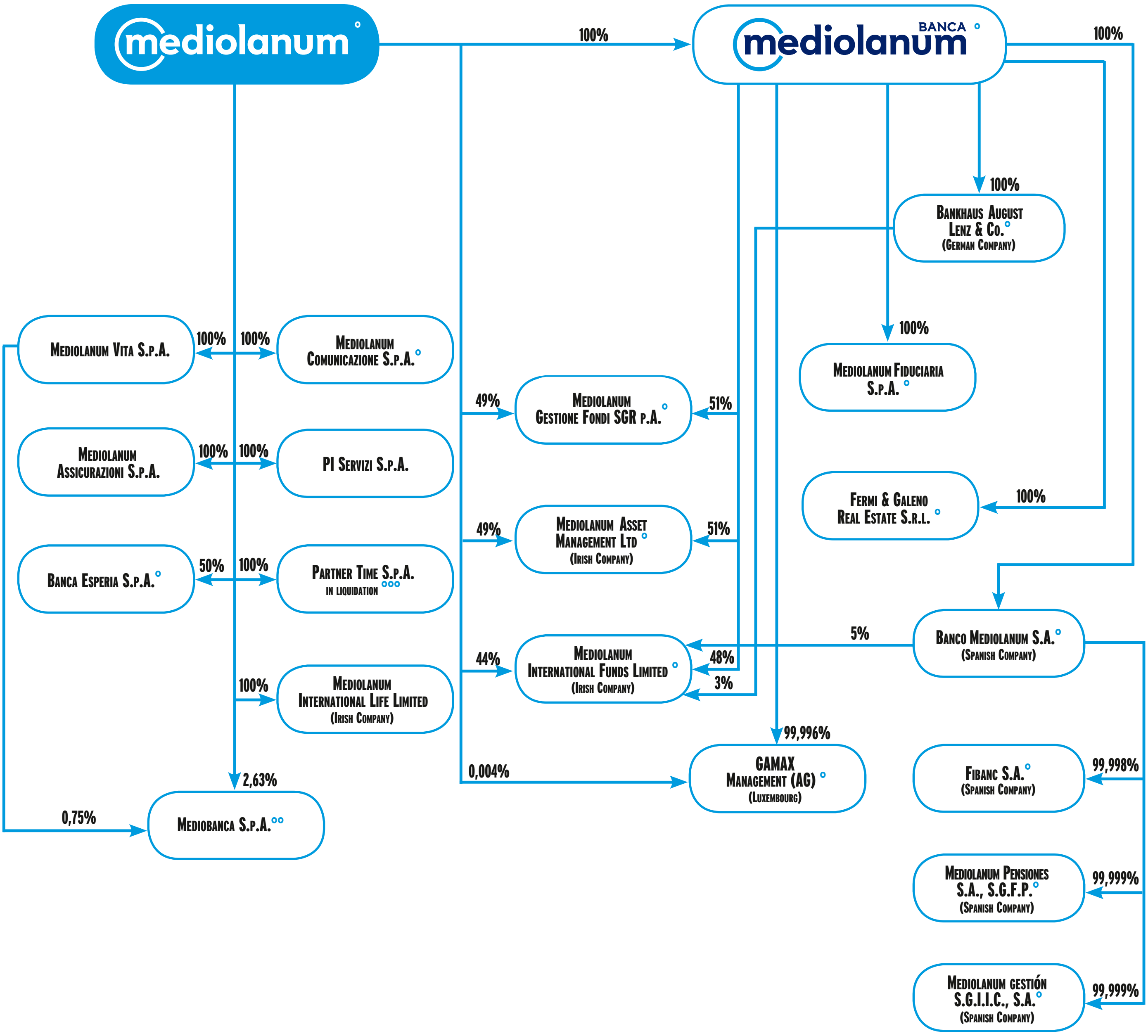
Luigi Del Fabbro

Independent auditors

Deloitte & Touche S.p.A.

Group structure

Situation as at December 31, 2014



° Companies forming part of Mediolanum Group.
°° Since Mediobanca holds treasury shares, total shareholding amounts to 3.442% of voting rights.
°°° The company Partner Time in liquidation was cancelled from the Register of Companies as of February 11, 2015.
Note: Bank of Italy, with Communication date July 29, 2014, ammounted of the Banking Group (with Mediolanum S.p.A. Parent Company and Mediolanum Communication S.p.A. International Company), with effect from April 16, 2014.

Consolidated Annual Financial Statements 2014

Mediolanum Group's financial highlights

Data for inflows and assets (*)

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Total customer assets (**)	64,457.1	57,831.8	11%
Consolidated net inflows	5,237.8	3,681.2	42%
Mediolanum Banking Group net inflows	4,081.9	3,339.4	22%
- Net inflows AuM	3,855.3	3,001.9	28%
of which mutual funds and unit-linked	*4,827.6*	*4,377.7*	*10%*
- Net inflows AuA	974.0	2,048.2	(52%)
Net inflows Banca Esperia	629.5	(71.2)	n.s.

(*) The figures for the previous year may have been reclassified where appropriate.
(**) The figures relating to the Assets under management and administration refer exclusively to Retail customers while those relating to Banca Esperia were considered in proportion to the ownership percentage (50%).

Income statement

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Profit before tax	452.9	544.1	(17%)
Income tax	(132.3)	(207.5)	(36%)
Profit for the year	320.6	336.6	(5%)

Profitability ratios

€	Dec. 31, 2014	Dec. 31, 2013	Change %
Earnings per share – total	0.435	0.458	(5%)
Diluted earnings per share (*)	0.432	0.454	(5%)

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

Capital adequacy and Capital ratios

€/m	Dec. 31, 2014	Dec. 31, 2013*	Change %
Financial conglomerate primarily consisting of banking			
Equity	1,053	1,075	(2.0%)
Capital requirements	745	612	21.7%
Equity surplus (deficit)	308	463	(33.5%)

* The values were determined according to the prudential regulations in force in the previous year.

Equity ratios - Mediolanum Banking Group[1]

Values expressed in %	Dec. 31, 2014
Common Equity Tier 1 ratio	18.434%
Tier 1 Ratio	18.434%
Total Capital Ratio	18.434%

[1] The ratios presented in this disclosure may be subject to updating when reporting to the Supervisory Authorities. Comparative figures have not been shown since the Mediolanum Banking Group was established with effect from April 16, 2014.

Reclassified consolidated income statement as at December 31, 2014*

€/t	Dec. 31, 2014	Dec. 31, 2013	Change	Change %
Entry fees	96,907	136,888	(39,981)	(29%)
Management fees	674,151	563,899	110,252	20%
Performance fees	176,108	181,602	(5,494)	(3%)
Banking service fees and revenues	100,490	95,064	5,426	6%
Other fees	34,101	32,647	1,454	4%
Commission income	1,081,757	1,010,100	71,657	7%
Net interest income	233,756	274,365	(40,609)	(15%)
Net income (loss) on investments at *fair value*	(8,579)	19,904	(28,483)	n.s.
Net financial income	225,177	294,269	(69,092)	(23%)
Net life insurance revenues (excluding commissions)	57,030	58,457	(1,427)	(2%)
Valuation equity method	18,694	823	17,871	n.s.
Realised income (loss) on other investments	95,942	88,899	7,043	8%
Impairment of loans	(17,254)	(13,444)	(3,810)	28%
Impairment of other investments	(11,757)	(5,456)	(6,301)	n.s.
Net income (loss) on other investments	66,931	69,999	(3,068)	(4%)
Other revenues	27,857	23,876	3,981	17%
TOTAL REVENUES	1,477,446	1,457,523	19,923	1%
Network commission expenses	(447,443)	(418,478)	(28,965)	7%
Other commission expenses	(53,403)	(51,638)	(1,765)	3%
Administrative expenses	(467,923)	(399,488)	(68,435)	17%
Amortisation and depreciation	(22,268)	(21,483)	(785)	4%
Net provisions for risks	(33,515)	(22,374)	(11,141)	50%
TOTAL COSTS	(1,024,552)	(913,461)	(111,091)	12%
PROFIT BEFORE TAX	452,894	544,063	(91,169)	(17%)
Income tax	(132,277)	(207,483)	75,206	(36%)
NET PROFIT (LOSS) FOR THE PERIOD	320,617	336,580	(15,963)	*(5%)*
of which non-recurring items (after tax)	*(40,837)*	*(77,407)*	*36,570*	*(47%)*
NET PROFIT excluding non-recurring items	361,454	413,987	(52,533)	(13%)

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

Summary of business performance for the year

€/m	Dec. 31, 2014	Dec. 31, 2013	Change	Change %
Profit for the year	320.6	336.6	(16.0)	(5%)
of which:				
Commission income	1,081.8	1,010.1	71.7	7%

The good performance of net inflows for the year and growth in assets under management have generated higher management fees (Euro +110.3 million), partially offset by lower fund subscription fees (Euro -40 million) and lower performance fees (Euro -5.5 million).

Net financial income	225.2	294.3	(69.1)	(23%)

Reduction in net interest income (Euro -40.6 million) mainly due to the reduction in spreads on market rates and lower net income from investments at fair value (Euro -28.5 million).

Valuation equity method	18.7	0.8	17.9	n.s.

Significant improvement in income generated from equity investments valued at equity, of which Euro 14.5 million relating to Mediobanca S.p.A.

Net income on other investments	66.9	70.0	(3.1)	(4%)

Decrease in net income from other investments (Euro -3.1 million) relating primarily to higher adjustments on investments (Euro -6.3 million) and loans (Euro -3.8 million), partly offset by higher income from the sale of AFS securities (Euro +7 million).

Network commission expenses	(447.4)	(418.5)	(28.9)	6,9%

Higher commission expenses paid to the network (Euro +28.9 million) mainly due to the increases in assets under management and incentives in favour of the sales network.

Administrative expenses	(467.9)	(399.5)	(68.4)	17%

Increase in personnel expenses primarily due to the increase in the average workforce for the year (+175 units compared with the previous year) and other administrative expenses, in particular due to higher costs incurred for information systems (Euro +29.6 million).

Net provisions for risks and charges	(33.5)	(22.4)	(11.1)	49,6%

The increase is essentially due to higher charges arising from the discount of indemnity funds to the sales network following the reduction in interest rates applied, which resulted in an increase of around Euro +8.7 million.

Taxes	(132.3)	(207.5)	75.2	(36%)

The decrease is due to both the lower net profit for the year 2014 and the lack of additional IRES 2013 which had resulted in a tax increase for financial and insurance companies of Euro 19.8 million. Income taxes include the provision related to the tax dispute of Banca Mediolanum and Mediolanum Vita for Euro 40.8 million (Euro 53.3 million as at December 31, 2013).

Report on operations to the consolidated financial statements as at December 31, 2014

Dear Shareholders,

the Mediolanum Group closed FY 2014 with a net profit of Euro 320.6 million, compared to a net profit the prior year of Euro 336.6 million.

The results for the reporting year were affected by non-recurring tax charges totalling Euro 40.8 million for tax provisions related to tax disputes; in the previous year non-recurring tax charges were recorded for a total of Euro 73.1 million, of which Euro 53.3 million for tax disputes.

Profit before taxes totalled Euro 452.8 million against Euro 544.6 million for the prior year, recording a decrease of Euro 91.2 million.

The growth in AuM, equal to about 21%, allowed generating an increase in the year proportional to recurring income; in fact management commissions were Euro 674.2 million compared to 563.9 as at December 31, 2013 (+20%). Conversely, subscription fees went from Euro 136.9 million in 2013 to 96.9 at the end of the year under review. The decrease is mainly due to the different mix of funds subscribed, in which the component of funds with marginal entry fees increased, and to the higher average level of initial investments, where also in this case, entry fees decrease in percentage terms when assets increase.
Performance fees, in absolute value, remained substantially stable with respect to the previous year showing a slight decrease and went from Euro 181.6 million to 176.1 in 2014.
During the year there was a decline in net financial income from Euro 294.3 million in 2013 to Euro 225.2 million at the end of 2014. The 2014 trend related to the decrease in rates (Euro -40.6 million) persisted throughout the year. The decline in spreads was however mitigated by the lower funding cost, both retail and institutional.
In relation to the portfolio of investments in trading financial instruments (HFT), income decreased by Euro -28.5 million over the previous year; the impact is mainly due to the valuation at market of derivatives previously used to hedge mortgages with fixed interest rates.
Revenues from banking operations grew and the related commissions went from Euro 95.0 million to 100.5 in 2014. Lastly, different commissions remained substantially in line with prior year figures at 34.1 million against 32.7 in 2013.
The contribution of investments valued with the equity method went from Euro 0.8 million to Euro 18.7 million in 2014. Mediobanca and Banca Esperia contributed to the positive result respectively Euro 14.5 and 4.2 million.

Net income from other investments went from Euro 70.0 million to Euro 66.9 million in 2014. In detail, net income from the sale of other investments increased by Euro +7 million for income on AFS securities; value adjustments on receivables increased by Euro -3.8 million; lastly, net value adjustments on other investments increased by Euro -6.3 million mainly due to adjustments on holdings in property funds.

Overall, network commission expenses increased from Euro 418.5 million to Euro 447.4 million in 2014. This increase is related to the increase in assets under management and incentives for the sales network.

Administrative expenses went from Euro 399.5 million to Euro 467.9 million in the year under review. The upward trend that characterized all of 2014 was generated by higher charges for information systems in addition to an increase in the average workforce in relation to the development of some business functions.

The cost for amortisation in 2014 increased slightly compared to the previous year from Euro 21.5 million to Euro 22.3 million. The growth refers to the Group's investments in technology.

Provisions for risks and charges went from euro 22.4 million to Euro 33.5 million at the end of FY 2014. This change is mainly due to the general reduction in market rates used to calculate the discount of indemnities provisions to the sales network. It shall be specified that said provisions and related uses were previously classified under the item "Network commission expense"; for purposes of comparison, the balances of the previous year were reclassified.

Taxes for FY 2014 amounted to Euro 132.3 million, a decrease over the previous year of Euro 75.2 million (December 31, 2013: Euro 207.5 million). The difference is mainly due to three factors: the reduction in taxable income of the year (Euro -91.2 million of gross profit for the year), additional IRES which burdened financial and insurance companies for Euro 19.8 million in the previous year and the provision to tax disputes of Banca Mediolanum and Mediolanum Vita for Euro 40.8 million (Euro 53.3 million as at December 31, 2013).

Net inflows for 2014 regarding the main networks operating in Italy, distributed by Assoreti, show Banca Mediolanum at the top of the rankings for the sixth consecutive year, with a positive balance of Euro 4.7 billion compared to Euro 3.3 billion in 2013 (data of assets calculated according to the Assoreti rules).

As at December 31, 2014, total assets managed by the Mediolanum Group achieved the balance of Euro 64,457.1 million, with a growth of 11% compared to the figure at the end of 2013 (Euro 57,831.8 million).

As at December 31, 2014 the number of Family Bankers of Banca Mediolanum S.p.A. was 4,386 compared to 4,407 at the end of 2013. The substantially stable number of Family Bankers, together with the continued strong growth in assets, confirms the ability of the sales network to become more efficient improving average portfolio values under management for each promoter. The average portfolio per capita at the end of 2014 was approximately Euro 12.2 million for Family Bankers and Euro 29.4 million for Private Bankers.

The macroeconomic environment

In 2014, the trend of financial markets clearly reflected the uneven economic trend of the main geographical areas and the development of specific local criticality. The presence of discontinuous, irregular growth below expectations geographically not uniform and the consequent divergence of the monetary policies of the main Central Banks accentuated the dispersion and in the second half of the year, generated an increase in equity price volatility, returns and currencies, increasing the added value of a suitably diversified asset allocation of investments. According to the new estimates of the International Monetary Fund recently disclosed in the World Economic Outlook Update, global growth in 2014 should have been in line with 2013 in the amount of 3.3%, given a more optimistic expectation of 3.7% at the beginning of the year, with an increase in contribution compared to previous years in the mostly industrialised countries (1.8% in 2014 from 1.3% in 2013) and a slight decrease from emerging countries (4.4% in 2013 from 4.7% in 2014). In detail, growth in the USA was 2.4% compared to 2.2% in 2013, in the Eurozone

0.8%, up from -0.5% in 2013, in Japan 0.1%, down from 1.6% in 2013. Eurozone's recovery and the presence of a sustainable recovery in the manufacturing and services sectors already in the second half of 2013 had already been anticipated in the Purchasing Managers' Indices (PMI); however, the positive expectations of analysts in the Eurozone were partially disappointed in the year. In summary, a physiological growth differential remains between emerging and developed countries. However, within each of the two areas there is a growing divergence in economic performance, due to the specific conditions of the different countries. Decoupling between the USA and Eurozone originates and is perpetuated by the different degree of structural flexibility of the two economic areas; within the Eurozone, Germany (1.5% in 2014 from 0.2% in 2013) and France (0.4% in 2009 from 0.3% in 2013) continues to show higher growth capacity compared to the peripheral countries; among peripheral countries, analysts highlight the non-uniform economic acceleration in Spain and Italy.

While in Spain in 2014 there was the exit from a prolonged recession phase (-1.6% in 2012, -1.2% in 2013, +1.4% in 2014), in Italy the inversion of the growth cycle is deferred to 2015 (-2.4% in 2012, -1.9% in 2013, -0.4% in 2014). Among the main emerging markets, growth remained high in Asian countries (6.5% in 2014 from 6.6 % in 2013), with a modest reduction in China (7.4% in 2014 from 7.8% to 2013) and an increase in India (5.8% in 2014 from 5.0% in 2013), in acceleration in Mexico (2.1% in 2014 from 1.4% in 2013), close to stagnation in Brazil (0.1% in 2014 from 2.5% in 2013) and Russia (0.6% in 2014 from 1.3% in 2013).

Both in the US and in Europe, unemployment continues to be a major concern as it weighs on consumer confidence and demand for goods and services. In the USA, the unemployment rate recorded a gradual and constant reduction of up to 5.8% in November from 6.7% at year end 2013, while the Conference Board Confidence and the Consumer Confidence shown by the University of Michigan both reported a sharp rise in consumer confidence in the year; in the Eurozone the unemployment rate instead recorded only a slight decrease to 11.5% from 11.8% at the end of 2013. In detail, the unemployment rate increased in Italy to 13.4% from 12.5%, in France to 10.4% from 9.2%, while it decreased in Germany to 6.6% from 6.8% and in Spain to 23.7% from 25.7%. In the United Kingdom, the unemployment rate decrease to 5.8% from 7.2% at the end of 2013. In the current economic cycle inflation continues to be subdued. In November, the CPI (annualised) was 0.3% versus 0.8% at year end 2013 in the Eurozone, and +1.3% versus 1.5% at year end 2013 in the US. Excluding food and energy, the CPI was respectively 0.7% and +1.7% in line with the prior year figures. In the same month, the PPI (annualised) was -1.6% in the Eurozone and +1.4% in the US. In the UK the inflation rate fell to +1.0% from +2.0% in the prior year. In November, at the ordinary conference in Vienna member countries of the OPEC (Organisation of the Petroleum Exporting Countries) decided not to cut oil production, maintaining it stable at 30 million barrels a day. The decision resulted in a further weakness in oil prices, down from mid-June: Brent thus went from USD 110.8 a barrel at the beginning of the year to 55.8 as at December 31. Such low levels in oil prices perpetuated in the long term may affect producing countries such as Venezuela, Iran and Russia, whose government budgets were particularly dependent on this variable, while the Gulf countries are less sensitive to a drop in prices thanks to very low production costs. With the drop in oil price, Saudi countries aim to put US production out of the market: unconventional oil extraction is in fact very costly and currently needs high prices to justify expenses and investments. On the other hand, the increase in internal production in the USA, with the consequent decline in imports, resulted in the increase in the amount of crude oil available in global markets. In the last 10 years, the increase in investments for extractions led to an increase in global production and production capacity however, which was accompanied by the declining demand from industrialised countries (also due to the financial crisis) and a weaker than expected demand in emerging markets.

In the USA, the Federal Reserve progressively concluded the third Quantitative Easing programme (QE3) starting from the meeting in December 2013 while it kept the refinancing rate unchanged between 0% to 0.25% for the full year. In 2015, the timing and amount of the initial increases of Fed Funds may represent among some of the key variables that may affect the financial and currency markets in general. At its meeting of June 5, the European Central Bank formulated a series of joint manoeuvres in order to counter the risk of a protracted period of low inflation.

By unanimous decision, the Bank reduced the benchmark rate by 10 basis points 0.15% and, for the first time, brought the deposit rate to a negative -0.10%. In order to support bank loans and ensure liquidity in the system, the ECB also communicated the realisation of a series of long-term transactions conditioned to loans to households and non-financial companies (TLTRO, targeted longer-term refinancing operations), with maturity 2018. At the meeting on September 4, the ECB made a further cut of 10 basis points of the reference rate to 0.05% and deposit rates to -0.20%. President Draghi stated that the cut was made to promote maximum adhesion of the banks to TLTRO of the following September 18. The Bank also announced its intention to implement, starting from October a plan for the purchase of covered bonds and securitised debt, to bring the ECB's statements to the maximum levels of 2012, equal to Euro 3,100 billion from the simultaneous Euro 2,038 billion. From the findings of the comprehensive assessment made official by the European Central Bank on the leading 130 banks in the Eurozone on October 26, 25 banks had weaknesses following the asset quality review on the 2013 financial, of which 9 Italian. Following the measures already adopted in 2014, only 13 banks out of the initial 25 still require action on the Balance Sheet, for a total of Euro 9.5 billion. Of the 13 banks in question, 4 are Italian: Banca Popolare di Milano and Banca Popolare di Vicenza were however "promoted" by the Bank of Italy, in light of the recent measures announced; Monte dei Paschi di Siena and Cassa di Risparmio di Genova were recalled to acquire new resources respectively for Euro 2.1 billion and Euro 814 million. As of November 4, the ECB has taken over the direct supervision of the 130 leading banks. During the meeting on October 31, the Bank of Japan announced new monetary stimulus unexpected by analysts, increasing the annual growth target of the monetary base. Specifically, the purchase of domestic Government bonds have been mainly increased, for an equivalent of approximately USD 270 billion. The Governor Kuroda reiterated that the BoJ is committed to achieving the 2% inflation target also through the adoption of any further measures. The decision by the BoJ is related to the simultaneous asset allocation variation of the government pension fund (GPIF, Government Pension Investment Fund), the largest in the world with the equivalent of about USD 1200 billion under management, which provided for an increase in equity investments and a sharp decline in the percentage of domestic bond portfolios, the sales of which are therefore offset by announced purchases of the Central Bank. On December 5, the agency Standard & Poor's declassed Italy's rating from BBB- to BBB due to the high debt and weak growth, and reviewed the outlook from "negative" to "stable". According to the US agency, Italy will leave the recession in 2015. However, estimates on GDP recovery are still modest. During the last few weeks of 2014, the election of the new President of the Republic in Greece had a negative result, with the failure of the appointment of the government candidate. This result in fact resulted in the general elections anticipated, set for January 25 and resulted in an increase in volatility in financial markets following the risk of victory by the extreme left party Syriza and the consequent possible request for renegotiation of the conditions on Greek debt. In fact, the party of Alexis Tsipras is currently at the top of electoral surveys, even if a modest resizing of this benefit may encourage the formation of a coalition government with more moderate positions. In March, Russia, in order to not lose its influence in Ukraine invaded and annexed Crimea. After months of combating, the European Union announced sanctions against the Kremlin while the USA tightened those already in force. The battle between the pro-Russian rebellious separatists and the Kiev military forces intensified in August when Russia intervened with the invasion of Ukraine, with a view to support the pro-Russian forces.

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

Financial markets

In 2014, global equity markets were up +2.9% (MSCI World in US dollars). In the US, both the S&P500 and Nasdaq Composite recorded good performance, up +11.4% and up +13.4%, respectively. In Europe, stock markets fared well, too, on average (STOXX Europe 600 up +4.4%). More specifically, the English stock exchange (-2.7% FTSE 100), French (-0.5% CAC 40) and Italian (+0.2% FTSE), underperformed the Swiss index (+9.5% SMI), Dutch (+5.6% AEX), Spanish (+3.7% IBEX 35) and German (+2.7% DAX); in Asia, the Japanese market (+7.1% Nikkei 225) outperformed the Australian stock exchange (+1.1% S&P/ASX 200) and Hong Kong (+1.3% HANG SENG). Emerging stock markets achieved on average a negative 4.6% (MSCI Emerging Markets index in dollars). Of particular relevance is the negative performance of the Russian stock exchange of -45.2% (Russian Trading System Index) arising from international penalties for the Ukraine invasion and significant correction of the oil price. In 2014, the German government curve reversed the trend of the previous year with a significant reduction of yields on the main maturities (2 years -0.10% from 0.21%, 5 years 0.02% from 0.92%, 10 years 0.54% from 1.93%, 30 years 1.39% from 2.76%) offering negative yields up to 4 years. In the year, the gradual resolution of the Eurozone crisis in a recovering international economy has renewed investor risk appetite. The spread between Italian and German debt on the ten-year maturity went from an initial 220 basis points to 135 as at December 31, while on two-year maturity it went from an initial 104 basis points to 63 as at December 31. In 2014, the Italian government curve registered the following reductions in yields: from 0.91% to 0.29% at 1 year, from 1.26% to 0.53% at 2 years, from 2.73% to 0.95% at 5 years, from 4.13% to 1.89% at 10 years and from 4.88% to 3.23% at 30 years. The spread between Spanish and German debt on the ten-year maturity improved from an initial 222 to 107 as at December 31. During the last session in 2014, the US government showed a two-year yield of 0.66%, an increase compared to 0.38% at the beginning of the year, while the 10-year yield of 2.17% showed a decrease from 3.03% at the beginning of the year. Starting July, the markets were affected by a substantial increase in high yield markets and a more modest increase in emerging markets. The average yield of emerging markets changed from 6.10% at the beginning of 2014 to 6.15% at year end (JPMorgan Emerging Markets Global Sovereign Index), with a minimum of 5.23% on July 24 and maximum of 6.76% on December 16; in high yield markets, yields rose from 5.64% at the beginning of the year to 6.61% as at December 31 (Barclays US Corporate High Yield Index) with a minimum of 4.83% on June 20 and a maximum of 7.30% on December 16. In 2004, the listing of the USD towards the Euro went from Euro 1.3743 at the beginning of the year to 1.2098 as at December 31, recording a minimum of 1.3993 during the session on May 8 and maximum of 1.2097 during the last session of the year. Starting from the lows of May 8, the USD benefited from a gradual and progressive strengthening towards the common currency, incorporating the economic difference between the USA and the Eurozone, the diverging monetary policy phase between the Federal Reserve and European Central Bank, the international geopolitical tensions and the effects of the penalties imposed on Russian on the European economy. The single currency recorded a progressive weakness also towards the English pound, whose listing went from 0.83 at the beginning of the year to 0.78 as at December 31. Japanese monetary stimulus from the Bank of Japan in combination with an increased uncertainty on the achievement of fiscal consolidation objectives and effectiveness of economic policies aimed at improving growth and higher inflation contributed to the weakening the Yen towards the US Dollar (from 105.31 at the beginning of the year to 119.78 as at December 31) and substantial stability towards the Euro (from 144.73 at the beginning of the year to 144.85 as at December 31). International sanctions and the sharp correction in oil prices were the source of serious devaluation of the rouble both towards the dollar (from 32.87 at the beginning of the year to 60.74 as at December 31) and the Euro (from 45.30 at the beginning of the year to 73.5 as at December 31).

The insurance market[1]

In 2014, new production of individual life insurance inflows by Italian companies in Italy and the representatives of companies outside the EU, including the additional single premiums, amounted approximately Euro 90.7 billion, 47.4% higher than the volumes achieved in 2013.
Also considering the new premiums of EU sample companies, with premiums of Euro 15.6 billion, new life business amounted to Euro 106.3 billion, an increase of 44.4% compared to the previous year. With regard to Italian and non-EU companies, premiums related to new class I individual policies continued to show a positive change, +42.5% compared to the previous year (Euro 67,2 billion in December 2004). Class V policies rose to 100.5% compared to the comparative period. The remaining portion of inflows is represented by the new "linked" policies (class III) which recorded inflows of new premiums up over the same period of the previous year (+59.6%); there was a significant increase in the sale of unit policies, whose effect of positive growth on the total fund were however partly offset by the low sales of Index policies. Performance of the relative contributions of new members to individual pension schemes was also positive, an increase of 2.5% over 2013.

The banking market

Italian households' savings

Total financial assets of families in Italy amounted to Euro 4,035 billion in Q2 2014, with an annual increase of 7.2%. The main performance of its components compared to the same period of the previous year may be summarised as follows.
Stable and growing:
- the dynamics of notes, coins and bank deposits (both on demand and term), which marked a positive growth rate of 2.7%. The amount of this aggregate on total household financial assets amounted to 30.2% (a slight decrease compared to a year before);
- mutual fund units were up +19% yoy and amounted to 8.9% of financial assets of households (8% in the same period the previous year);

[1] Source: ANIA - Ania Trends, new production Life as at December 31, 2014.

- life insurance, pension funds and severance funds were up 8.3%. The amount of this aggregate amounted to 17.9% (17.7% in the same period of the previous year);
- shares and investments, up by +19.1% yoy, were equal to 23.5% of all financial assets (21.2% in the second quarter of 2013).

Down:

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

Funding

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

Lending

At the end of 2014 loans to households and companies recorded a slightly positive change yoy. Based on preliminary estimates, at the end of 2014 total loans to Italian residents (private sector and public authorities, net of repurchase agreements with central counterparts) stood at Euro 1,820.6 billion, with a change of 1.8% yoy (-1.5% the previous month). At the end of 2007 – before the start of the crisis – said loans amounted to 1.673 billion; since then marking a growth of over Euro 147 billion in absolute value. Loans to Italian residents to private sector[1] were also in consolidation (-2.3% at year end 2014, -2.2% the previous month). At the end of 2014, volumes of loans to residents amounted to Euro 1,554.4 billion (1,450 million at the end of 2007, about +104.2 billion since then until the end of 2014). Loans to households and non-financial companies in December 2014 amounted to Euro 1,417.5 billion, resulting in slightly positive change (+0.1%) year on year after over 30 months of negative values, the best result since April 2012 (-0.4% in November 2014; -1.3% Euro zone average in November 2014). At the end of 2007, these loans amounted to 1,279 billion, with an increase in the period

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

of nearly 140 billion in absolute value. Maturity analysis shows that short-term lending (due within one year) was down +0.1% (-0.6% in November 2014), while medium/long-term lending (due after more than one year) was down +0.1% (-0.3% in November 2014). The trend in loans to households was slightly lower[1] (-0.5% in November 2014, -0.6% the previous month; -1.5% in November 2013).

Non-performing

In November 2014, gross non-performing loans (gross of write-downs) aggregated to over Euro 181 billion, increasing by Euro 1.8 billion over October 2014 and about 31.5 billion versus the end of November 2013, up approximately 21.1% year on year. The ratio of non-performing loans to total loans came to 9.5% in November 2014 (7.8% a year earlier and 2.8% at the end of 2007, prior to the start of the crisis), reaching 16% for smaller operators (13.6% in November 2013), 15.9% for companies (12.6% a year earlier) and 6.9% for households (6.3% in November 2013). With regard to non-performing loans net of write-downs (non-harmonized statistics. Figures not homogeneous with the harmonized statistics as a result of the different criteria in the reporting of write-downs), in November 2014 they amounted to about Euro 84.8 billion, an increase compared to 83 billion in October and approximately 9.2 billion compared to the same month of the previous year (+12.2% annual increase, slowing compared to +20.5% a year earlier).

Interest and yields

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

The average rate on deposits from customers (which includes the return of deposits, bonds and repurchase agreements in Euro applied to households and non-financial companies) was 1.49% in December 2014 (1.88% in December 2013). In the year under review interest rates on repurchase agreements remained practically stable, from 1.53% in December 2013 to 1.55% in December 2014, while yields on bank bonds decreased (from 3.44% in December 2013 to 3.16% in December 2014). In 2014, the weighted average rate applied to total loans extended to households and non-financial companies calculated by the Italian Bankers' Association decreased from 3.82% at the end of 2013 to 3.61% at the end of 2014. In the year under review, interest on active bank accounts and Euro-denominated revolving loans to households and non-financial companies decreased (from 5.45% in December 2013 to 4.95% in December 2014). Taxes on new loans decreased: in December 2014 the rate applied to Euro-denominated loans extended to non-financial companies was 2.48%, lower vs. August 2010 (3.45% in December 2013, 3.63% in December 2012), interest on Euro-denominated home loans to households (average for both fixed and floating-rate loans, considering all the various types of loans) decreased to 2.76% (3.50% in December 2013), recording the lowest value since October 2010. Last month, the portion of the flow of fixed-rate loans amounted to 27.4% (a slight gradual decline from 28.1% in November and 28.3% in October 2014). The yearly average spread between lending and funding interest rates applied to households and non-financial companies increased to 212 bps in 2014, +30 bps vs. the 2013 average; before the beginning of the financial crisis the average spread between lending and funding interest rates exceeded 300 percentage points.

[1] Consumers and producers.

New products and main initiatives in the year

In the context of the Banca Mediolanum banking offer in 2014, funding from customers (bank accounts, deposit accounts, repurchase agreements and bonds) continued to grow. Specifically:

Freedom Più bank account

The Freedom Più bank account was launched in March 2012. As at December 31, 2014 there were about 112,000 of these accounts, accounting for about 18% of all bank accounts. At year end, Freedom Più account balances aggregated to Euro 3.41 billion.

Freedom One bank account

The Freedom One bank account was launched in September 2012. As at December 31, 2014 there were about 200,000 of these accounts, accounting for about 32% of all bank accounts. Of the latter, 10% activated the Term Deposit service, introduced on March 7, 2013 for this type of current account. At year end, Freedom One account balances aggregated to Euro 1.21 billion, of which Euro 539 million locked up in the Term Deposit accounts.

InMediolanum deposit account

As at December 31, 2014 there were about 113,200 InMediolanum accounts, the deposit account launched in May 2011. Of these, some 56,500 accounts (50%) were opened by new customers. At year end, balances on InMediolanum deposit accounts aggregated to about Euro 2 billion, of which 1.6 billion locked up. However, as part of the insurance offer, Mediolanum Vita launched a new product called "My Life" in February.

My Life policy

Mediolanum My Life is a financial-insurance unit-linked fully customizable policy, which combines the flexibility of a financial investment with the advantages of an insurance product. In particular, it allows the contractor to implement evolved financial planning of equity through a wide range of funds among which to allocate the investment, based on the risk appetite, the duration of the investment and return expectations. This product has been classified as a financial product in accordance with the provisions of international accounting standard IFRS 4, as the insurance risk inherent in the contract has been rated as "not significant" (the threshold for the identification of the significant risk is greater than or equal to 5% of the contract value). The premiums and liquidations relating to such contracts have thus been reclassified on the basis of the deposit account method in accordance with the provisions of international accounting standards of reference.

Consolidated net inflows, assets under management and assets under administration

Net inflows

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
ITALY			
Funds and unit-linked products	4,827.6	4,377.7	10%
of which directly in funds	3,478.9	4,582.8	(24%)
of which "My Life" unit-linked	1,540.0	-	n.s.
of which other unit-linked	(191.3)	(205.1)	(7%)
Other "Life Insurance" products	(733.0)	(1,308.8)	(44%)
Total managed assets inflows	4,094.6	3,068.9	33%
Third-party structured bonds	(239.4)	(67,0)	257%
Total managed assets + third-party structured bonds	3,855.2	3,001.9	28%
Administered assets	974.0	2,048.2	(52%)
"Freedom" life policies	(748.0)	(1,710.7)	(56%)
Total administered assets including "Freedom" policies	226.0	337.5	(33%)
BANCA MEDIOLANUM	4,081.9	3,339.4	22%
BANCA ESPERIA GROUP (*)	629.5	(71.2)	n.s.
Total ITALY	4,711.4	3,268.3	44%
SPAIN	521.9	450.5	16%
GERMANY	4.5	(37.6)	n.s.
TOTAL FOREIGN MARKETS	526.4	412.9	27%
TOTAL NET INFLOWS	5,237.8	3,681.2	42%

(*) 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%.

Banca Mediolanum S.p.A. recorded positive net inflows for Euro +4,081.9 million compared to Euro +3,339.4 million in the comparative period (+22%).

In particular, the net inflows generated by the funds and unit-linked sector are positive for Euro +4,827.6 million (December 31, 2013: Euro +4,377.7 million). It includes Euro +1,540 million for the new product, "My Life" distributed in 2014. Net inflows of life insurance products were negative for Euro -733 million (December 31, 2013: Euro -1,308.8 million).

The policy related to Freedom bank account has a negative balance of Euro -748 million compared to a negative balance of Euro -1,710.7 million as at December 31 of the previous year.

Third-party structured bonds recorded net inflows of Euro -239.4 million versus Euro -67 million of the prior year.

Assets under administration recorded a net inflow of Euro +974.0 million, compared to Euro +2,048.2 million the prior year, in relation to the lower contribution of the products in the InMediolanum range and Freedom Più.

Assets under management and under administration (*)

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
ITALY			
Funds and asset management and unit-linked policies	35,332.8	29,157.7	21%
"Freedom" life policies	974.3	1,722.3	(43%)
Other insurance products	2,147.0	2,790.3	(23%)
Banking products	14,578.9	13,690.1	6%
BANCA MEDIOLANUM	53,033.0	47,360.3	12%
BANCA ESPERIA GROUP (**)	7,957.0	7,650.0	4%
Total ITALY	60,990.0	55,010.3	11%
SPAIN	2,983.1	2,376.3	26%
GERMANY	484.0	445.2	9%
TOTAL FOREIGN MARKETS	3,467.1	2,821.5	23%
TOTAL ASSETS UNDER MANAGEMENT AND ADMINISTRATION	64,457.1	57,831.8	11%

(*) The figures relate to retail customers only.
(**) The figures relating to Banca Esperia were considered in proportion to the percentage of 50% ownership.

At year end, total assets under management and administration amounted to Euro 64,457.1 million up more than 11% from the figure as at December 31, 2013 (Euro 57,831.8 million). This change is principally due to the increase in assets in mutual funds and unit-linked policies (Euro +6,175.1 million compared to the amounts in 2013).

Inflows and assets under management by operating segments

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

ITALY - BANKING

Assets under management amounted to Euro 14,578.9 million compared to Euro 13,690.1 million in the comparative period.

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

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Customer deposits	11,379.8	9,929.8	15%
Banca Mediolanum bonds	272.1	355.6	(23%)
Third-party structured bonds	1,044.2	1,282.8	(19%)
Securities in custody and under administration	1,882.4	2,088.9	(10%)
Repurchase agreements	0.4	32.9	(99%)
Total assets under administration	14,578.9	13,690.1	6%

As at December 31, 2014, the number of current accounts of Banca Mediolanum totalled 774,499 compared to 729,208 at the end of 2013, of which 113,237 deposit accounts.

ITALY - ASSET MANAGEMENT

Gross inflows in mutual funds and assets managed amounted to Euro 10,477.3 million, an increase of 14% compared to the relative comparative period. The change is mainly due to the positive inflows of "My Life" (Euro +1,548.8 million) only partially offset by the decrease in direct inflows on mutual funds (Euro -201.6 million).

Gross inflows

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
"Best brands" funds of funds	4,006.9	5,880,3	(32%)
"Challenge" funds	582.9	670.6	(13%)
Other Italy-based mutual funds	3,132.0	1,525.6	105%
"Real estate" funds	-	-	n.s.
Third-party funds and others managed	186.6	33.5	n.s.
Total direct inflows in mutual funds	7,908.4	8,110.0	(2%)
Funds included in "My Life" unit-linked	1,548.8	-	n.s.
Funds included in "Other" unit-linked	1,020.1	1,056.8	(3%)
Total indirect inflows in mutual funds	2.568.9	1,056.8	143%
Total mutual funds and management	10,477.3	9,166.8	14%

In particular the reduction of direct inflows in mutual funds is mainly due to the decline in direct inflows on "Best brands" funds (Euro -1,873.4 million vs. the comparative period), more than offset by higher direct inflows of other Italian mutual funds (Euro +1,606.4 million compared to December 31, 2013) relating to the Fund Asset Value and Development Italy and indirect inflows through the new unit-linked My Life (Euro +1,548.8 million).

Net inflows

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
"Best brands" funds of funds	1,211.9	3,880.1	(69%)
"Challenge" funds	(125.8)	(234.0)	(46%)
Other Italy-based mutual funds	2,336.6	1,012.5	131%
"Real estate" funds	-	-	n.s.
Third-party funds and others managed	56.3	(75.9)	n.s.
Total direct inflows in mutual funds	3,478.9	4,582.8	(24%)
Funds included in "My Life" unit-linked	1,540.0	-	n.s.
Funds included in "Other" unit-linked	(191.3)	(205.1)	(7%)
Total indirect inflows in mutual funds	1,348.7	(205.1)	n.s.
Total mutual funds and management	4,827.6	4,377.7	10%

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

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
"Best brands" funds of funds	13,819.0	11,494.7	20%
"Portfolio" funds of funds	459.8	532.2	(14%)
"Challenge" funds	13,386.6	12,541.3	7%
Hedge funds of funds	166.2	178.1	(7%)
Other Italy-based mutual funds	6,311.8	3,803.9	66%
"Real estate" funds	416.2	427.3	(3%)
Third-party funds and others managed	528.7	424.5	25%
Adjustments for Group funds included in funds of funds and managed	(508.9)	(566.4)	(10%)
Funds included in "My Life" unit-linked	1,539.9	-	n.s.
Funds included in "Other" unit-linked	11,374.3	10,692.3	6%
Adjustments for own funds included in Unit Linked	(12,160.8)	(10,370.3)	17%
Total asset management and mutual fund	35,332.8	29,157.7	21%

At the end of 2014, assets under management amounted to Euro 35,332.8 million, up 21% compared to the previous year-end (December 31, 2013: Euro 29,157.7 million).

ITALY - INSURANCE

Life

Total assets managed went from Euro 13,482.6 million at the end of 2013 to Euro 15,061.2 million at the end of the year under review, up 12% over the previous year.

The table below shows the breakdown of assets as at December 31, 2014:

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Unit-linked life products	12,914.2	10,692.3	21%
Index-linked life products	881.8	1,474.8	(40%)
Traditional life products	1,265.2	1,315.5	(4%)
Total life products (ex. "Freedom")	15,061.2	13,482.6	12%
"Freedom" life policies	*974.3*	*1,722.3*	*(43%)*

The table below shows the breakdown of inflows as at December 31. 2014:

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Recurring premiums	52.0	43.1	21%
Single premiums and group policies	1,674.2	99.8	n.a.
Total new business	1,726.2	142.9	n.a.
Pension plans in force	482.8	507.0	(5%)
Other business in force	404.3	451.9	(11%)
Total business in force	887.1	958.9	(7%)
Total premiums written (ex. "Freedom")	2,613.3	1,101.8	137%
"Freedom" premiums	2,655.5	3,559.1	(25%)
Total gross premiums	5,268.8	4,660.9	13%

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

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Claims	58.1	58.1	0%
Coupons	43.5	54.6	(20%)
Maturities	998.1	1,333.3	(25%)
Surrenders	897.9	1,169.7	(23%)
Amounts paid (ex. "Freedom")	1,997.6	2,615.7	(24%)
Amounts paid under "Freedom" contracts	3,419.5	5,313.9	(36%)

Damages

At year end 2014, the volume of premiums written amounted to Euro 57,266 thousand (Euro 46,795 thousand compared to the comparative period), an increase of 22%.
The breakdown is as follows:

€/t	Dec. 31, 2014	Dec. 31, 2013	Change
Class-01 Accident	24,247	20,550	3,697
Class-02 Sickness	20,189	15,529	4,660
Class-07 Transport	6	6	-
Class-08 Fire	4,520	3,700	820
Class-09 Other damages to assets	2,526	2,208	318
Class-13 General TPL	1,795	1,735	60
Class-16 Pecuniary losses	3,150	2,254	896
Class-17 Legal protection	65	70	(5)
Class-18 Assistance	768	743	25
Total work premiums	57,266	46,795	10,471
Reinsurance	-	-	-
Total premiums	57,266	46,795	10,471

As at December 31, 2014 the total number of claims paid amounted to Euro 9,582 thousand (Euro 8,403 thousand as at December 31, 2013), an increase of Euro 1,179 thousand.

SPAIN

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Assets under management and administration	2,983.1	2,376.3	26%
Assets under management	*1,887.8*	*1,462.2*	*29%*
Assets under administration	*1,095.3*	*914.1*	*20%*
Gross inflows AuM	777.1	537.9	44%
Net inflows:	521.9	450.5	16%
Assets under management	*364.0*	*237.7*	*53%*
Assets under administration	*157.9*	*212.8*	*(26%)*

Assets under management amounted to Euro 2,983.1 million, compared to Euro 2,376.3 million at the end 2013, an increase of 26%. Net inflows at the end of the year were positive for Euro +521.9 million compared to a balance of Euro +450.5 million in the comparative period.

GERMANY

€/m	Dec. 31, 2014	Dec. 31, 2013	Change %
Assets under management and administration	484.0	445.2	9%
Assets under management	*404.6*	*372.7*	*9%*
Assets under administration	*79.4*	*72.5*	*9%*
Gross inflows AuM	67.2	158.4	(58%)
Net inflows:	4.5	(37.6)	n.s.
Assets under management	*(1.5)*	*(24.1)*	*(94%)*
Assets under administration	*6.0*	*(13.5)*	*(56%)*

Assets under administration went from 445.2 at the end of 2013 to Euro 484.0 million at the end of the year under review, up Euro +38.8 million compared to the previous year.
Net inflows were positive for Euro +4.5 million compared to a negative balance of Euro -37.6 million of the previous year.

Lending

Below is an illustration of the trend in loans with regard to the activity carried out by Banca Mediolanum.
At year-end 2014, loans to customers of Banca Mediolanum, private individuals and financial institutions other than banks amounted to Euro 6,518.7 million (December 31, 2013: Euro 5,428 million), an increase of 20.1%. The dynamics of growth in lending according to the technical forms and type of customers, however, was differentiated and modulated differently: in the face of strong growth in retail lending, net of impaired items - driven by personal loans (+26%), by residential mortgages (+20%), in support of the "real" economy and families even at this juncture of the ongoing crisis - and growth from active repurchase agreements (+789%, now amounted to 181.4 million), on the contrary, there was a slight decline in the stock from the opening of credit in current account (-2.6%) and the balance of the positions in debt securities, Loans and Receivable (-0.6%). Specifically, excluding impaired positions, residential loans were Euro 4,250.1 million as at December 31, 2014 (December 31, 2013: Euro 3,551.5 million), with an increase of 20% year on year. Not offered to customers for several years now, pure fixed-rate home loans accounted for less than 10% of the total home lending book. Like in prior years, we confirm again for 2014 that Banca Mediolanum has no subprime mortgage loans on its books and under its particularly prudent and disciplined approach to lending it did not enter into any transactions carrying a high level of credit risk. In addition, it can count on key risk mitigation factors in its lending operations, namely: average LTV (Loan to Value) around 56%, predominance of borrowers who are long-standing customers of the Bank, average size of loans around Euro 120 thousand, average residual maturity just above 20 years and customer base/properties largely present in historically low-risk areas and in cities that have been less affected by the decline in housing prices in the past three years. The balance of current account overdraft facilities with ordinary customers (mainly individuals and in small part companies) amounted to Euro 395.7 million, recording a very limited decrease of -2.6% compared to the same period the previous year (Euro 406.9 million) result in part of the transformation strategy of overdrafts in loans to optimize credit management and monitoring. Overdrafts on current accounts involve, excluding marginal lending so-called "double monthly payments" (12% of the total, which still involve strict selection criteria, the ongoing channelling of customer fees on the account at the Bank and average amounts limited by their nature), the mandate to sell issued by the customer in relation to products held by the latter at

the Mediolanum Group, so as to mitigate, together with the careful selection procedures, preventive monitoring and timely management of positions in collection, the possible risk of insolvency by the debtor. Personal loans, net of impaired positions, amounted to Euro 815.6 million December 31, 2014, up 26% compared to the prior year (Euro 645.8 million). These forms of loan were provided to individuals for very low amounts (Euro 21 thousand) and average duration, after thorough analysis of creditworthiness with the assessment of the economic and property capacity of the customer to meet the monthly commitments in relation to the overall situation of indebtedness also including, as for overdrafts, mitigation of credit risk thanks to the "mandate to sell" issued by the customer regarding the products held by the latter at the Mediolanum Group. Other lending (excluding dealings on the MTS market) aggregating to about Euro 142 million consisted of short/medium-term loans extended to prime Italian banking/institutional counterparties and other exposures to high credit-standing companies related to high net worth customers of the Bank. As to the quality of the loan portfolio, at year end 2013, net impaired loans (after write-downs) amounted to Euro 49.1 million up about Euro 7.2 million over the prior year's balance of Euro 41.9 million. The figure for 2014 includes the impact of some company customers classified during the year as impaired credit following the economic difficulties of the economic group or business activity. The final levels of coverage on impaired loans amounted to 63% non-performing, 30% watch list, 12% overdue loans and 53% restructured loans strongly influenced by a single Group. Reflecting both effectiveness of credit management actions and lending growth, the ratio of net impaired loans to total customer loans was down to 0.75% compared to 0.77% in 2013. Therefore, the risk of the loan portfolio stood at levels significantly lower levels than the figure recorded System level. The very high credit quality of the Bank's loan portfolio is the result, on the one hand, of portfolios being closely monitored and past due/overdrawn customers being invited to promptly honour their obligations (in fact in 2014 the strengthening of the Structure of the Watch List continued), and, on the other hand, of ongoing development and refining of credit policies and tools used to ensure proper assessment of credit standing prior to loan origination including information garnered by sales network members, together with a careful management and selection of mitigation tools used. All this combined with the low level of impaired items reflects in the Bank's very low cost of credit risk for 2014 (excluding impairment of AFS Securities, network items and deposit protection fund) which is extremely low and equal to 25 bps. Further analysis of credit quality in relation to doubtful loans shows that the ratio of non-performing and watch list loans (before or after write-downs) to total loans extended by the Bank is at excellent levels compared to Italy's banking system. Specifically, the comparison of the gross non-performing loans to total loans ratios on a consistent basis – i.e. eliminating the effect of differences in internal asset valuation methods used by the individual financial institutions, Banca Mediolanum was below 0.55% versus the figure for the industry which was significantly higher.

The sales networks

€/t	Dec. 31, 2014	Dec. 31, 2013
ITALY - BANCA MEDIOLANUM	4,386	4,407
SPAIN	749	690
GERMANY	60	46
Total	5,195	5,143

As at December 31, 2014 the Banca Mediolanum S.p.A. sales network went from 4,407 financial advisors at year-end 2013 to 4,386 as at December 31, 2014.

Income statement by business segment as at December 31, 2014

The analysis of income statement data by business segment is set out below, with possible reclassification of comparative data.

ITALY - BANKING

€/t	Dec. 31, 2014	Dec. 31, 2013	Change
Banking service fees and revenues	82,000	76,020	5,980
Other fees	259	2,622	(2,363)
Commission income	82,259	78,642	3,617
Net interest income	203,618	246,974	(43,356)
Net income (loss) on investments at fair value	(15,964)	12,568	(28,532)
Net financial income	187,654	259,542	(71,888)
Net income (loss) on other investments	61,722	61,723	(1)
Other revenues	10,937	9,997	940
TOTAL REVENUES	342,572	409,904	(67,332)
Network commission expenses	(51,549)	(47,272)	(4,277)
Other commission expenses	(13,555)	(12,774)	(781)
Administrative expenses	(217,874)	(207,590)	(10,284)
Amortisation and depreciation	(12,524)	(7,931)	(4,593)
Net provisions for risks	(5,672)	(6,614)	942
TOTAL COSTS	(301,175)	(282,181)	(18,994)
PROFIT BEFORE TAX	41,397	127,723	(86,326)

Profit before tax of Italy - Banking recorded a positive balance of Euro 41.4 million compared to a balance of Euro +128.1 million the previous year; the result is affected by the reduction of Euro 71.9 million in net financial income and the increase of administrative expenses for Euro 10.7 million.

Net financial income stood at Euro 187.7 million, a decrease of Euro 71.9 million vs. Euro 259.5 million the comparative period. The difference is primarily due to a decrease in net interest income (-17.6%), due to the decline in market performance and the negative contribution of net profits and losses from investments at fair value (Euro -28.5 million).

Net income (loss) from other investments was maintained in line with the previous year by virtue of the combined effect of higher profits on disposals offset by higher value adjustments.

Commission income stood at Euro 82.3 million, an increase of Euro 3.6 million compared to the previous year. This change is justified by an increase in commission and revenues from banking services mainly due to the Commission from the Placement of Structured Bonds/Certificates, offset by a reduction in the item other commission that in 2013 included commission income on the placement of policies of Mediolanum Assicurazioni (that became part of the Mediolanum Group March 31, 2013).

Network commission expense increased by 9% to Euro 51.5 million, an increase of Euro +4.3 million vs. the comparative period. The increase in the item is primarily attributable to the growth in volumes managed.

Other costs went from Euro 234.9 million in 2013 to Euro 249.6 million in the reporting period, an increase of Euro +14.7 million, both regarding the variable component linked to banking, and as a result of the technological renovation activities in progress.

ITALY - ASSET MANAGEMENT

€/t	Dec. 31, 2014	Dec. 31, 2013	Change
Entry fees	87,733	128,628	(40,895)
Management fees	390,473	313,806	76,667
Performance fees	102,099	104,113	(2,014)
Other fees	30,595	26,785	3,810
Commission income	610,900	573,333	37,567
Net interest income	347	476	(129)
Net income (loss) on investments at fair value	(6)	5	(11)
Net financial income	341	481	(140)
Net income (loss) on other investments	28	9	19
Other revenues	281	279	2
TOTAL REVENUES	611,551	574,101	37,450
Network commission expenses	(240,562)	(252,769)	12,208
Other commission expenses	(18,224)	(16,158)	(2,066)
Administrative expenses	(98,440)	(72,387)	(26,053)
Amortisation and depreciation	(1,534)	(2,288)	754
Net provisions for risks	(15,764)	(8,699)	(7,065)
TOTAL COSTS	(374,524)	(352,302)	(22,223)
PROFIT BEFORE TAX	237,026	221,799	15,227

In the Italy – Asset management segment, **profit before tax** for the year under review amounted to Euro 237 million, an increase of 6.7% compared to the 2013 result (Euro 221.8 million).

Commission income amounted to Euro 610.9 million, up Euro 37.6 million vs. the previous year (Euro +573.3 million). The increase was mainly generated by higher management fees (Euro +76.7 million) related to the increase in assets and partially offset by lower subscription fees, down as a result of the higher collection in funds of Mediolanum Gestione Fondi, temporarily subject to a facilitated pricing.

Network commission expense decreased by 4.8% to Euro 240.6 million, a decrease of Euro 12.2 million vs. the comparative period. This reduction can be attributed to lower front fee (and related forms of sales incentives) generated by the reduction in subscription fees (Euro -31 million) and the higher management fee on the basis of the increase in assets under management (Euro +19 million).

Costs attributable to the segment at the end of the quarter recorded an increase of 34.6%, from Euro 99.5 million in 2013 to Euro 134 million in the reporting period. The increase of 34.4 million is generated by the increase in its variable component from the increase in assets, as well as the higher portion of indirect costs allocated to the business based on increasing assets.

ITALY - INSURANCE

€/t	Dec. 31, 2014	Dec. 31, 2013	Change
Net life insurance revenues (excluding commissions)	36,811	34,001	2,810
Commission income	317,613	298,704	18,909
Net interest income	11,874	16,280	(4,406)
Net income (loss) on investments at fair value	6,681	6,193	488
Net financial income	18,555	22,473	(3,918)
Net profit (loss) on other investments	2,728	1,905	823
Other revenues	14,581	11,866	2,715
TOTAL REVENUES	390,288	368,948	21,340
Network commission expenses	(122,718)	(89,169)	(33,550)
Other commission expenses	(6,929)	(7,280)	350
Administrative expenses	(99,649)	(75,444)	(24,205)
Amortisation and depreciation	(6,479)	(9,209)	2,730
Net provisions for risks	(10,561)	(6,790)	(3,771)
TOTAL COSTS	(246,336)	(187,891)	(58,445)
PROFIT BEFORE TAX	143,951	181,057	(37,105)

It is recalled that Italy – Insurance for the balances related to December 31, 2014 includes the financial results for Life and Damages, while the comparative quarter does not consider Q1 of Mediolanum Assicurazioni, which joined the Mediolanum Group as at March 31, 2013.

Profit before tax of Italy – Insurance shows a balance of Euro +144.0 million, a decrease of 20.5% compared to the previous year for Euro +181.1 million, mainly due to initial costs related to sales of My Life.

Net insurance revenues before acquisition costs went from Euro 34.0 million in 2013 to Euro 36.8 million in 2014. Despite the sale of My Life insurance, the contribution of Life business decreased slightly compared to the previous year (Euro -4.2 million). This reduction is more than offset by the positive contribution generated by the Damage Business (Euro +7.0 million).

Commission income amounted to Euro 317.6 million at the end of 2014 (December 31, 2013: Euro 298.7 million). The increase was primarily due to an increase in management fees (Euro +23.8 million) due to volumes of unit-linked products (including My Life) only partially offset by a reduction in performance fees pertaining to the Life segment (Euro -5.2 million).

The **net financial income** for the period was positive for Euro +18.6 million, a decrease of Euro -3.9 million compared to 2013. This difference was mainly due to a drop in net interest income (Euro -4.4 million) as a result of lower assets under management on the Freedom policy, only partially offset by higher gains on securities held in the portfolio (Euro +0.5 million).

Net income from other investments stood at Euro +2.7 million vs. Euro 1.9 million in 2013.

Network commission expenses increased by Euro 33.6 million, from Euro 89.2 million in 2013 to Euro 122.7 million as at December 31, 2014. This increase is mainly due to the effect of the placement of the product My Life, both in terms of higher front fee (and related forms of sales incentives), and in terms of the management fee paid to the sales network.

Costs attributable to the segment at the end of the quarter recorded an increase of 25.2%, from Euro 98.7 million in 2013 to Euro 123.6 million in the reporting period. The increase of 24.9 million is related to the activities of commercial promotion directly attributable to the product My Life, as well as a substantial proportion of indirect costs allocated on the basis of increasing volumes.

ITALY - OTHER

€/t	Dec. 31, 2014	Dec. 31, 2013	Change
Net interest income	(5,534)	(12,951)	7,417
Net income (loss) on investments at fair value	1	1	-
Net financial income	(5,533)	(12,950)	7,417
Valuation Equity method	18,694	823	17,871
TOTAL REVENUES	13,161	(12,127)	25,288
Administrative expenses	-	-	-
TOTAL COSTS	-	-	-
PROFIT BEFORE TAX	13,161	(12,127)	25,288

Profit before tax of Italy – Other recorded a positive result of Euro +13.2 million (December 31, 2013: Euro -12.5 million).

Net financial income at the end of the period was a loss of Euro -5.5 million compared to Euro -13.0 million in the comparative period (Euro +7.4 million). The reduction is due to the indebtedness of Mediolanum S.p.A. through repayment of the bonds issued.

Equity method reports for the period under review, the share of the profits generated by Banca Esperia and Mediobanca totalling Euro 18.7 million, of which Euro 14.5 million related to Mediobanca and Euro 4.2 million related to Banca Esperia (December 31, 2013: Euro +0.8 million, due entirely to the contribution of Banca Esperia).

SPAIN

€/m	Dec. 31, 2014	Dec. 31, 2013	Change
Entry fees	8,529	7,815	714
Management fees	26,422	17,493	8,929
Performance fees	5,869	4,797	1,072
Banking service fees and revenues	5,577	4,619	958
Other fees	1,002	1,155	(153)
Commission income	47,399	35,879	11,520
Net interest income	23,411	22,905	506
Net income (loss) on investments at fair value	761	1,057	(296)
Net financial income	24,172	23,962	210
Net life insurance revenues (excluding commissions)	17,935	21,743	(3,808)
Net income (loss) on other investments	2,622	10,580	(7,958)
Other revenues	1,687	1,213	474
TOTAL REVENUES	93,815	93,377	438
Network commission expenses	(28,259)	(25,082)	(3,177)
Other commission expenses	(4,509)	(3,301)	(1,208)
Administrative expenses	(32,881)	(29,312)	(3,569)
Amortisation and depreciation	(1,466)	(1,481)	15
Net provisions for risks	(1,518)	(270)	(1,248)
TOTAL COSTS	(68,633)	(59,446)	(9,187)
PROFIT BEFORE TAX	25,182	33,931	(8,749)

Commission income increased by Euro 11.5 million from Euro 35.9 million to Euro 47.4 million at the end of the reporting period (+32.1%).

Net insurance income, before acquisition costs came in at Euro 17.9 million versus Euro 21.7 million in 2013.

Net income from other investments recorded a decrease of Euro 8.0 million attributable to income from financial assets available for sale recorded in Q1 2013.

Costs attributable to the segment amounted to Euro 68.6 million (December 31, 2013: Euro 59.4 million) due to higher costs related to the network remuneration, the growth of operational personnel to support customers and commercial promotion costs.

GERMANY

€/m	Dec. 31, 2014	Dec. 31, 2013	Change
Entry fees	646	445	201
Management fees	6,472	5,566	906
Performance fees	3,275	2,614	661
Banking service fees and revenues	12,943	10,812	2,131
Other fees	281	493	(212)
Commission income	23,617	19,930	3,687
Net interest income	40	681	(641)
Net income (loss) on investments at fair value	(52)	80	(132)
Net financial income	(12)	761	(773)
Net life insurance revenues (excluding commissions)	2,284	2,713	(429)
Net income (loss) on other investments	(169)	(4,218)	4,049
Other revenues	489	575	(86)
TOTAL REVENUES	26,209	19,761	6,448
Network commission expenses	(4,355)	(4,187)	(168)
Other commission expenses	(10,215)	(8,512)	(1,703)
Administrative expenses	(19,199)	(14,809)	(4,390)
Amortisation and depreciation	(264)	(574)	310
TOTAL COSTS	(34,033)	(28,082)	(5,951)
PROFIT BEFORE TAX	(7,824)	(8,321)	497

Commission income amounted to Euro 23.6 million, an increase over the comparative period of Euro +3.7 million (December 31, 2013: Euro 19.9 million).

Network commission expense amounted to Euro 4.4 million, almost in line with the comparative period.
Administrative expenses amounted to Euro 19.3 million, up Euro 4.4 million compared to 2013 (Euro 10.3 million) relating primarily to increased expenses for personnel, investments and consulting.

Intercompany and related party transactions

There were no atypical or unusual transactions as related party transactions, including intercompany transactions, that are part of the Group's ordinary business, were made at arm's length in consideration of the features of goods and services provided.
In accordance with Art. 2391-bis of the Italian Civil Code, Art. 71-bis of Consob Regulation 11971/99 (Regulation for Issuers) and the recommendations set out in the Code of Conduct, adopted by the company under resolutions passed by the Board of Directors, related party disclosures are set out in the relevant section of the Notes.

Social and environmental responsibility

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

Impairment test

Goodwill recorded in the financial statements as at December 31, 2014 refer to the "Cash Generating Units" ("CGU") Spain and Italy that represent the geographic areas of control, in line with the Group's business reporting system.

For the purpose of impairment test at December 31, 2014, the assistance of a primary specialist firm was requested. The valuations were based on cash-flow estimates derived from the 2015-2017 Plans (approved by the Board of Directors of the Company and the Boards of Directors of the subsidiaries) and applying industry standard methods best suited for the purposes of the exercise in the specific cases, in accordance with applicable accounting standards.

The process of impairment has been subsequently approved by the Board of Directors.
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.
Impairment testing details are set out in Part B of the Notes.

With regard to equity investments measured with the equity method, and in particular regarding Mediobanca S.p.A., the assistance of an independent expert was requested in order to ensure maintenance of the carrying amount as at December 31, 2014. The impairment test as at December 31, 2014 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. 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 capitalisation, and has been applied in continuity with the previous years. 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 as at September 30, 2014.

The main variables and parameters considered for the purpose of determining the recoverable amount of the investment in Mediobanca are illustrated below:
- Financial statements for the years ended June 30, 2012, 2013 and 2014;
- Quarterly Reports as at September 30, 2012, 2013 and 2014;
- 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 9.17%, estimated using the Capital Asset Pricing Model (CAPM) assuming:

  - Risk-free rate of 2.43% (average 6-month gross yield on 10-yr Italian BTP as at December 31, 2014);
  - Beta coefficient of 1.35 (average beta coefficient of the Mediobanca stock as at December 31, 2014 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 1.5%, in line with long-term inflation expectations.

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 as at September 30, 2014.
In light of this analysis, with reference to December 31, 2014, taking into account the elements listed above and described, there was a recoverable value of the investment that falls within the range Euro 12.00 and Euro 13.90 with a central value equal to Euro 12.95 per share.
With respect to the impairment test as at December 31, 2013, the increase in the recoverable value is therefore largely due to the decrease in market rates that, as is known, amounted to record lows in the Eurozone. In order to appreciate the results of the analyses performed with a reasonable degree of prudence the expert reports that interest rates represent a valuation variable, exogenous with respect to the fundamentals of the bank, subject to variations in the market by their nature uncertain and unpredictable.
It shall be noted that methodologically the sensitivity range was obtained as the average of the results of the sensitivity analyses carried out that, in a particularly prudent scenario, are at the lower end, below the carrying value. This limit scenario shows the extreme variability of the results, the complexity of the assessment process and ultimately, together with other factors, confirms the carrying value of the subsidiary. Based on all the factors, it was therefore decided to confirm the value of the investment.
Instead with reference to the investment in Banca Esperia S.p.A., as at December 31, 2014 the latter reported a net equity of Euro 187 million (Euro 177 million as at December 31, 2013), corresponding to a net asset value per share of Euro 1.55 (Euro 1.46 vs. December 31, 2013) and a balance of assets under management of Euro 15,914 million and operating profit of Euro 8.2 million. In light of the foregoing, given the constant growth in the size of the investment, both in terms of increase in the balance of equity and the balance of assets under management and considering the positive result for the year, for a carrying value of the investment for Banca Esperia equal to Euro 1.58 per share compared to a net asset value equal to Euro 1.55, there were no indicators of 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 tax 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 complexity of the matter which involves also the subsidiary Mediolanum International Funds Ltd, which is resident in Ireland, the Company started the procedure under the EU Arbitration Convention (Convention 90/436/EEC) for adjudication of its case by the competent Irish and Italian tax authorities.

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 tax 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 an additional Euro 6,691 thousand IRAP tax due plus Euro 3,481 thousand penalties. On December 23, 2014 the Regional Directorate of the Revenue Office of Lombardy – Large Taxpayers' Office notified the company additional assessments relating to the years 2005, 2006 and 2009 also notifying an annulment act as self-protection of notice of assessment for tax year 2005 and notified on December 21, 2010. The proceedings followed the assessment notices for the years 2006 and 2007, notified December 21, 2012. More specifically, the new tax assessments reported higher taxable income totalling Euro 205,451,456, corresponding to IRES tax for Euro 61,254,662 and IRAP for Euro 8,674,976. For the year 2005, the Regional Directorate also annulled as self-protection the measure of the previous notice of assessment issued on December 21, 2010, as the assessments therein were made using the price comparison method, method abandoned in subsequent acts of dispute. Overall, the assessments received for the years 2005-2009 show higher IRES tax Euro 333,531 thousand which corresponds to higher IRES for Euro 103,521 thousand, plus fines for Euro 69,950 thousand and higher IRAP tax for Euro 332,860 thousand, higher IRAP for Euro 15,366 thousand euro, plus fines for Euro 8,018 thousand. On January 11, 2015, the Company received communication from the Ministry of Finance - Department of International Relations, with which the Ministry communicated the start of the mutual agreement procedures in accordance with art. 6 of the International Arbitration Convention no. 90/436/ EEC of July 23, 1990, submitted on March 19, 2013 together with the subsidiaries, for respective disputes concerning 2006 and 2007.
The Company believes the analysis developed by the IRS in the Notices is illegitimate besides being groundless as to the adjustments to taxable income claimed and illegitimate as to the penalties given that the waiver under Art. 26 of Decree Law 78/2010 was not applied although the tax administration itself recognised formal compliance of documentation produced within the required deadline. For the same reasons and considerations set out above in relation to the Notices related to the years 2005, 2006, 2007, the Company started the procedure under the EU Arbitration Convention (Convention 90/436/EEC).

With reference to **Banca Mediolanum S.p.A.** related to the Audit started on September 16, 2010 and concluded on February 28, 2011 by Italy's Tax Police (Milan Office – 1st Revenue Protection Group), it is recalled that two

separate Audit Reports had been issued on October 29, 2010 claiming a total adjustment of Euro 48.3 million to IRES and IRAP taxable income for tax year 2005, the other on February 28, 2011 claiming a total adjustment of Euro 121.4 million to IRES and IRAP taxable income for tax years from 2006 through 2009, all relating to fees rebated by the Irish subsidiary Mediolanum International Funds Ltd.
On April 29, 2011, the Bank had filed a brief prepared pursuant to section 12, paragraph 7, of Italian Law no. 212 of July 27, 2000 with the IRS Lombardy Office whereby the Bank had asserted the illegitimacy of the claims and its law-abiding conduct, requesting in any case the application of the penalty waiver clause under article 26 of Italy's Law Decree 78 of May 31, 2010.
Subsequently, on December 21, 2012 the Bank was notified three Notices of IRES Tax Due and Demands for Payment and as many Notices of IRAP Tax Due and Demands for Payment for tax years 2005, 2006 and 2007, claiming adjustments to taxable income aggregating to Euro 333.5 million, resulting in Euro 110.1 million IRES tax due plus Euro 85.7 million penalties, and Euro 17.5 million IRAP tax due plus Euro 13.6 million penalties.
On December 5, 2014, the Company received communication from the Ministry of Finance - Department of International Relations, with which the Ministry communicated the start of the mutual agreement procedures in accordance with art. 6 of the International Arbitration Convention no. 90/436/EEC of July 23, 1990, submitted on March 19, 2013 together with the associates, for respective disputes concerning 2005, 2006 and 2007. On December 23, 2014, the Regional Tax Office for Lombardy - Large Taxpayers Office notified the Company notices of assessment relating to the years 2008 and 2009. More specifically, the new tax assessments reported higher taxable income totalling higher taxable income of Euro 256.6 million, corresponding to IRES tax for Euro 70.6 million, and IRAP for Euro 12.4 million. The proceedings followed the assessment notices for the years 2005, 2006 and 2007, notified December 21, 2012.

Overall, the assessments received for the years 2005-2009 show higher IRES and IRAP taxable income for Euro 590.2 million, which corresponds to higher IRES for Euro 180.6 million, plus fines for Euro 85.7 million and higher IRAP for Euro 29.9 million, plus fines for Euro 13.6 million. The company believes the analysis developed by the IRS in the Notices is illegitimate besides being groundless as to the adjustments to taxable income claimed and illegitimate as to the penalties given that the waiver under Art. 26 of Decree Law 78/2010 was not applied although the tax administration itself recognised formal compliance of documentation produced within the required deadline. For the same reasons and considerations set out above in relation to the Notices related to the years 2005, 2006, 2007, the Company started the procedure under the EU Arbitration Convention (Convention 90/436/EEC).
As indicated in the annual financial statements of the previous year, starting in 2013 there have been significant changes in the international reference environment, with particularly significant impact on the Companies, which are still involved in the European arbitration procedure. In this respect, there is an ongoing thorough review of the rules on intercompany transactions, as reported in the document "Action Plan on Base Erosion and Profit Shifting". While confirming again the exceptions relating to tax assessments and appropriateness of transfer prices charged by the Company, in the light of the foregoing, such guidelines in the complex dynamics of relationships between states, on the basis of experience, by analogy, also in dispute are slightly different, lead to believe in the previous year that, the likelihood of outflow of resources was "probable" limited only to relegated management fees. In fact, because of the above revisions in progress at the international level regarding the criteria for determining the intragroup fees, it cannot be ruled out that under international procedures implemented by 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. As described above, the external consultant who assists the Company believes to have to confirm as already expressed with regard to the evaluation of the 2013 financial statements, and that is that the risk of outflow of resources on the part of the Company is to be classified as "probable". Regarding quantification of the risk the methodology adopted for the past year is confirmed, thus making use of economic documentation prepared by the Company to prove the transfer pricing policy adopted with respect to the tax years 2011-2012-2013, pursuant to the Provision of the Director of the Revenue Agency of September 29, 2010 (updating the previous economic documentation). The same, depending on the different asset classes of the funds distributed, identifies a median value of the management fees paid to distributors between 43.67% and 49.97% and third quartile of between 55.97% and 63.70%, with a summary value represented by the average of the values of the third quartile of the three asset classes equal to 60.32%. The Directors of the Company, with the support of an external consultant, believe that in the procedures there may be a transfer value that falls in the third interquartile above, reasonably estimated at no more than 60% of management fees, to which, on the basis of estimates made with reference to the years 2005-2014, a greater tax burden corresponds for approximately Euro 30 million, in addition 10.8 million already allocated in 2014 on the basis of the previous rate of relegation considered (57%), excluding the application of sanctions for the reasons above to integrate the amount accrued in the previous year. Therefore, the total allocation for the year amounted to Euro 40.8 million and the fund as a whole amounted to Euro 94.1 million (Euro 53.3 million as at December 31, 2013).

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

With reference to the financial conglomerate Mediolanum S.p.A., the calculation of capital adequacy as at December 31, 2014, according to the provisions of supplementary supervision in force, shows that in the face of the conglomerate capital requirements amounted to Euro 745 million, the conglomerate's equity to hedge the required margin amounted to Euro 1,053 million, with a surplus of Euro 308 million.

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

As at December 31, 2014, shareholders' equity, excluding net profit, amounted to Euro 1,492.7 million versus Euro 1,314.2 million as at December 31, 2013.
The Euro +178.5 million change refers to the target allocation to reserves of 2013 profit (Euro +97.6 million) as well as the increase in the valuation reserve of available-for-sale financial assets (Euro +77 million versus the prior year).
Earnings per share (EPS) amount to Euro 0.435 versus Euro 0.458 in 2013.
Pursuant to the provisions of Legislative Decree no. 53 of March 4, 2014 (supplementary supervision of financial entities in a financial conglomerate) Mediolanum S.p.A. acquired the status of parent of the Mediolanum S.p.A. banking group. By virtue of the foregoing, in effect from June 30, 2014, the Company is required to carry out the calculation for the determination of the own funds for supervisory purposes and the related capital ratios under the new discipline that recently entered into force – Regulation no. 575/2013 (EU), Basel 3 discipline.

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

• Common Equity Tier 1 Ratio (CET1)	18.434%
• Tier 1 Ratio	18.434%
• Total Capital Ratio	18.434%

Consob Request pursuant to art. 114, paragraph 5, of Legislative Decree no. 58/98

Following the Consob request (protocol no. 12432/15 of February 19, 2015), the following table shows the information about the progress of the initiatives taken by individual insurance companies belonging to the Mediolanum Group following the issuance of the EIOPA Guidelines and the subsequent implementation by the national Supervisory Board. The initiatives described below are preliminary to the introduction of European legislation Solvency II, with reference to the governance system, prospective risk assessment and reporting. No information was provided regarding the pre-application of internal models in the calculation of capital requirements as not applicable, since no Company in the Group has adopted internal models.

Governance system

Pursuant to Legislative Decree May 30, 2005, no. 142, Mediolanum S.p.A. is a mixed financial investment company at the head of the financial conglomerate Mediolanum primarily consisting of banking. Pursuant to Legislative Decree March 4, 2014, no. 53, amending the regulation of banking groups, Mediolanum S.p.A. became the parent company of the Mediolanum Banking Group included in the conglomerate, and as such has been registered in the Register of Banking Groups. Also pursuant to Legislative Decree No. 53/2014, amending the discipline of insurance groups, Mediolanum was found to have the characteristics to become the parent company Mediolanum insurance group and therefore it is being registered in the IVASS Register of insurance groups. Taking into account this configuration of the Mediolanum group, the governance system adopted with reference to the insurance components of the Group is based primarily on a system of ascending and descending information flows that allow the parent company to adequately exercise the guidance and coordination of the Group. With specific reference to the activities of adaptation to Solvency II, the parent company received the periodic disclosure from the insurance subsidiaries regarding the prospective risk assessment, the results of stress tests and adjustment programs to the processes required by the regulations. The following paragraphs summarize evidence of activities carried out individually by the Companies belonging to the Group.

Each Insurance entity of the Group initiated a program for compliance with the Directive in order to meet the requirements regarding both "governance" and with reference to the models and methodologies for measuring and assessing risk. With reference to Governance activities were carried out on the adjustment of policies and processes, which include in particular the policy on governance, the policy of fit and proper of corporate bodies and the regulations of the governing bodies. With reference to the ORSA process roles and responsibilities are being defined and formalized taking into account the corporate structure of the Companies and organisational units involved in the process, to support assessments of the administrative body and the overall control and management process of the company's risks. The governance system adopted was defined taking into account industry best practices and regulatory requirements in force, in order to allow an informed and consistent undertaking of risks with respect to corporate risk appetite. The organisational units responsible for verifying the adequacy of the technical reserves, reliability and sufficiency of the data and overall adequacy of the risk subscription policies and reinsurance arrangements were identified and strengthened. Reporting policies (regulation of information flows) to the administrative body were better regulated, aimed at giving cognizance of the activity performed by the organisational units identified, the audits performed and the findings together with specific actions proposed. In this context, a key role is played by the control functions (Compliance, Actuarial, Risk Management, Internal Auditing) of the Companies and the parent.

Prospective risk assessment

Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A. approved with the respective Boards of Directors on November 11, 2014, the management policy of current and prospective risk assessment. This document outlines the principles and guidelines used by the Companies regarding the current and prospective risk assessment depending on the requirements of Solvency II regulations concerning Own Risk and Solvency Assessment.

Specifically, this document aims to:
- describe the approach adopted by the Company to conduct its current and prospective risk assessment process;
- confirm the governance structure based on the process;
- provide the guidelines for directors and employees of the Company involved in the conduct or audit of the process.

In 2014, Mediolanum International Life, within the development of Orsa, adopted a policy which describes the approach taken for the current and prospective assessment of the company's risks. In addition, the governance structure was reviewed and approved by the Board of Directors of the Company in order to respond in a timely manner to the guidelines issued by the Central Bank of Ireland. Finally, in 2014 the Irish company developed and implemented adequate training programs to involve all structures at various levels on issues related to Solvency II, so as to increase the culture of audits in the Company.

As requested in the letter to the market on April 15, 2014 from IVASS, Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A. completed the first exercise, so-called "FLAOR", consisting of the internal perspective assessment of the risk profile in accordance with the principles of Solvency II and providing a descriptive report of the results, conclusions and the approach adopted to the control body both sent on October 31, 2014.

The report sent to IVASS responds to the request for a first prospective assessment of the risk profile according to the principles Own Risk and Solvency Assessment "ORSA" that considers the following elements:
- the prospective risk profile and possible variations;
- the overall solvency needs, both in quantitative and qualitative terms, even in the medium term;
- the link between the risk profile and the overall requirements of solvency;
- the significant risk factors for complementary analysis including stress tests, reverse stress testing and scenario analysis;
- the coverage of solvency needs with the company's own resources.

The methodology adopted by Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A. in the assessment of the financial statements and capital requirements is in line with the technical specifications of Solvency II, indicated in the last technical document of EIOPA of April 30, 2014 published for the purpose of estimating the solvency during the preparatory field period.

Mediolanum International Life Limited was classified by the Central Bank of Ireland as a medium-low profile company based on PRISM; the company was thus allowed to base the prospective assessment of the risks of Solvency II using, only for the prospective calculations, Solvency I on the basis of the provisional guidelines issued by the Central Bank of Ireland. This is the approach that the company adopted in 2014. Starting 2015, it will only be allowed to use prospective calculations based on Solvency II. Mediolanum International Life Limited carried out the first exercise, so-called "FLAOR", consisting of the internal perspective assessment of the risk profile in accordance with the Solvency II principles however using Solvency I only for perspective calculations and provided a descriptive report of the results, conclusions and approach adopted to the control body sent on December 10, 2014. Currently companies have an ongoing process of adjustment to the regulations issued by EIOPA subsequently to April 2014.
As expected and indicated by the supervisory regulations, in 2015 all companies will join the exercise of Forward Looking Own Risk Assessment (FLAOR) with valuation as at December 31, 2014. The process of current and perspective risk assessment is currently being completed. This also by virtue of the following reasons:
• it is a complex process that sees interrelated among them different functions and business areas;
• the reference standard (Solvency II) is still evolving.
Consequently some phases of the perspective risk assessment are currently being implemented and will be finalized in the shortest possible time. There will also be a first analysis of the adequacy of the Standard Formula for the perspective assessment of the risk profile of the Companies, as also required by IVASS.

Reporting

The insurance Companies of the Group adopted a policy for reporting to the Supervisory Authorities, also in line with the requirements of the Letter to the Italian market on April 15, 2014. This policy aims to ensure the completeness and reliability of the information sent to the Supervisory Authority, and to establish the general guidelines in the conduct of activities in preparation for sending data in compliance with the terms, timing (periodic communications or event) provided by law and information that the Supervisory Authority may require outside sending of periodic flows.
The financial reporting system was revised and integrated in order to fully meet the quality requirements of the legislation. The Companies decided to adopt solutions to create IT systems that can guarantee the integrity and quality of the data subject to communication to the Supervisory Authority.

Pre-application of internal models for the calculation of the new capital requirements

The Group Companies did not submit any claims requesting pre application of internal models using only the standard formula for the calculation of capital requirements under the Solvency II regulations.

Any actions taken or planned as a result of the outcome of the stress test exercises

The Company Mediolanum Vita as included in the sample of European insurance companies subject to the stress tests at European level conducted the exercise individually.
In summary the results of the stress test carried out are as follows:
1) the base-line situation shows a surplus of capital both on the coverage of the Minimum Capital Requirement (MCR) amounted to Euro 524.4 million, and the Solvency Capital Requirement (SCR) amounted to Euro 233.2 million;
2) in all stress Mediolanum Vita fully meets the requirements for the Minimum Capital Requirement;
3) the adverse 1 market scenario has a capital deficit with respect to the SCR of about Euro 103 million. Such case can be explained because the stress assumptions adopted are very strict and made only on the part of Own Funds and not on the part of risks (SCR, MCR). It is important to emphasize that even in this situation the minimum capital requirement is always satisfied. An estimate carried out showed that submitting to stress also the Solvency Capital Requirement the ratio would still be more than 100%. This by virtue of the fact that there is a symmetry in the changes of the SCR and Own Funds, in its component of reconciliation reserve, however not a perfect proportionality in the change. The Company also identified the necessary actions to be implemented if the case of a negative situation such as that represented by the adverse scenario.

In particular Mediolanum Vita could, if necessary take the actions described below. The Mediolanum Plus product, linked to separate Freedom management, has a significant impact on two risks: a) operational SCR b) counterparty SCR. This product is in strong release and completion is expected in the next 36 months resulting in facilitations for Mediolanum regarding the risks mentioned above. Regarding operational SCR since the product generates a strong movement in premiums collected of Mediolanum, more than offset by outflows in recent years. Premiums that, for class 1 products, are the basis for calculation of the operational SCR. Regarding counterparty SCR since the product needs to have a large cash component as it is in run-off. Cash deposited with Banca Mediolanum and thus with a strong impact on the basis of the stress test to be applied. In terms of FLAOR, where assessments were carried out starting from the three-year plan of the Company and some stress tests targeted to the Mediolanum Plus product, there was a very evident reduction of the two above risks (about Euro 135 million over the lifetime of the Business Plan) without extensive modification of Own Funds given the low impact of this product on the reconciliation reserve. The Company Mediolanum Assicurazioni made, at the request of IVASS, an estimate of the impact of using a structure of discount rates with and without volatility adjustment. The estimate was made by adopting an interest rate curve without considering the volatility adjustment. The main effects of the application of such measures for the side Market Consistent Balance Sheet, are to be found in the different level of discount rates used for the calculation of the Best Estimate Liabilities (as it impacts the numerator of the Solvency Ratio). As for the Regulatory Capital (SCR), the main impacts are to be found in the different level of discounting relative to a part of the volume measures of the premium risk (i.e. FPexisting, FPfuture) as discounted and therefore on the value of the Underwriting risk (non-life and health NSLT) and to a much less significant extent on the value of the market risk. The solvency ratio (ratio of Eligible Capital and SCR) without application of the volatility adjustment was 238% compared to 244% with volatility adjustment.

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, 2014 were prepared based on the going concern assumption. Following their examination of the financial position, result of operations and cash-flows, they also confirm they did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern. In relation to "Impairment of Assets" (IAS 36), as illustrated above, the impairment method used by 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 process of impairment has been subsequently approved by the Board of Directors. 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 investments irrespective of any other considerations. Specifically, for equity investments the Group considers there is evidence of impairment when the decline in the original fair value exceeds one third or is prolonged for over 36 months. For details on disclosures to be made in the notes, readers are referred to Parts A, B and E of the Notes. Information on "fair value hierarchy" for positions held as at December 31, 2014, including prior year's comparative information, is given in Part A of the Notes. Finally, no disclosure is made in relation to financial debt contract clauses (IFRS 7) or debt restructuring (IAS 39), since the Bank is not engaged in any of these.

Key corporate events subsequent to the end of the year

After December 31, 2014, there was no other event which could have a significant impact on the financial position, results of operations and cash flows of the Company.

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

The content of macroeconomic data, the quality of economic reforms and fiscal policies of governments and timing in the adoption of monetary policies by the central banks (in the first place, the expected and predictable quantitative easing of the European Central Bank) will still be the main drivers of the market in 2015. Delays, disruption and uncertainty may be responsible for new increases in volatility.

In 2015, the performance of financial markets may benefit from any positive signs that may result from the assumption that there is a recovery, albeit modest, of the economy in general.
The quality of the fiscal policies of governments and the correct timing of the monetary policies of central banks that will be implemented will be key factors that can positively affect the macroeconomic environment.
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 2015 is positive.

Basiglio, February 25, 2015

For the Board of Directors
The Chairman
(Carlo Secchi)

Consolidated Accounts 2014

Statement of financial position

Assets

€/t	Dec. 31, 2014	Dec. 31, 2013
10. Cash and cash equivalents	65,746	60,443
20. Financial assets held for trading	846,885	1,135,102
30. Financial assets measured at fair value	14,367,301	12,751,185
40. Available-for-sale financial assets	15,516,840	12,558,883
50. Held-to-maturity investments	2,512,081	2,517,015
60. Loans to banks	811,050	1,100,559
70. Loans to customers	6,779,007	5,660,508
80. Hedging derivatives	1,287	2,418
90. Value adjustment of financial assets backed by generic hedges (+/-)	-	-
100. Equity investments	421,609	391,869
110. Reinsurers' share of technical reserves	71,353	74,675
120. Tangible assets	191,607	193,229
130. Intangible assets	182,820	162,539
of which:		
- goodwill	125,625	125,625
140. Tax assets	461,574	387,653
a) current	337,720	267,318
b) advanced	123,854	120,335
b1) pursuant to Law 214/2011	-	-
150. Non-current assets and disposal groups	567	868
160. Other assets	318,128	324,506
Total assets	42,547,855	37,321,452

Liabilities and shareholders' equity

€/t	Dec. 31, 2014	Dec. 31, 2013
10. Amounts due to banks	7,615,391	4,950,368
20. Amounts due to customers	14,231,750	12,905,464
30. Securities issued	341,741	369,409
40. Financial liabilities held for trading	370,696	250,867
50. Financial liabilities measured at fair value	1,597,251	70,988
60. Hedging derivatives	100,218	59,127
70. Value adjustment of financial liabilities backed by generic hedges (+/-)	-	-
80. Tax liabilities	277,870	238,876
a) current	143,983	130,351
b) deferred	133,887	108,525
90. Liabilities associated with assets held for sale	-	962
100. Other liabilities	661,955	662,404
110. Employee completion-of-service entitlements	11,216	11,871
120. Provisions for risks and charges:	196,609	187,809
a) severance benefits and similar obligations	672	586
b) other provisions	195,937	187,223
130. Technical reserves	15,329,810	15,962,513
140. Valuation reserve	177,769	100,781
150. Redeemable shares	-	-
160. Equity instruments	-	-
170. Reserves	1,290,672	1,156,097
175. Interim dividend (-)	(110,608)	(73,595)
180. Share premium account	63,199	59,376
190. Share capital	73,744	73,600
200. Treasury shares (-)	(2,045)	(2,045)
210. Shareholders' equity attributable to minority interest (+/-)	-	-
220. Net profit (loss) for the year (+/-)	320,617	336,580
Total liabilities and shareholders' equity	42,547,855	37,321,452

Income statement

€/t	Dec. 31, 2014	Dec. 31, 2013
10. Interest income and similar income	569,753	669,393
20. Interest expense and similar charges	(239,175)	(249,191)
30. Net interest income	330,578	420,202
40. Commission income	1,108,226	1,021,410
50. Commission expense	(495,646)	(464,023)
60. Net commission	612,580	557,387
70. Dividends and similar income	6,510	3,782
80. Net income from trading	4,045	15,641
90. Net income from hedging	(5,400)	3,755
100. Gains (losses) on sale or buyback of:	90,633	77,708
a) loans	22	(2,477)
b) available-for-sale financial assets	90,671	80,212
c) held-to-maturity investments	-	-
d) financial liabilities	(60)	(27)
110. Net result from financial assets and liabilities measured at *fair value*	933,566	1,173,151
120. Total income	1,972,512	2,251,626
130. Net impairment/reversal of impairment of:	(28,851)	(18,640)
a) loans	(17,254)	(13,444)
b) available-for-sale financial assets	(10,175)	(827)
c) held-to-maturity investments	-	-
d) other financial instruments	(1,422)	(4,369)
140. Net income from financial operations	1,943,661	2,232,986
150. Net premiums	3,913,298	4,873,759
160. Balance of other insurance income/expenses	(4,925,914)	(6,141,443)
170. Net income from financial and insurance operations	931,045	965,302
180. Administrative expenses:	(446,686)	(384,268)
a) personnel expenses	(176,393)	(162,069)
b) other administrative expenses	(270,293)	(222,199)
190. Net provisions for risks and charges	(35,101)	(18,328)
200. Depreciation and net impairment of tangible assets	(8,455)	(7,758)
210. Amortisation and net impairment of intangible assets	(13,971)	(14,042)
220. Other operating income/expenses	7,208	6,521
230. Operating expenses	(497,005)	(417,875)
240. Profit (loss) on equity investments	18,694	895
250. Net income at fair value of tangible and intagible assets	-	-
260. Impairment of goodwill	-	(4,261)
270. Net profit (loss) on disposal of investments	(52)	30
280. Net profit (loss) before tax on continuing operations	452,682	544,091
290. Income tax expense on continuing operations	(132,277)	(207,483)
300. Net profit (loss) after tax on continuing operations	320,405	336,608
310. Net profit (loss) after tax of non-current assets pending disposal	212	(28)
320. Net profit (loss) for the year	320,617	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	320,617	336,580

Statement of other comprehensive income

€/t	Dec. 31, 2014	Dec. 31, 2013
10. Net profit (loss) for the year	320,617	336,580
Other comprehensive income components, net of income tax without reversals to the income statement		
20. Tangible assets	-	-
30. Intangible assets	-	-
40. Defined benefit plans	386	26
50. Non-current assets or disposal groups held for sale	-	-
60. Share of reserves on investments accounted for by the equity method	4,766	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	41,187	11,771
110. Non-current assets or disposal groups held for sale	-	-
120. Share of reserves on investments accounted for by the equity method	10,874	(4,496)
130. Total other comprehensive income components, net of income tax	57,213	7,408
140. Comprehensive income (captions 10+130)	377,830	343,988
150. Total comprehensive income attributable to minority interests	-	-
160. Total comprehensive income attributable to the parent company	377,830	343,988

Statement of changes in equity

as at December 31, 2013

€/t	Balance as at Dec. 31, 2012	Adjustment to opening balance	Balance as at Jan. 1, 2013	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other allocations
Share capital:					
a) ordinary shares	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	-	-	-	-	-

as at December 31, 2014

€/t	Balance as at Dec. 31, 2013	Adjustment to opening balance	Balance as at Jan. 1, 2014	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other allocations
Share capital:					
a) ordinary shares	73,600	-	73,600	-	-
b) other shares	-	-	-	-	-
Share premium account	59,376	-	59,376	-	-
Reserves:					
a) retained earnings	997,809	-	997,809	226,159	-
b) other	84,693	-	84,693	-	-
Valuation reserves	100,781	-	100,781	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(2,045)	-	(2,045)	-	-
Net profit (loss) for the year	336,580	-	336,580	(226,159)	(110,421)
Shareholders' equity	1,650,794	-	1,650,794	-	(110,421)
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	Shareholding interests	Comprehensive income as at Dec. 31, 2013	Shareholders' equity as at Dec. 31, 2013	Minority shareholders' equity as 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	-
-	-	-	-	-	-	-	-	-	-	-

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 derivative	Stock options	Shareholding interests	Comprehensive income as at Dec. 31, 2014	Shareholders' equity as at Dec. 31, 2014	Minority shareholders' equity as at Dec. 31, 2014
-	144	-	-	-	-	-	-	-	73,744	-
-	-	-	-	-	-	-	-	-	-	-
-	3,823	-	-	-	-	-	-	-	63,199	-
(20,359)	-	-	(110,608)	-	-	2,370	-	-	1,095,371	-
-	-	-	-	-	-	-	-	-	84,693	-
19,775	-	-	-	-	-	-	-	57,213	177,769	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2,045)	-
-	-	-	-	-	-	-	-	320,617	320,617	-
(584)	3,967	-	(110,608)	-	-	2,370	-	377,830	1,813,348	-
-	-	-	-	-	-	-	-	-	-	-

Statement of cash flows

Indirect method

€/t	Dec. 31, 2014	Dec. 31, 2013
A. OPERATING ACTIVITIES		
1. Operations	(612,010)	(658,016)
- result for the year	320,617	336,580
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	(989,478)	(1,140,793)
- gains/losses on hedges (+/-)	5,400	(3,755)
- net impairment/reversal of impairment (+/-)	28,851	13,444
- net write-downs/write-backs of tangible and intangible assets (+/-)	22,426	21,800
- net provisions for risks and charges and other costs/revenues (+/-)	35,101	18,328
- taxes and duties, unpaid tax receivables (+/-)	(34,927)	96,380
2. Cash generated/used by financial assets	(4,128,370)	947,513
- financial assets held for trading	288,217	86,387
- financial assets measured at fair value	(1,614,985)	216,018
- available-for-sale financial assets	(2,880,969)	(228,018)
- loans to banks: on demand	(138,316)	62,972
- loans to banks: other loans	427,825	288,948
- loans to customers	(1,118,499)	(545,306)
- other assets	908,357	1,066,512
3. Cash generated/used by financial liabilities	4,993,076	1,006,392
- due to banks: on demand	(23,833)	30,453
- due to banks: other amounts due	2,688,856	1,103,386
- due to customers	1,326,286	1,857,484
- securities issued	(27,668)	(62,995)
- financial liabilities held for trading	119,829	(10,248)
- financial liabilities measured at fair value	1,567,354	(51,815)
- other liabilities	(657,748)	(1,859,873)
Net cash generated by/used in operating activities	252,696	1,295,889
B. INVESTMENT ACTIVITIES		
1. Cash generated by	4,934	5
- sale of held-to-maturity financial assets	4,934	-
- sale of tangible assets	-	5
2. Cash used for	(37,635)	(1,173,800)
- purchases of held-to-maturity financial assets	-	(1,157,607)
- purchases of tangible assets	(3,258)	(3,898)
- purchases of intangible assets	(34,377)	(12,295)
Net cash generated by/used in investing activities	(32,701)	(1,173,795)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	144	166
- issue/purchase of equity instruments	6,193	6,176
- dividend distribution and other	(221,029)	(132,338)
Net cash generated by/used in financing activities	(214,692)	(125,996)
NET CASH GENERATED/USED IN THE YEAR	5,303	(3,902)

Legend: (+) generated (-) used

RECONCILIATION

€/t	Dec. 31, 2014	Dec. 31, 2013
Captions		
Cash and cash equivalents at beginning of the year	60,443	64,345
Net cash generated/used in the year	5,303	(3,902)
Cash and cash equivalents at end of the year	65,746	60,443

Notes to the Consolidated Annual Financial Statements 2014

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

The 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, 2014 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 updates.
Following the entry into force on April 16, 2014 of Legislative Decree 4.3.2014 no. 53 (implementing Directive 2011/89/EU) Mediolanum S.p.A. acquired the characteristics to perform the parent company functions of Mediolanum Banking Group.
As a result of the above, as of April 16, Mediolanum S.p.A. was registered as parent company of the banking Group in accordance with article 64 of the Consolidated Law on Banking. The consolidated annual financial statements for the year ended December 31, 2014 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 and subsequent updates.

Section 2 – Accounting basis

In the preparation of the consolidated financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect as at December 31, 2014, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS, no departure was made from requirements therein.
The financial statements include the Statement of financial position, the Income statement, the Statement of other comprehensive income, Statement of changes in equity, the Statement of cash flows and the notes to the consolidated financial statements. It also includes 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 on operations are presented in thousands of Euro unless stated otherwise.
The Accounts and the Notes also include comparative information for the year ended December 31, 2013.

Accounts

Statement of financial position and income statement

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

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 preceded by a minus sign.

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 flows

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

Content of the Notes

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

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.

1. Investments in wholly-controlled companies

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/ Operating office	Type of relation	Business
Mediolanum Vita S.p.A.	87,720	100.00%	Basiglio	1	Life 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 Assicurazioni S.p.A.	25,800	100.00%	Basiglio	1	Damages Insurance
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 consulting
Gamax Management AG	2,000	0.004%	Luxembourg	1	Fund management

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

€/t Company	Share capital	% holding	Registered/ Operating 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	48.00%	Dublin	1	Fund management
Mediolanum Asset Management Ltd	150	51.00%	Dublin	1	Asset management and consulting
Gamax Management AG	2,000	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. and owned through Banco Mediolanum S.A., consolidated on a line-by-line basis:

€/t Company	Share capital	% holding	Registered/ Operating 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 consulting firm
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

Group companies that are indirectly owned by Banca Mediolanum S.p.A., owned through Bankhaus August Lenz & Co. AG., consolidated on a line-by-line basis:

€/t Company	Share capital	% holding	Registered/ Operating office	Type of relation [1]	Business
Mediolanum International Funds Ltd	150	3.00%	Dublin	1	Fund management

Legend:

[1] Type of relation: 1 = majority of voting rights in the General Meeting
2 = dominant influence at General 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

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

€/t Company	Share capital	% holding	Registered office	Business
Mediobanca S.p.A.	431,844	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 like items of the statement of financial position and the income statement. After minority interests in the net assets and minority interests in the profit or loss of subsidiaries are separately identified, the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

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

Intercompany assets, liabilities, income and expenses are eliminated in full.

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

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

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

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

2. Ratings and significant assumptions to determine the scope of consolidation

The reasons for which the Mediolanum Group deems it does not control the "unit-linked" internal insurance funds (for which it holds 100% of the outstanding) and the funds promoted (securities, real estate and Sicav) and the contemporary non-respect of all the conditions for control in IFRS 10. In relation to the unit-linked the Mediolanum Group believes that:
i) it does not exercise full power over the entity of the investment (unit-linked) as limited by the requirements laid down in the regulations of the funds in terms of asset allocation and management policies;
ii) it is not significantly exposed to variable returns of the entity involved in the investment.
In fact, the profits or losses related to the valuation of the assets included in the unit-linked are fully recognized to policyholders through the change in the mathematical reserve and only the change in the relative commission impact remains with the Group.

In relation to the funds, the Mediolanum Group believes that:
i) it does not own the majority of outstanding units;
ii) it does not exercise full power over the entity of the investment (funds) as limited by the requirements laid down in the regulations of the funds in terms of asset allocation and management policies;
iii) it is not significantly exposed to variable returns of the entity of the investment as it does not hold or holds a marginal portion of the funds.
Exposure to changes in the value of the funds, i.e. the gains or losses related to the valuation of assets, are attributable to the subscribers and only the change in the relative commission impact remains with the Group. In particular, the Group is exposed to the risk of variability of subscription fees and charges on premiums, linked to the performance of inflows, management fees relating to assets under management and incentive fees linked to the performance of managed funds, as well as operational, compliance and reputational risks typical of the sector in which the Group operates.

Section 4 - Post balance sheet date events

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

Section 5 - Other information

Information on the business and the results of operations for the year 2014 of the main subsidiaries is set out in the Report on Operations accompanying the consolidated financial statements.
Pursuant to the resolution passed at the Annual General Meeting held on April 20, 2011, the consolidated annual 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, 2014. 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, 2013.

Accounting principles, amendments and IFRS interpretations applied starting from January 1, 2014

The following accounting principles, amendments and interpretations were applied for the first time by the Group from January 1, 2014:
- On May 12, 2011, the IASB issued **IFRS 10** – ***Consolidated Financial Statements*** which will replace IAS 27 – *Consolidated and separate financial statements*, for the part relating to the consolidation and the SIC-12 *Consolidation – Special Purpose Entities* (*SPV*). The previous IAS 27 has been renamed Separate Financial Statements and governs the accounting of investments in the separate financial statements. The main changes set forth in the new principle are as follows:
  - according to IFRS 10 there is a single basic principle to consolidate all types of entities, and this principle is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - a definition of stronger control with respect to the past was introduced, based on three elements: (a) power on the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such returns;
  - IFRS 10 requires an investor to assess whether it has control over the company acquired by focusing on activities that significantly affect the returns of the same;
  - IFRS 10 requires that, in assessing whether there is control, only the substantive rights are considered, i.e. those which can be exercised in practice when important decisions must be taken regarding the company acquired;
  - IFRS 10 provides practical guides to aid in assessing whether control exists in complex situations, such as the *de facto* control, potential voting rights, the situations in which it is necessary to establish whether the party who has the power to decide is acting as agent or principal etc.

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

- On May 12, 2011, the IASB issued **IFRS 11 – *Joint Arrangements***, which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Contributions in joint control by the stockholders*. The new principle, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements by focusing on the rights and obligations deriving from these arrangements, rather than its legal form, distinguishing between joint ventures and joint operations.
- On May 12, 2011 the IASB issued **IFRS 12 – *Disclosures of Interests in Other Entities***, a new and comprehensive principle on the disclosures that are to be provided about any type of holdings, including investments in subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated special purpose vehicles.
- On December 16, 2011, the IASB issued amendments to **IAS 32 - *Financial Instruments***: presentation in the financial statements to provide additional guidance on consistent application of IAS 32 regarding offset of financial assets and financial liabilities. The amendments are retrospectively applicable starting from January 1, 2014.
- On June 28, 2012, the IASB published the document ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)***. The document clarifies the transition rules of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities.
- On October 31, 2012 amendments to **IFRS 10, IFRS 12 and IAS 27 "Investment Entities"**, were issued, which introduce an exception to the consolidation of subsidiaries for an investment company, with the exception of cases in which subsidiaries provide services that relate to the investment activities of such companies. Pursuant to those amendments, investment companies shall evaluate their investments in subsidiaries at fair value.
- On May 29, 2013, the IASB issued amendments to **IAS 36 – Impairment of assets – Additional information on the recoverable value of non-financial assets.** The amendments are intended to clarify that the additional information to be provided regarding the recoverable value of the assets (including goodwill) or cash-generating units, in the event that their recoverable value is based on fair value less costs of disposal, relate only to the assets or cash-generating unit for which a loss for a reduction in value has been recognized or reversed during the year.
- On June 27, 2013, the IASB issued amendments to **IAS 39 "Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting"**. The amendments include the introduction of certain exemptions from the requirements of hedge accounting as defined by IAS 39 in the circumstance in which an existing derivative is to be replaced with a new derivative in a specific case in which said substitution is against a central counterparty-CCP following the introduction of a new law or regulation.
- On May 20, 2013 the interpretation **IFRIC 21 – *Levies***, was published, which provides clarification on when recognition of a liability related to taxes (other than income taxes) imposed by a government agency to a company that shall pay such taxes. The standard addresses both the liabilities for taxes that fall within the scope of IAS 37 – *Provisions, contingent liabilities and assets*, both for the taxes where the amount and timing are certain.

These standards and amendments have no significant effect on the consolidated financial report of the Group.

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

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

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

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

On January 30, 2014, the IASB published the principle "IFRS 14 Regulatory Deferral Accounts" that allows only those that adopt IFRS for the first time to continue to recognize the amounts related to activities subject to regulated tariffs ("Rate Regulation Activities") under previous accounting principles adopted. In order to improve comparability with entities that already apply IFRS and that do not detect these amounts, the standard requires that the rate regulation effect be presented separately from other items. The principle is applicable starting from January 01, 2016. However, earlier application is permitted.

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

- identification of the contract and with the customer;

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

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

On December 12, 2013, the IASB published the document "Annual Improvements to IFRSs: 2010-2012 Cycle" and "Annual Improvements to IFRSs: 2011-2013 Cycle" which incorporates amendments to the standards in the context of the annual improvement process thereof.
On May 6, 2014, the IASB issued amendments to IAS 16 Property, plant and Equipment and IAS 38 Intangibles Assets. The amendments to IAS 16 Property, plant and Equipment establish that the depreciation criteria determined on the basis of the revenues are not appropriate. The changes are applicable starting from January 1, 2016. However, earlier application is permitted.

On May 12, 2014, the IASB issued amendments to IFRS 11 Joint Arrangements relating to the accounting for the purchase of stakes in a joint operation whose activity constitutes a business in the meaning provided by IFRS 3. The changes are applicable starting from January 1, 2016. However, earlier application is permitted.

On August 12, 2014, the IASB published the document "Equity method in separate financial statements (amendments to IAS 27)". The document amends IAS 27 to allow companies to apply the equity method in the separate financial statements for the evaluation of investments in subsidiaries, associates and joint ventures.
The companies must apply the same evaluation criteria for each investment category. The amendments to IAS 27 must be applied retrospectively as of the financial statements starting on or after January 1, 2016. Advance application is allowed.

On September 11, 2014, the IASB published the document "Sale or transfer of assets between an investor and its associate or joint venture" – amendments to IFRS 10 and IAS 28. The amendments of the two standards were made to resolve an inconsistency between IAS 28, pursuant to which the gains and losses on transactions between a company and its associate or joint venture are recognised only to the extent of the minority interest, and IFRS 10, which requires the total recognition of gains and losses arising from the loss of control over a subsidiary by the Parent Company. The amendments must apply with effect from the financial statements, beginning on or after January 1, 2016; advance application is allowed.

Financial assets measured 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 measured at fair value in the income statement consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets measured 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 measured 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 measured at fair value through the income statement 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, 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, recent comparable transactions.
Reclassification to other categories of financial assets is not allowed except for rare circumstances which are unlikely to occur again in the near term.
In such rare circumstances debt securities and equities that are no longer held for trading can be reclassified to the other categories under IAS 39 (Held-to-maturity investments, Available-for-sale financial assets, Loans and Receivables), provided that they satisfy the relevant requirements. The carrying amount of the reclassified financial instrument is its fair value on the date of reclassification. The existence of any embedded derivative contracts that require unbundling is assessed upon reclassification.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial assets held for trading or Held-to-maturity investments.
In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.
Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on the trade date if they are loans or receivables.

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

Held-to-maturity investments

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

Hedging

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

Pursuant to IAS 39, the Company adopted fair value hedging to cover exposure to changes in the fair value of a financial item that is attributable to a particular risk. Specifically, the Company entered into fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities.

Only instruments that involve a party external to the Group can be designated as hedging instruments. A hedge of an overall net position in a portfolio of financial instruments does not qualify for hedge accounting.

Hedging derivatives are measured at fair value. As they are accounted for as fair value hedges, the changes in the fair value of the hedged item are offset by the changes in the fair value of the hedging instrument. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item (in relation to changes generated by the underlying risk). Any resulting difference, which represents the partial ineffectiveness of the hedge, is the net effect on profit or loss. Fair value is determined on the basis of quoted prices in an active market, prices quoted by market participants or internal valuation models commonly used in financial practice, which take into account all risk factors associated with the instruments and based on market information. Derivatives are recognised as hedging derivatives if there is formal documentation of the hedging relationship between the hedging instrument and the hedged item and if, at the inception of the hedge and prospectively, the hedge is expected to be effective during the period for which the hedge is designated.

A hedge is effective if it achieves offsetting changes in the fair value of the hedged risk.

The hedging relationship is considered effective if, at the inception of the hedge and in subsequent periods, the changes in the fair value of the hedged item are offset by the changes in fair value of the hedging instrument and if the actual results of the hedge are within a range of 80%-125%.

Hedge effectiveness is assessed at the date the entity prepares its annual or interim financial statements, using:

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

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

Equity investments

Regarding the entry into force with effect from January 1, 2014 of IFRS 10 it is stated that there is the presence of control of an entity, when the investor has at the same time:

a) power on the entity of the investment;

b) exposure or rights to variable returns arising from the relation with the entity of the investment;

c) the ability to exercise its power on the entity of the investment to affect the amount of its returns.

If an investor is able to exercise voting rights sufficient to determine the operating and financial policies of the investee, it exercises control.
In the presence of complex situations, in the definition of control, the judgement is exercised that takes into account:
- of the nature of the relevant activities;
- the manner in which decisions are made relating to such activities;
- if the rights of investors confer the current ability to direct the activities in question;
- if the investor is exposed, or has the right to variable returns from its involvement with the investee;
- if the investor has the ability to use its power over the investee to affect the return on investment.

There is the presence of a liaison relation, according to as provided in IAS 28, when the investor has significant influence over an investee. The significant influence and the power to participate in the decisions of the financial and operating policies of the investee, without control or joint control.
As a general rule, the existence of significant influence is assumed when an entity holds, directly or indirectly, through subsidiaries, 20% or more of the voting power of an investee.
In the presence of more complex situations, for example in the case of ownership of units less than 20%; in the definition of significant influence the judgement is exercised that takes into account:
- representation in the board of directors or equivalent body of the investee;
- participation in decision making processes, including participation in decisions regarding dividends or other distributions;
- significant transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

There is the presence of a joint arrangement in accordance with IFRS 11 when i) there is a contractual agreement between the parties, ii) said agreement allows the exercise of joint control that is when the relevant decisions relating to the subject of the agreement must be taken unanimously by all parties involved.
According to IFRS 11 joint arrangements can be classified into two distinct categories:
- joint operations;
- joint ventures.

A joint arrangement that is not structured through a corporate vehicle is considered a joint operation. Otherwise a joint arrangement structured through a corporate vehicle can be both a joint operation and a joint venture.
There is the presence of a joint operation if the parties involved in the agreement have rights and obligations on the individual assets and liabilities of the agreement. The joint operations are accounted for by the parties involved recognizing the related portion of assets, liabilities, revenues and expenses.
There is the presence of a joint venture if the parties that hold joint control have rights on the net assets covered by the agreement and the parties are responsible only for their portions of investment in the joint venture.
Associated companies and joint ventures are measured using the equity method.

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.

Loans and receivables

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

- nonperforming – these are formally impaired loans i.e. exposures to borrowers that are unable to meet their payment obligations, even if their insolvency has not been established by a court of law, or in equivalent conditions;
- watch list – these are exposures to borrowers that are experiencing temporary difficulties in meeting their payment obligations but are expected to make good within a reasonable timeframe. Watch list loans also include exposures (other than to nonperforming borrowers or to government entities) that satisfy both the following conditions:
  - have been past due and unpaid for over 270 days (over 150 or 180 days for consumer loans with original maturity of less than 36 months, or of 36 months or more, respectively);
  - the aggregate exposure as per the previous paragraph and in relation to other payments that are less than 270 days past due to the same borrower accounts for at least 10% of total exposure to that borrower;

- restructured – exposures for which a grace period was accorded with concurrent renegotiation of the loan terms and conditions at below market rates, that were in part converted into shares and/or for which a principal reduction was agreed;
- past due – exposures to borrowers other than those classified in the categories above, that at the reporting date were 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. In case of significant performing loans an analytical assessment can be made.
Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

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 that exceeds what the asset value would have been net of accumulated depreciation less previous impairment.
A tangible asset is derecognised from the statement of financial position on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets 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.

Financial liabilities measured at fair value

Recording includes financial liabilities designated at fair value through the income statement, on the basis of the power granted to companies (so-called "fair value option") of IAS 39. The Group has taken advantage of the opportunity to designate at fair value financial products that do not present a significant insurance risk and that are not included under separate management and therefore do not involve elements of discretionary investment.
Said liabilities are recorded at the date of issue in an amount equal to their fair value. They are measured at fair value and the result is recognised in the income statement.

Insurance contracts

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. For the Mediolanum Group this limit is set at 5%.

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 the mathematical reserve, 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; this reserve includes all revaluations applied in accordance with contract terms, as well as provisions for rate, demographic risk and is not lower than the surrender values.
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 it is recognised in the Income statement.

Damages Technical Reserves

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 equalisation 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 in accordance with ISVAP Regulation no. 16 of March 4, 2008 analyt-

ically 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 claims reserves are estimated by the directional liquidators according to the "continuous" reserve method, the reserve claim is therefore evaluated each time updated information is received and however at least once a year. Furthermore, the claims of "run off" management (RCA and professional RC civil liability) because of the peculiarities and specificity that distinguish them are managed by a dedicated structure located within the Claims Department. The Management of the Company periodically verifies the main technical indicators in order to assess the possible need for additions/revisions of the classes of claims.
The reserve includes an estimate for claims occurred but not yet reported at year end which are calculated on the basis of the experience acquired in previous years, properly assessed to take account of the characteristics of the classes, as well as the estimate of the cost in the event of particularly relevant claims occurred but reported after the end of the year.
The reserve is also integrated to consider settlement costs attributable to compensation (direct costs based on the forfeited estimate of directional and indirect liquidators on the basis of the internal cost structure).
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 control of the adequacy of the premium reserve for each ministerial class the additional reserve is calculated for Risks in Progress with the simplified method as required by ISVAP Regulation no. 16 art. 11. Since the reserve claims are measured at ultimate cost, and not discounted, it is possible to deem the future cash flows of payments (LAT on claims reserve) implicitly verified.

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

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

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

Income statement

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

In particular:

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

OTHER INFORMATION

Use of estimates

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

- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- identification of loss events as per IAS 39;
- assumptions used for the identification of any objective evidence of impairment of intangible assets and equity investments recognised in the statement of financial position (IAS 36);

- assumptions for defined benefit funds;
- determination of impairment losses on loans and other financial assets;
- estimates to determine technical reserves;
- determination of provisions for risks and charges and tax provisions;
- estimates and assumptions for the determination of the probability of utilisation of deferred tax assets;
- assumptions used to determine the costs of stock options plans for top management and employees.

Senior management regularly check valuations and estimates made on the basis of past experience and other reasonable factors. Due to the uncertainty typically related to these financial items, actual values may differ from estimates due to the occurrence of unexpected events or changes in operating conditions.
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 investment.
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

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

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

A.4 - FAIR VALUE DISCLOSURES

Fair value disclosures

This section includes the fair value disclosure as required by IFRS 13. The fair value is defined as the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market counterparties, on the relevant market at the measurement date.
A financial instrument is 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 fair value of instruments classified in this level is determined on the basis of price quotes observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use observable inputs in active markets;
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use significant unobservable inputs in active markets.

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

Description of migration between the valuation level of assets

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

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

The level 2 instruments of the Mediolanum Group are represented by bonds issued by third parties and by Hedge Fund of Funds (HFoF) units as well as certain derivative instruments. The securities belonging to this category are valued on the basis of market data inputs, either directly or indirectly observable.
The fair value of the bonds is calculated as the sum of the current values at the end of the year of the related cash flows. The discounting rate is calculated as the sum of two components:

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

The risk-free rate is deducted from the implicit value in IRS contracts (interest rate swap), while the credit spread is deducted from the price of bonds of the same issuer, with fixed coupon and a maturity comparable with the security valued. If there are no securities of the same issuer, and for own bonds, a credit spread is used derived from a weighted average of the observed values for bonds listed on institutional markets of major Italian banks.
If the forecast cash flow are not determined but are dependent on market variables they are identified on the basis of:

- 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 collateralisation: in particular the value of the contracts is calculated by discounting the cash flows arising from them at rates derived from the implicit values in OIS contracts (Overnight Interest Swap) and the relevant Basis Swap contracts.
Level 3 assets of the Group mainly consist of assets covering liabilities related to index-linked policies, holdings in UCITS and positions in unlisted shares. Level 3 of the fair value of assets and liabilities that are not at fair value on a recurring basis include receivables and payables with customers and banks, as well as properties.
Hedging of index-linked policies pertaining to the life insurance companies, are represented by bonds and derivative contracts traded outside regulated markets, and characterized by low liquidity and complex financial structures. Therefore, for their valuation, complex stochastic models are used. In particular:

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

correlation between their returns. The model is calibrated on the observed value of the indices and the historical volatility and correlations (on an observation period of years).

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

The starting point for the determination of the FV of property (included in property funds) 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 risk of illiquidity, a spread for the risk associated with the property investment and a spread for the industry/urban planning risk (recorded in the discount rates following an asset-dependent logic). The marginal effect of each of the 4 components will therefore reflect the market sensitivity of the evaluator, as well as related predictions and expectations.

The capitalisation rate (Exit rate), by contrast, is the factor that allows converting an indication of future income into an indication of present value. It is also determined through a linear combination: the inputs are taken from the financial market and the market of reference of the property, in particular the Risk Out rate is derived from the assessor observing the transactions identified in the relevant market.

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

The fair value of property owned was determined with reference to the "comparative" method.

In general, the present value of an asset and/or liability is determined by discounting on the reference date or cut-off the flow of interest and capital, allocated to the various maturities, with the yield curve of the cut-off date and relative to the currency of the product.

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

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

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

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

	Dec. 31, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	804,532	34,610	7,743	1,100,271	26,806	8,025
2. Financial assets measured at fair value	13,006,039	917,354	443,908	10,715,215	1,423,027	612,943
3. Available-for-sale financial assets	15,304,032	94,260	118,548	12,296,507	145,089	117,287
4. Hedging derivatives	-	1,287	-	-	2,418	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	29,114,603	1,047,511	570,199	24,111,993	1,597,340	738,255
1. Financial liabilities held for trading	331,201	39,058	437	231,526	18,800	541
2. Financial liabilities measured at fair value	1,586,295	8,598	2,358	47,398	19,020	4,570
3. Hedging derivatives	-	100,218	-	-	59,127	-
Total	1,917,496	147,874	2,795	278,924	96,947	5,111

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

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

€/t	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Hedging derivatives	Tangible assets	Intangible assets
1. Opening balance	8,025	612,943	117,287	-	-	-
2. Increases	119,565	208,927	15,888	-	-	-
2.1. Acquisitions	118,954	189,276	8,377	-	-	-
2.2. Profits recognised:						
2.2.1. Income statement	611	19,571	-	-	-	-
- Gains	128	2,608	-	-	-	-
2.2.2. Shareholders' equity	X	X	7,511	-	-	-
2.3. Transferred from other levels	-	-	-	-	-	-
2.4. Other increases	-	80	-	-	-	-
3. Decreases	119,847	377,962	14,627	-	-	-
3.1. Sales	118,574	349,632	5,836	-	-	-
3.2. Redemptions	734	4,653	-	-	-	-
3.3. Losses recognised:						
3.3.1. Income statement	484	23,388	7,650	-	-	-
- of which: losses	45	959	7,403	-	-	-
3.3.2. Shareholders' equity	X	X	1,141	-	-	-
3.4. Transferred to other levels	-	-	-	-	-	-
3.5. Other decreases	55	289	-	-	-	-
4. Closing balance	7,743	443,908	118,548	-	-	-

A.4.5.3 Year's movement in financial liabilities measured at fair value (level 3)

	Financial liabilities		
	Held for trading	Measured at fair value	Hedging derivatives
1. Opening balance	541	4,570	-
2. Increases	102	-	-
2.1. Issues	-	-	-
2.2. Losses recognised:			
2.2.1. Income statement	99	-	-
- of which: losses	70	-	-
2.2.2. Shareholders' equity	X	X	-
2.3. Transferred from other levels	-	-	-
2.4. Other increases	3	-	-
3. Decreases	206	2,212	-
3.1. Redemptions	-	-	-
3.2. Buybacks	-	-	-
3.3. Profits recognised:			
3.3.1. Income statement	206	-	-
- of which: gains	15	-	-
3.3.2. Shareholders' equity	X	X	-
3.4. Transferred to other levels	-	-	-
3.5. Other decreases	-	2,212	-
4. Closing balance	437	2,358	-

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

	Dec. 31, 2014				Dec. 31, 2013			
		FV				FV		
€/t	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	2,512,081	2,639,055	-	-	2,517,015	2,592,614	4,015	-
2. Loans to banks	811,050	5,110	19,044	787,152	1,100,559	93,290	222,128	781,680
3. Loans to customers	6,779,007	114,657	342,233	6,347,293	5,660,508	115,132	328,092	5,222,344
4. Tangible assets held for investment purposes	104,152	-	-	118,200	105,831	-	-	121,280
5. Non-current assets and disposal groups	567	-	-	567	868	-	-	868
Total	10,206,857	2,758,822	361,277	7,253,212	9,384,781	2,801,036	554,235	6,126,172
1. Amounts due to banks	7,615,391	-	-	7,642,888	4,950,368	-	-	4,950,368
2. Amounts due to customers	14,231,750	-	-	14,870,764	12,905,464	-	-	13,787,557
3. Securities issued	341,741	-	353,529	-	369,409	-	372,821	-
4. Liabilities associated with assets held for sale	-	-	-	-	962	-	-	962
Total	22,188,882	-	353,529	22,513,652	18,226,203	76,309	372,821	18,738,887

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, 2014	Dec. 31, 2013
a) Cash	63,308	57,111
b) Demand deposits with Central Banks	2,438	3,332
Total	65,746	60,443

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
A. Non-derivatives						
1. Debt securities	804,502	26,791	5,426	1,100,215	25,350	5,542
1.1 Structured notes	-	5,293	5,426	4	5,331	5,542
1.2 Other debt securities	804,502	21,498	-	1,100,211	20,019	-
2. Equities	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	56	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	804,502	26,791	5,426	1,100,271	25,350	5,542
B. Derivatives	-	-	-	-	-	-
1. Financial derivatives:	30	7,819	2,317	-	1,456	2,483
1.1 Held for trading	30	7,161	2,186	-	742	2,304
1.2 Measured at fair value	-	658	131	-	714	179
1.3 Other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Measured at fair value	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	30	7,819	2,317	-	1,456	2,483
Total (A+B)	804,532	34,610	7,743	1,100,271	26,806	8,025

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

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Non-derivatives		
1. Debt securities	836,719	1,131,107
a) Governments and Central Banks	654,020	715,021
b) Other government agencies	-	5,397
c) Banks	169,207	375,954
d) Other issuers	13,492	34,735
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Holdings in UCITS	-	56
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total A	836,719	1,131,163
B. Derivatives	-	-
a) Banks	4,002	3,918
- fair value	4,002	3,918
b) Customers	6,164	21
- fair value	6,164	21
Total B	10,166	3,939
Total (A + B)	846,885	1,135,102

2.3 Year's movements in financial assets held for trading

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	1,131,107	-	56	-	1,131,163
B. Increases	10,842,901	3,583	523	-	10,847,007
B.1 Acquisitions	10,806,148	3,582	501	-	10,810,231
B.2 Increases in fair value	13,888	-	22	-	13,910
B.3 Other increases	22,865	1	-	-	22,866
C. Decreases	11,137,289	3,583	579	-	11,141,451
C.1 Sales	9,984,095	3,553	579	-	9,988,227
C.2 Redemptions	1,138,843	-	-	-	1,138,843
C.3 Decreases in fair value	1,361	-	-	-	1,361
C.4 Reclassified to other portfolios	-	-	-	-	-
C.5 Other decreases	12,990	30	-	-	13,020
D. Closing balance	836,719	-	-	-	836,719

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

3.1. Analysis of financial assets measured at *fair value*

	Dec. 31, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
1. Debt securities	255,030	822,695	443,908	330,049	1,323,599	612,943
1.1 Structured notes	214,620	628,660	431,367	276,704	927,634	588,705
1.2 Other debt securities	40,410	194,035	12,541	53,345	395,965	24,238
2. Equities	-	-	-	-	-	-
3. Holdings in UCITS	12,751,009	94,659	-	10,385,166	99,428	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	13,006,039	917,354	443,908	10,715,215	1,423,027	612,943
Cost	-	-	-	-	-	-

Level 3 mainly consists of securities related to index-linked policies.

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Debt securities	1,521,633	2,266,591
a) Governments and Central Banks	136,140	215,793
b) Other government agencies	-	-
c) Banks	1,385,493	2,037,021
d) Other issuers	-	13,777
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Holdings in UCITS	12,845,668	10,484,594
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	14,367,301	12,751,185

3.3 Year's movements in financial assets measured at fair value

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	2,266,591	-	10,484,594	-	12,751,185
B. Increases	292,028	-	4,358,520	-	4,650,548
B.1 Acquisitions	217,759	-	1,317,746	-	1,535,505
B.2 Increases in fair value	72,554	-	1,006,952	-	1,079,506
B.3 Other increases	1,715	-	2,033,822	-	2,035,537
C. Decreases	1,036,986	-	1,997,446	-	3,034,432
C.1 Sales	792,219	-	341,369	-	1,133,588
C.2 Redemptions	211,623	-	-	-	211,623
C.3 Decreases in fair value	29,860	-	29,751	-	59,611
C.4 Other decreases	3,284	-	1,626,326	-	1,629,610
D. Closing balance	1,521,633	-	12,845,668	-	14,367,301

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
1. Debt securities	15,276,991	21,485	342	12,269,767	64,273	263
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	15,276,991	21,485	342	12,269,767	64,273	263
2. Equities	4,813	-	41,350	5,254	-	38,834
2.1 Measured at fair value	4,813	-	1,789	5,254	-	741
2.2 Measured at cost	-	-	39,561	-	-	38,093
3. Holdings in UCITS	22,228	72,775	76,856	21,486	80,816	78,190
4. Loans	-	-	-	-	-	-
Total	15,304,032	94,260	118,548	12,296,507	145,089	117,287

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Debt securities	15,298,818	12,334,303
a) Governments and Central Banks	14,956,997	11,641,233
b) Other government agencies	-	-
c) Banks	273,426	660,940
d) Others	68,395	32,130
2. Equities	46,163	44,088
a) Banks	-	-
b) Other issuers:	46,163	44,088
- insurance companies	4,718	4,735
- financial companies	5,509	5,915
- non-financial companies	23,963	15,636
- other	11,973	17,802
3. Holdings in UCITS	171,859	180,492
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	15,516,840	12,558,883

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

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	12,334,303	44,088	180,492	-	12,558,883
B. Increases	11,863,278	9,719	13,037	-	11,886,034
B.1 Acquisitions	11,214,838	9,568	2,799	-	11,227,205
B.2 Increases in fair value	376,993	-	2,303	-	379,296
B.3 Reversal of impairment	3,667	65	7,185	-	10,917
- in income statement	3,661	X	-	-	3,661
- in equity	6	65	7,185	-	7,256
B4. Reclassified from other portfolios	-	-	-	-	-
B.5 Other increases	267,780	86	750	-	268,616
C. Decreases	8,898,763	7,644	21,670	-	8,928,077
C.1 Sales	3,830,509	7,412	8,650	-	3,846,571
C.2 Redemptions	4,544,384	-	-	-	4,544,384
C.3 Decreases in fair value	249,533	94	5,452	-	255,079
C.4 Impairment	71	59	7,452	-	7,582
- in income statement	71	50	7,431	-	7,552
- in equity	-	9	21	-	30
C.5 Reclassified to other portfolios	-	-	-	-	-
C.6 Other decreases	274,266	79	116	-	274,461
D. Closing balance	15,298,818	46,163	171,859	-	15,516,840

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

5.1 Analysis of held-to-maturity investments

€/t	Dec. 31, 2014				Dec. 31, 2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,512,081	2,639,055	-	-	2,517,015	2,592,614	4,015	-
- structured	-	-	-	-	-	-	-	-
- other	2,512,081	2,639,055	-	-	2,517,015	2,592,614	4,015	-
2. Loans	-	-	-	-	-	-	-	-
Total	2,512,081	2,639,055	-	-	2,517,015	2,592,614	4,015	-

Legend:
FV = Fair value
BV = Book value

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Debt securities	2,512,081	2,517,015
a) Governments and Central Banks	2,426,780	2,413,568
b) Other government agencies	-	-
c) Banks	85,301	97,013
d) Others	-	6,434
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	2,512,081	2,517,015
Total FV	2,639,055	2,596,629

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

€/t	Debt securities	Loans	Total
A. Opening balance	2,517,015	-	2,517,015
B. Increases	53,323	-	53,323
B.1 Acquisitions	-	-	-
B.2 Reversal of impairment	1	-	1
B.3 Reclassified from other portfolios	-	-	-
B.4 Other increases	53,322	-	53,322
C. Decreases	58,257	-	58,257
C.1 Sales	-	-	-
C.2 Redemptions	19,000	-	19,000
C.3 Impairment	-	-	-
C.4 Reclassified from other portfolios	-	-	-
C.5 Other decreases	39,257	-	39,257
D. Closing balance	2,512,081	-	2,512,081

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

€/t	Dec. 31, 2014				Dec. 31, 2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	220,158	-	-	220,158	369,774	-	-	369,774
1. Time deposits	20,381	X	X	X	12,000	X	X	X
2. Reserve requirements	199,777	X	X	X	357,774	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans to banks	590,892	5,110	19,044	566,994	730,785	93,290	222,128	411,906
1. Loans	566,985	-	-	566,985	411,833	-	-	411,833
1.1 Current accounts and demand deposits	201,561	X	X	X	63,245	X	X	X
1.2 Time deposits	60,853	X	X	X	54,903	X	X	X
1.3 Other loans:	304,571	X	X	X	293,685	X	X	X
- Repurchase agreements	278,559	X	X	X	277,173	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	26,012	X	X	X	16,512	X	X	X
2. Debt securities	23,907	5,110	19,044	9	318,952	93,290	222,128	73
2.1 Structured notes	-	X	X	X	-	X	X	X
2.2 Other debt securities	23,907	X	X	X	318,952	X	X	X
Totale	811,050	5,110	19,044	787,152	1,100,559	93,290	222,128	781,680

Legend:
FV = Fair value
BV = Book value

Section 7 - Loans to customers - Caption 70

7.1 Analysis of loans to customers

	Dec. 31, 2014						Dec. 31, 2013					
	Book value			Fair value			Book value			Fair value		
		Impaired						Impaired				
€/t	Performing	Purchased	Others	L1	L2	L3	Performing	Purchased	Others	L1	L2	L3
Loans	6,260,135	-	54,876	-	-	6,347,121	5,147,215	-	46,954	-	-	5,222,149
1. Current accounts	403,884	-	5,427	X	X	X	418,148	-	4,810	X	X	X
2. Repurchase agreements	181,379	-	-	X	X	X	20,403	-	-	X	X	X
3. Mortgages	4,381,227	-	40,795	X	X	X	3,675,984	-	32,696	X	X	X
4. Credit cards, personal loans and salary-guaranteed loans	822,044	-	4,429	X	X	X	650,973	-	2,978	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	471,601	-	4,225	X	X	X	381,707	-	6,470	X	X	X
Debt securities	463,996	-	-	114,657	342,233	172	466,339	-	-	115,132	328,092	195
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	463,996	-	-	X	X	X	466,339	-	-	X	X	X
Total	6,724,131	-	54,876	114,657	342,233	6,347,293	5,613,554	-	46,954	115,132	328,092	5,222,344

7.2 Analysis of loans to customers by debtor/issuer

	Dec. 31, 2014			Dec. 31, 2013		
		Impaired			Impaired	
€/t	Performing	Purchased	Others	Performing	Purchased	Others
1. Debt securities	463,996	-	-	466,339	-	-
a) Governments	356,474	-	-	356,551	-	-
b) Other government agencies	150	-	-	-	-	-
c) Other issuers	107,372	-	-	109,788	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	107,372	-	-	109,788	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans	6,260,135	-	54,876	5,147,215	-	46,954
a Governments	-	-	16	3	-	13
b) Government agencies	166	-	-	86	-	-
c) Others	6,259,967	-	54,860	5,147,126	-	46,941
- non-financial companies	207,720	-	8,426	194,164	-	4,240
- financial companies	446,997	-	4,212	222,480	-	5,625
- insurance companies	718	-	-	449	-	-
- other	5,604,534	-	42,222	4,730,033	-	37,076
Total	6,724,131	-	54,876	5,613,554	-	46,954

7.3 Loans to customers: micro-hedging

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

Section 8 - Hedging derivatives - Caption 80

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

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

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

Section 10 – Equity investments – Caption 100

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

Company name	Registered office	Operative office	% holding	Voting rights %
A. Joint ventures				
Banca Esperia S.p.A.	Milan	Milan	50.00%	50.00%
B. Companies under significant influence				
Mediobanca S.p.A.	Milan	Milan	3.442%	3.442%

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

€/m	Book value	Fair value	Dividends received
A. Joint ventures			
Banca Esperia S.p.A.	95,804	95,804	-
B. Companies under significant influence			
Mediobanca S.p.A.	325,805	153,304	4,364
Total	421,609	249,108	4,364

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

€/t	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Net interest income	Adj. of reversal of impairment on tangible and intangible assets	Profit (loss) before tax on continuing operations	Profit/loss for the year (1)	Total other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures												
Banca Esperia S.p.A.	151	1,700,305	102,155	(1,553,283)	(61,542)	95,707	12,455	(1,751)	15,055	8,151	2,043	10,194
B. Companies under significant influence												
Mediobanca S.p.A.	X	68,528,269	1,983,905	61,194,764	1,287,924	845,600	X	X	325,679	261,579	-	261,579

The companies for which all of the voting rights are held directly and indirectly are considered subsidiaries.
The investments recorded under caption 100 – Investments of the consolidated financial statements are Mediobanca S.p.A. and Banca Esperia.
In particular, the investment in Mediobanca S.p.A. is classified under "Investments in associates".
The assessment of the significant influence considered the following aspects:

- strategic purpose of the investment for the Mediolanum Group that holds 3.38% (3.44% because of the ownership of shares of Mediobanca) through a syndicate pact representative of 31.52% of the share capital positioning itself as the third shareholder. This Pact was subject to renewal on November 28, 2014 and is aimed at ensuring the stability of the shareholding structure and the representativeness of the management and safeguarding of the management uniqueness of Mediobanca S.p.A. The duration of the Pact will be until December 31, 2015;
- representation in the administrative body of the investee as a result of the resolutions of the extraordinary general meeting of October 28;
- significant transactions with Mediobanca S.p.A. in relation to the joint control of the Banca Esperia Group, which represents the business unit dedicated to advisory services and asset management focusing on the private customers segment.

CET1, as at December 31, 2014 amounted to 11% phased-in while Total Capital phased-in amounted to 13.94%.
The CET1 fully phased was instead equal to 12.7% while the Total Capital fully phased to 15.06%.
Equity as at December 31, 2014 amounted to Euro 7,971 million.
Instead, the investment in the Esperia Group is classified in "Investments in joint ventures".
The Mediolanum Group holds 50% of the share capital and defines, together with Mediobanca S.p.A., the members of the Governing Bodies and the key management of the Company.
The total net equity of the Company amounted to Euro 187.8 million as at December 31, 2014.

10.5 Year's movements in equity investments

€/t		Dec. 31, 2014	Dec. 31, 2013
A.	Opening balance	391,869	382,699
B.	Increases	29,740	9,170
	B.1 Acquisitions	-	-
	B.2 Reversal of impairment	-	-
	B.3 Revaluations	-	-
	B.4 Other increases	29,740	9,170
C.	Decreases	-	-
	C.1 Sales	-	-
	C.2 Impairment	-	-
	C.3 Other decreases	-	-
D.	Closing balance	421,609	391,869
E.	Total revaluations	-	-
F.	Total adjustments	-	-

The year's movements 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 as at December 31, 2014.

Mediolanum S.p.A. decided to verify the hold of the carrying amount of the investment in Mediobanca S.p.A. as at December 2014. For that purpose it requested the assistance of a specialist valuation firm.

As reported in the Report on Operations and as done in prior years, the recoverable amount of the CGUs was determined by calculating their value in use.

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 capitalisation, and has been applied in continuity with the previous years.

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 as at September 30, 2014.

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

- Results for the years ended June 30, 2012, 2013 and 2014;
- Quarterly results as at September 30, 2012, 2013 and 2014;
- 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 9.17%, estimated using the Capital Asset Pricing Model (CAPM) assuming:
  - Risk-free rate of 2.43% (average 6-month gross yield on 10-yr Italian BTP as at December 31, 2014);
  - Beta coefficient of 1.35 (average beta coefficient of the Mediobanca stock as at December 31, 2014 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 1.5%, in line with long-term inflation expectations.

The Mediobanca value was also subject to sensitivity analyses that 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 as at December 31, 2014.

In light of this analysis, with reference to December 31, 2014, taking into account the elements listed above and described, the expert identified a recoverable value of the investment that falls within the range Euro 12.00 and Euro 13.90 with a central value equal to Euro 12.95 per share.

With respect to the impairment test as at December 31, 2013, the increase in the recoverable value is therefore largely due to the decrease in market rates that, as is known, amounted to record lows in the Eurozone. In order to appreciate the results of the analyses performed with a reasonable degree of prudence the expert reports that interest rates represent a valuation variable, exogenous with respect to the fundamentals of the bank, subject to variations in the market by their nature uncertain and unpredictable. It shall be noted that methodologically the sensitivity range was obtained as the average of the results of the sensitivity analyses carried out that, in a particularly prudent scenario, are at the lower end, below the carrying value. This limit scenario shows the extreme variability of the results, the complexity of the assessment process and ultimately, together with other factors, confirms the carrying value.

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

11.1 Analysis of reinsurers' share of technical reserves

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Damages	3,783	3,016
A1. Premium reserves	968	813
A2. Accident reserves	1,653	1,343
A3. Other reserves	1,162	860
B. Life	67,570	71,659
B1. Mathematical reserves	67,056	71,010
B2. Reserves for outstanding claims	514	649
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	71,353	74,675

Section 12 - Tangible assets - Caption 120

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1.1 Property assets	87,455	87,398
a) land	44,878	45,250
b) buildings	33,157	34,108
c) furnishings	3,316	2,430
d) electronic equipment	4,828	4,644
e) other	1,276	966
1.2 Assets acquired under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total	87,455	87,398

12.2 Analysis of tangible assets held for investments (carried at cost)

	Dec. 31, 2014				Dec. 31, 2013			
		Fair value				Fair value		
€/t	Book value	L1	L2	L3	Book value	L1	L2	L3
1. Property assets	104,152	-	-	118,200	105,831	-	-	121,280
a) land	61,867	-	-	69,486	62,027	-	-	69,946
b) buildings	42,285	-	-	48,714	43,804	-	-	51,334
2. Assets acquired under finance leases	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	104,152	-	-	118,200	105,831	-	-	121,280

12.5 Year's movements in tangible assets held for use

€/t		Land	Buildings	Furnishings	Electronic equipment	Other	Total
A.	Gross opening balance	45,250	66,569	21,906	35,545	6,219	175,489
	A.1 Total net write-downs	-	(32,461)	(19,476)	(30,901)	(5,253)	(88,091)
	A.2 Net opening balance	45,250	34,108	2,430	4,644	966	87,398
B.	Increases	-	1,066	3,396	1,286	2,212	7,960
	B.1 Acquisitions	-	249	178	1,099	1,732	3,258
	B.2 Capitalised improvement costs	-	401	3,208	15	6	3,630
	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	-	416	10	172	474	1,072
C.	Decreases	(372)	(2,017)	(2,510)	(1,102)	(1,902)	(7,903)
	C.1 Disposals	-	-	-	-	-	-
	C.2 Depreciation	-	(2,017)	(2,510)	(578)	(1,702)	(6,807)
	C.3 Impairment:	-	-	-	-	-	-
	a) in equity	-	-	-	-	-	-
	b) through profit or loss	-	-	-	-	-	-
	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	(372)	-	-	(524)	(200)	(1,096)
D.	Net closing balance	44,878	33,157	3,316	4,828	1,276	87,455
	D.1 Total net write-downs	-	(34,449)	(21,881)	(22,058)	(16,242)	(94,630)
	D.2 Gross closing balance	44,878	67,606	25,197	26,886	17,518	182,085
E.	Measured at cost	-	-	-	-	-	-

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

€/t	Land	Buildings
A. Opening balance	62,027	43,804
B. Increases	-	-
B.1 Acquisitions	-	-
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	(160)	(1,519)
C.1 Sales	-	-
C.2 Amortisation and depreciation	-	(1,519)
C.3 Decreases in fair value	(160)	-
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	61,867	42,285
E. Measured at fair value	69,486	48,714

Section 13 - Intangible assets - Caption 130

13.1 Analysis of intangible assets

	Dec. 31, 2014		Dec. 31, 2013	
€/t	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.1.1 Group	X	125,625	X	125,625
A.1.2 Third-party	X	-	X	-
A.2 Other intangible assets	57,195	-	36,914	-
A.2.1 Measured at cost:	56,695	-	36,914	-
a) Internally generated assets	-	-	-	-
b) Other assets	56,695	-	36,914	-
A.2.2 Measured at fair value:	500	-	-	-
a) Internally generated assets	-	-	-	-
b) Other assets	500	-	-	-
Total	57,195	125,625	36,914	125,625

13.2 Year's movements in intangible assets

€/t	Goodwill	Other internally generated intangible assets		Other intangible assets		Total
		Definite	Indefinite	Definite	Indefinite	
A. Gross opening balance	125,625	-	-	184,412	-	310,037
A.1 Total net write-downs	-	-	-	(147,498)	-	(147,498)
A.2 Net opening balance	125,625	-	-	36,914	-	162,539
B. Increases	-	-	-	34,377	-	34,377
B.1 Acquisitions	-	-	-	34,377	-	34,377
B.2 Increases in internal intangible assets	X	-	-	-	-	-
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	-	-	-	-	-	-
C. Decreases	-	-	-	(14,096)	-	(14,096)
C.1 Disposals	-	-	-	-	-	-
C.2 Amortisation and impairment	-	-	-	(13,972)	-	(13,972)
- amortisation	X	-	-	(13,972)	-	(13,972)
- impairment	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
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	-	-	-	(124)	-	(124)
D. Net closing balance	125,625	-	-	57,195	-	182,820
D.1 Total net write-downs	-	-	-	(7,178)	-	(7,178)
E. Gross closing balance	125,625	-	-	64,373	-	189,998
F. Measured at cost	-	-	-	-	-	-

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

DEFINITION OF CGUs AND ALLOCATION OF GOODWILL

Like in prior years, CGUs have been identified on the basis of the geographic area of operations in accordance with the Mediolanum Banking Group business reporting system.
Hence, impairment testing was conducted on the CGUs set out in the table below.

€/m	Description	Allocated goodwill
CGU Spain	Banco Mediolanum S.A.	102.8
CGU Italy Life	Gamax Management AG - Italian Division	22.7

Following the impairment of Euro 4.3 million recognised as at December 31, 2013 of Gamax's goodwill allocated to the CGU Germany, as at December 31, 2014, total goodwill amounted to Euro 125.5 million allocated to the CGU Spain for Euro 102.8 million, and the CGU Italy for 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 2015-2017 business plan approved by the Boards of Directors of Banco Mediolanum and Banca Mediolanum S.p.A.
The 2015-2017 Plan was built on reasonable, consistent assumptions and represents the management best estimate of the range of possible future developments for the CGU.
The 2015-2017 Plan confirmed the strategic lines set out in the previous plan 2014-2016. In particular, the Plan confirmed the objective of developing 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 as at December 31, 2014.
Specifically, the 2015-2017 Plan was based on the following key assumptions:

- Family Bankers (FB) network growth from 740 people to 1,150 people at year end 2017;
- Growth in assets under management and administration at an average annual rate of 20%;
- Business margin growth at an average annual rate of 2.8%.

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

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

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

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

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

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

The results of both the base and the prudential scenario did not indicate any impairment losses of the CGU. The analyses did not reveal any facts requiring impairment of goodwill allocated to the CGU Spain.

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 14.4% (increase by 343 bps);
- long term growth of -3.0% (decline by 501 bps);
- net profitability 26% lower than 2015-2017 Plan estimates.

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 3.9 billion as at December 31, 2014) to its equity (Euro 1.8 billion as at December 31, 2014) reveals an implicit multiple of 2.2x, 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, 2014	Dec. 31, 2013
Charge to the income statement	105,628	106,689
Charge to equity	18,226	13,646
Total	123,854	120,335

14.2 Analysis of deferred tax liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Charge to the income statement	46,987	46,685
Charge to equity	86,900	61,840
Total	133,887	108,525

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	106,689	105,555
2. Increases	31,134	41,985
2.1 Deferred tax assets arisen in the year	30,763	40,344
a) relating to prior years	22	61
b) due to changes in the accounting policies	107	122
c) write-backs	1	-
d) other	30,633	40,161
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	371	1,641
3. Decreases	32,195	40,851
3.1 Deferred tax assets cancelled in the year	30,318	1,306
a) reversals	609	1,248
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	29,709	58
3.2 Reduced tax rates	-	-
3.3 Other decreases	1,877	39,545
a) turned into tax credit under Law 214/2011	-	-
b) other	1,877	39,545
4. Closing balance	105,628	106,689

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	46,685	33,911
2. Increases	1,392	14,788
2.1 Deferred tax liabilities arisen in the year	1,391	8,322
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other (temporary differences arisen in the year)	1,391	8,322
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	1	6,466
3. Decreases	1,090	2,014
3.1 Deferred tax liabilities cancelled in the year	267	307
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	267	307
3.2 Reduced tax rates	-	-
3.3 Other decreases	823	1,707
4. Closing balance	46,987	46,685

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	13,646	20,704
2. Increases	9,846	10,175
2.1 Deferred tax assets arisen in the year	9,846	10,175
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	9,846	10,175
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	5,266	17,233
3.1 Deferred tax assets cancelled in the year	5,266	17,233
a) reversals	380	1,892
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	4,886	15,341
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	18,226	13,646

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	61,840	63,299
2. Increases	54,257	48,241
2.1 Deferred tax liabilities arisen in the year	54,257	48,223
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	54,257	48,223
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	18
3. Decreases	29,197	49,700
3.1 Deferred tax liabilities cancelled in the year	29,197	49,700
a) reversals	6,024	11,290
b) due to changes in the accounting policies	-	-
c) other	23,173	38,410
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	86,900	61,840

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, 2014	Dec. 31, 2013
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	207
A.3 Tangible assets	567	661
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	567	868
of which at cost	567	868
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Disposal groups		
B.1 Financial assets held for trading	-	-
B.2 Financial assets measured 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	-	-
of which at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with individual assets held for sale	-	-
C.1 Debt	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	(962)
Total C	-	(962)
of which at cost	-	(962)
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with disposal groups		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities measured at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	-	-
of which at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

The item *Non-current assets and disposal groups* includes all Statement of financial position assets relating to assets held for sale of Banco Mediolanum S.A. for Euro 567 thousand.

Section 16 - Other assets - Caption 160

16.1 Analysis of other assets

€/t	Dec. 31, 2014	Dec. 31, 2013
Commissions receivable	489	443
Receivables from tax authorities	93,591	56,574
Receivables from financial advisors	3,866	3,597
Advances to suppliers and professionals	6,691	5,117
Security deposits	9,559	7,849
Receivables from Fininvest/Doris Group companies	-	-
Receivables from employees	545	422
Receivables from property lease fees	-	-
Other receivables	132,215	164,679
Items in transit	44,074	66,529
Accrued income	5,260	5,771
Prepayments	5,309	3,525
Recovery of receivables	-	-
Receivables from the Parent Company, subsidiaries and associates	-	103
Receivables from directors	-	-
Expenses for improvements of third-party assets	-	-
Intangible assets	-	-
Other assets	16,529	9,897
- Tax consolidation	-	-
Gold, silver and precious metals	-	-
Total	318,128	324,506

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Amounts due to central banks	6,682,488	4,252,588
2. Amounts due to banks	932,903	697,780
2.1 Current accounts and demand deposits	8,308	32,141
2.2 Time deposits	670,382	410,647
2.3 Loans	250,919	251,537
2.3.1 Repurchase agreements	-	8
2.3.2 Other	250,919	251,529
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other amounts due	3,294	3,455
Total	7,615,391	4,950,368
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	7,615,391	4,950,368
Total fair value	7,615,391	4,950,368

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Current accounts and demand deposits	8,283,179	6,750,953
2. Time deposits	3,989,143	3,819,600
3. Loans	1,821,172	2,215,299
3.1 Repurchase agreements	1,818,690	2,212,650
3.2 Other	2,482	2,649
4. Commitments to buy back own equity instruments	-	-
5. Other amounts due	138,256	119,612
Total	14,231,750	12,905,464
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	14,870,764	13,787,557
Total fair value	14,870,764	13,787,557

Section 3 - Securities issued - Caption 30

3.1 Analysis of securities issued

	Dec. 31, 2014				Dec. 31, 2013			
	Book	Fair value			Book	Fair value		
€/t	value	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3
A. Securities	-	-	-	-	-	-	-	-
1. Bonds	341,741	-	353,529	-	369,409	-	372,821	-
1.1 structured	53,876	-	53,926	-	95,372	-	95,372	-
1.2 other	287,865	-	299,603	-	274,037	-	277,449	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	341,741	-	353,529	-	369,409	-	372,821	-

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

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

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

	Dec. 31, 2014					Dec. 31, 2013				
	NV	FV			FV*	NV	FV			FV*
€/t		L1	L2	L3			L1	L2	L3	
A. Non-derivatives liabilities	-	-	-	-	-	-	-	-	-	-
1. Amounts due to banks	249,346	264,198	-	-	264,199	195,417	212,562	-	-	212,562
2. Amounts due to customers	57,611	66,999	-	-	66,999	17,550	18,964	-	-	18,964
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Others	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	306,957	331,197	-	-	331,197	212,967	231,526	-	-	231,526
B. Derivatives	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	X	4	39,058	437	X	X	-	18,800	541	X
1.1 Held for trading	X	4	39,058	437	X	X	-	18,800	541	X
1.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Measured at fair value	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B	X	4	39,058	437	X	X	-	18,800	541	X
Total A+B	X	331,201	39,058	437	X	X	231,526	18,800	541	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 measured at fair value - Caption 50

5.1. Analysis of financial liabilities measured at fair value

€/t	Dec. 31, 2014					Dec. 31, 2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Others	-	-	-	-	X	-	-	-	-	X
2. Amounts due to customers	1,597,251	1,586,295	8,598	2,358	1,597,251	70,988	47,398	19,020	4,570	70,988
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Others	1,597,251	1,586,295	8,598	2,358	X	70,988	47,398	19,020	4,570	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Others	-	-	-	-	X	-	-	-	-	X
Total	1,597,251	1,586,295	8,598	2,358	1,597,251	70,988	47,398	19,020	4,570	70,988

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

5.3 Year's movements in financial liabilities measured at fair value

€/t	Amounts due to banks	Amounts due to customers	Securities outstanding	Total
A. Opening balance	-	70,988	-	70,988
B. Increases	-	1,579,664	-	1,579,664
B1. Issues	-	1,528,504	-	1,528,504
B2. Disposals	-	-	-	-
B3. Increases in fair value	-	29,642	-	29,642
B4. Other increases	-	21,518	-	21,518
C. Decreases	-	(53,401)	-	(53,401)
C1. Purchases	-	(28,610)	-	(28,610)
C.2 Redemptions	-	-	-	-
C.3 Decreases in fair value	-	(11,179)	-	(11,179)
C4. Other decreases	-	(13,612)	-	(13,612)
D. Closing balance	-	1,597,251	-	1,597,251

Section 6 - Hedging derivatives - Caption 60

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

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

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

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

Section 8 - Tax liabilities - Caption 80

Readers are referred to section 14 of assets.

Section 10 - Other liabilities - Caption 100

10.1 Analysis of other liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Agents' severance benefits	4,945	3,967
Payables to separate companies	-	-
Payables to promoters, advisors and dealers	35,924	50,474
Payables to suppliers	70,292	49,546
Payables to parent companies, subsidiaries and associates	1,982	566
Payables to Fininvest/Doris Group companies	-	-
Payables to tax authorities	131,030	105,137
Payables to social security agencies	6,096	5,750
Payables to employees	16,884	10,034
Payables to professionals, directors and auditors	9,449	10,819
Security deposits	133	50
Items in transit	115,435	105,392
Deferred income	23,525	21,121
Deferred liabilities	553	5,568
Other liabilities	239,423	289,918
Guarantee deposits	5,218	2,956
Tax liabilities borne by policyholders	1,066	1,106
Tax consolidation	-	-
Total	661,955	662,404

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

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

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Opening balance	11,871	10,880
B. Increases	5,774	6,741
B.1 Provisions for the year	5,422	4,942
B.2 Other increases	352	1,799
C. Decreases	6,429	5,750
C.1 Funds used in the year	6,342	5,378
C.2 Other decreases	87	372
D. Closing balance	11,216	11,871

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Severance entitlements	672	586
2. Other provisions for risks and charges	195,937	187,223
2.1 Legal proceedings	17,616	22,187
2.2 Personnel expenses	-	-
2.3 Others	178,321	165,036
Total	196,609	187,809

12.2 Year's movements in provisions for risks and charges

€/t	Severance entitlements	Other provisions
A. Opening balance	586	187,223
B. Increases	103	55,806
B.1 Provisions for the year	86	55,806
B.2 Time-related changes	-	-
B.3 Discount rate changes	-	-
B.4 Other increases	17	-
C. Decreases	17	47,092
C.1 Used in the year	-	26,388
C.2 Discount rate changes	-	-
C.3 Other decreases	17	20,704
D. Closing balance	672	195,937

12.4 Analysis of other provisions for risks and charges

€/t	Balance at Dec. 31, 2013	Provisions for the year	Other changes	Used in the year	Balance at Dec. 31, 2014
Provision:	-	-	-	-	-
- legal proceedings	22,187	4,824	(8,136)	(1,259)	17,616
- other:	-	-	-	-	-
Managerial allowance	58,322	6,876	(3,917)	(9,014)	52,267
Risks related to FA illegal actions	33,846	10,712	(6,020)	(4,812)	33,726
Customer base entitlements	32,031	14,346	(192)	(2,252)	43,933
Portfolio allowance	18,376	5,443	(1,017)	(2,743)	20,059
Product distribution	10,487	2,354	-	(2,341)	10,500
Other provisions	11,974	11,413	(1,412)	(3,871)	18,104
Total	187,223	55,968	(20,694)	(26,560)	195,937

Section 13 - Technical reserves - Caption 130

13.1 Analysis of technical reserves

€/t	Insurance	Reinsurance	Dec. 31, 2014	Dec. 31, 2013
A. Damages	101,838	99	101,937	79,002
A.1 Premium reserves	76,834	-	76,834	56,685
A.2 Accident reserves	22,821	99	22,920	20,721
A.3 Other reserves	2,183	-	2,183	1,596
B. Life	2,331,790	-	2,331,790	3,105,935
B.1 Mathematical reserves	2,182,254	-	2,182,254	2,923,998
B.2 Reserves for sums to be paid	90,841	-	90,841	152,682
B.3 Other reserves	58,695	-	58,695	29,255
C. Technical reserves under which the investment risk is borne by the policyholder	12,896,083	-	12,896,083	12,777,576
C.1 Reserves for contracts whose performance is linked to investment funds and market indices	12,896,083	-	12,896,083	12,777,576
C.2 Reserves arising from pension fund management	-	-	-	-
D. Total technical reserves	15,329,711	99	15,329,810	15,962,513

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, 2014	Dec. 31, 2013
A. Share capital	-	-
A.1 Ordinary shares	73,744	73,600
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	73,600	-
- fully paid up	73,600	-
- not fully paid up	-	-
A.1 Treasury shares (-)	(2,045)	-
A.2 Outstanding shares: opening balance	71,555	-
B. Increases	144	-
B.1 New issues	-	-
- payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	144	-
- bonus issues	-	-
- employees	-	-
- directors	-	-
- other	-	-
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	71,699	-
D.1 Treasury shares (+)	2,045	-
D.2 Shares at year end	73,444	-
- fully paid up	73,444	-
- not fully paid up	-	-

15.5 Other information

Analysis of shareholders' equity attributable to the Group

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Share capital	73,744	73,600
2. Share premium account	63,199	59,376
3. Reserves	1,290,672	1,156,097
4. Interim dividend (-)	(110,608)	(73,595)
5. Treasury shares	(2,045)	(2,045)
a) Parent Company	(2,045)	(2,045)
b) subsidiaries	-	-
6. Valuation reserves	177,769	100,781
7. Equity instruments	-	-
8. Net profit (loss)	320,617	336,580
Total	1,813,348	1,650,794

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

€/t	Share capital and reserves	Net profit	Shareholders' equity
Parent Company financial statements as at December 31, 2014	665,594	328,734	994,328
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	144,553	600,698	745,251
Differences on investments accounted for by the equity method	56,199	18,694	74,893
Intragroup dividends	624,969	(624,969)	-
Elimination of intragroup transactions effects	(1,584)	(373)	(1,957)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	2,392	(1,559)	833
Other	608	(608)	-
Consolidated accounts as at December 31, 2014	1,492,731	320,617	1,813,348

OTHER INFORMATION

1. Guarantees issued and commitments

€/t		Dec. 31, 2014	Dec. 31, 2013
1)	Financial guarantees:	31,487	26,500
	a) Banks	30,571	25,035
	b) Customers	916	1,465
2)	Commercial guarantees:	55,325	45,211
	a) Banks	10,771	88
	b) Customers	44,554	45,123
3)	Irrevocable commitments to disburse funds	152,163	87,384
	a) Banks	74,885	67
	i) with certain drawdown	74,885	67
	ii) with possible drawdown	-	-
	b) Customers	77,278	87,317
	i) with certain drawdown	647	329
	ii) with possible drawdown	76,631	86,988
4)	Commitments under credit derivatives: protection sales	-	-
5)	Assets pledged to secure third-party obligations	2,895	3,841
6)	Other commitments	456	4,322
Total		242,326	167,258

2. Assets pledged to secure own liabilities and commitments

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Financial assets held for trading	79,749	109,985
2. Financial assets measured at fair value	-	-
3. Available-for-sale financial assets	6,583,717	4,236,028
4. Held-to-maturity investments	1,373,131	1,799,325
5. Loans to banks	456	211,367
6. Loans to customers	411,443	232,977
7. Tangible assets	-	-

4. Analysis of investments for unit-linked and index-linked policies

The investments for unit-linked and index-linked policies amount to Euro 14,367 million for financial liabilities amounted to Euro 1,597 million and technical reserves amounted to Euro 13,999,679 milion.

5. Brokerage and asset management on behalf of third parties

€/t	Dec. 31, 2014
1. Orders executed on behalf of customers	
a) Purchases	-
1. settled	33,757,845
2. not settled	-
b) Sales	-
1. settled	34,874,740
2. not settled	-
2. Portfolio management	
a) individual	27,682
b) collective	24,258,318
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	447,788
b) custodian bank services (other than managed assets): other	-
1. securities issued by entities incl. in consolidated accounts	212,647
2. other securities	5,620,330
c) third-party securities held by other custodians	5,904,152
d) own securities held by other custodians	33,544,611
4. Other	-

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Captions 10 and 20

1.1 Analysis of interest income and similar income

€/t	Debt securities	Loans	Other	Dec. 31, 2014	Dec. 31, 2013
1. Financial assets held for trading	12,738	-	170	12,908	10,393
2. Financial assets measured at fair value	59,092	-	-	59,092	80,197
3. Available-for-sale financial assets	266,874	-	-	266,874	354,845
4. Held-to-maturity investments	67,992	-	-	67,992	71,628
5. Loans to banks	2,924	14	-	2,938	17,697
6. Loans to customers	4,312	155,209	312	159,833	134,505
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	116	116	128
Total	413,932	155,223	598	569,753	669,393

1.3.1 Interest income on financial assets in foreign currencies

€/t	Dec. 31, 2014	Dec. 31, 2013
Interest income on assets in foreign currencies	63	2,214

1.4 Analysis of interest expense and similar charges

€/t	Amounts due	Securities	Other	Dec. 31, 2014	Dec. 31, 2013
1. Amounts due to central banks	(5,894)	X	-	(5,894)	(17,478)
2. Amounts due to banks	(8,748)	X	-	(8,748)	(2,244)
3. Amounts due to customers	(183,129)	X	-	(183,129)	(179,460)
4. Securities issued	X	(14,753)	-	(14,753)	(13,967)
5. Financial liabilities held for trading	(9,103)	-	-	(9,103)	(8,506)
6. Financial liabilities measured at fair value	-	-	(10)	(10)	(89)
7. Other liabilities and funds	X	X	(3,769)	(3,769)	(12,318)
8. Hedging derivatives	X	X	(13,769)	(13,769)	(15,129)
Total	(206,874)	(14,753)	(17,548)	(239,175)	(249,191)

1.5 Interest expense and charges expenses: differentials on hedging transactions

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

1.6.1 Interest expense on foreign currency liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Interest expense on foreign currency liabilities	(362)	(324)

Section 2 - Commissions - Captions 40 and 50

2.1 Analysis of commission income

€/t	Dec. 31, 2014	Dec. 31, 2013
a) Guarantees issued	62	69
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	960,756	898,630
1. financial instruments brokerage	2,957	2,406
2. currency brokerage	2	1
3. portfolio management	906,222	838,258
3.1. individual	263	5,413
3.2. collective	905,959	832,845
4. securities in custody and under administration	4,702	4,008
5. custodian bank	-	774
6. sale of securities	25,528	21,656
7. receipt and transmission of orders	6,356	5,683
8. consulting activities	-	-
8.1 investment consulting	-	-
8.2 financial structure consulting	-	-
9. services to third parties	14,989	25,844
9.1 portfolio management	5,489	1,322
9.1.1. individual	-	-
9.1.2. collective	5,489	1,322
9.2 insurance products	266	2,687
9.3 other products	9,234	21,835
d) Collection and payment services	21,733	22,544
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Bank accounts custody and management services	14,790	15,941
j) Other services	110,885	84,226
Total	1,108,226	1,021,410

2.2 Analysis of commission expense

€/t		Dec. 31, 2014	Dec. 31, 2013
a)	Guarantees received	-	-
b)	Credit derivatives	-	-
c)	Management and brokerage services	(433,731)	(415,375)
	1. financial instruments brokerage	(2,069)	(1,844)
	2. currency brokerage	-	-
	3. portfolio management	(5,084)	(4,043)
	3.1 own	(3,037)	(2,651)
	3.2 on mandates from third parties	(2,047)	(1,392)
	4. securities in custody and under administration	(736)	(777)
	5. sale of financial instruments	(25,530)	(24,053)
	6. off-premises sales of financial instruments, products and services	(400,312)	(384,658)
d)	Collection and payment services	(22,027)	(23,229)
e)	Other services	(39,888)	(25,419)
Total		(495,646)	(464,023)

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

		Dec. 31, 2014		Dec. 31, 2013	
€/t		Dividends	Gains from holdings in UCITS	Dividends	Gains from holdings in UCITS
A.	Financial assets held for trading	-	-	-	-
B.	Available-for-sale financial assets	3,564	2,389	1,511	2,271
C.	Financial assets measured at fair value	-	-	-	-
D.	Equity investments	557	X	-	X
Total		4,121	2,389	1,511	2,271

Section 4 - Net income from trading - Caption 80

4.1 Analysis of net income from trading

€/t	Gains (A)	Trading gains (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)] Dec. 31, 2014
1. Financial assets held for trading	13,159	21,601	(1,232)	(4,655)	28,873
1.1 Debt securities	13,159	21,579	(1,232)	(4,627)	28,879
1.2 Equity Investments	-	1	-	(28)	(27)
1.3 Holdings in UCITS	-	21	-	-	21
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	2,379	2,816	(3,011)	(2,484)	(300)
2.1 Debt securities	2,379	2,816	(3,011)	(2,484)	(300)
2.2 Debt	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	228
4. Derivatives	152	6,147	(18,723)	(13,377)	(24,756)
4.1 Financial derivatives	152	6,147	(18,723)	(13,377)	(24,756)
- debt securities and interest rates	59	6,038	(18,676)	(13,287)	(25,866)
- equities and stock indices	93	109	(47)	(90)	65
- currencies and gold	X	X	X	X	1,045
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	15,690	30,564	(22,966)	(20,516)	4,045

Section 5 – Net income from hedging – Caption 90

5.1 Analysis of net income from hedging

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

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

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2014			Dec. 31, 2013		
€/t	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets	-	-	-	-	-	-
1. Loans to banks	28	(1)	27	-	(2,476)	(2,476)
2. Loans to customers	6	(11)	(5)	16	(17)	(1)
3. Available-for-sale financial assets	90,680	(9)	90,671	99,051	(18,839)	80,212
3.1 Debt securities	89,767	(8)	89,759	99,049	(18,838)	80,211
3.2 Equities	343	(1)	342	2	(1)	1
3.3 Holdings in UCITS	570	-	570	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	90,714	(21)	90,693	99,067	(21,332)	77,735
Financial liabilities	-	-	-	-	-	-
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	5	(65)	(60)	25	(52)	(27)
Total liabilities	5	(65)	(60)	25	(52)	(27)

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

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

€/t	Gains (A)	Gains on disposal (B)	Losses (C)	Losses on disposal (D)	Net income [(A+B) – (C+D)] Dec. 31, 2014
1. Financial assets	1,054,108	83,392	(52,248)	(142,724)	942,528
1.1 Debt securities	55,946	19,827	(22,355)	(10,816)	42,602
1.2 Equities	-	-	-	-	-
1.3 Holdings in UCITS	998,162	63,565	(29,893)	(131,908)	899,926
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	(5,106)	(3,858)	(8,964)
2.1 Debt securities	-	-	(5,106)	(3,858)	(8,964)
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	-	-	-	(2)	(2)
Total	1,054,108	83,392	(57,354)	(146,584)	933,566

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

8.1 Analysis of net impairment of loans

€/t	Impairment (1)			Reversal of impairment (2)				Dec. 31, 2014	Dec. 31, 2013
	Individual			Individual		Portfolio			
	Cancellations	Other	Portfolio	A	B	A	B		
A. Loans to banks									
- Loans	(196)	-	-	-	27	-	-	(169)	43
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers									
Impaired loans purchased									
- Loans	-	(26)	X	-	-	X	X	(26)	(114)
- Debt securities	-	-	X	-	-	X	X	-	-
Other									
- Loans	(1,171)	(18,847)	(3,041)	-	3,999	-	2,001	(17,059)	(13,373)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(1,367)	(18,873)	(3,041)	-	4,026	-	2,001	(17,254)	(13,444)

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

€/t		Impairment (1)		Reversal of impairment (2)		Dec. 31, 2014	Dec. 31, 2013
		Individual		Individual			
		Cancellations	Other	A	B		
A.	Debt securities	-	-	-	-	-	-
B.	Equities	-	(50)	-	-	(50)	(30)
C.	Holdings in UCITS	-	(10,125)	X	-	(10,125)	(797)
D.	Loans to banks	-	-	-	-	-	-
E.	Loans to customers	-	-	-	-	-	-
F.	**Total**	-	(10,175)	-	-	(10,175)	(827)

Legend:
A = Interest
B = Other

8.4 Analysis of net impairment of other financial items

€/t		Impairment (1)			Reversal of impairment (2)				Dec. 31, 2014	Dec. 31, 2013
		Individual		Portfolio	Individual		Portfolio			
		Cancellations	Other		A	B	A	B		
A.	Guarantees issued	(272)	(1,123)	(27)	-	-	-	-	(1,422)	(4,369)
B.	Credit derivatives	-	-	-	-	-	-	-	-	-
C.	Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D.	Other	-	-	-	-	-	-	-	-	-
E.	**Total**	(272)	(1,123)	(27)	-	-	-	-	(1,422)	(4,369)

Legend:
A = Interest
B = Other

Section 9 - Net premiums - Caption 150

9.1 Analysis of net premiums

€/t		Insurance	Reinsurance	Dec. 31, 2014	Dec. 31, 2013
A.	Life				
A.1	Gross premiums booked (+)	3,882,421	-	3,882,421	4,855,533
A.2	Reinsurance premiums (-)	(2,836)	X	(2,836)	(3,095)
A.3	Total	3,879,585	-	3,879,585	4,852,438
B.	Damages				
B.1	Gross premiums booked (+)	56,796	-	56,796	36,117
B.2	Reinsurance premiums (-)	(3,106)	X	(3,106)	(2,252)
B.3	Change in the gross amount of premium reserve (+/-)	(20,131)	-	(20,131)	(12,813)
B.4	Change in premium reserve to reinsurers (-/+)	154	-	154	269
B.5	Total	33,713	-	33,713	21,321
C.	Total net premiums	3,913,298	-	3,913,298	4,873,759

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

10.1 Analysis of balance of other insurance income/expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Net change in technical reserves	603,147	1,918,164
2. Claims paid in the year	(5,528,999)	(8,062,250)
3. Other insurance income/ expenses	(62)	2,643
Total	(4,925,914)	(6,141,443)

10.2 Analysis of net change in technical reserves

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Life		
A. Mathematical reserves	1,203,818	2,417,788
A.1 Gross annual amount	1,207,771	2,422,654
A.2 Reinsurers' share (-)	(3,953)	(4,866)
B. Other technical reserves	(3,393)	2,038
B.1 Gross annual amount	(3,393)	2,038
B.2 Reinsurers' share (-)	-	-
C. Technical reserves under which the investment risk is borne by the policyholder	(596,976)	(501,580)
C.1 Gross annual	(596,976)	(501,580)
C.2 Reinsurers' share (-)	-	-
Total life reserves	603,449	1,918,246
2. Damages		
Change in other damages technical reserves other than claim net of reinsurance	(302)	(82)
Total	603,147	1,918,164

10.3 Analysis of claims paid in the year

€/t	Dec. 31, 2014	Dec. 31, 2013
Life: expenses for claims, net of reinsurance		
A. Amounts paid	(5,604,726)	(8,087,141)
A.1 Gross annual amount	(5,612,946)	(8,095,982)
A.2 Reinsurers' share (-)	8,220	8,841
B. Change in reserve for outstanding claims	85,662	30,908
B.1 Gross annual amount	85,797	30,580
B.2 Reinsurers' share (-)	(135)	328
Total life claims	(5,519,064)	(8,056,233)
Damages: expenses for claims, net of recoveries and reinsurance		
C. Amounts paid	(8,021)	(5,117)
C.1 Gross annual amount	(8,704)	(5,822)
C.2 Reinsurers' share (-)	683	705
D. Change in recoveries net of reinsurers' shares	(26)	(64)
E. Change in claims reserve	(1,888)	(836)
E.1 Gross annual amount	(2,198)	(372)
E.2 Reinsurers' share (-)	310	(464)
Total Damages claims	(9,935)	(6,017)

10.4 Analysis of other insurance income/expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
Life		
A. Income	11,237	10,949
- 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	11,237	10,949
B. Expenses	(8,942)	(7,484)
- Other technical expenses, net of reinsurance	-	-
- Expenses and unrealised losses on investments for the benefit of policyholders who bear the risk	-	-
- Acquisition commissions	-	-
- Other acquisition costs	-	-
- Collection commissions	-	-
- Other expenses	(8,942)	(7,484)
Total Life (A - B)	2,295	3,465

€/t	Dec. 31, 2014	Dec. 31, 2013
Damages		
A. Income	504	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	504	212
B. Expenses	(2,861)	(1,034)
- Other technical expenses, net of reinsurance	-	-
- Acquisition commissions	-	-
- Other acquisition costs	-	-
- Collection commissions	-	-
- Other expenses	(2,861)	(1,034)
Total Damages (A - B)	(2,357)	(822)

Section 11 - Administrative expenses - Caption 180

11.1 Analysis of personnel expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
1) Employees	(160,022)	(148,479)
a) wages and salaries	(113,703)	(105,187)
b) social security contributions	(31,475)	(29,498)
c) completion of service entitlements	(17)	(35)
d) pensions	-	-
e) provision for completion of service entitlements	(5,422)	(4,916)
f) provisions for severance benefits and similar obligations	(61)	(36)
- defined contribution plan	(32)	(29)
- defined benefit plan	(29)	(7)
g) external supplementary pension funds:	(1,613)	(1,430)
- defined contribution plan	(1,496)	(1,282)
- defined benefit plan	(117)	(148)
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	(7,731)	(7,748)
2) Other personnel	(6,234)	(4,094)
3) Directors and Statutory Auditors	(10,137)	(9,125)
4) Retirees	-	-
Total	(176,393)	(162,069)

11.2 Average number of employees by category

Category	Dec. 31, 2014	Dec. 31, 2013
1) Employees	2,428	2,250
a) senior management	88	94
b) middle management	354	332
c) other employees	1,986	1,824
2) Other personnel	4	7
Total	2,432	2,257

11.3 Company sponsored defined benefit pension plans: total costs

€/t	Dec. 31, 2014
Current service costs	(29)
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	(29)

11.5 Analysis of other administrative expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
IT services	(95,845)	(66,120)
Infoprovider services	(6,981)	(5,793)
Financial services fees and expenses	(2,962)	(2,763)
Miscellaneous services	(24,361)	(18,628)
Intragroup services	(2,504)	(2,202)
Taxes and duties	(3,208)	(2,923)
Television and internet communication services	(2,673)	(2,230)
Network advisory services and consulting	(3,812)	(3,315)
Rentals	(13,716)	(12,452)
Maintenance and repairs	(3,619)	(4,085)
Telephone and postal expenses	(13,099)	(13,038)
Other consulting and advisory services	(22,887)	(19,922)
Contributions to "Punti Mediolanum"	(1,287)	(1,100)
Consumables	(7,204)	(5,869)
Insurance	(2,729)	(2,373)
Member fees	(4,348)	(5,400)
Advertising and promotional expenses	(29,203)	(27,237)
Organisation of conventions	(11,802)	(10,254)
Consulting, education and training for sales network	(2,225)	(1,392)
Company canteen	(147)	(197)
Energy utilities	(1,662)	(1,638)
Business expenses, gifts and other	(4,404)	(4,352)
Market research	(1,958)	(1,050)
Recruitment and selection of employees	(1,588)	(614)
Travel expenses	(1,459)	(1,285)
Recruitment and selection of financial advisors	(221)	(70)
Other administrative expenses	(4,389)	(5,897)
Total	(270,293)	(222,199)

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

12.1. Analysis of net provisions for risks and charges

€/t	Dec. 31, 2014	Dec. 31, 2013
Portfolio allowance	(4,426)	(2,254)
Customer base entitlements	(14,154)	(3,542)
Risks for financial advisor offences	(4,692)	(217)
Product distribution	(2,355)	(3,216)
Legal proceedings	3,272	2,179
Managerial allowance	(8,503)	(7,851)
Other net provisions for risks and charges	(4,243)	(3,427)
Total	(35,101)	(18,328)

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) Dec. 31, 2014
A. Tangible assets	-	-	-	-
A.1 Owned	(8,455)	-	-	(8,455)
- held for use	(6,935)	-	-	(6,935)
- held for investment purposes	(1,520)	-	-	(1,520)
A.2 Assets acquired under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(8,455)	-	-	(8,455)

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

14.1 Analysis of amortisation and net impairment of intangible assets

€/t	Amortisation (A)	Impairment (B)	Reversal of impairment (C)	Net income (A + B + C) Dec. 31, 2014
A. Intangible assets	-	-	-	-
A.1 Owned	(13,971)	-	-	(13,971)
- internally generated	-	-	-	-
- other	(13,971)	-	-	(13,971)
A.2 Assets acquired under finance leases	-	-	-	-
Total	(13,971)	-	-	(13,971)

Section 15 – Other operating income/expenses – Caption 220

15.1/15.2 Analysis of other operating income and expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
Other operating income		
Recovery of expenses for contracts and services rendered	247	179
Rental income on properties owned	7,073	9,146
Income on divestments	36	43
Recharge of costs to customers	45,419	3,517
Recovery of various costs	398	519
Recharge of costs to promoters	52	54
Other income	9	5,749
Total other operating income	53,234	19,207
Other operating expenses		
Losses on divestments	(97)	(59)
Compensation and settlements	(5,544)	(8,367)
Amortisation of expenses for improvements of third-party assets	(1,407)	(1,080)
Other expenses	(38,978)	(3,180)
Total other operating expenses	(46,026)	(12,686)

Section 16 - Profit (loss) on equity investments - Caption 240

16.1 Analysis of profit (loss) on equity investments

€/t	Dec. 31, 2014	Dec. 31, 2013
1) Joint ventures	-	-
A. Income	4,236	784
1. Write-ups	4,236	784
2. Gains on disposal	-	-
3. Reversal of impairment	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net income	4,236	784
2) Companies under significant influence	-	-
A. Income	14,458	112
1. Write-ups	14,458	39
2. Gains on disposal	-	-
3. Reversal of impairment	-	-
4. Other income	-	73
B. Expenses	-	-
1. Write-downs	-	(1)
2. Impairment	-	(1)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net income	14,458	111
Total	18,694	895

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

19.1 Analysis of profit (loss) on disposal of investments

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Property	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(52)	30
- Gains on disposal	12	31
- Losses on disposal	(64)	(1)
Net profit (loss)	(52)	30

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

20.1 Analysis of income tax expense on continuing operations

€/t		Dec. 31, 2014	Dec. 31, 2013
1.	Current tax (-)	(134,661)	(224,825)
2.	Change in current tax for prior years (+/-)	1,740	(438)
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 (+/-)	1,054	24,674
5.	Change in deferred tax liabilities (+/-)	(410)	(6,894)
6.	Income tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(132,277)	(207,483)

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

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Gains	-	-
2. Expenses	-	(28)
3. Valuation of assets and liabilities	-	-
4. Net realized gains (losses)	212	-
5. Taxes and duties	-	-
Net profit (loss)	212	(28)

Section 24 - Earnings per share

24.1 Average number of diluted capital ordinary shares

€/t	Dec. 31, 2014	Dec. 31, 2013
Profit for the year	320,617	336,580
Weighted average number of outstanding shares	736,719	735,170
Adjustment for stock options with potential dilution effect	4,910	6,902
Weighted average number of outstanding shares for purposes of diluted earnings per share	741,630	742,072
Diluted earnings per share (in Euro)	0.432	0.454

Reconciliation between theoretical and effective tax rate

€/t	Dec. 31, 2014	Dec. 31, 2013
Theoretical IRES tax rate or equivalent taxes	13.10%	20.05%
Profit before tax	452,682	544,091
Theoretical tax expense	59,310	109,102
Taxable income	7,607	2,233
Other adjustments	38,223	58,284
IRES tax expense and equivalent taxes	105,140	169,618
Effective IRES tax rate and equivalent taxes	23.23%	31.17%
Total tax expense net of provision for legal disputes	91,477	154,158
provision for legal disputes	*40,800*	*53,325*
Total taxes to income statement	132,277	207,483
Total effective tax rate	29.22%	28.33%

PART D - INFORMATION ON OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME

€/t	Dec. 31, 2014		
	Gross amount	Income tax	Net amount
10. Net profit (loss) for the year	X	X	320,617
Other comprehensive income components without reversals to the income statement	5,152	-	5,152
20. Tangible assets	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	386	-	386
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves on investments accounted for by the equity method	4,766	-	4,766
Other comprehensive income components with reversals to the income statement	77,840	(25,779)	52,061
70. Hedges of investments in foreign operations:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
80. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
90. Cash flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
100. Available-for-sale financial assets:	61,609	(20,422)	41,187
a) changes in fair value	142,066	(47,280)	94,786
b) reversals to the income statement	(53,776)	17,845	(35,931)
- impairment	7,213	(2,034)	5,179
- realized gains/losses	(60,989)	19,879	(41,110)
c) other changes	(26,681)	9,013	(17,668)
110. Non-current assets held for sale:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
120. Share of valuation reserves on investments accounted for by the equity method:	16,231	(5,357)	10,874
a) changes in fair value	2,862	(945)	1,917
b) reversals to the income statement	(1,338)	442	(896)
- impairment	302	(100)	202
- realized gains/losses	(1,640)	542	(1,098)
c) other changes	14,707	(4,854)	9,853
130. Total other comprehensive income components	82,992	(25,779)	57,213
140. Comprehensive income (Captions 10+130)	82,992	(25,779)	377,830
150. Total consolidated comprehensive income attributable to minority interests	-	-	-
160. Total consolidated comprehensive income attributable to the parent company	82,992	(25,779)	377,830

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk management and internal control system

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

The Board of Directors and management play a key role in the establishment of an adequate risk management framework and the implementation of an effective internal control system.

The control system is organized according to different levels, with different levels of responsibility. Specifically, the internal control system is built around the following three main lines of defence:

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

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

For some technical activities Mediolanum S.p.A. has entered into service agreements with the subsidiary Banca Mediolanum S.p.A., in order to exploit the synergies and expertise of the Group.

Activities outsourced include the Compliance and Risk Management Functions.

Underlying principles

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

The Mediolanum Group has defined as part of the processes that characterize the different business activities, its Risk Appetite Framework ("RAF") or the level of risk, overall and by type of risk that it intends to adopt for the achievement of its strategic objectives, identifying the metrics being monitored, the relative tolerance thresholds and different limits of risk.

To ensure adherence to the principles above and have a comprehensive risk management framework, the Mediolanum Group has therefore 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.

Risk Management

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

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

The Risk Management Function therefore defines and maintains the framework of the control and management of all the risks of the bank; it is responsible for the supervision of the first pillar risks (credit, market and operational) of Banca Mediolanum and conducts qualitative and quantitative assessment of second pillar risks of Basel II, in compliance with the guidelines of the Board of Directors and the current law provisions.
It also defines the methods for assessing and monitoring reputational risks in coordination by the Compliance Function. Prepares internal regulations, or policies and regulations relating to all relevant risks and identifies and develops quantitative methods aimed at managing the relevant first and second pillar risks of the Bank.
Continuous verification of the adequacy of the Risk Appetite Framework of the Bank and the Group and coordinates the Internal Capital Adequacy Assessment Process (ICAAP) for those activities specifically attributed to them and falling within the scope of the ICAAP Regulation.
The Risk Management Function of Banca Mediolanum S.p.A., exercises, in accordance with as explicitly required by law, its function of guidance and coordination for all Mediolanum Group companies through different areas of activity including strategic, management and of technical/managerial coordination. Following the prior assessment by the Audit Committee on the performance of control activities, the Risk Management Function reports to the Board of Directors on the overall situation of risk in its various components.

Compliance

The Compliance Function oversees the management of non-compliance risks, according to a **risk-based** approach, with regard to all corporate activities, using, for oversight of certain regulatory areas for which there are forms of specialized oversight, specifically identified specialist units which are attributed certain stages of the **compliance** process.
In addition to overseeing the regulatory framework, the Function is responsible for specialist consulting, regulatory **alert** and **gap analysis**, verification of adequacy of company structures and processes with respect to the existing regulatory framework and identification of actions to mitigate non-compliance risks.
The Compliance Function of Banca Mediolanum S.p.A. oversees the risks of non-compliance with regulations also on behalf of the Italian Group companies with which the Bank entered into specific service agreements, and outsources, for the Risk Management functions of the Bank and other Italian companies of the Group, assessments on operational and reputational risks, as part of the integrated assessment activities and periodically sends the results to the functions, based on the schedule agreed with them.
Reports to the Board of Directors about the overall risk situation in its various aspects.

Internal Audit Team

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, verifies and supplements the effectiveness of the overall management process of financial, credit and operational risk.
Internal audit provides independent and objective audit services and advice to improve the effectiveness and efficiency of the organisation and of the overall internal control system.
The team monitors operation and assess functionality of the overall internal control system, including via field checks, and reports 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

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.

It shall also be noted that with the introduction of IFRS 13, a number of amendments have been made 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.

Financial instruments' classification method and principles

The disclosures required by IFRS 7 can be substantially referred to the classification in three main types of risk:

1. **Credit Risks.** Credit risk is the risk of loss arising from the deterioration in the creditworthiness up to default of either retail customers or institutional counterparties of whom the bank is a creditor in its investment activities, as a result of which debtors fail to meet all or part of their contractual obligations.
2. **Market Risks.** Market risk is the risk of potential losses, which may also be significant, from adverse movements in market rates and prices to which the Mediolanum Group companies are exposed in their investment activities, such as interest rates, exchange rates, equity prices, volatility, bond spreads.
3. **Liquidity Risks.** Liquidity risk is typically the risk that arises from the difficulty of liquidating assets. More specifically, it is the risk that a financial instrument cannot be bought or sold without a material decrease/increase in its price (bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential risk that an entity will be unable to obtain adequate funding. 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

As mentioned briefly above, the Internal Audit system of the Mediolanum Group meets the need to ensure sound and prudent management of the activities of both the bank and the other Group Companies, while reconciling the achievement of company objectives, proper and accurate risk monitoring and operability based on criteria of correctness.

To this end, the Companies of the Group have adequate risk assessment and control systems, in line with the complexity and characteristics of the present and future activities by adopting and formalizing a series of criteria and rules for the definition of their risk appetite through the adoption of the Risk Appetite Framework (RAF). The RAF, approved by the Strategic Supervisory Body of the parent company, therefore summarizes the strategies of risk assumption representing the overall structure within which it is intended to manage the risks undertaken, also through the definition of maximum tolerance to risk, with consequent articulation of the oversight adopted overall and divided for each significant risk. The RAF as a tool able to focus attention on the risk profile of the Banking Group through an integrated vision of risks, has significant relations and synergies with the ICAAP process, ideally "upstream" with respect to the latter.

The Internal Capital Adequacy Assessment Process (ICAAP)

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

The Supervisory Review Process (SRP)

In 2014, the Supervisory Review Process – SREP underwent a profound transformation through the establishment of the Single Supervisory Mechanism (MVU), which includes the European Central Bank (ECB) and the National Competent Authorities of EU member states. This body is responsible for the prudential supervision of all credit institutions of the member states and ensuring that the EU policy on prudential supervision of credit institutions is implemented coherently and effectively in all EU countries. Therefore, the new rules introduced require that the supervision of intermediaries defined significant be carried out by the ECB in close cooperation with the national supervisory Authorities. The supervision of the remaining banks will remain under the responsibility of the Authorities of each country that will proceed on the basis of uniform criteria. Banca Mediolanum currently and according to the criteria established by the ECB, is included in this second group of banks. Supervision is therefore divided into two separate phases: the first is the banks' process for assessing their current and future capital adequacy in relation to their risk profile and business strategies (ICAAP). The second is the Supervisory Review and Evaluation Process (SREP) conducted by the national banking Supervisory Authorities that review and evaluate banks' internal capital adequacy and, if needed, take appropriate action.

The SREP hinges on the collaboration and exchange of information between the Banking Supervisor and banks. The Banking Supervisor (Bank of Italy) can thus gain a deeper understanding of the banks' ICAAP including underlying assumptions, and banks can detail the assumptions underlying their assessment.
Banks define strategies and put in place procedures and tools to maintain adequate capital level – in terms of value and composition – to cover all the risks to which they are or may be exposed, including those risks for which a capital charge is not required.
The ICAAP hinges on the bank's sound risk management framework, effective internal control system, robust corporate governance and well-defined lines of responsibilities.
Board and senior management are responsible for the ICAAP. They are responsible for designing and organising it in accordance with respective competences and prerogatives. They are responsible for the implementation and for regular reviews of the ICAAP to ensure it is commensurate with the operational and strategic environment in which the bank operates.

The ICAAP must be documented, shared and known across the organisation and subject to internal audit.
The Supervisory Review Process reflects the principle of proportionality, i.e.:

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

Classification of intermediaries in relation to the ICAAP

The principle of proportionality applies to:

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

To facilitate the implementation of the proportionality principle, banks are classified into three categories according to their size and the complexity of their activities. The Mediolanum Banking Group falls within category 2, i.e. banking groups or banks applying the standardised approach, with consolidated or separate assets in excess of Euro 3.5 billion.
Banks apply a consistent approach to deriving capital requirements from the bank's risk measurement under the first pillar and overall internal capital requirements.
It shall also be noted that for the purpose of classification according to the criteria of the current EU provisions (refer to EU regulation no. 575/2013 and circular 285/2013 implementing the CRR) it seems reasonable to consider and qualify "Banca Mediolanum" as "intermediary bank".

Banca Mediolanum's ICAAP processes

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

Key risks mapping

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

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

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

First pillar risks

Credit Risk (including counterparty risk)

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

Market Risk

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

Operational Risk

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

Second pillar risks

Concentration Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Residual Risk

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

Strategic Risk

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

Compliance Risk (or Non-conformity Risk)

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

Reputational Risk

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

SECTION 1 - BANKING GROUP 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. Currently the Lending Division is divided into the following Units: Short-term lending unit, The Medium/Long-term lending unit, Credit Operations unit, Credit Quality Monitoring and Watch List and Credit Operations.
The Short-term lending team is responsible for all processes relating to approval and granting of overdrafts, loans, endorsements as well as for management of guarantees.
The team exercises credit approvals under delegated authorities. For credit that is outside the scope of the authorities delegated to it, the team prepares all information and documentation relating to the loan application including a non-binding opinion and submits it to superior bodies.
The Medium/Long-term lending team is responsible for approval and granting of mortgage loans in accordance with Credit Management Guidelines and Rules.
Prepares and submits reports to the Head of the Division and collaborates with the Credit Quality Monitoring and Watchlist Unit in the preparation of Medium/Long-term Lending Policy and Rules.
The Credit Operations Unit collaborates with the Credit Quality Monitoring and Watchlist Unit in the drafting of Corporate Credit Rules and Policies and also deals with the collection of applications and documentation relating to corporate credit (mortgages and ordinary loans) and assessment in accordance with the company's risk policies and risk appetite, manages relationships with Customers, the Sales Network and the other units of the Bank, providing assistance for setting the application of corporate credit. The team also sees to the formal and substantive review of credit application and deals with the preliminary investigation and the investigation of all the corporate credit claims, in coordination with the Relevant Customer unit for the specific segment.
The Credit Quality Monitoring and Watch List Unit is the unit that oversees the supervision and monitoring of credit activities of the Bank, overseeing the proper performance of first-level controls by operational offices, with particular reference to credit risk. Processes and analyzes the periodic reporting (both management and operational) and contributes to the definition of the guidelines of the banking group in relation to forecasting policies and models and overall credit risk also for foreign banking companies belonging to the Group in accordance with the Guidelines established by the Board of Directors of the Parent Company, supporting the Risk Management Function in this activity. The team deals with customers in difficulty ensuring that suitable solutions are found and implemented in a timely manner in accordance with policies and rules. The Watchlist team is informed of any amounts in arrears collected by foreign lenders that are part of the Group.
The Credit Operations team manages the relationships with Customers and the sales network providing all-round assistance across the credit application process for all types of lending. The team has also approval authority for low risk, limited-amount credit applications.

Credit risk management – Organisational aspects

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

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.
The **second-level monitoring process** prepared by the Risk Management Function aims to analyze the credit quality and the dynamics of risk exposure along the fundamental regulations and management guidelines by calculating summary risk indicators and representing progress over time in order to prepare action plans necessary to mitigate or avoid risk factors.
In particular, the Risk Management Function prepares the following types of audits:

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

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

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

Credit risk mitigation techniques

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

1. real guarantees;
2. personal guarantees.

Real guarantees are:

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

The expert assessment is prepared by independent external experts that have acquired extensive expertise in the assessment of properties.

The relevant technical unit within the Lending Division is responsible for ensuring that internal procedures for the preparation of property appraisals are thoroughly and properly applied.

Assessment of the quality of the loan portfolio

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.

The process for the identification of loans to be subjected to collective/analytical assessment involves subjecting "performing loans" to collective assessment.

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

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

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

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

At the bank, non-performing loans (over 90 days past due/overdrawn, watch list, non-performing or restructured) have a different estimate/handling approach depending on the class, type and value of the guarantee backing the loan and other classification variables that management, on expert basis and prudentially, considered the most significant and indicative of the level of potential risk.
Exposures that are not individually assessed are grouped on the basis of similar risk characteristics and collectively assessed for impairment.
The collective impairment loss is obtained by adding up the losses of each group. The collective impairment amount is compared with the previous carrying amount of loans to determine the amount of provisions to set aside or use.
The process for the identification of the groups of loans to be collectively assessed under IAS is in line with the credit risk approach under Bank of Italy's Circular 285 of December 17, 2013 and subsequent updates. Specifically, the risk parameters under said regulation, i.e. probability of default (PD) by rating class and Loss Given Default (LGD), are significant parameters for the classification of loans into groups with similar credit risk characteristics and for the calculation of provisions.
At present, the grouping of loans for the purpose of collective assessment is by rating and client segment (Retail/Corporate).
The calculation of the impairment loss is made applying a Basel-oriented approach, i.e. impairment is approximated to the concept of Expected Loss (EL) as set out in the relevant regulations. Expected Loss is the average loss the Bank expects to incur in a year on an exposure as a result of the deterioration of credit quality or default of the borrower.
Banca Mediolanum's loan loss provision for collectively assessed exposures is therefore determined by calculating the Expected Loss (EL) on all exposures in a given rating class, applying the following formula:

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

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:

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

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

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

Restructured loans consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives, etc.) for which a bank (or a syndicate of banks) agrees to change the original loan terms and conditions (e.g. rescheduling payments, reducing debt and/or interest) due to the deterioration of the financial condition of the borrower, with ensuing losses. This category does not include exposures to companies that are going out of business (e.g. voluntary wind-up or similar conditions) as well as country-risk exposures. Reporting excludes exposures whose anomalous situation is caused by factors related to country risk.

"Over 90 days past due" consist of on and off-balance sheet exposures (e.g. loans, securities, derivatives, etc.) to debtors (other than those classified in non-performing, watch list, restructured) that at the reporting date were over 90 days past due or overdrawn. For recognition in this category, both following conditions are to be satisfied:

- the borrower is past due more than 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.

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. 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 shall be noted that the bank has adequate procedures and tools for the management of collateral in respect of derivative transactions. The activities on the negotiation of the relevant agreements of the Credit Support Annex are the main exercise on the mitigation of counterparty risk.

Concentration risk

Concentration risk, as defined in regulations, is the exposure to individual counterparties, groups of individual or related counterparties or counterparties in the same industry, business sector or geographical location. Concentration risk thus falls within the wider category of credit risk.
As required by the Banking Supervisor (Bank of Italy), in relation to the capital requirement of the single name risk, the Banking Group's exposure to concentration risk is monitored only for the 'Business and Others' Portfolio. The Group exposure in that portfolio is of limited size and relevance. In addition, the Banking Group put in place a system for monitoring concentration risk on a weekly basis in accordance with rules governing management of large exposures.
In accordance with regulations in force 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 the Group's risk tolerance based on the Bank's risk appetite. Operating licences and limits are closely monitored on an ongoing basis to ensure they are not exceeded and are regularly reviewed, generally on an annual basis. Derogation from said limits is subject to delegated authorities of the Chief Executive Officer and the Head of Finance.

QUANTITATIVE INFORMATION[1]

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)

	Banking group										Other companies		
€/t	Non-performing	Watch list	Restructured	Past due impaired	Past due not impaired	Other assets	Non-performing	Watch list	Restructured	Past due impaired	Impaired	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	313,984	-	-	-	-	-	532,902	846,886
2. Available-for-sale financial assets	-	-	-	-	-	13,938,648	-	-	-	-	-	1,360,170	15,298,818
3. Held-to-maturity investments	-	-	-	-	-	2,204,200	-	-	-	-	-	307,881	2,512,081
4. Loans to banks	-	-	-	-	-	656,866	-	-	-	-	-	154,184	811,050
5. Loans to customers	13,397	30,382	5,855	5,242	70,533	6,647,183	-	-	-	-	-	6,415	6,779,007
6. Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	1,521,633	1,521,633
7. Financial assets being disposed of	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	1,287	-	-	-	-	-	-	1,287
Total Dec. 31, 2014	13,397	30,382	5,855	5,242	70,533	23,762,168	-	-	-	-	-	3,883,185	27,770,762

[1] The information relating to the Banking Group has no comparative figures due to the definition of the new scope as specified above.

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

€/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. Banking Group							
1. Financial assets held for trading	-	-	-	-	-	313,984	313,984
2. Available-for-sale financial assets	-	-	-	13,938,648	-	13,938,648	13,938,648
3. Held-to-maturity investments	-	-	-	2,204,200	-	2,204,200	2,204,200
4. Loans to banks	-	-	-	656,866	-	656,866	656,866
5. Loans to customers	100,992	(46,116)	54,876	6,726,897	(9,181)	6,717,716	6,772,592
6. Financial assets measured at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	1,287	1,287
Total A	100,992	(46,116)	54,876	23,526,611	(9,181)	23,832,701	23,887,577
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	-	-	532,902	532,902
2. Available-for-sale financial assets	-	-	-	1,360,170	-	1,360,170	1,360,170
3. Held-to-maturity investments	-	-	-	307,881	-	307,881	307,881
4. Loans to banks	-	-	-	154,184	-	154,184	154,184
5. Loans to customers	-	-	-	6,415	-	6,415	6,415
6. Financial assets measured at fair value	-	-	-	-	-	1,521,633	1,521,633
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	-	-	-	1,828,650	-	3,883,185	3,883,185
Total Dec. 31, 2014	100,992	(46,116)	54,876	25,355,261	(9,181)	27,715,886	27,770,762

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

	Exposures subject to renegotiation as part of collective agreements					Other exposures					
€/t	Past due up to 3 months	Past due 3 to 6 months	Past due up to 6 months within 1 year	Past due 1 year	Not overdue	Past due up to 3 months	Past due 3 to 6 months	Past due up to 6 months within 1 year	Past due 1 year	Not overdue	Total (net exposure)
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	846,886	846,886
2. Available-for-sale financial assets	-	-	-	-	19,378	-	-	-	-	15,279,440	15,298,818
3. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	2,512,081	2,512,081
4. Loans to banks	-	-	-	-	11,974	-	-	-	-	799,076	811,050
5. Loans to customers	1,776	3,368	-	-	110,932	58,174	7,046	2,531	-	6,540,304	6,724,131
6. Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	1,521,633	1,521,633
7. Financial assets being disposed of	-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-	1,287	1,287
Total Dec. 31, 2014	1,776	3,368	-	-	142,284	58,174	7,046	2,531	-	27,500,707	27,715,886

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

Type of exposures/values	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	958,092	X	-	958,092
TOTAL A	958,092	-	X	958,092
B. OFF-BALANCE SHEET				
a) Impaired	-	-	X	-
b) Other	91,401	X	-	91,401
TOTAL B	91,401	-	-	91,401
TOTAL A+B	1,049,493	-	-	1,049,493

A.1.6 Banking 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	37,965	(24,568)	X	13,397
b) Watch list	49,245	(15,596)	X	33,649
c) Restructured	12,410	(6,554)	X	5,856
d) Past due impaired	5,980	(689)	X	5,291
e) Other assets	23,818,640	X	(9,332)	23,809,308
TOTAL A	23,924,240	(47,407)	(9,332)	23,867,501
B. OFF-BALANCE SHEET				
a) Impaired	794	(504)	X	290
b) Other	2,155,453	X	(170)	2,155,283
TOTAL B	2,156,247	(504)	(170)	2,155,573

A.1.7 Banking 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	31,869	31,165	11,579	9,401
	- of which: loans sold but not derecognised	-	-	-	-
B.	Increases	11,872	35,494	2,607	25,452
B.1	reclassified from performing loans	1,694	20,514	2,227	23,708
B.2	reclassified from other impaired loan categories	8,039	13,097	38	434
B.3	other increases	2,139	1,883	342	1,310
C.	Decreases	5,776	17,414	1,776	28,873
C.1	reclassified to performing loans (including past due not impaired)	-	3,193	-	10,616
C.2	cancellations	4,134	48	10	-
C.3	receipts	1,642	5,695	1,541	5,314
C.4	proceeds from sale	-	-	-	-
C.4 *bis*	losses from sale	-	-	-	-
C.5	reclassified to other impaired loan categories	-	8,477	190	12,942
C.6	other decreases	-	1	35	1
D.	Closing gross balance	37,965	49,245	12,410	5,980
	- of which: loans sold but not derecognised	-	-	-	-

A.1.8 Banking 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	20,556	9,076	5,723	1,044
	- of which: loans sold but not derecognised	-	-	-	-
B.	Increases	8,992	11,077	1,040	662
B1	impairment	6,386	10,657	1,022	647
B.1 *bis*	losses from sale	-	-	-	-
B.2	reclassified from other impaired loan categories	2,475	420	18	15
B.3	other increases	131	-	-	-
C.	Decreases	4,980	4,557	209	1,017
C.1	revaluations	266	937	193	389
C.2	repayments	580	1,104	16	168
C.2 *bis*	profit from sale	-	-	-	-
C.3	cancellations	4,134	48	-	-
C.4	reclassified to other impaired loan categories	-	2,468	-	460
C.5	other decreases	-	-	-	-
D.	Net impairment at end of the year	24,568	15,596	6,554	689
	- of which: loans sold but not derecognised	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

	External rating classes							
€/t	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On-balance sheet	487,786	134,639	16,344,049	39,735	4,142	5,602	7,937,852	24,953,805
B. Derivatives	-	-	-	-	-	-	63,149	63,149
B.1 Financial derivatives	-	-	-	-	-	-	7,594	7,594
B.2 Credit derivatives	-	-	-	-	-	-	55,555	55,555
C. Guarantees issued	-	-	-	88	141	39	100,511	100,779
D. Commitments to disburse	-	-	-	25	238	-	237,322	237,585
E. Other	-	-	-	-	-	-	1,845,420	1,845,420
Total	487,786	134,639	16,344,049	39,848	4,521	5,641	10,184,254	27,200,738

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

A.3.1 Banking group – Secured credit exposures to banks

						Personal guarantees (2)									
		Real guarantees (1)				Credit derivatives					Endorsements				
							Other derivatives								
€/t	Net exposures	Property, mortgages	Property, finance leases	Securities	Other real guarantes	CLN	Governments and central banks	Other government agencies	Banks	Other subjects	Governments and central banks	Other government agencies	Banks	Other subjects	Total (1)+(2)
1. Secured on-balance sheet credit exposures	340,528	-	-	228,472	-	-	-	-	-	-	-	-	-	-	228,472
1.1 Entirely secured	340,528	-	-	228,472	-	-	-	-	-	-	-	-	-	-	228,472
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking Group – Secured credit exposures to customers

€/t	Net exposures	Real guarantees (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsements				
							Other derivatives								
		Property, mortgages	Property, finance leases	Securities	Other real guarantes	CLN	Governments and central banks	Other government agencies	Banks	Other subjects	Governments and central banks	Other government agencies	Banks	Other subjects	
1. Secured on-balance sheet credit exposures:	6,632,972	7,728,109	-	835,338	193,432	-	(500)	-	-	-	-	1,077	-	2,627,511	11,384,967
1.1 Entirely secured	6,542,068	7,665,047	-	829,942	170,807	-	(500)	-	-	-	-	5	-	2,612,534	11,277,835
- of which impaired	41,200	79,492	-	5,082	275	-	-	-	-	-	-	5	-	14,580	99,434
1.2 Partly secured	90,904	63,062	-	5,396	22,625	-	-	-	-	-	-	1,072	-	14,977	107,132
- of which impaired	3,111	7,819	-	-	-	-	-	-	-	-	-	41	-	744	8,604
2. Secured off-balance sheet credit exposures:	202,743	217	-	192,849	(18,994)	-	-	-	-	-	-	-	-	750	174,822
2.1 Entirely secured	198,091	217	-	188,786	(18,994)	-	-	-	-	-	-	-	-	728	170,737
- of which impaired	249	-	-	1,296	(12)	-	-	-	-	-	-	-	-	-	1,284
2.2 Partly secured	4,652	-	-	4,063	-	-	-	-	-	-	-	-	-	22	4,085
- 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 Banking Group – Analysis of customer loans (on and off-balance sheet positions) by borrower category (book value)

€/t	Governments			Other government agencies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On-balance sheet																		
A.1 Non performing	-	-	X	-	-	X	-	-	X	-	-	X	451	(1,529)	X	12,946	(23,039)	X
A.2 Watch list	-	-	X	-	-	X	616	(410)	X	-	-	X	10,304	(3,852)	X	22,729	(11,334)	X
A.3 Restructured	-	-	X	-	-	X	4,212	(5,699)	X	-	-	X	5	(151)	X	1,639	(704)	X
A.4 Past due	16	(2)	X	-	-	X	6	-	X	1	-	X	137	(15)	X	5,131	(672)	X
A.5 Other exposures	16,773,813	X	-	166	X	-	699,650	X	(53)	133,415	X	-	358,168	X	(1,731)	5,844,096	X	(7,548)
Total A	16,773,829	(2)	-	166	-	-	704,484	(6,109)	(53)	133,416	-	-	369,065	(5,547)	(1,731)	5,886,541	(35,749)	(7,548)
B. Off-balance sheet																		
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	290	(504)	X
B.4 Other exposures	90,154	X	-	-	X	-	72,897	X	-	19,176	X	(111)	27,399	X	(5)	176,377	X	(54)
Total B	90,154	-	-	-	-	-	72,897	-	-	19,176	-	(111)	27,399	-	(5)	176,667	(504)	(54)
Total A+B Dec. 31, 2014	16,863,983	(2)	-	166	-	-	777,381	(6,109)	(53)	152,592	-	(111)	396,464	(5,547)	(1,736)	6,063,208	(36,253)	(7,602)

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

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment
A. On-balance sheet										
A.1 Non performing	13,146	(22,527)	251	(2,041)	-	-	-	-	-	-
A.2 Watch list	28,149	(11,816)	5,500	(3,780)	-	-	-	-	-	-
A.3 Restructured	5,855	(6,554)	-	-	-	-	-	-	1	-
A.4 Past due	5,290	(689)	1	-	-	-	-	-	-	-
A.5 Other exposures	21,944,159	(9,310)	1,862,667	(21)	1,348	(1)	1,111	-	23	-
Total A	21,996,599	(50,896)	1,868,419	(5,842)	1,348	(1)	1,111	-	24	-
B. Off-balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	277	-	12	(504)	-	-	-	-	1	-
B.4 Other exposures	358,612	(149)	27,186	(21)	26	-	179	-	-	-
Totae B	358,889	(149)	27,198	(525)	26	-	179	-	1	-
Total A+B	22,355,488	(51,045)	1,895,617	(6,367)	1,374	(1)	1,290	-	25	-

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

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment
A. On-balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	549,958	-	388,577	-	19,504	-	53	-	-	-
Total A	549,958	-	388,577	-	19,504	-	53	-	-	-
B. Off-balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	63,136	-	28,265	-	-	-	-	-	-	-
Total B	63,136	-	28,265	-	-	-	-	-	-	-
Total A+B Dec. 31, 2014	613,094	-	416,842	-	19,504	-	53	-	-	-

B.4 Large exposures

	Nominal	Weighted
a) Book value	20,130,293	710,621
c) Number		7

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

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

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

E. Sale transactions

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

	Financial assets held for trading			Financial assets measured at fair value			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			
€/t	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 2014
A. Non-derivatives	24,584	-	-	-	-	-	1,715,588	-	-	62,913	-	-	-	-	-	-	-	-	1,803,085
1. Debt securities	24,584	-	-	-	-	-	1,715,588	-	-	62,913	-	-	-	-	-	-	-	-	1,803,085
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Dec. 31, 2014	24,584	-	-	-	-	-	1,715,588	-	-	62,913	-	-	-	-	-	-	-	-	1,803,085
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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)

E.2 Banking Group – Financial liabilities against financial assets sold but not derecognised: book value

€/t	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Dec. 31, 2014
1. Amounts due to customers	24,581	-	1,714,947	64,799	-	-	1,804,327
a) against financial assets fully recognised	24,581	-	1,714,947	64,799	-	-	1,804,327
b) against financial assets partly recognised	-	-	-	-	-	-	-
2. Amounts due to banks	-	-	251	-	-	-	251
a) against financial assets fully recognised	-	-	251	-	-	-	251
b) against financial assets partly recognised	-	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-	-
a) against financial assets fully recognised	-	-	-	-	-	-	-
b) against financial assets partly recognised	-	-	-	-	-	-	-
Total Dec. 31, 2014	24,581	-	1,715,198	64,799	-	-	1,804,578

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.

F. 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 Banking Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the Banking Group's Parent Company guidelines. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.

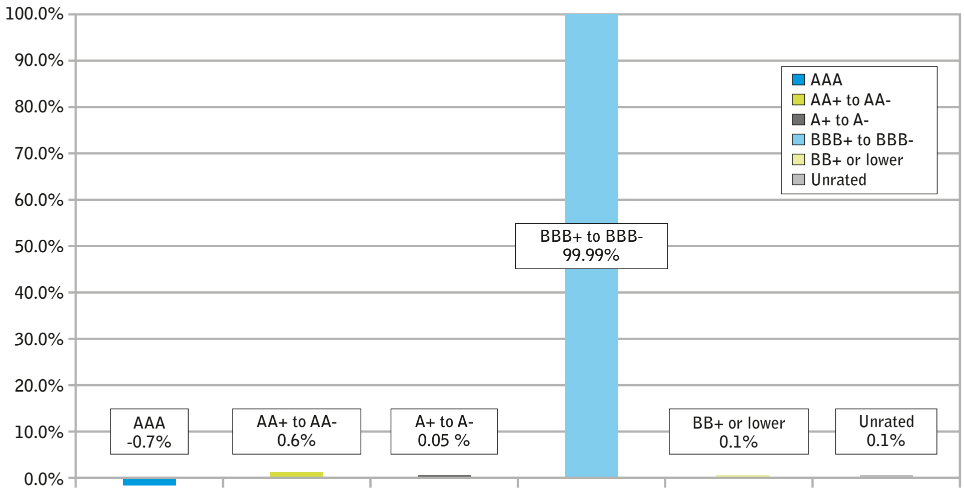
It is noted that the overall portfolio of the Banking Group is characterized by the predominance of Government Securities as compared to other domestic issuers represented in the table on the rating assigned to the country, presenting thus a relatively low risk of default. Rating analysis for the entire Mediolanum Banking Group's securities portfolio, including both the trading book and the banking book, is set out below.

Banking Group's Securities Portfolio – RATING COMPOSITION (S&P equivalent)
(YE 2014 vs. YE 2013)

€/t	2014	%	2013	%	Change (%)
Total Portfolio	16,636,896	100%	13,772,210	100%	21%
AAA	(122,399)	(0.7%)	(138,725)	(0.9%)	(12%)
AA+ to AA-	107,195	0.6%	167,579	2.1%	(36%)
A+ to A-	7,947	0.05%	2,899	26.2%	174%
BBB+ to BBB-	16,618,965	99,9%	13,385,550	72.5%	24%
BB+ or lower	12,658	0.1%	305,425	0.0%	100%
Unrated	12,530	0.1%	49,480	0.1%	(75%)

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

Rating Composition Portfolio - Mediolanum Banking Group (2014)



Class BBB+ to BBB- include Italian government securities.

Interest rate risk and pricing risk – Measurement and management

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

Exposure to interest rate risk is measured by applying portfolio analyses (e.g. exposure limits, characteristics of the instruments and of the issuers) as well as by estimating the risk of maximum loss on the portfolio (Value at risk).

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

€/t	2014	2013	Change (%)
Nominal	51,920	246,003	(79%)
Market value	45,910	237,080	(81%)
Duration	2.38	0.92	159%
VaR 99% - 1 d	878	1,212	(28%)

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	9,767	2,205	43,854	60,623	162,897	77,419	3,807	-
1.1 Debt securities	9,767	2,205	43,854	60,623	162,897	77,419	3,807	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	9,767	2,205	43,854	60,623	162,897	77,419	3,807	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	47,170	-	110,681	137,860	43,449	4,088	-
2.1 Repurchase agreements	-	17,075	-	-	-	-	-	-
2.2 Other liabilities	-	30,095	-	110,681	137,860	43,449	4,088	-
3. Financial derivatives	-	640,940	7,185	24,190	26,487	26,028	52,239	-
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	28,061	5,990	-	-	-	-	-
+ Short positions	-	5,990	-	21,755	6,307	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	236,325	-	-	-	-	-	-
+ Short positions	-	370,564	1,195	2,435	20,180	26,028	52,239	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	505,203	-	-	-	-	-	-
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	-	374,913	-	-	-	-	-	-
+ Short positions	-	130,290	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	3,106	-	-	-	-	-	-
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	1,553	-	-	-	-	-	-
+ Short positions	-	1,553	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	3,041	-	-	-	-	-	-
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	-	895	-	-	-	-	-	-
+ Short positions	-	2,146	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	512	-	-	-	-	-	-
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	-	256	-	-	-	-	-	-
+ Short positions	-	256	-	-	-	-	-	-

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

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

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	3,038	-	-	-	-	-	-
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	-	1,441	-	-	-	-	-	-
+ Short positions	-	1,597	-	-	-	-	-	-

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

Banking book interest rate risk exposures are measured and managed by the 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 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 Repricing Risk, Yield Curve Risk, Basis Risk, Refixing Risk and Optionality Risk;
- protect the economic value, i.e. the present value of expected cash flows from assets and liabilities. The economic value perspective is focused on the potential medium/long-term effects of changes in interest rates and is mainly associated with re-pricing risk;
- ensure that interest rate risk that has been taken or can be taken be properly identified, measured, monitored and managed in accordance with uniform methods and procedures shared;
- make sure that risk measurement models are commensurate with actual earnings generated by the various risk owners;
- ensure that the quality of risk measurement and management systems is aligned with market standards and best practices;
- define risk limits and licences for the various levels of responsibility;
- ensure the generation of accurate data and reports by the various officers responsible for risk management and control at the different levels within the organisation;
- ensure compliance with requirements established by domestic and international supervisory authorities.

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

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

- Net interest income sensitivity to parallel shifts in the yield curve;
- Economic value sensitivity to parallel shifts in the yield curve.

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

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

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

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

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

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

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 adoption of this accounting methodology involves in different ways the corporate functions of Banca Mediolanum. The Treasury Committee provides guidance on hedging policies. The Financial Management function handles all aspects relating to the identification and operation of IAS compliant hedges. The adoption of this accounting methodology involves in different ways the corporate functions of Banca Mediolanum. The Treasury Committee provides guidance on hedging policies. Banca Mediolanum Financial Management function handles all aspects relating to the identification and operation of IAS compliant hedges. The Risk Management Function works across the process ensuring the alignment of systems and proper management of hedges. The Accounting and Financial Reporting function records and monitors hedges on an ongoing basis and prepares Hedge Accounting documentation.

As shown in the table below, back-testing of hedge effectiveness proved the hedge ratio met the requirement $|0,8| \leq HR \leq |1,25|$:

Hedging Ratio
(YE 2014 vs. YE 2013)

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

Cash flow hedges

There are no hedges as defined under IAS.

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	2,714,663	5,977,508	7,438,352	1,572,689	6,119,009	132,717	388,214	10,193
1.1 Debt securities	691,180	1,261,184	7,428,343	1,436,918	6,005,919	5,774	2,945	-
- with early redemption option	-	2,973	-	-	2,650	-	1,619	-
- other	691,180	1,258,211	7,428,343	1,436,918	6,003,269	5,774	1,326	-
1.2 Loans to banks	110,427	535,326	150	-	-	-	-	2,000
1.3 Loans to customers	1,913,056	4,180,998	9,859	135,771	113,090	126,943	385,269	8,193
- current accounts	767,354	52	13	163	631	1,013	-	-
Other loans	1,145,702	4,180,946	9,846	135,608	112,459	125,930	385,269	8,193
- with early redemption option	1,049,690	3,648,122	7,026	11,896	90,100	115,259	259,491	-
- other	96,012	532,824	2,820	123,712	22,359	10,671	125,778	8,193
2. Non-derivative liabilities	12,301,536	6,560,431	1,709,193	2,452,151	236,049	126,545	-	2,482
2.1 Amounts due to customers	9,194,186	2,718,633	1,497,379	1,829,864	83,567	-	-	2,482
- current accounts	8,006,909	629,400	731,474	1,040,479	50,033	-	-	-
Other payables	1,187,277	2,089,233	765,905	789,385	33,534	-	-	2,482
- with early redemption option	-	-	-	-	-	-	-	-
- other	1,187,277	2,089,233	765,905	789,385	33,534	-	-	2,482
2.2 Amounts due to banks	3,109,081	3,716,968	129,628	622,287	-	-	-	-
- current accounts	3,996	-	-	-	-	-	-	-
- other payables	3,105,085	3,716,968	129,628	622,287	-	-	-	-
2.3 Securities issued	(1,731)	124,830	82,186	-	152,482	126,545	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	(1,731)	124,830	82,186	-	152,482	126,545	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	2,686	705,069	99,909	42,287	429,516	820,384	1,199,499	-
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	9,985	75,044	-	517	-	-	-
+ Short positions	-	75,533	9,989	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	3,727	10,431	24,378	230,293	398,615	547,627	-
+ Short positions	2,686	262,892	535	9,944	123,575	335,132	480,309	-
Other								
+ Long positions	-	341,219	-	-	7,850	-	-	-
+ Short positions	-	11,713	3,910	7,965	67,281	86,637	171,563	-
4. Other off-balance sheet								
+ Long positions	-	-	-	21,755	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

Type/Residual duration	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	26,635	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	26,633	-	-	-	-	-	-	-
1.3 Loans to customers	2	-	-	-	-	-	-	-
- current accounts	2	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	58,427	90,605	-	-	-	-	-	-
2.1 Amounts due to customers	54,638	-	-	-	-	-	-	-
- current accounts	35,181	-	-	-	-	-	-	-
Other payables	19,457	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	19,457	-	-	-	-	-	-	-
2.2 Amounts due to banks	3,789	90,605	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	3,789	90,605	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
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	-	13,742	-	-	-	-	-	-
+ Long positions	-	3,871	-	-	-	-	-	-
+ Short positions	-	3,871	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. . Non-derivative assets	151	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	151	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	62	-	-	-	-	-	-	-
2.1 Amounts due to customers	62	-	-	-	-	-	-	-
- current accounts	62	-	-	-	-	-	-	-
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 – GB POUND

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	4,206	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	4,205	-	-	-	-	-	-	-
1.3 Loans to customers	1	-	-	-	-	-	-	-
- current accounts	1	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	1,042	-	-	-	-	-	-	-
2.1 Amounts due to customers	1,042	-	-	-	-	-	-	-
- current accounts	712	-	-	-	-	-	-	-
Other payables	330	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	330	-	-	-	-	-	-	-
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 –
SWEDISH KRONA

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	95	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	95	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	67	-	-	-	-	-	-	-
2.1 Amounts due to customers	67	-	-	-	-	-	-	-
- current accounts	67	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	680	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	679	-	-	-	-	-	-	-
1.3 Loans to customers	1	-	-	-	-	-	-	-
- current accounts	1	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	345	-	-	-	-	-	-	-
2.1 Amounts due to customers	345	-	-	-	-	-	-	-
- current accounts	272	-	-	-	-	-	-	-
Other payables	73	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	73	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	2,264	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	2,264	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	177	-	-	-	-	-	-	-
2.1 Amounts due to customers	177	-	-	-	-	-	-	-
- current accounts	103	-	-	-	-	-	-	-
Other payables	74	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	74	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-

1.2.3 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.

Quantitative information

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

€/t	Dollar U.S.A.	Yen Japan	Pound United Kingdom	Krona Sweden	Franc Switzerland	Other currencies
a. Financial assets	6,999	105	2,923	-	407	1,384
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	1,477	-	-	-	-	-
A.3 Loans to banks	5,519	105	2,922	-	406	1,384
A.4 Loans to customers	3	-	1	-	1	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	55	-	11	-	-	-
C. Financial liabilities	129,575	62	712	-	272	170
C.1 Amounts due to banks	94,394	-	-	-	-	-
C.2 Amounts due to customers	35,181	62	712	-	272	170
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives						
Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
Other	-	-	-	-	-	-
+ Long positions	251,365	1,553	895	256	142	1,300
+ Short positions	128,774	1,553	1,519	256	243	1,250
Total assets	258,419	1,658	3,829	256	549	2,684
Total liabilities	258,349	1,615	2,231	256	515	1,420
Unbalance (+/-)	(70)	(43)	(1,598)	-	(34)	(1,264)

1.2.4 Derivative instruments

A. Financial derivatives

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

€/t	Dec. 31, 2014 Over the counter	Dec. 31, 2014 Central counterparties
1. Debt securities and interest rates	105,757	34,052
a) Options	-	-
b) Swap	105,757	-
c) Forwards	-	-
d) Futures	-	34,052
e) Others	-	-
2. Equities and stock indices	-	-
a) Options	-	-
b) Swap	-	-
c) Forwards	-	-
d) Futures	-	-
e) Others	-	-
3. Currencies and gold	389,102	-
a) Options	-	-
b) Swap	125,982	-
c) Forwards	263,120	-
d) Futures	-	-
e) Others	-	-
4. Commodities	-	-
5. Other underlying	-	-
Total	494,859	34,052
Average amount	72,712	2,468

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

A.2.1 Hedging derivatives

	Dec. 31, 2014	
€/t	Over the counter	Central counterparties
1. Debt securities and interest rates	421,571	-
a) Options	72,502	-
b) Swap	349,069	-
c) Forwards	-	-
d) Futures	-	-
e) Others	-	-
2. Equities and stock indices	-	-
a) Options	-	-
b) Swap	-	-
c) Forwards	-	-
d) Futures	-	-
e) Others	-	-
3. Currencies and gold	-	-
a) Options	-	-
b) Swap	-	-
c) Forwards	-	-
d) Futures	-	-
e) Others	-	-
4. Commodities	-	-
5. Other underlying	-	-
Total	421,571	-
Average amount	195,239	-

A.2.2 Other derivatives

	Dec. 31, 2014	
€/t	Over the counter	Central counterparties
1. Debt securities and interest rates	75,533	9,985
a) Options	-	-
b) Swap	-	-
c) Forwards	75,533	9,985
d) Futures	-	-
e) Others	-	-
2. Equities and stock indices	-	-
a) Options	-	-
b) Swap	-	-
c) Forwards	-	-
d) Futures	-	-
e) Others	-	-
3. Currencies and gol	-	-
a) Options	-	-
b) Swap	-	-
c) Forwards	-	-
d) Futures	-	-
e) Others	-	-
4. Commodities	-	-
5. Other underlying	-	-
Total	75,533	9,985
Average amount	412	55

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

	Positive fair value	
	Dec. 31, 2014	
€/t	Over the counter	Central counterparties
A. Trading book	6,273	-
a) Options	-	-
b) Interest rate swaps	-	-
c) Cross currency swaps	3,368	-
d) Equity swaps	-	-
e) Forwards	2,905	-
f) Futures	-	-
g) Others	-	-
B. Banking book – hedging derivatives	1,412	-
a) Options	1,287	-
b) Interest rate swaps	125	-
c) Cross currency swaps	-	-
d) Equity swaps	-	-
e) Forwards	-	-
f) Futures	-	-
g) Others	-	-
C. Banking book – other derivatives	34	-
a) Options	-	-
b) Interest rate swaps	-	-
c) Cross currency swaps	-	-
d) Equity swaps	-	-
e) Forwards	34	-
f) Futures	-	-
g) Others	-	-
Total	7,719	

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

€/t	Negative fair value Dec. 31, 2014 Over the counter	Negative fair value Dec. 31, 2014 Central counterparties
A. Trading book	39,170	-
a) Options	-	-
b) Interest rate swaps	36,207	-
c) Cross currency swaps	76	-
d) Equity swaps	-	-
e) Forwards	2,887	-
f) Futures	-	-
g) Others	-	-
B. Banking book – hedging derivatives	100,218	-
a) Options	-	-
b) Interest rate swaps	100,218	-
c) Cross currency swaps	-	-
d) Equity swaps	-	-
e) Forwards	-	-
f) Futures	-	-
g) Others	-	-
C. Banking book – other derivatives	-	4
a) Options	-	-
b) Interest rate swaps	-	-
c) Cross currency swaps	-	-
d) Equity swaps	-	-
e) Forwards	-	4
f) Futures	-	-
g) Others	-	-
Total	139,388	4

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

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	125,558	254,410	-	-	878
- positive fair value	-	-	4	6,248	-	-	1
- negative fair value	-	-	2,776	23	-	-	75
- future exposure	-	-	1,228	2,544	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	105,757	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	36,207	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	8,256	-	-	-	-
- positive fair value	-	-	21	-	-	-	-
- negative fair value	-	-	89	-	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

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

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

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	349,069	-	-	-	-
- positive fair value	-	-	125	-	-	-	-
- negative fair value	-	-	100,218	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

€/t	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Trading book	396,412	20,180	78,266	494,858
A.1 Financial derivatives on debt securities and interest rates	7,311	20,180	78,266	105,757
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	389,101	-	-	389,101
A.4 Financial derivatives on other values	-	-	-	-
B. Banking book	91,271	75,131	330,702	497,104
B.1 Financial derivatives on debt securities and interest rates	91,271	75,131	330,702	497,104
B.2 Financial derivatives on equities and stock indices	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total as at Dec. 31, 2014	487,683	95,311	408,968	991,962

B. Credit derivatives

B.1 Credit derivatives: year-end and average notional amounts

€/t	Trading book		Banking book of other contracts	
	individual	basket	individual	basket
1. Purchases of protection				
a) Credit default products	-	-	55,555	-
b) Credit spread products	-	-	-	-
c) Total rate of return swaps	-	-	-	-
d) Other	-	-	-	-
Total Dec. 31, 2014	-	-	55,555	-
Average amount	-	-	69,743	-
2. Sales of protection				
a) Credit default products	55,555	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swaps	-	-	-	-
d) Other	-	-	-	-
Total Dec. 31, 2014	55,555	-	-	-
Average amount	69,743	-	-	-

B.2 OTC credit derivatives: positive gross fair value – analysis by type of product

€/t	*Positive fair value*
	Dec. 31, 2014
A. Trading book	3,378
a) Credit default products	3,378
b) Credit spread products	-
c) Total rate of return swaps	-
d) Other	-
B. Banking book	-
a) Credit default products	-
b) Credit spread products	-
c) Total rate of return swaps	-
d) Other	-
Total	3,378

B.3 OTC credit derivatives: negative gross fair value – analysis by type of product

€/t	Negative fair value Dec. 31, 2014
A. Trading book	61
a) Credit default products	61
b) Credit spread products	-
c) Total rate of return swaps	-
d) Other	-
B. Banking book	5,939
a) Credit default products	5,939
b) Credit spread products	-
c) Total rate of return swaps	-
d) Other	-
Total	6,000

B.4 OTC credit derivatives: gross fair value (positive and negative) by counterparty – contracts that do not fall under netting arrangements

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
Trading							
1. Purchase of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Sale of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Banking book							
1. Purchase of protection							
- notional amount	-	-	-	-	-	-	55,555
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	5,939
2. Sale of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.5 OTC credit derivatives: gross fair value (positive and negative) by counterparty – contracts that fall under netting arrangements

€/t	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
Trading							
1. Purchase of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Sale of protection							
- notional amount	-	-	55,555	-	-	-	-
- positive fair value	-	-	3,378	-	-	-	-
- negative fair value	-	-	61	-	-	-	-
Banking book							
1. Purchase of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Sale of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6 Residual life of credit derivatives: notional amount

€/t	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Trading book	5,515	50,040	-	55,555
A.1 Credit derivatives with "qualified" "reference obligation"	5,515	50,040	-	55,555
A.2 Credit derivatives with "unqualified" "reference obligation"	-	-	-	-
B. Banking book	5,515	50,040	-	55,555
B.1 Credit derivatives with "qualified" "reference obligation"	5,515	50,040	-	55,555
B.2 Credit derivatives with "unqualified" "reference obligation"	-	-	-	-
Total Dec. 31, 2014	11,030	100,080	-	111,110

1.3 LIQUIDITY RISK

Qualitative information

A. Liquidity Risk – General information, measurement and management

The liquidity management model is structured in a manner that ensures adequate levels of liquidity in the short term as well as in the medium and long term. Given the types of assets held, their duration as well as the type of funding, the entire Banking Group has no short-term liquidity concerns. From a structural viewpoint, the Banking Group can rely on a stable core funding and is only marginally exposed to volatility. This is evidenced also by Bank's econometric projections of "on demand positions". In addition to its core funding, the Mediolanum Banking Group implements short-term funding policies through repurchase agreements, medium-term bond issues, term deposits and Long Term Refinancing Operations.
Liquidity risk management, which is through the definition of guidelines and indicators in the Risk Appetite Framework document adopted by all Group companies (where applicable) is monitored by the Risk Management unit applying dedicated policies and procedures, including operating and structural limits and definition and constant monitoring of the maturity ladder. The liquidity risk policy also defines a contingency funding plan under the broader Asset Liability Management model of the Banking Group.
In compliance with Basel II Second Pillar requirements, and in view of the progressive implementation of Basel III, all internal procedures for liquidity risk management have been updated. The policy on liquidity risk adopted effectively implemented a control procedure that involves the preparation of daily reporting that monitors the limits of operating liquidity related to treasury management, consolidated weekly reporting of the Banking Group, which is sent to the Supervisory Board and quarterly reports which controls the aggregated structural liquidity of the Group, brought to the attention of the Strategic Supervisory Board also with a view to compliance with the indicators defined within the RAF. The method used to manage operational liquidity is derived from the Maturity Mismatch Approach and is based on the monitoring of cumulative gaps generated by Net Flows and Counterbalancing Capacity as assessed using an operational Maturity Ladder. Structural liquidity is monitored by determining the long term ratio (Net Stable Funding Ratio) in accordance with the rules defined by the European Banking Authority (EBA) in relation to the new Basel 3 liquidity risk requirements.
Also in 2014, the Mediolanum Banking Group continued its quarterly monitoring as promoted by the EBA aimed at completion of the implementation of Basel 3 rules for liquidity risk management and determination of capital requirements of Banks.

Quantitative information

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 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	1,188,733	581,945	720	151,996	928,600	1,610,741	2,408,405	13,914,000	3,587,557	340,345
A.1 Government securities	1,864	248	79	50,035	731,398	1,480,910	1,993,361	12,334,867	55,010	-
A.2 Other debt securities	617	-	629	414	100,934	1,459	42,266	177,054	46,704	-
A.3 Holdings in UCITS	160,044	-	-	-	-	-	-	-	-	7,916
A.4 Loans	1,026,208	581,697	12	101,547	96,268	128,372	372,778	1,402,079	3,485,843	332,429
- Banks	129,147	298,921	-	8,002	2,486	-	-	-	-	199,651
- Customers	897,061	282,776	12	93,545	93,782	128,372	372,778	1,402,079	3,485,843	132,778
Non-derivative liabilities	9,257,019	4,406,496	132,857	2,331,198	2,089,760	1,705,044	2,619,496	493,574	168,949	2,482
B.1 Current accounts and deposits	9,047,745	43,951	122,573	256,527	887,471	1,336,653	2,229,582	83,470	-	2,482
- Banks	49,811	-	7,016	3,004	71,351	129,835	372,162	-	-	-
- Customers	8,997,934	43,951	115,557	253,523	816,120	1,206,818	1,857,420	83,470	-	2,482
B.2 Debt securities	1,731	-	-	15,140	16,614	66,648	28,245	243,945	124,270	-
B.3 Other liabilities	207,543	4,362,545	10,284	2,059,531	1,185,675	301,743	361,669	166,159	44,679	-
Off-balance sheet items	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	12,344	5,675	-	150,737	75,124	-	6,486	-	-
- Short position	-	76,722	5,675	-	248,361	10,000	-	21,755	6,307	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	129	-	-	-	-
- Short positions	36,207	-	-	-	23	25	47	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	45,079	50,566	-	597	10,726	12,077	52,821	4,294	198	-
- Short positions	104,036	50,566	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	799	-	-	2,027	500	450	1,473	9,086	2,581	25,321
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	-	-	-	-	298	303	603	-	-	-
- 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	28,112	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	1,477	-	-	-	-	-	-	-	-	-
A.4 Loans	26,635	-	-	-	-	-	-	-	-	-
- Banks	26,633	-	-	-	-	-	-	-	-	-
- Customers	2	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	58,427	65,896	24,715	-	-	-	-	-	-	-
B.1 Current accounts and deposits	58,427	65,896	24,715	-	-	-	-	-	-	-
- Banks	3,789	65,896	24,715	-	-	-	-	-	-	-
- Customers	54,638	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	3,238	-	-	248,127	-	-	-	-	-
- Short position	-	3,803	-	-	124,971	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	3,871	-	-	-	-	-	-	-	-
- Short positions	-	3,871	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/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	151	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	151	-	-	-	-	-	-	-	-	-
- Banks	151	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	62	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	62	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	62	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items										
C.1 Financial derivatives with capital exchange										
- Long positions	-	-	1,553	-	-	-	-	-	-	-
- Short positions	-	-	1,553	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities – 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	4,205	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	4,205	-	-	-	-	-	-	-	-	-
- Banks	4,205	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	1,042	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	1,042	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	1,042	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items					-					-
C.1 Financial derivatives with capital exchange										
- Long positions	-	2	379	-	514	-	-	-	-	-
- Short positions	-	626	379	-	514	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/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	95	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	95	-	-	-	-	-	-	-	-	-
- Banks	95	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	67	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	67	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	67	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	256	-	-	-	-	-	-	-
- Short positions	-	-	256	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 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	679	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	679	-	-	-	-	-	-	-	-	-
- Banks	679	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	345	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	345	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	345	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	142	-	-	-	-	-	-	-
- Short positions	-	101	142	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

€/t	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite
Non-derivative assets	2,110	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,110	-	-	-	-	-	-	-	-	-
- Banks	2,110	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Non-derivative liabilities	176	-	-	-	-	-	-	-	-	-
B.1 Current accounts and deposits	176	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	176	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	239	481	580	-	-	-	-	-	-
- Short positions	-	189	481	580	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Information on assets committed and recorded

€/t	Committed		Not committed		Total
	BV	FV	BV	FV	Dec. 31, 2014
1. Cash and cash equivalents	-	X	1,027	X	1,027
2. Debt securities	9,272,266	9,311,869	7,596,781	7,623,808	16,869,047
3. Equities	-	-	95,054	65,113	95,054
4. Loans	116,244	X	6,754,639	X	6,870,883
5. Other financial assets	-	X	618,523	X	618,523
6. Non-financial assets	-	X	1,744,211	X	1,744,211
Total Dec. 31, 2014	9,388,510	9,311,869	16,810,235	7,688,921	26,198,745

Legend:
BV = Book value
FV = Fair value

3. Information on owned assets committed and not recorded

€/t	Committed	Not committed	Total Dec. 31, 2014
1. Financial assets	-	432,595	432,595
- Securities	-	432,595	432,595
- Other	-	-	-
2. Non-financial assets	-	-	-
Total Dec. 31, 2014	-	432,595	432,595

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 systemic shock like the one after September 11 which significantly restricts access to money markets;
- scarce liquidity in the interbank market.

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

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

SECTION 1.4 – Banking Group – OPERATIONAL RISKS

Qualitative information

A. General aspects, operational risk measurement and management

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

In line with the requirements of the regulations for the sector, Mediolanum S.p.A. adopted a framework for the control and management of operational risk that, by virtue of specific outsourcing contract provides for the support of the Risk Management and Compliance Functions of Banca Mediolanum S.p.A.

The Risk Management Function is responsible for supervising operational risk, with the support of the Compliance Assessment and Controls Unit of the Compliance Function to carry out risk assessment activities. It also collaborates with the Sales Network and Money Laundering Inspectorate Sector for the control and management of operational risks arising from the work of the Sales Network of Banca Mediolanum S.p.A. and the Accounting and Financial Reporting Sector for the verification of capital adequacy, for the requirements of capital for operational risks of Banca Mediolanum S.p.A. and Banking Group.

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

Specific Risk Management Functions are also present at the main Companies of the Banking Group and subsidiary Insurance Companies, in order to ensure greater proximity to the business, maintaining at the Parent Company a role of guidance and coordination.

The reference framework for the management and control of operational risk adopted by the Mediolanum Group 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 and is implemented by the Group companies, depending on the complexity of the activities carried out, exposure to operational risk and regulatory information-specific regulations, in accordance with the principle of proportionality.

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 process;
- 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;
- preliminary analysis of exposure to risks when entering a new market, or into new commercial arrangements/ contracts or following changes in the organisation or regulations;
- "Key Risk Indicators", i.e. risk and performance indicators that provide insight into the status of operational processes and the main drivers of exposures. These indicators may include "exposure indicators" or "anomaly indicators".

With reference to the company Mediolanum S.p.A., the Loss Data Collection process is carried out directly by the Risk Management Function. The remaining three processes are instead carried out on behalf of the latter, by the Compliance Assessment and Controls Unit of the Compliance Function.

"Measurement" is the activity of analysis and optimisation of risk.

It is an activity aimed at the complete knowledge of the overall risk profile of the company leading to the quantification of:

- regulatory capital: capital requirement defined on the basis of supervisory regulation provisions;
- economic capital: measurement for internal purposes, based on the outcome of the risk identification process.

The "**Monitoring, Controlling and Reporting**" process is a direct consequence of the preliminary identification and measurement processes which allow analysing the overall operational risk exposure of the various business units and promptly reporting any critical issues identified. The main tool used in the conduct of this process is periodic reporting to the corporate functions concerned, the Top Management and Board of Directors.

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

In 2014, the risk assessment process covered nearly all of the activities, identifying, for the Mediolanum Banking Group, some 2,500 operational risk checkpoints. About 89% of checkpoints were judged to be effective or in need of being just better formalised. Mitigation actions were taken in relation to controls that were judged to be unsatisfactory or in need of improvement.

SECTION 1.5 – OTHER RISKS

Qualitative information

A. General aspects, measurement and management

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

Strategic Risk

Strategic risk is the current or prospective risk of impact on earnings or capital arising from changes in the industry, adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes. All Group companies are potentially exposed to strategic risk, each at different levels according to the volume of business they manage and their operations.
Strategic risk may arise from:
- business decisions relating to the entry into new (local or international) markets or new product lines or changes in the distribution model or channels;
- external events, changes in the competitive environment or unexpected market scenarios due to macroeconomic events, or changes in the regulatory environment.

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

Compliance Risk

Across the Mediolanum Group, a single compliance risk management framework has been defined that entrusts the Compliance Function with the responsibility of ensuring compliance as well as supervision, guidance and control of Group companies within its remit.
The scope of work of the Compliance Function has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance Model and in relation to specific regulatory areas.
The different steps of the Compliance framework, provided by the Group Compliance Policy, updated during the year and implemented by the company, include the following activities:
- Definition of the methodological framework for compliance risk assessment and monitoring;
- Periodic valuation of the methodological compliance risk assessment framework;
- Planning of compliance activities;
- Consulting and training;
- Monitoring of alert and regulatory developments;
- Analysis of the impact of regulatory developments and definition adjustment interventions;
- Verification of monitoring adequacy;
- Verification of operation;

- Valuation residual risk;
- Preparation and update of documents/specialized compliance procedures;
- Reporting to corporate bodies;
- Reporting to supervisory authorities;
- Managing relations with supervisory authorities and category associations;
- Group coordination.

Overall, the Compliance Function has not identified, with regards to its competence, criticalities in the completeness, accuracy, adequacy, operation and reliability of the internal control system of the company, despite having provided appropriate guidelines on specific regulatory aspects in order to strengthen the existing controls.

Reputational Risk

Reputational risk is the current or prospective risk of impact on earnings or capital arising from the negative perception of the company's image by customers, counterparties, shareholders, investors or supervisory authorities.
Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:

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

More generally, internal events include all events directly associated with the processes in place and the business conducted by the company as well as any management or operational choices made by the Bank (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).
External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the company. These events are not directly associated with processes in place or business conducted by the company, but are related to the circulation of negative opinions or information about the company or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the company and its management).
The materialisation of reputational risk may also have effects on other risks.
Mediolanum S.p.A. recognises the reputation of the Bank is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, reputation is managed and protected in accordance with the Group's guidelines, through:

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

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

SECTION 2 - INSURANCE COMPANY RISKS

INSURANCE - FINANCIAL RISK AND CREDIT RISK

2.1 - INSURANCE COMPANY RISKS

Qualitative information

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 system for the three Companies of the Group was designed to provide a common and consistent approach of risk management at all levels of the company and aims to support and facilitate the processes of identification, reduction, transfer or elimination, to the extent in which the residual risk is acceptable, of the impact that the risks have on the ability of individual companies to achieve their business objectives.
The risk management process allows identifying, assessing and governing and monitoring risks on an ongoing basis, taking into due account the changes in the nature and size of the business and the market environment, and is attributable to the following phases:

A. *Identification of risks, definition of the methods of estimation and related assessment*: involves the definition of principles, tools and methodologies for proper identification, description, classification, estimation (qualitative, semi-quantitative and quantitative) and risk assessment.
B. *Process of defining the risk appetite*: involves combining the previous phase, of identification, mapping and risk assessment of the Company with the definition and quantification of the risk appetite and the resulting allocation of risk tolerances and related operating limits.
C. *Government of process and risks*: consists of the policies to be followed for the assumption of new risks and/or the conduct of existing risks. The activities of assumption and conduct of various types of risk are governed by specific Policies which establish the principles and/or limits to be met in the course of activities, in order to ensure a risk profile consistent with the risk appetite of the Company.
D. *Monitoring and Reporting*: involves continuous monitoring of the risk profile of the Company and the production of adequate information both to the internal bodies and structures of the Company and to the Control Authorities and external stakeholders.

The process of defining the Risk Appetite is the main phase of the process of strategic decision and risk governance. This phase of the risk management process, starting from mapping and risk assessment, lays the foundation for defining the risk preference of the Companies and identifies the risk appetite of the same as well as the tolerance levels and operating limits.

The Risk Appetite, that is the expression of the level of risk that every company is willing and able to accept in pursuit of its strategic objectives, provides the context for risk and capital management. The main objective of the Group Structures is to maintain a level of capital efficient for the management of the business and the protection of its policyholders.
The risk profile control and management models are tailored to the complexity of the business and the characteristics of the products sold.

MEDIOLANUM VITA

2.1 Insurance Risks

The typical risks of the insurance portfolio of Mediolanum Vita can be summarized in three categories: rates risks, demographic risks-actuarial and reserve risks.

Rates risks are managed by the Actuarial function initially during definition of the technical characteristics and product pricing, and over time through periodic verification on sustainability and profitability (both in terms of product and total liabilities portfolio). When defining a product, the profit testing tool is used in order to measure profitability and identify in advance any weaknesses through specific sensitivity analyses. For cases of greater economic impact, income information is also reported such as the results of the profit testing.

Reserve risk is managed and overseen by the Actuarial function of the Company during the exact calculation of mathematical reserves, with a series of both detailed controls (for example with preventive control on the correct system storage of the variables needed for calculation such as returns, quotations, technical bases, parameters for supplementary reserves, recalculation of values of individual contracts) as well as overall controls, by comparing results with the estimates made on a monthly basis. Special attention is paid to controlling the correct acquisition of contracts, through the balancing of the relevant portfolio with reconstruction of changes divided by events that occurred during the period and consistency of the amounts settled, with respect to changes in reserves.
Regarding Solvency II the proper assessment of insurance risks to which the Company is exposed during its investment activities is crucial, particularly with regard to the Risk Appetite Framework defined by the Company and the relevant economic capital absorbed.
While some methodologies adopted reflect mainly operating needs, the framework for the definition, management and control of insurance technical risks is based on legal requirements laid down by the Solvency II regulation where applicable.
Article 13 point 30) of Directive 2009/138/EC defines subscription risk as the risk of loss or of adverse change in the value of insurance liabilities due to inadequate assumptions concerning the fixing of prices and the establishment of reserves.

In 2014 Mediolanum Vita adopted this definition by identifying and classifying in this category the following risks:

1. Mortality risk;
2. Longevity risk;
3. Disqualification risk;
4. Expense risk;
5. Catastrophe risk.

The Risk Management function implemented a process that involves monitoring at least quarterly, with communication both to the Product and Equity Committee and to the Board of Directors, of disqualification risk with particular reference to:

1. outputs for redemptions;
2. failure to maintain the existing portfolio.

Mediolanum Vita considers 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 1 year	681,070	-	681,070
1 to 2 years	545,325	-	545,325
2 to 3 years	441,832	-	441,832
3 to 4 years	393,788	-	393,788
over 5 years	10,987,256	-	10,987,256
whole life	1,517,247	-	1,517,247
Total	14,566,517	-	14,566,517

The total includes mathematical reserves and technical reserves for contracts under which the risk is borne by the policyholder amounting to Euro 850,150,022 and Euro 12,406,546,541, respectively, the reserve for other technical items amounting to Euro 335,500,063.
The Life Insurance Books of the Company 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 1.47 million in the group's net profit for 2014.
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	Total
Spain	-	-	-	-	-
Germany	-	-	-	-	-
Italy	2,496,920	-	2,693,648	6,238	5,196,806
Total	2,496,920	-	2,693,648	6,238	5,196,806

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

€/t	Dec. 31, 2014
Liabilities with interest rate guarantee	1,824,470
0%	994,778
2%	15,697
3%	121,643
4%	692,352
Liabilities without interest rate guarantee	12,742,047
Total	14,566,517

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 the Technical Reserves of Mediolanum Vita as at December 31, 2014 amounted to Euro 14,566 million, an increase over the previous year. The increase in Reserves in 2014 of approximately Euro 1,367 million is mainly due to the commercialisation of the new product called "My Life".

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR	13,199,857	14,438,505	(1,238,648)	(8.58%)
Final MR	14,566,517	13,199,857	1,366,660	10.35%
MR change	1,366,659	(1,238,648)	2,605,307	(210.33%)

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

1. total premiums invested in December 2014 amounted to 5,205 million, an increase of 14% compared to the amount invested in 2013;
2. reserve releases for payments amounted to Euro 4,788 million, a decrease compared to the same figure of the previous year. As in the past even in this case the difference is mainly due to the impact of partial redemptions of the product Mediolanum Plus;
3. the change in other Additional Reserves amounted to 19 million, an increase of 4.1 million over the previous year. This is due, as will be seen further, essentially to the trend to the Bonuses Reserve of Unit-linked policies;
4. the change in reserves due to the market valuation of assets was positive for 902 million, a slight decrease compared to the same period of 2013.

The revaluation of traditional policies linked to fund returns of the Medinvest fund and the Freedom fund was around Euro 50 million, a sharp decrease over 2013.

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR (start year)	13,199,857	14,438,505	(1,238,648)	(8.58%)
Invested premiums	5,205,108	4,544,596	660,512	14.53%
Release for payments	(4,786,786)	(6,847,955)	2,061,169	(30.10%)
Var. for other pol. Items - unit-linked	(33,733)	(9,888)	(23,845)	n.s.
Var. for actuarial pol. comp. - traditional	10,893	2,545	8,348	n.s.
Var. for additional reserves	19,097	14,977	4,120	27.51%
Var. for market valuation	902,254	982,550	(80,296)	(8.17%)
Pol. revaluation - traditional	49,826	74,527	(24,700)	(33.14%)
Final MR	14,566,517	13,199,857	1,366,659	10.35%
MR change	1,366,659	(1,238,648)	2,605,307	210.33%

Mathematical reserves for unit-linked policies without additional reserves

In 2014, mathematical reserves for unit-linked policies were up about Euro 2,328 million, a sharp increase compared to the figure recorded for the same period in 2013. The analysis is explained by the following key factors:

1. invested premiums amounted to approximately Euro 2,514 million of which Euro 1,410 million relating to the 1st year and Euro 1,104 million to in-force business. The comparison with the previous year shows a significant increase in both first annuity and in portfolio premium inflows;
2. reserve release for amounts payable to policyholders amounted to about Euro 1,044 million, of which Euro 597 million relating to surrenders, Euro 32 million to claims and Euro 75 to reclassifications and the rest to maturities. The figure is in line with the performance recorded the previous year;
3. reserve release due to divestments for administrative costs borne by customers amounted to about Euro 20 million, up compared to 2013;
4. investments for bonuses were up over the prior year's figure;
5. the change in the reserve for the market valuation of insurance funds amounted to about 892 million, showing a slight decrease compared with the same figure of 2013;

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR	9,823,153	8,952,937	870,216	9.72%
Invested premiums	2,514,206	948,839	1,565,367	164.98%
- *Initial*	1,410,130	64,621	1,345,509	n.s.
- *Successive*	1,104,076	884,217	219,858	24.86%
Release for payments	(1,044,211)	(1,038,647)	(5,564)	0.54%
- *for surrenders*	(597,100)	(669,626)	72,526	(10.83%)
- *for reclassifications*	(74,224)	(85,851)	11,627	(13.54%)
- *for claims*	(32,248)	(21,564)	(10,684)	49.55%
- *for maturities*	(340,639)	(261,607)	(79,033)	30.21%
Release for admin./operating costs	(19,517)	(12,896)	(6,622)	51.34%
Investments for bonuses	22,043	14,963	7,079	47.32%
Other changes	(37,023)	(13,764)	(23,259)	168.98%
Changes for market valuation (*)	892,864	971,721	(78,857)	(8.12%)
Final MR	12,151,514	9,823,153	2,328,361	23.70%
MR change	2,328,361	870,216	1,458,145	167.56%

Mathematical reserves for index-linked policies without additional reserves

The change in mathematical reserves for Index-Linked policies continued to decrease sharply in 2014 vs. 2013. This trend can be explained by the following points:

1. there were no new index issues in 2014;
2. reserve release for payments amounted to about Euro 227 million (of which Euro 12 million relating to surrenders, Euro 5 million for claims, Euro 210 million for maturities). Compared to 2013, reserve release totalled around 43%;
3. the change in the reserve for market valuation of securities underlying index issues showed a decrease of about Euro 2.5 million.

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR	472,824	859,565	(386,741)	(44.99%)
Release for payments	(227,946)	(399,379)	171,432	(42.92%)
- *for surrenders*	(11,560)	(30,129)	18,569	(61.63%)
- *for claims*	(5,856)	(9,845)	3,989	(40.52%)
- *for maturities*	(210,531)	(359,405)	148,874	(41.42%)
Changes for market valuation	10,155	12,638	(2,482)	(19.65%)
Final MR	255,033	472,824	(217,791)	(46.06%)
MR change	(217,791)	(386,741)	168,950	(43.69%)

Mathematical reserves for traditional policies without additional reserves

As at December 2014, mathematical reserves for traditional policies were down about Euro 763 million over the prior year. Specifically:

1. invested premiums amounted to Euro 2,690 million, down compared to 2013 and however largely relating to Mediolanum Plus products and term death benefit policies;
2. reserve release for payments amounted to about Euro 3,514 million broken down as follows: Euro 3,435 million for surrenders, Euro 14 million for claims and Euro 65 million for maturities. Compared to December 2013, payments were down 54%;
3. revaluation of traditional policies linked to fund returns was around Euro 49 million, a sharp decrease over 2013;
4. the year 2014 also recorded a sharp increase of other actuarial items mainly due to annuities paid out.

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR	2,587,477	4,324,577	(1,737,099)	(40.17%)
Invested premiums	2,690,902	3,595,758	(904,855)	(25.16%)
- *Initial*	21,217	38,121	(16,904)	(44.34%)
- *Successive*	2,669,685	3,557,637	(887,951)	(24.96%)
Release for payments	(3,514,629)	(5,409,929)	1,895,300	(35.03%)
- *for surrenders*	(3,435,906)	(5,319,983)	1,884,077	(35.42%)
- *for claims*	(14,391)	(22,306)	7,915	(35.48%)
- *for maturities*	(64,331)	(67,639)	3,309	(4.89%)
Other changes	10,893	2,545	8,348	n.s.
Revaluation	49,826	74,527	(24,700)	(33.14%)
Final MR	1,824,470	2,587,477	(763,007)	(29.49%)
MR change	(763,007)	(1,737,099)	974,092	(56.08%)

Other additional reserves (bonus res., exp. res., reserve for demographic adjustments, etc.)

In 2014, additional reserves increased by about Euro 19 million compared to the prior year. An analysis of the main items shows as follows:

1. The variation of the Bonus Reserves increased in December 2014 by Euro 15 million, slightly lower than the same period the previous year mainly due to the strong decrease of the loyalty bonus reserve.
2. The provision for future expenses decreased by Euro 0.761 million in 2014 compared to the same change in 2013. This trend is due to the failure to issue new tranches.
3. The change in the Reserve for the return of charges related to individual pension plans in 2014 increased over the previous year.
4. In 2014, the technical bases adjustment reserve increased by about Euro 3 million compared to the increase recorded in 2013.
5. Similarly the value of the Reserve for the risk of Declining Rates recorded an increase of about Euro 2 million in 2014; this is due mainly to a decline in yields predictable the next five years of related to separate Medinvest management.

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR (start year)	316,403	301,427	14,977	4.97%
Amounts set aside for bonus reserve	15,069	18,564	(3,495)	(18.83%)
- *Loyalty bonus*	(5,708)	(1,912)	(3,796)	198.54%
- *Bonus at maturity*	20,573	20,894	(321)	(1.54%)
- *Other bonuses*	205	(418)	622	(149.04%)
Amounts set aside for pension products	(544)	(285)	(259)	90.88%
Amounts set aside for future expenses including death claims	(954)	(2,512)	1,559	(62.02%)
Amounts set aside for res. prop. at annuity	3,360	(711)	4,071	n.s.
Amounts set aside for declining rates	1,912	(165)	2,077	n.s.
Other provisions	253	86	167	194.19%
- *Warranty provision*	36	217	(181)	(83.41%)
- *Additional premiums*	217	(131)	348	n.s.
Final MR	335,500	316,403	19,097	6.04%
MR change	19,097	14,977	4,120	27.51%

2.2 Market Risk

Regarding the process for the definition of investment strategies, the proper identification of market risks to which the Company is exposed during its investment activities is crucial, particularly with regard to the Risk Appetite Framework defined by the Company and the relevant economic capital absorbed.
While some methodologies adopted reflect mainly operating needs, the framework for the definition, management and control of market risks is based on legal requirements laid down by the Solvency II regulation where applicable.
Article 13, point 31) of Directive 2009/138/EC defines the market risk as the risk of loss or unfavourable change in the financial situation deriving, directly or indirectly, from fluctuations in the level and volatility of the market prices of the assets, liabilities and financial instruments.
As described in its risk identification and mapping policy, Mediolanum Vita adopted this definition identifying and classifying the following risks in this category:

1. Interest Rate Risk;
2. Equity Risk;
3. Currency Risk;
4. Spread Risk;
5. Concentration Risk (subject of specific policy);
6. Liquidity Risk (subject of specific policy);
7. Financial Instruments Derivatives Risk.

Interest Rate Risk

Interest rate risk exists for all assets and liabilities whose value is "sensitive" to changes in the term structure of interest rates or volatility of interest rates. This applies to both real and nominal term structures.
The activities sensitive to changes in interest rates include fixed income investments, financial instruments (such as loans), loans on policies, derivatives on interest rates and any insurance activities.

Equity Risk

Equity risk arises from the level or volatility of market prices for securities. The exposure to equity risk refers to all assets and liabilities whose value is sensitive to changes in stock market prices.

Currency Risk

Currency risk arises from changes in the level or volatility of exchange rates. Companies may be exposed to currency risk arising from various sources, including their investment portfolios, as well as assets, liabilities and investments in associates.

Property Risk

Property risks arise because of the sensitivity of financial assets, liabilities and investments to the level or volatility of property market prices.
The following investments are classified as property and their risks are considered in accordance with the sub-form of property risk:

1. land, property and rights on property assets;
2. direct or indirect investments in real estate companies that generate regular income, or that are otherwise intended for investment purposes;
3. property investments for own use of the insurance company.

Spread Risk

Spread risk is the part of risk that reflects changes in the value of financial assets, liabilities and instruments due to a change in the level and volatility of credit spreads with respect to the term structure of the risk-free rate. The spread risk applies at least to the following classes of securities: Corporate bonds of high credit quality (investment grade); High-yield corporate bonds; Subordinated debt; Hybrid debt.
Moreover, spread risk is applicable to all types of asset-backed securities as well as to all segments of structured credit products such as backed debit bonds. In particular, the risk spread covers credit derivatives, for example, but not limited to, credit default swaps, total return swaps and credit linked notes that are not held as part of a recognized risk mitigation policy. The spread risk also includes the credit risk of other risky investments including in particular: investments; debt securities issued to and from associated companies and companies with which the insurance company has an investment relation; debt securities and other fixed income securities; investments in mutual funds.

Market Concentration Risk

The risk of market concentration in the field of financial investment derives from the accumulation of exposures with the same counterparty.
Concentration risk extends to activities impacted by equity risk, the interest rate and spread and the property risk and excludes those activities of the form of risk of default of the counterparty.
It does not include other types of concentration (for example, by geographical area, industrial sector, etc.).

Liquidity Risk

Risk that the Company is not able to adequately meet expected and unexpected cash outflows. This condition may be linked to the inadequacy of future cash flows to meet expected and unexpected commitments or even the difficulty to liquidate part of the assets to meet cash needs.

Regarding Solvency II, a process was implemented that involves monitoring at least quarterly, with communication both to the Product and Equity Committee and to the Board of Directors, of market risks that have a greater impact in terms of absorption of regulatory capital, in this case for Mediolanum Vita:
1. Equity;
2. Currency;
3. Interest rate.
This in order to make the control process in place consistent with the Company's Risk Appetite Framework.

Free Capital and Traditional Portfolio

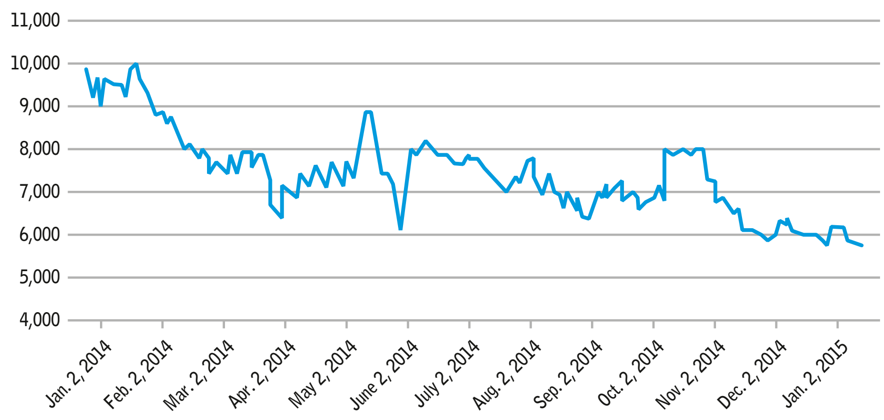
The controls currently in place monitor the value of underlying assets ex-ante and ex-post. Frequency of controls is established at the level of each entity.
In the traditional reserve portfolio the risk of asset-liability mismatch is periodically assessed using an Asset Liability Management model. In particular, these activities are assessed by Mediolanum Vita using an Asset Liability Management stochastic model. In particular, the model in question is based on stochastic dynamic financial analysis (DFA) which allows evaluating how the situation of the company may change if several scenarios and strategic decisions vary. It allows projections not only of possible future scenarios but also of their probability. The software generates stochastic projections of the flows of assets and liabilities in the company's traditional portfolio. To that end, at each assessment date 1,000 Market-Consistent financial scenarios are generated. Each of these scenarios shows the possible developments of risk factors over a 20-year horizon. The system allows ex-ante modelling for:
- current and future asset allocation;
- type of securities to be bought/sold;
- ranking of securities to be bought/sold;
- liabilities paid up and lapse rate assumptions;
- return targets;
- actions to be taken to meet return targets.

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

In the process of measuring market risk on Medinvest and Freedom separate management and Free Equity, the Risk Management Function adopted the method of calculation of Value at Risk (VaR).
The Value at Risk indicates the maximum potential loss observed with a certain level of probability in a defined period of time, following changes in financial markets: it is estimated by using the Historical Simulation Full Evaluation methodology. The historical simulation method consists in determining the value of the portfolio using the parameters relevant for it observed on the market (risk factors), and in determining the changes in this portfolio in response to changes in the parameters observed in the past.
The implementation choices of the Company were, in line with the best practices of the market:
- time horizon of one working day (period = 1 day);
- observation period of 3 years;
- 99% confidence level.

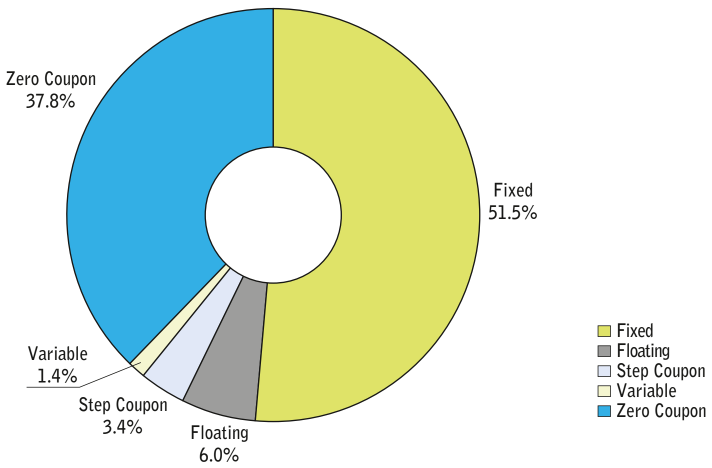
The values of the parameters are taken daily from the Bloomberg provider; the calculations of the portfolio valuations and value of VaR are made through the calculation engine of the SAS solution for Insurance Risk Management.
The chart below shows Value at Risk (VaR) in FY 2014:

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



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

Analysis of the Mediolanum Vita S.p.A. portfolio by type of assets



Unit-linked

The management indicator that was adopted and used by the Risk Management of the Company to manage market risks related to Unit-linked products is the Tracking Error Volatility (TEV), calculated on a monthly basis.
The tracking error measures the added value that the mutual fund in which the UL product invests has realized with respect to the benchmark and represents an initial measurement of sound management.
In addition Mediolanum Vita also decided to measure the volatility of the tracking error (or Tracking Error Volatility), that is its variability over time, since it indicates the differential risk that the investor bears choosing to invest in the fund rather than directly in the benchmark. The model used is multi-factorial.
This model allows analyzing the TEV of the assets and the portfolio of shares, bonds and currencies using different factors depending on the local market of belonging.

2.3 Other risks: credit risk and counterparty risk

The credit risk represents the risk that over the life of a financial instrument linked to an insurance product there may be an event which changes the repayment ability (creditworthiness) of the counterparty (issuer) and consequently the value of the credit position. Credit risk can be divided into two components: insolvency and migration risk. Insolvency risk is the risk of not being able to fully collect a certain number of future payments as a result of the insolvency of the debtor; migration risk relates to the risk of a decline in the value of the instrument as a result of the deterioration of the credit standing/rating of the debtor.
Counterparty risk arises mainly from typical derivatives of some class III products. In particular, if the counterparty of the OTC transaction incurs a deterioration of its financial solidity which may involve default, it may not fulfil the obligations arising from the negotiation of said instrument. This risk is monitored by the Company through compliance with European regulations EMIR (European Market Infrastructure Regulation).

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

Mediolanum Vita securities portfolio – RATING COMPOSITION (S&P Equivalent)
(YE 2014 vs. YE 2013)

€/t	2014	%	2013	%	Change (%)
Total portfolio	2,102,785	100%	2,578,663	100%	(18%)
AAA	-	0.0%	-	0.0%	n.s.
AA+ to AA-	13,964	0.7%	14,033	0.5%	(0%)
A+ to A-	39,334	1.9%	73,387	2.9%	(46%)
BBB+ to BBB-	1,943,897	92.4%	2,168,496	84.1%	(10%)
BB+ or lower	96,051	4.6%	313,388	12.2%	(69%)
Unrated	9,540	0.5%	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:

Mediolanum Vita securities portfolio – POSITION
(YE 2014 vs. YE 2013)

€/t	2014	2013	Change (%)
HFT			
Nominal	453,306	590,321	(23%)
Market value	380,680	591,804	(36%)
AFS			
Nominal	1,215,940	1,524,591	(20%)
Market value	1,345,284	1,568,807	(14%)
HTM			
Nominal	308,856	308,856	0%
Market value	351,566	308,410	14%
L&R			
Nominal	27,736	112,287	(75%)
Market value	25,256	109,643	(77%)
TOTAL			
Nominal	2,005,838	2,536,056	(21%)
Market value	2,102,785	2,578,663	(18%)

NOTE: the value of the securities portfolio does not include residual index limited policies funds, shares and rights.

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

These investments consists of holdings in Proprietary Insurance Funds (under Unit-linked policies), financial instruments – notes and derivative instruments – (under Index-Linked policies) and individual pension plans that

are an insurance product linked to holdings in Irish UCITS. For these products the amounts payable by Life Insurers are linked to changes in the value of units of one or more proprietary funds, which in turn depends on changes in the price of the underlying financial assets or in the price of the financial instruments.
The competent functions manage risk by ensuring that regulatory limits (e.g. exposure limits, asset quality and volatility) are not exceeded.
For class III products – Unit and Index-Linked policies – the use of derivatives is allowed to protect related technical reserves. Derivatives and the related assets approximate at best possible the value of technical reserves.
The 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

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

Index-linked portfolio – Credit VaR

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

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, 2014

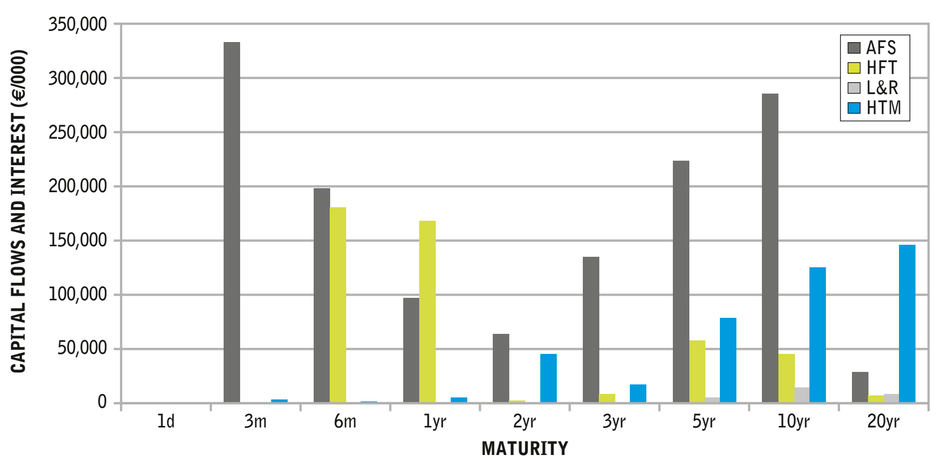
€/t	Reinsured technical reserves	Expected loss	Moody's rating	S&P rating	PD	LGD
Total	67,057	12				
Swiss Re Frankona Rueckversicherung - AG	6,081	1.4	Aa3	AA-	0.04%	60%
SCOR Global Life SE (EX REVIOS)	5,835	0.9	A1	A+	0.02%	60%
Hannover Rueckversicherung - AG	1,641	0.1	WR	AA-	0.01%	60%
Munchener Ruck Italia S.p.A.	14,940	2.0	Aa3	AA-	0.02%	60%
Swiss Re Europe SA	27,923	6.5	Aa3	AA-	0.04%	60%
SCOR Global Life SE	10,636	1.6	A1	A+	0.02%	60%

Liquidity risk

Liquidity risk is essentially in relation to Segregated Funds 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 Mediolanum Vita portfolio (December 31, 2014)



2.4 Other risks – Operational Risks

Mediolanum Vita defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."
In line with what is required by industry regulations, Mediolanum Vita adopted and regularly updates a specific framework for the management of operational risk, that reflects the one adopted by the other companies of the Mediolanum Group.
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 elements 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 under specific outsourcing contract by the official functions of Banca Mediolanum S.p.A.;
- internal loss data, together with all information relevant to the measurement and management of risks (including recoveries from insurance and direct), collected through the process of Loss Data Collection by the Risk Management Function of the Company;
- preliminary analysis, by the Risk Assessment and Mitigation Sector of the Compliance and Risk Control function, of the risk exposure to the entry into new businesses or new contracts/commercial agreements, as well as a result of organisational changes/regulations.

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

The "Monitoring, Control and Reporting" process is a direct result of the preliminary processes of identification and measurement that allow analyzing the overall exposure to operational risks of the various business units and promptly reporting any problems found. The main tool used in the conduct of this process is the drafting of periodic information to the company functions involved, Top Management and the Board of Directors.
The "Management" process entails the periodic assessment of risk control and mitigation strategies. Depending on the nature and size of risk, in accordance with the risk appetite approved by management, the bank decides whether it can take the risk, adopt risk mitigation or transfer the risk to third parties.

In terms of the estimation of operational risk conducted on the organisational units of the Company, with approach and depth graded according to the expected risks and the nature of the units, summary assessments highlighted a situation of risk almost unchanged from the previous year.

Monitoring

As part of its business processes, Mediolanum Vita has identified control points that are assigned to the specific subjects/functions.
The process of controlling and monitoring risks aims to:

- monitor the performance of the Company in relation to as defined in both the business plan and objectives and Risk Appetite;
- support the decision-making process, ensuring compliance on one hand, with as defined within the risk policies and on the other with the law and regulatory requirements;
- ensure effective and efficient use of company resources to constantly improve the company's operations;
- support the process of communication and reporting.

The Company continually reviews its risk management system and regularly prepares adequate reporting to support and feed the discussion with the relevant bodies, as well as the decision-making process of the same.

The Risk Management function is responsible for the preparation of reports on risk management. This reporting considers and contains information on:

- adequacy of the risk management system in relation to as defined in this document and in the context of company objectives;
- alignment of the risk limits and tolerances regarding as defined in terms of Risk Appetite;
- correctness of the identification and classification of risks;
- results of the review of the risk management system;
- assessments regarding the use of risk elements within the decision-making process and the corporate culture of the Company;
- changes in the nature and extent of the risk to which the Company is exposed and the latter's ability to adequately respond to changes, both internal and external;
- quality of the monitoring and control process of the risk management system, including events in which such controls were ineffective or insufficient, resulting in a negative impact (financial and otherwise) for the Company.

The Risk Management function prepares a "Dashboard" on the management of the risk system with qualitative information on a monthly basis while quantitative information is also provided quarterly. This dashboard is presented to the Products and Equity Committee and the Board of Directors.

Lastly, in 2014, the Risk Management function:

1. produced the values related to the estimation of the Perspective Capital Requirement for the time horizon of the strategic plan (FLAOR) as required by the supervisory board. The initial results indicated substantial stability of the coverage ratio on the SCR and MCR in the next three years;
2. adhered to the exercise of Stress Testing required by EIOPA.

Compliance Risk control

As part of the Mediolanum Group, to which the company belongs, a unitary model was defined for monitoring compliance risk, which attributes to the Compliance Function of Banca Mediolanum S.p.A. the task of ensuring the direct supervision of Compliance activities.
The scope of work of the Compliance Function has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance Model and in relation to specific regulatory areas.
In this regard, Mediolanum Vita signed a specific service agreement with Banca Mediolanum S.p.A. for the outsourcing of activities carried out by the regulatory compliance function, in order to benefit from the structure of the same as a centre of professionalism and expertise within the Group.

The different steps of the main Compliance cycle include the following activities:
- definition of the methodological framework for compliance risk assessment and monitoring;
- periodic valuation of the methodological compliance risk assessment framework;
- planning of compliance activities;
- consulting and training;
- monitoring of alert and regulatory developments;
- analysis of the impact of regulatory developments and definition adjustment interventions;
- verification of monitoring adequacy;
- preparation and update of documents/specialized compliance procedures;
- reporting to corporate bodies;
- reporting to supervisory authorities;
- managing relations with supervisory authorities and category associations.

Overall, the Compliance Function has not identified, with regards to its competence, criticalities in the completeness, accuracy, adequacy, operation and reliability of the internal control system of the company, despite having provided appropriate guidelines on specific regulatory aspects in order to strengthen the existing controls.

Reputational Risk

Reputational risk, in line with the indications received by the Parent Company, is the current or prospective risk of impact on earnings or capital arising from the negative perception of the Company's image by customers, counterparties, shareholders, investors or supervisory authorities.
Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:
- the materialisation of other risks (e.g. market risk, liquidity risk, legal risk or strategic risk) not adequately kept in check;
- the occurrence of operational risk events (for example malfunctioning, disservice) with impact on the stakeholders' perception of the bank;
- failed compliance with statutes, regulations and codes of conducts, including those that may be outside the purview of the Compliance team;
- internal or external communications being ineffectively or inappropriately handled;
- the behaviour of corporate officers, employees or collaborators.

More generally, internal events include all events directly associated with the processes in place and the business conducted by the company as well as any management or operational choices made by the Bank (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).
External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the company. These events are not directly associated with processes in place or business conducted by the company, but are related to the circulation of negative opinions or information about the company or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the company and its management).
The materialisation of reputational risk may also have effects on other risks.

Mediolanum Vita S.p.A. recognises the reputation of the Bank is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, reputation is managed and protected in accordance with the Group's guidelines, through:
- the values that are embedded across the organisation;
- the promotion of a corporate culture built on integrity, fairness and compliance at all levels of the organisation;
- the adoption of a reputational risk governance and control model.

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

MEDIOLANUM INTERNATIONAL LIFE (MILL)

2.1 Insurance Risks

The typical risks of the insurance portfolio of Mill can be summarized in three categories: rates risks, demographic risks-actuarial and reserve risks.

Rates risks are managed initially during definition of the technical characteristics and product pricing, and over time through periodic verification on sustainability and profitability (both in terms of product and total liabilities portfolio). When defining a product, the profit testing tool is used in order to measure profitability and identify in advance any weaknesses through specific sensitivity analyses. For cases of greater economic impact, income information is also reported such as the results of the profit testing.

Reserve risk is managed and overseen during the exact calculation of mathematical reserves, with a series of both detailed controls (for example with preventive control on the correct system storage of the variables needed for calculation such as returns, quotations, technical bases, parameters for supplementary reserves, recalculation of values of individual contracts) as well as overall controls, by comparing results with the estimates made on a monthly basis. Special attention is paid to controlling the correct acquisition of contracts, through the balancing of the relevant portfolio with reconstruction of changes divided by events that occurred during the period and consistency of the amounts settled, with respect to changes in reserves.

Regarding Solvency II the proper assessment of insurance risks to which the Company is exposed during its investment activities is crucial, particularly with regard to the Risk Appetite Framework defined by the Company and the relevant economic capital absorbed.

While some methodologies adopted reflect mainly operating needs, the framework for the definition, management and control of insurance technical risks is based on legal requirements laid down by the Solvency II regulation where applicable.

The Insurance Book of the Company largely consists of contracts with a predominantly savings component and a marginal "pure risk" component (death).

The risks related to with products with a predominantly savings component 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.

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.

For the calculation of the regulatory capital requirement of Solvency II, the voluntary early exit from the contract (lapse risk) is the component that absorbs more than 90% of the capital requirement for the Company.

With reference to this type of risk and expense risk they 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	Total
Spain	57,634	91,393	-	-	149,027
Germany	26,843	10,411	-	-	37,254
Italy	48,078	-	-	-	48,078
Total	132,555	101,804	-	-	234,359

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

€/t	Dec. 31, 2014
Liabilities with interest rate guarantee	-
0%	-
2%	-
3%	-
4%	-
Liabilities with interest rate guarantee	2,111,601
Total	2,111,601

The total includes mathematical reserves, technical reserves for contracts under which investment risk is borne by the policyholder, the reserve for other technical items and investment contracts' financial liabilities.
The value of Technical Reserves as at December 31, 2014 amounted to Euro 2.111 million, a decrease over the previous year of about Euro 0.4 million.

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR	2,576,034	3,283,245	(707,211)	(21.54%)
Final MR	2,111,601	2,576,034	(464,433)	(18.03%)
MR change	(464,433)	(707,211)	242,778	(34.3%)

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

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR (start year)	2,576,034	3,283,245	(707,211)	(21.54%)
Invested premiums	193,932	217,518	(23,587)	(10.84%)
Release for payments	(814,931)	(1,191,939)	377,008	(31.63%)
Var. for additional reserves	1,166	(4,779)	5,945	(124.40%)
Var. for market valuation	155,401	271,988	(116,588)	(42.86%)
Final MR	2,111,601	2,576,034	(464,433)	(18.03%)
MR change	(464,433)	(707,211)	242,778	(34.33%)

Mathematical reserves for unit-linked policies without additional reserves

In 2014, mathematical reserves for unit-linked policies were down about Euro 34 million compared to the figure recorded for the same period in 2013.
The analysis is explained by the following key factors:

1. invested premiums amounted to Euro 99 million of which Euro 21 million relating to the 1st year and Euro 77 million to in-force business. A comparison with the previous year shows a significant increase in subsequent annuities of about 11%;
2. the reserve release for the total payments to be paid to policyholders amounted to about Euro 212 million, most of which are due to redemptions;
3. the change in the reserve for market valuation of insurance funds showed a revaluation of Euro 78 million in 2014 down over 2013.

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR	960,857	933,472	27,385	2.93%
Invested premiums	99,592	97,897	1,695	1.73%
- *Initial*	21,903	29,318	(7,415)	(25.29%)
- *Successive*	77,688	68,579	9,110	13.28%
Release for payments	(212,128)	(171,792)	(40,336)	23.48%
- *for surrenders*	(202,427)	(150,327)	(52,100)	34.66%
- *for claims*	(9,680)	(8,310)	(1,370)	16.49%
- *for maturities*	(21)	(13,155)	13,134	(99.84%)
Changes for market valuation (*)	78,053	101,280	(23,227)	(22.93%)
Final MR	926,373	960,857	(34,484)	(3.59%)
MR change	(34,484)	27,385	(61,868)	(225.92%)

Mathematical reserves for index-linked policies without additional reserves

As at December 2014, mathematical reserves for Index-Linked policies were down about Euro 431 million, down vs. 2013.

Specifically:

1. the investment of premiums amounted to Euro 94 million that from a comparison with the previous year decreased by approximately 26%;
2. reserve release for payments amounted to about Euro 602 million (of which Euro 205 million relating to surrenders, Euro 34 million for claims, Euro 362 million for maturities). Compared to 2013, there was a substantial decrease in all payment items;
3. the reserve for changes in market value of securities underlying index-linked policies showed a slight revaluation of Euro 77 million, down over the prior year.

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR	1,534,271	2,264,087	(729,817)	(32.23%)
Invested premiums	94,340	119,621	(25,281)	(21.13%)
- *Initial*	94,340	119,621	(25,281)	(21.13%)
Release for payments	(602,803)	(1,020,146)	417,343	(40.91%)
- *for surrenders*	(205,257)	(342,448)	137,191	(40.06%)
- *for claims*	(34,552)	(47,714)	13,162	(27.59%)
- *for maturities*	(362,994)	(629,985)	266,991	(42.38%)
Changes for market valuation	77,348	170,708	(93,360)	(54.69%)
Final MR	1,103,156	1,534,271	(431,115)	(28.10%)
MR change	(431,115)	(729,817)	298,702	(40.93%)

Other additional reserves (bonus res., exp. res., reserve for demographic adjustments, etc.)

In 2014, additional reserves increased by about Euro 1.2 million, in contrast over the prior year. An analysis of the main items shows as follows:

1. as at December 2014, the Bonus Reserve showed a Euro 4 million increase;
2. amounts set aside for future expenses declined markedly in 2014 over 2013;

€/t	2014	2013	Δ (Val)	Δ (%)
Initial MR (start year)	77,124	82,945	(5,821)	(7.02%)
Amounts set aside for bonus reserve	3,782	2,740	1,042	38.03%
Amounts set aside for future expenses including death claims	(2,616)	(7,519)	4,903	(65.21%)
- Other	(2,616)	(7,519)	4,903	(65.21%)
Final MR	78,290	78,166	124	0.16%
MR change	1,166	(4,779)	5,945	(124.40%)

2.2 Financial Risks: Market Risk

Regarding the process for the definition of investment strategies, the proper identification of market risks to which the Company is exposed during its investment activities is crucial, particularly with regard to the Risk Appetite Framework defined by the Company and the relevant economic capital absorbed.
While some methodologies adopted reflect mainly operating needs, the framework for the definition, management and control of market risks is based on legal requirements laid down by the Solvency II regulation where applicable.
Article 13, point 31) of Directive 2009/138/EC defines the market risk as the risk of loss or unfavourable change in the financial situation deriving, directly or indirectly, from fluctuations in the level and volatility of the market prices of the assets, liabilities and financial instruments.
As described in its risk identification and mapping policy, Mediolanum Vita adopted this definition identifying and classifying the following risks in this category:

1. Interest Rate Risk;
2. Equity Risk;
3. Currency Risk;
4. Spread Risk;
5. Concentration Risk (subject of specific policy);
6. Liquidity Risk (subject of specific policy);
7. Financial Instruments Derivatives Risk.

The most significant risks in terms of capital absorption for Solvency II supervision are as follows:

1. Interest Rate Risk;
2. Equity Risk;
3. Currency Risk.

Unit-linked

The indicator that was adopted and used by the Risk Management of the Company to manage market risks related to Unit-linked products is the Tracking Error Volatility (TEV), calculated on a monthly basis.
The tracking error measures the added value that the mutual fund in which the UL product invests has realized with respect to the benchmark and represents an initial measurement of sound management.

Index-linked portfolio – Credit Risk

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

Free equity

The Company has limited free capital which is mainly invested in term deposits held with other Mediolanum Group companies. As for any Index-Linked related residues as a result of redemptions, they will be freed up in the shortest time possible with the counterparties and thus the residual counterparty risk in free equity can be considered marginal.

MEDIOLANUM ASSICURAZIONI

2.1 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 of claim reserves for the main classes by generation

For Accident and Sickness the development of claims by generation as at December 31, 2014 is provided.

	Year of generation/event						
Reserve amount €/t	2009	2010	2011	2012	2013	2014	Total
as at December 31 of the year of generation N	4,110	4,522	4,583	4,646	6,019	8,250	32,130
as at December 31 of year N+1	3,674	4,715	4,981	4,818	6,527	-	24,715
as at December 31 of year N+2	3,502	4,688	4,610	4,834	-	-	17,634
as at December 31 of year N+3	3,443	4,590	4,384	-	-	-	12,417
as at December 31 of year N+4	3,366	4,602	-	-	-	-	7,968
as at December 31 of year N+5	3,308	-	-	-	-	-	3,308

2.2 Financial Risks

Information on risks and risk management

The internal control system consists of the set of rules, procedures and functions established to ensure the effectiveness and efficiency of corporate processes, adequate risk control, safeguarding of the value of corporate 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.

In 2014, Mediolanum Assicurazioni S.p.A. decided to proceed with the re-internalisation of risk management activities entrusted to Banca Mediolanum S.p.A. and the establishment of its own Risk Management function, in order to unify the different stages of the process of identification, management and monitoring of risks to which the Company is or may be exposed.

Said function is therefore assigned the task of monitoring and assessing the exposure to market and country risks as well as those related to counterparty solvency, credit and operational, monitoring capital adequacy in relation to the activity. It is also responsible for developing quantitative methods aimed at determining and managing risk subject to control.

Based on an outsourcing contract, Banca Mediolanum S.p.A. was assigned the risk assessment in relation to operational risks.

Objectives and policies for financial risk management

The financial management of the assets related to the reserves of Mediolanum Assicurazioni was conferred as mandate to the Company Mediolanum Gestione Fondi, by resolution of March 17, 2004 (effective from January 1, 2005) proxy for the management of securities, technical reserves and cash and cash equivalents of the Company, the proxy contract of which defines the investment objectives, policies related to the achievement of the mandate and information of the extent to which said operations are carried out.

In this context, the Risk Control unit is the function that:

- provides support to the line structures of the Company in the definition of methods for measuring risks, graduating the approach according to the group's strategies and in light of the provisions of law;
- oversees the evolution of operational risks by carrying out the processes of identification, measurement and control of the same, as regulated by internal regulations and in compliance with the risk appetite defined by the Company;
- measure and control risks in support of management activities;
- verifies, collects and reconciles with the support of the responsible organisational units of the Company losses arising from operational risks;
- analyzes the losses arising from operational risks, define action plans and verify completion;
- supports the Company's functions in charge of developing and processing mathematical and statistical models for risk analysis by gathering financial data, all in accordance with best market practices;
- defines the risk management policies and proposes to the Administrative Body of the Company risk limits, consistent with the risk appetite;
- is responsible for implementing the policy of active market and monthly pricing of the securities portfolio of the Company.

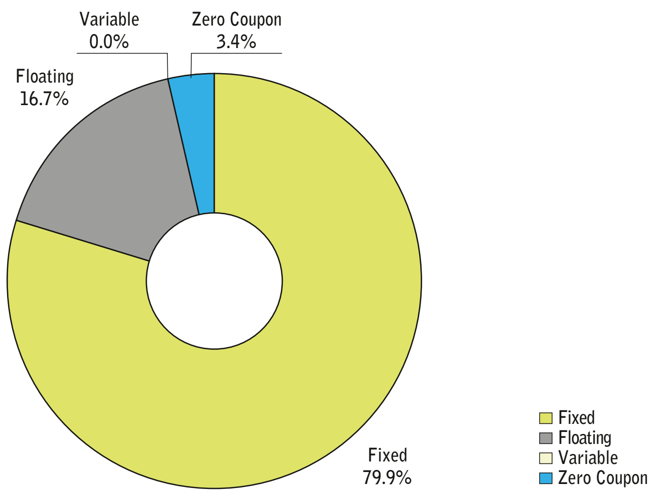
As for the assets assigned to free equity and to cover technical provisions the prevalence of Italian government securities characterizes the portfolio of the Company, confirming as highlighted in the previous year as well. The following table shows the breakdown by rating class:

Rating classes (S&P Equivalent)

€/t	2014	%	2013	%	Change (%)
Total Portfolio	117,361	100%	96,230	100%	22%
AAA	-	0%	-	0%	ns
AA+ to AA-	-	0%	-	0%	ns
A+ to A-	-	0%	1,489	2%	ns
BBB+ to BBB-	109,926	94%	85,103	88%	29%
BB+ o lower	6,370	5%	7,123	7%	(11%)
Unrated	1,065	1%	2,516	3%	(58%)

NOTE: the value of the portfolio does not consider portion of Funds, Shares and Rights.
Issuer rating.

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



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

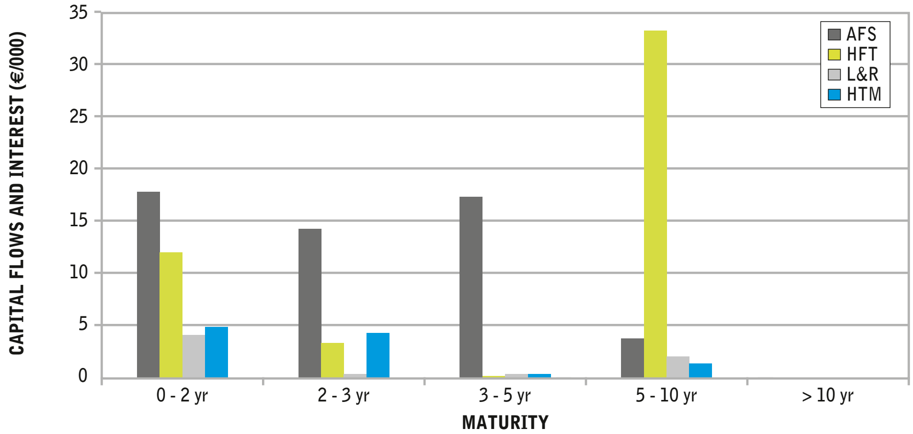
Mediolanum Assicurazioni securities portfolio - POSITION
YE 2014

€/t	2014
HFT	
Nominal	43,600
Market value	48,413
AFS	
Nominal	49,750
Market value	52,829
HTM	
Nominal	9,500
Market value	10,296
L&R	
Nominal	5,829
Market value	5,823
TOTAL	
Nominal	108,679
Market value	117,361

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

Below is a representation of the portfolio of Mediolanum Assicurazioni S.p.A. by maturity:

Analysis of Mediolanum Assicurazioni portfolio (December 31, 2014)



2.2 Financial Risks – Market Risk

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

2.3 Other Risks – Operational Risks

The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."
In line with the model already used by other companies of the Mediolanum Group, the Company adopted and regularly updated 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 under specific outsourcing contract by the official functions of Banca Mediolanum S.p.A.;
- internal loss data, together with all information relevant to the measurement and management of risks (including recoveries from insurance and direct), collected through the process of Loss Data Collection by the Risk Management Function of the Company;
- preliminary qualitative analysis of exposure to risks when entering a new market, or into new commercial arrangements/contracts or following changes in the organisation/regulations.

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

The "**Monitoring, Controlling and Reporting**" process is a direct consequence of the preliminary identification and measurement processes which allow analysing the overall operational risk exposure of the various business units and promptly reporting any critical issues identified. The main tool used in the conduct of this process is periodic reporting to the corporate functions concerned, the Top Management and Board of Directors.

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

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

2.3 Other Risks – Control Compliance Risk

As part of the Mediolanum Group, to which the company belongs, a unitary model was defined for monitoring compliance risk, which attributes to the Compliance Function of Banca Mediolanum S.p.A. the task of ensuring the direct supervision of Compliance activities.
The scope of work of the Compliance Function has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance model and in relation to specific regulatory areas.
In this regard, Mediolanum Assicurazioni S.p.A. signed a specific service agreement with Banca Mediolanum S.p.A. for the outsourcing of activities carried out by the regulatory compliance function, in order to benefit from the structure of the same as a centre of professionalism and expertise within the Group.

The different steps of the main Compliance cycle include the following activities:

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

Overall, the Compliance Function has not identified, with regards to its competence, criticalities in the completeness, accuracy, adequacy, operation and reliability of the internal control system of the company, despite having provided appropriate guidelines on specific regulatory aspects in order to strengthen the existing controls.

2.3 Other Risks – Reputational Risk

Reputational risk is the current or prospective risk of impact on earnings or capital arising from the negative perception of the company's image by customers, counterparties, shareholders, investors or supervisory authorities.
Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:

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

More generally, internal events include all events directly associated with the processes in place and the business conducted by the company as well as any management or operational choices made by the Bank (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).
External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the company. These events are not directly associated with processes in place or business conducted by the company, but are related to the circulation of negative opinions or information about the company or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the company and its management).
The materialisation of reputational risk may also have effects on other risks.

Mediolanum Assicurazioni S.p.A. recognises the reputation of the Bank is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, reputation is managed and protected in accordance with the Group's guidelines, through:

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

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

Solvency II and Insurance Risk

In 2014, the Company carried out the internal perspective evaluation of the risk profile according to the Solvency II principles (so-called *Forward Looking Assessment of Own Risks* or *FLAOR*) with data as at December 31, 2013. Based on the evidence of the analysis carried out, the company is solid with a capital ratio equal to 258%, lower than the Solvency I ratio but still very valid, also by virtue of a more "dynamic" situation of the damage business.

The calculation of the requirement with the Solvency II Standard Formula, compared with the Solvency I metrics, shows a strong increase in the available margin and a marked decrease in the margin required also perspectively. The increase in the margin available is mainly due to the change in the difference between assets measured at market value and fair value of the technical reserves.

The solidity of the position of the Company is also confirmed by analyses carried out prospectively (base needs projection) that take into account the business strategy of the Company. In fact, there is a growth in Solvency Ratio over the years presenting values of 277% in 2014, 293% in 2015 and 299% in 2016. Also in the perspective view, the risk that absorbs most of the capital required is related to the Health business.

The Company is currently engaged, as part of the adjustment path to Solvency II, in the consolidation of processes, tools and methodologies to support this evolution; in this regard, among the objectives of the Company, the refinement of the tools and methods adopted for the determination of capital requirements and risk system management is of primary importance.

PART F - INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 - CONSOLIDATED CAPITAL

A. Qualitative information

The Mediolanum Banking Group attributes a priority role to the monitoring of equity. In order to comply with the regulatory requirements of the international and national Supervisory Boards, the Mediolanum Banking Group adopts suitable measures to meet said requirements.

By continuously monitoring capital levels the Group prevents any tensions that may arise in the future. This activity is assigned to the body with strategic supervision function (Board of Directors) which is attributed the guidance functions of the Group's operations and is responsible for defining the guidance guidelines of the various operating functions with related definitions of acceptable risk profile (formalized in the Risk Appetite Framework – RAF document). The RAF, revised periodically, provides the framework that determines the risk appetite, tolerance thresholds, risk limits, risk governance policies, processes of reference to define and implement them, consistent with the maximum assumable.
As at December 31, 2014 the ratios of the Mediolanum Banking Group are clearly above the regulatory thresholds.

B. Quantitative information

B.1 Analysis of consolidated equity by type of company

€/t	Banking group	Insurance companies	Other companies	Elisions and adjustments from consolidation	Dec. 31, 2014
1. Share capital	73,744	114,915	517	(115,432)	73,744
2. Share premium account	63,199	50,000	-	(50,000)	63,199
3. Reserves	1,011,922	238,392	7,431	(77,681)	1,180,064
3.*bis* Interim dividend	(110,608)	-	-	-	(110,608)
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	(2,045)	-	-	-	(2,045)
6. Valuation reserves	161,899	15,974	-	(104)	177,769
- Available-for-sale financial assets	126,075	15,866	-	-	141,941
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets and disposal groups	-	-	-	-	-
- Actuarial gains (losses) related to defined benefit plans	408	4	-	-	412
- Share of reserves on investments accounted for by the equity method	35,416	-	-	-	35,416
- Special revaluation statutes	-	104	-	(104)	-
7. Net profit (loss)	326,453	39,190	(182)	(44,844)	320,617
Total	1,635,172	458,471	7,766	(288,061)	1,813,348

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

€/t	Banking group		Insurance companies		Other companies		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	121,198	(1,036)	51,466	(33,341)	-	-	172,664	(34,377)
2. Equities	1,468	-	-	-	-	-	1,468	-
3. Holdings in UCITS	4,453	(8)	-	(2,259)	-	-	4,453	(2,267)
4. Loans	-	-	-	-	-	-	-	-
Dec. 31, 2014	127,119	(1,044)	51,466	(35,600)	-	-	178,585	(36,644)

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	101,062	1,197	(1,504)	-
2. Increases	106,853	649	6,415	-
2.1 Increases in fair value	106,036	1	244	-
2.2 Reclassification to the income statement from negative reserves	817	646	6,171	-
- impairment	-	646	6,171	-
- realised gains	817	-	-	-
2.3 Other increases	-	2	-	-
3. Decreases	69,628	378	2,725	-
3.1 Decrease in fair value	9,076	137	2,283	-
3.2 Impairment	-	-	16	-
3.3 Reclassification to the income statement from positive reserves: on disposal	42,884	241	426	-
3.4 Other decreases	17,668	-	-	-
4. Closing balance	138,287	1,468	2,186	-

SECTION 2 - BANKING CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

On January 01, 2014 the reforms of the agreements of the Basel Committee ("Basel 3") were transposed in the EU regulation. These reforms have been introduced in order to strengthen the banks' ability to absorb shocks arising from financial and economic stress, regardless of their origin, to improve risk management and governance and to strengthen the transparency and disclosure of the banks. The new harmonized rules define for banks and investment firms more stringent rules for the calculation of Own Funds and higher levels of capital adequacy. The new rules will be implemented in stages to allow the banking system to meet the new requirements.

The innovations of the Basel 3 regulations have been translated into law in Europe through two separate legislative instruments: a Directive (Capital Requirements Directive IV – CRD IV) and a Regulation (Capital Requirements Regulation – CRR). With the approval by the European Parliament, the complete package (Directive 2013/36/EU "CRD IV" of June 26, 2013 and Regulation (EU) 575/2013 "CRR" of June 26, 2013) was published in the Official Gazette of the European Union on June 27, 2013. The Regulation (EU) 575/2013 (CRR) includes most of the provisions on capital requirements that are directly binding and applicable in each Member State of the European Union.

In December 2013 the Bank of Italy issued "Circular 285" that implements the rules of the CRD IV/CRR and introduces supervisory rules on aspects not harmonized at EU level. The regulatory provisions related to own funds include the introduction of the new regulatory framework gradually, through a transitional period, usually up to 2017, during which some elements that under the scheme will be computable or deductible in full in the Common Equity, impact Tier 1 Core Capital only for a percentage portion; normally the residual percentage with respect to that applicable is calculated/deducted from the additional capital of Tier 1 (AT1) and Tier 2 (T2) or considered in the risk-weighted assets.

With the entry into force of the Directive and the Regulations with effect from January 01, 2014, the Italian banks must comply with a minimum CET1 ratio of 4.5%, Tier 1 5.5% (6% in 2015) and a Total Capital Ratio of 8%. These minimum regulatory requirements have been integrated with the Capital Conservation reserve (buffer) of 2.5%. Failure to comply with the sum of these requirements (Combined Requirement) results in limitations on dividend distributions, variable remuneration and other useful elements to form the regulatory capital beyond set limits, and will need to outline the steps needed to restore the level of capital required through the adoption of a plan of capital preservation.
In the calculation of Own Funds on the basis of article 467 paragraph 2 of the CRR, implemented by the Bank of Italy in Circular 285 Second Part – Chapter 14 – Section II – Paragraph 2, Banca Mediolanum S.p.A. adopted by resolution of the Board of Directors January 16, 2014, the option to exclude from own funds unrealized gains or losses related to exposures to the central government classified as financial assets available for sale (AFS) for the entire period covered by the CRR.
In determining Own Funds as at December 31, 2014 the adoption of this option led to the sterilisation of the net profits related to the exposures above amounted to Euro 134.58 million.

2.2 The regulatory capital of banks

A. Qualitative information

Own Funds were determined according to the new regulations relating to prudential supervision in force since January 1, 2014. The new rules consist of a Directive (Capital Requirements Directive IV – CRD IV) and a Regulation (Capital Requirements Regulation – CRR) issued by the European Parliament in June 2013 were transposed in Italy by Bank of Italy Circular no. 285 of December 17, 2013. The new regulatory scheme includes a transitional period during which some elements that under the scheme will be computable or deductible in full in the Common Equity, impact Tier 1 Core Capital only for a percentage portion; normally the residual percentage with respect to that applicable is calculated/deducted from the additional capital of Tier 1 (AT1) and Tier 2 (T2) or considered in the risk-weighted assets.
Own Funds consist of Tier 1 Core Capital (Common Equity Tier 1 – CET1) for 1,286.37 million. At December 31, 2014 there are no instruments classified in additional Tier 1 Capital (Additional Tier 1 – AT1). Own Funds do not include Tier 2 Capital (Tier 2 – T2) due to the transitional provisions under the laws in force. These provisions led to the total absorption of subordinated loans covered by provisions of grandfathering amounted to 18.87 million.

1. *Tier 1 Core Capital* (*Common Equity Tier 1* – CET 1)

As at December 31, 2014 Tier 1 Core capital consists of the following positive elements: share capital (Euro 73.74 million) net of Tier 1 Core capital instruments held directly (Euro 2.04 million) and indirectly (Euro 15.42 million), issue share premium reserves (Euro 63.20 million), equity reserves (Euro 1,290.67 million) and profit for the period net of dividends to be distributed (Euro 123.43 million), the other components of Income Statement Accumulated mainly made up of reserves of available-for-sale financial assets (Euro 179.16 million) and the following negative components: goodwill (Euro 169.11 million), intangible assets (Euro 48.80 million), deferred tax assets based on future profitability and do not arise from temporary differences, net of related tax liabilities (Euro 7.27 million) and defined benefit pension funds amount before tax (Euro 0.20 million). From Tier 1 core capital

Significant investments in CET1 instruments of other subjects of the financial sector (Euro 71.26 million) and the portion exceeding the threshold set out in Art. 48 of EU Regulation 575/2013 (CRR) are deducted, relating to deferred tax assets that rely on future profitability and arise from temporary differences and significant investments in Tier 1 core capital instruments of subjects of the financial sector (Euro 9.59 million). Tier 1 capital was also reduced due to the deduction of the excess of the elements to be deducted from additional Tier 2 capital (Euro 1.27 million). The Tier 1 core capital thus determined was finally rectified by the provisions of the transitional scheme set out in Part 10 of EU Regulation 575/2013 (Euro -118.87 million). These impacts are mainly from the sterilisation of unrealized gains related to exposures to the central government classified as "Financial assets available for sale" of IAS 39 approved by the EU (Euro -134.58 million), the non-computability of unrealized gains on securities classified as "Financial assets available for sale" (Euro -24.07 million), the adjustment provided for deferred tax assets that rely on future profitability and do not arise from temporary differences (Euro 5.81 million) and the adjustment relating to deferred tax assets that rely on future profitability and arise from temporary differences and CET1 tools of subjects of the financial sector in which the institution has a significant investment (Euro 33.73 million).

Additional Tier 1 Capital (Additional Tier 1 – AT1)

As at December 31, 2014 there are no instruments classified in additional Tier 1 Capital.

Tier 2 Capital (Tier 2 – T2)

As at December 31, 2014 Tier 2 capital of Banca Mediolanum consisted of Level 2 subordinated liabilities subject to grandfathering (Euro 18.87 million) net of Tier 2 capital instruments held indirectly (Euro 1.15 million). The Tier 2 capital thus determined was adjusted by the impacts expected from the transitional scheme (Euro -18.99 million): consisting of the portion calculated of unrealized gains on securities classified as "Financial assets available for sale" (Euro 9.63 million) and the portion to be deducted from own funds instruments of subjects of the financial sector in which the entity has a significant investment CET1 Instruments (Euro -28.62 million). As a result of the deductions and the transitional scheme Tier 2 capital would have a negative value of Euro 1.27 million; as Tier 2 capital cannot have a negative value the amount was deducted from Tier 1.

B. Quantitative information

€/t	Dec. 31, 2014[1]
A. Core primary capital (Common Equity Tier 1 – CET1) before the application of prudential filters	1,712,735
of which CET1 tools subject to transitional provisions	-
B. CET1 prudential filters (+/-)	-
C. CET1 before items to be deducted and effects of the transitional scheme (A +/- B)	1,712,735
D. Deductions from CET1	307,492
E. Transitional scheme – Impact on CET1 (+/-), including minority interest subject to transitional provisions	(118,870)
F. Total core primary capital (Common Equity Tier 1 – CET1) (C – D +/-E)	1,286,373
G. Additional Tier 1 – AT1 before items to be deducted and effects of the transitional scheme	-
of which AT1 tools subject to transitional provisions	-
H. Deductions from AT1	-
I. Transitional scheme – Impact on AT1 (+/-), including tools issued by branches and included in AT1 due to transitional provisions	-
L. Total additional Tier 1 – AT1 (G - H +/- I)	-
M. Additional Tier 2 – AT1 before items to be deducted and effects of the transitional scheme	18,997
of which T2 tools subject to transitional provisions	18,879
N. Deductions from T2	-
O. Transitional scheme – Impact on T2 (+/-), including tools issued by branches and included in T2 due to transitional scheme	(18,997)
P. Total Tier 2 capital (Tier 2 –T2) (M - N +/- O)	-
Q. Total capital (F + L + P)	1,286,373

[1] The comparative figures relating to December 31, 2013 were not been reported as Mediolanum S.p.A. assumed the position of Parent Company of the Mediolanum Banking Group as of April 16, 2014.

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 and counterparty risk, credit assessment adjustment risk, regulation risk, market risk (trading book risk, currency risk and concentration risk) and operational risk.
As at December 31, 2014, Mediolanum Banking Group's free capital amounted to Euro 728.11 million.
The ratio between Tier 1 Core Capital and risk-weighted assets *(CET1 capital ratio)* amounts to 18.43%; the ratio of Tier 1 Capital and risk-weighted assets *(Tier 1 capital ratio)* amounts to 18.43% and the ratio of Total Own Funds and risk-weighted assets *(Total capital ratio)* is equal to 18.43%. All capital ratios are higher than the minimum levels of own funds required by the regulations in force equal to 4.50% for *CET1 capital ratio*, 5.50% for *Tier 1 capital ratio* and 8.00% for *Total capital ratio*.
The minimum levels of own funds shall be increased by the reserve of capital preservation that for banking groups is 2.5%. This reserve, consisting of Tier 1 Core capital, is aimed at preserving the minimum level of regulatory capital in times of adverse market through the provision of high-quality capital resources in periods not characterized by market tensions.

B. Quantitative information[1]

€/t	Not weighted Dec. 31, 2014	Weighted/requirements Dec. 31, 2014
A. Risk assets		
A.1 Credit and counterparty risk	27,788,376	5,362,090
1. Standardised approach	27,788,376	5,362,090
2. Approach based on internal ratings	-	-
2.1 Basic	-	-
2.2 Advanced	-	-
3. Securitisation	-	-
B. Regulatory capital requirements		
B.1 Credit and counterparty risk		428,967
B.2 Credit assessment adjustment risk		685
B.3 Regulatory risk		-
B.4 Market risk		6,492
1. Standard approach		6,492
2. Internal models		-
3. Concentration risk		-
B.5 Operational risk		122,113
1. Basic approach		6,170
2. Standardised approach		115,943
3. Advanced approach		-
B.6 Other computational elements		-
B.7 Total prudential requirements		558,258
C. RWA and capital ratios		
C.1 Risk-weighted assets (RWA) (*)		6,978,229
C.2 Core primary capital/RWA (CET 1 capital ratio)		18.43%
C.3 Regulatory capital/RWA (Tier 1 capital ratio)		18.43%
C.4 Total capital/RWA (Total capital ratio)		18.43%

(*) RWA are determined by multiplying total prudential requirements (B.6) by 12.5 (reciprocal of the min. coefficient equal to 8%).

[1] The figures relating to December 31, 2013 are not available as Mediolanum S.p.A. assumed the position of Parent Company of the Mediolanum Banking Group as of April 16, 2014.

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 margin to be constituted	Constituting elements	Equity surplus (deficit)	Hedging index
Mediolanum Vita	218,246	412,369	194,123	1.89
Mediolanum Assicurazioni	10,072	32,391	22,319	3.22
Mediolanum International Life	4,747	49,975	45,228	9.53

SECTION 4 - CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

€/m	Dec. 31, 2014
A. Total assets of the conglomerate	1,053
B. Banking capital requirements	512
C. Solvency margin required of the insurance components	233
D. Total capital requirements of the conglomerate (B+C)	745
E. Surplus (deficit) of the conglomerate (A-D)	308

As at December 31, 2014, 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 745 million, the conglomerate's assets to cover the required margin amounted to Euro 1,053 million with a surplus of Euro 308 million.

PART G – BUSINESS COMBINATIONS

1.1 Business combinations

In the year there were no transactions requiring disclosure under IFRS 3.

Section 2 – Post-balance sheet date transactions

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

PART H - RELATED PARTY TRANSACTIONS

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:

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

1. Information on related party transactions

€/t	Associates	Other related parties
Assets		
Financial assets held for trading	5,457	-
Financial assets measured at fair value	23,707	-
Available-for-sale financial assets	10,090	22,100
Held-to-maturity financial assets	-	-
Loans to banks	-	-
Loans to customers	-	7,309
Other assets	156,038	19
Liabilities		
Amounts due to banks	(100)	-
Amounts due to customers	(554)	(40,435)
Securities issued	-	-
Financial liabilities held for trading	-	-
Financial liabilities measured at fair value	-	-
Other liabilities	(334)	(3,829)
Guarantees issued and commitments	3,031	71

€/t	Associates	Other related parties
Income statement		
Interest income and similar income	1,665	1,107
Interest expense and similar charges	(16)	(123)
Net interest income	1,649	984
Commission income	4	1
Commission expense	(3,463)	(2,205)
Net commission	(3,459)	(2,204)
Net income from trading	204	-
Profit (loss) from sale or repurchase of: receivables, AFS, HTM, financial liabilities	-	-
Net result from financial assets and liabilities measured at fair value	1,988	-
Impairment/reversal of impairment of: receivables, AFS, HTM, other fin. trans.	-	-
Administrative expenses	(3)	(5,713)
Other operating income and expenses	13,809	(133)

2. Key management compensation

€/t	Directors, Executives, General Deputy Executives and Auditors	Other key management
Emoluments and social security contributions	(10,102)	(326)
Other compensation	-	(186)

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

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

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 "Options"). The implementation of the Plans entails two new share capital increases 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 pursuant to art. 2443 of the Italian Civil Code. The 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 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 creation and growth for the Company and, accordingly, its Shareholders. The Top Management Plan 2010 is believed to be an adequate scheme to link key management incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the Shareholders. The 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.

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");
- increase the share capital, in partial execution of the delegation conferred to the Extraordinary General Meeting on April 27, 2010 for a maximum amount of Euro 188,200.00, for a consideration, by issuing up to 1,882,000 ordinary shares for the allotment of Stock Options under the Top Management Plan 2010;
- increase the share capital, in partial execution of the delegation conferred to the Extraordinary General Meeting on April 27, 2010 for a maximum amount of Euro 67,427.50, for a consideration, by issuing up to 674,275 ordinary shares for the allotment of stock options under the Contract Workers Plan 2010.

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 share capital for a maximum amount of Euro 186,405.00, for a consideration, by issuing up to 1,864,050 ordinary shares for the allotment of Stock Options under the Top Management Plan 2010;
- to increase the share capital for a maximum amount of Euro 70,840.00, for a consideration, by issuing up to 708,400 ordinary shares for the allotment of Stock Options under the Contract Workers Plan 2010.

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:

- to 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 Sales Network People 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;
- to 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.

On **May 14, 2014**, 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 97,335.00, for a consideration, by issuing up to 973,350 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 121,425.00, for a consideration, by issuing up to 1,214,250 shares for the allotment of stock options under the Contract Workers Plan 2010.

The issue price was determined in execution and full compliance with objective criteria already approved by the general meeting resolution of delegation and already the subject of a fairness opinion by the Independent Auditors.

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 2014, 1,435,191 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 143,519.10 increase in Mediolanum ordinary share capital and a Euro 3,822.9 thousand increase in the share premium account.
The year's movements in option holdings are set out in the table below. The table includes information required as per Bank of Italy's Circular 262/2005 and subsequent updates.

B. Quantitative information: changes occurred in the year

	Dec. 31, 2014			Dec. 31, 2013		
€/t	Number of options	Average prices in the year	Average maturity	Number of options	Average prices in the year	Average maturity
A. Opening balance	9,143,364	1.551	July-16	9,520,277	1.948	Sept-17
B. Increases	2,185,600	-	-	2,312,550	-	-
B.1 New issues	2,185,600	1.727	Aug-23	2,312,550	1.250	Nov-18
B.2 Other increases	-	-	-	-	-	-
C. Decreases	2,637,781	-	-	2,695,463	-	-
C.1 Cancelled	999,810	1.077	-	431,900	1.129	-
C.2 Exercised	1,436,941	2.773	-	1,664,438	1.469	-
C.3 Past due	201,030	6.012	-	599,125	6.374	-
C.4 Other decreases	-	-	-	-	-	-
D. Closing balance	8,691,183	1.344	Sept-21	9,143,364	1.551	July-16
E. Options exercisable at year end	304,577	2.391	-	985,158	4.972	-

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to Euro 2,370 thousand and entailed a corresponding increase in equity reserves (December 31, 2013: Euro 3,297 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 system of the Mediolanum Group (so-called "management reporting approach"), and is consistent with the information disclosed to the market and to the various stakeholders.
Segment reporting of consolidated financial data for the period enables readers and users to assess the quality and sustainability over time of the financial results generated by the Mediolanum Banking Group in its different operating segments.

Note on the method applied to segment reporting

Pursuant to IFRS 8, for the purpose of segment reporting of consolidated results the Mediolanum 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, February 25, 2015

For the Board of Directors
The Chairman
Carlo Secchi

Reconciliation of the income statement as at December 31, 2014 to the reclassified income statement

€/t	Consolidated income statement
10. Interest income and similar income	569,753
20. Interest expense and similar charges	(239,175)
30. Net interest income	330,578
40. Commission income	1,108,226
50. Commission expense	(495,646)
60. Net commission	612,580
70. Dividends and similar income	6,510
80. Net income from trading	4,045
90. Net income from trading	(5,400)
100. Net profit (loss) on sale or buyback of:	90,633
a) receivables	22
b) available-for-sale financial assets	90,671
c) held-to-maturity investments	-
d) financial liabilities	(60)
110. Net result from financial assets and liabilities measured at fair value	933,566
120. Total income	1,972,512
130. Impairment/reversal of impairment of:	(28,851)
a) receivables	(17,254)
b) available-for-sale financial assets	(10,175)
c) held-to-maturity investments	-
d) other financial instruments	(1,422)
140. Net income from financial operations	1,943,661
150. Net premiums	3,913,298
160. Balance of other income/expenses from insurance activities	(4,925,914)
170. Net income from financial and insurance operations	931,045
180. Administrative expenses:	(446,686)
a) personnel expenses	(176,393)
b) other administrative expenses	(270,293)
190. Net provisions for risks and charges	(35,101)
200. Depreciation and net impairment of tangible assets	(8,455)
210. Amortisation and net impairment of intangible assets	(13,971)
220. Other operating income/expenses	7,208
230. Operating expenses	(497,005)
240. Net profit (loss) on equity investments	18,694
250. Net income of tangible and intangible assets measured at fair value	-
260. Impairment of goodwill	-
270. Net profit (loss) on disposal of investments	(52)
280. Net profit (loss) before tax on continuing operations	452,682
290. Income tax expense on continuing operations	(132,277)
300. Net profit (loss) after tax on continuing operations	320,405
310. Net profit (loss) after tax of non-current assets pending disposal	212
320. Net profit (loss) for the year	320,617
330. Net profit/(loss) for the year attributable to minorities	-
340. Net profit (loss) for the year attributable to the parent company	320,617
RECLASSIFICATIONS	
Income and expense on assets/liabilities pertaining to policyholders (including investment contracts under IFRS 4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

	RECLASSIFIED INCOME STATEMENT - REVENUES						
	Commission income	Net interest income	Net profit (loss) on investments measured at fair value	Net premium (excluding commission)	Equity method	Net income (loss) on other investments	Other revenues
	-	569,753	-	-	-	-	-
	-	(239,175)	-	-	-	-	-
	-	330,578	-	-	-	-	-
	1,108,226	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1,108,226	-	-	-	-	-	-
	-	-	-	-	-	6,510	-
	-	-	4,045	-	-	-	-
	-	-	(5,400)	-	-	-	-
	-	-	-	-	-	90,633	-
	-	-	-	-	-	22	-
	-	-	-	-	-	90,671	-
	-	-	-	-	-	-	-
	-	-	-	-	-	(60)	-
	-	-	933,566	-	-	-	-
	1,108,226	330,578	932,211	-	-	97,143	-
	-	-	-	-	-	(28,851)	-
	-	-	-	-	-	(17,254)	-
	-	-	-	-	-	(10,175)	-
	-	-	-	-	-	-	-
	-	-	-	-	-	(1,422)	-
	1,108,226	330,578	932,211	-	-	68,292	-
	-	-	-	3,913,298	-	-	-
	-	-	-	(4,925,914)	-	-	-
	1,108,226	330,578	932,211	(1,012,616)	-	68,292	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	(160)	-
	-	-	-	-	-	-	-
	-	-	-	-	-	6,908	14,319
	-	-	-	-	-	6,748	14,319
	-	-	-	-	18,694	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	(52)	-
	1,108,226	330,578	932,211	(1,012,616)	18,694	74,988	14,319
	-	-	-	-	-	-	-
	1,108,226	330,578	932,211	(1,012,616)	18,694	74,988	14,319
	-	-	-	-	-	212	-
	1,108,226	330,578	932,211	(1,012,616)	18,694	75,200	14,319
	-	-	-	-	-	-	-
	1,108,226	330,578	932,211	(1,012,616)	18,694	75,200	14,319
	(13,551)	(96,822)	(940,790)	1,059,486	-	(8,324)	-
	(12,918)	-	-	10,160	-	55	13,538
	1,081,757	233,756	(8,579)	57,030	18,694	66,931	27,857

Reconciliation of the income statement as at December 31, 2014 to the reclassified income statement

€/t	Consolidated income statement
10. Interest income and similar income	569,753
20. Interest expense and similar charges	(239,175)
30. Net interest income	330,578
40. Commission income	1,108,226
50. Commission expense	(495,646)
60. Net commission	612,580
70. Dividends and similar income	6,510
80. Net income from trading	4,045
90. Net income from hedging	(5,400)
100. Profit (loss) on sale or buyback of:	90,633
a) receivables	22
b) available-for-sale financial assets	90,671
c) held-to-maturity investments	-
d) financial liabilities	(60)
110. Net result from financial assets and liabilities measured at fair value	933,566
120. Total income	1,972,512
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c) held-to-maturity investments	-
d) other financial instruments	(1,422)
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a) personnel expenses	(176,393)
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320. Net profit (loss) for the year	320,617
330. Net profit/(loss) for the year attributable to minorities	-
340. Net profit (loss) for the year attributable to the parent company	320,617
RECLASSIFICATIONS	
Income and expense on assets/liabilities pertaining to policyholders (including investment contracts under IFRS 4)	-
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	Gross pre-tax profit	Income tax	Net profit for the period
-	-	-	-	-	569,753	-	569,753
-	-	-	-	-	(239,175)	-	(239,175)
-	-	-	-	-	330,578	-	330,578
-	-	-	-	-	1,108,226	-	1,108,226
(442,046)	(53,600)	-	-	-	(495,646)	-	(495,646)
(442,046)	(53,600)	-	-	-	612,580	-	612,580
-	-	-	-	-	6,510		6,510
-	-	-	-	-	4,045	-	4,045
-	-	-	-	-	(5,400)	-	(5,400)
-	-	-	-	-	90,633	-	90,633
-	-	-	-	-	22	-	22
-	-	-	-	-	90,671	-	90,671
-	-	-	-	-	-	-	-
-	-	-	-	-	(60)	-	(60)
-	-	-	-	-	933,566	-	933,566
(442,046)	(53,600)	-	-	-	1,972,512	-	1,972,512
-	-	-	-	-	(28,851)	-	(28,851)
-	-	-	-	-	(17,254)	-	(17,254)
-	-	-	-	-	(10,175)	-	(10,175)
-	-	-	-	-	-	-	-
-	-	-	-	-	(1,422)		(1,422)
(442,046)	(53,600)	-	-	-	1,943,661	-	1,943,661
-	-	-	-	-	3,913,298	-	3,913,298
-	-	-	-	-	(4,925,914)	-	(4,925,914)
(442,046)	(53,600)	-	-	-	931,045	-	931,045
-	-	(446,686)	-	-	(446,686)	-	(446,686)
-	-	(176,393)	-	-	(176,393)	-	(176,393)
-	-	(270,293)	-	-	(270,293)	-	(270,293)
-	-	-	-	(35,101)	(35,101)	-	(35,101)
-	-	-	(8,295)	-	(8,455)	-	(8,455)
-	-	-	(13,971)	-	(13,971)	-	(13,971)
-	-	(14,019)	-	-	7,208	-	7,208
-	-	(460,705)	(22,266)	(35,101)	(497,005)	-	(497,005)
-	-	-	-	-	18,694	-	18,694
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(52)	-	(52)
(442,046)	(53,600)	(460,705)	(22,266)	(35,101)	452,682	-	452,682
-	-	-	-	-	-	(132,277)	(132,277)
(442,046)	(53,600)	(460,705)	(22,266)	(35,101)	452,682	(132,277)	320,405
-	-	-	-	-	212	-	212
(442,046)	(53,600)	(460,705)	(22,266)	(35,101)	452,894	(132,277)	320,617
-	-	-	-	-	-	-	-
(442,046)	(53,600)	(460,705)	(22,266)	(35,101)	452,894	(132,277)	320,617
-	-	-	-	-	-	-	-
(5,397)	197	(7,218)	(2)	1,586	-	-	-
(447,443)	(53,403)	(467,923)	(22,268)	(33,515)	452,894	(132,277)	320,617

FINANCIAL INFORMATION BY OPERATING SEGMENT AS AT DECEMBER 31, 2014

	ITALY					
€/t	Banking	Asset Management	Insurance	Other	Consolidation adjustments	Total
Entry fees	-	87,733	-	-	-	87,733
Management fees	-	390,473	250,784	-	-	641,257
Performance fees	-	102,099	64,865	-	-	166,964
Banking service fees and revenues	82,000	-	-	-	-	82,000
Other fees	259	30,595	1,964	-	-	32,818
Commission income	82,259	610,900	317,613	-	-	1,010,772
Net interest income	203,618	347	11,874	(5,534)	-	210,305
Net income (loss) on investments at fair value	(15,964)	(6)	6,681	1	-	(9,288)
Net financial income	187,654	341	18,555	(5,533)	-	201,017
Net life insurance revenues (excluding commissions)	-	-	36,811	-	-	36,811
Equity method valuation	-	-	-	18,694	-	18,694
Net income (loss) on other investments	86,481	274	5,518	-	-	92,273
Impairment of loans	(16,102)	-	64	-	-	(16,038)
Impairment of other investments	(8,657)	(246)	(2,854)	-	-	(11,757)
Net income (loss) on other investments	61,722	28	2,728	-	-	64,478
Other revenues	10,937	281	14,581	-	-	25,800
TOTAL REVENUES	342,572	611,551	390,288	13,161	-	1,357,572
Network commission expenses	(51,549)	(240,562)	(122,718)	-	-	(414,829)
Other commission expenses	(13,555)	(18,224)	(6,929)	-	-	(38,709)
Administrative expenses	(217,874)	(98,440)	(99,649)	-	-	(415,963)
Amortisation and depreciation	(12,524)	(1,534)	(6,479)	-	-	(20,538)
Net provisions for risks	(5,672)	(15,764)	(10,561)	-	-	(31,997)
TOTAL COSTS	(301,175)	(374,524)	(246,336)	-	-	(922,036)
PROFIT BEFORE TAX	41,397	237,026	143,951	13,161	-	435,536

ABROAD			
Spain	Germany	Consolidation adjustments	Total
8,529	646	(1)	96,907
26,422	6,472	-	674,151
5,869	3,275	-	176,108
5,577	12,943	(30)	100,490
1,002	281	-	34,101
47,399	23,617	(31)	1,081,757
23,411	40	-	233,756
761	(52)	-	(8,579)
24,172	(12)	-	225,177
17,935	2,284	-	57,030
-	-	-	18,694
3,669	-	-	95,942
(1,047)	(169)	-	(17,254)
-	-	-	(11,757)
2,622	(169)	-	66,931
1,687	489	(119)	27,857
93,815	26,209	(150)	1,477,446
(28,259)	(4,355)	-	(447,443)
(4,509)	(10,215)	30	(53,403)
(32,881)	(19,199)	120	(467,923)
(1,466)	(264)	-	(22,268)
(1,518)	-	-	(33,515)
(68,633)	(34,033)	150	(1,024,552)
25,182	(7,824)	-	452,894

FINANCIAL INFORMATION BY OPERATING SEGMENT AS AT DECEMBER 31, 2013 (*)

	ITALY					
€/t	Banking	Asset Management	Insurance	Other	Consolidation adjustments	Total
Entry fees	-	128,628	-	-	-	128,628
Management fees	-	313,806	227,033	-	-	540,839
Performance fees	-	104,113	70,078	-	-	174,191
Banking service fees and revenues	76,020	-	-	-	-	76,020
Other fees	2,622	26,786	1,592	-	-	31,000
Commission income	78,642	573,333	298,704	-	-	950,678
Net interest income	246,974	476	16,280	(12,951)	-	250,779
Net income (loss) on investments at fair value	12,568	5	6,193	1	-	18,767
Net financial income	259,542	481	22,473	(12,950)	-	269,546
Net life insurance revenues (excluding commissions)	-	-	34,001	-	-	34,001
Equity method valuation	-	-	-	823	-	823
Net income (loss) on other investments	75,607	288	1,977	-	-	77,872
Impairment of loans	(13,062)	-	22	-	-	(13,040)
Impairment of other investments	(822)	(279)	(94)	-	-	(1,195)
Net income (loss) on other investments	61,723	9	1,905	-	-	63,637
Other revenues	9,998	279	11,866	-	-	22,142
TOTAL REVENUES	409,905	574,101	368,948	(12,127)	-	1,340,827
Network commission expenses	(47,272)	(252,769)	(89,169)	-	-	(389,209)
Other commission expenses	(12,774)	(16,158)	(7,280)	-	-	(36,212)
Administrative expenses	(207,590)	(72,387)	(75,444)	-	-	(355,421)
Amortisation and depreciation	(7,931)	(2,288)	(9,209)	-	-	(19,428)
Net provisions for risks	(6,614)	(8,699)	(6,790)	-	-	(22,104)
TOTAL COSTS	(282,181)	(352,302)	(187,891)	-	-	(822,374)
PROFIT BEFORE TAX	127,724	221,799	181,057	(12,127)	-	518,453

(*) The figures for the previous year may have been reclassified where appropriate.

ABROAD			
Spain	Germany	Consolidation adjustments	Total
7,815	445	-	136,888
17,493	5,566	-	563,899
4,797	2,614	-	181,602
4,619	10,812	(8)	91,443
1,155	493	-	32,647
35,879	19,930	(8)	1,006,479
22,905	681	-	274,365
1,057	80	-	19,904
23,962	761	-	294,269
21,743	2,713	-	58,457
-	-	-	823
11,027	-	-	88,899
(447)	-	-	(13,487)
-	(4,218)	-	(5,413)
10,580	(4,218)	-	69,999
1,213	575	(54)	23,876
93,377	19,761	(62)	1,453,903
(25,082)	(4,187)	-	(418,478)
(3,301)	(8,512)	8	(48,017)
(29,312)	(14,809)	54	(399,488)
(1,481)	(574)	-	(21,483)
(270)	-	-	(22,374)
(59,446)	(28,082)	62	(909,840)
33,931	(8,321)	-	544,063

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, 2014, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the relative notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 4, 2014.

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, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of 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, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
March 4, 2015

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

Annex 1

Reporting required pursuant to prudential regulations

ANNEX 1

Mediolanum Banking Group:
Reporting required pursuant to prudential regulations

A. Country by country reporting pursuant to Circular 285

Company €/t	Geographic location of establishment	Nature of activity	Turnover	Number of employees based on full-time equivalent (Units)	Profit before tax	Taxes
Mediolanum S.p.A.	Italy	Financial - Parent Company	347,883	24	338,329	(9,595)
Banca Mediolanum S.p.A.	Italy	Banking	576,353	1,891	161,054	(16,617)
Mediolanum Assicurazioni S.p.A.	Italy	Insurance	(7,162)	37	9,917	(3,262)
Mediolanum Vita S.p.A.	Italy	Insurance	1,009,802	46	58,031	(33,212)
Mediolanum Gestione Fondi SGR p.A.	Italy	Financial	58,703	35	47,395	(15,764)
Mediolanum Fiduciaria S.p.A.	Italy	Financial	112	1	(742)	209
Mediolanum Comunicazione S.p.A.	Italy	Non-financial	3	17	193	(104)
PI Servizi S.p.A.	Italy	Non-financial	-	-	(342)	160
Fermi e Galeno Real Estate S.r.l.	Italy	Non-financial	3	-	1,082	(64)
Banco Mediolanum SA	Spain	Banking	54,662	205	21,648	(1,407)
Mediolanum Gestiòn S.G.I.I.C. SA	Spain	Financial	1,247	9	506	(152)
Mediolanum Pensiones S.G.F.P. SA	Spain	Financial	608	2	439	(132)
Fibanc SA	Spain	Financial	4	-	2	(1)
Mediolanum Asset Management Ltd	Ireland	Financial	26,557	31	20,640	(2,604)
Mediolanum International Funds Ltd	Ireland	Financial	389,816	13	386,455	(48,352)
Mediolanum International Life Ltd	Ireland	Insurance	125,797	13	11,494	(1,714)
Bankhaus August Lenz & Co. AG	Germany	Banking	11,667	74	(6,135)	-
Gamax Management AG	Luxembourg	Financial	6,284	2	5,202	(450)
Consolidation adjustments			(629,827)		(602,274)	784
Total			1,972,512		452,894	(132,277)

Government Grants

The Mediolanum Group did not receive government grants in FY 2014. It shall be noted that in accordance with the provisions for the completion of the disclosure in question, said grants do not include transactions entered into with Central Banks for purposes of financial stability or transactions with the objective of facilitating the transmission mechanism of monetary policy.

B. Publication of return on assets

Net profit	320,617	0.75%
Total assets	42,547,855	

Responsibility Statements

Certification of the Consolidated Financial Statements pursuant to art. 81-ter
of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments and integrations

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 2014.

2. The adequacy and the actual application of accounting and financial reporting procedures in the preparation of the annual report and accounts as at December 31, 2014 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 Organisations 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, 2014:
   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) 1606/2002 of July 19, 2002 as well as the regulations implementing section 9 of Legislative Decree 38/2005;
   b) correspond to the accounting books and records;
   c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;

   3.2 the report on operations 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, February 25, 2015

CEO
(*Ennio Doris*)

Chief Financial Officer responsible for
accounting and financial reporting
(*Luigi Del Fabbro*)

Separate Annual Financial Statements 2014

Report on operations to the separate financial statements as at December 31, 2014

Dear Shareholders,

The separate financial statements for the year ended December 31, 2014 that we present for your approval show net profit of Euro 328.7 million compared to Euro 335.5 million in the prior year.

Dividends from subsidiaries amounted to Euro 348.4 thousand (December 31, 2013: Euro 366.2 million), of which Euro 110.8 million related to advances for 2014 (December 31, 2013: Euro 88 million). In particular, in 2014 the increase in dividends received from Mediolanum International Funds for Euro +36.5 million and Mediolanum Asset Management for Euro +8.3 million, was not enough to offset the reduction of dividends paid by Mediolanum Vita and Banca Mediolanum S.p.A., respectively Euro -47.7 million and Euro -33 million compared to 2013.

Other dividends amounted to Euro 4.8 million (December 31, 2013: Euro 0.4 million) and are mainly attributable to the dividend received from the associated company Mediobanca, amounting to Euro 3.4 million euro (not in the income statement as at December 31, 2013).

Net interest income was negative at Euro -5.9 million, a strong improvement compared to the previous year (December 31, 2013: Euro -13.7 million). The change was due primarily to lower interest expense recorded in 2014 (Euro +7.8 million over the comparative period) for the maturity of three bonds. The balance of the bonds, in fact, went from Euro 211.0 million as at December 31, 2013 to Euro 68.3 million at the end of the year in question in relation to the repayment of issues expired in 2014.
Instead, interest income for the year of Euro 5.6 million remained broadly stable over the previous year and was mainly generated from the remuneration of the subordinated loan of Euro 120 million with the subsidiary Mediolanum Vita S.p.A. of Euro 5.4 million.
As at December 31, 2014, personnel expenses and other administrative expenses aggregated to Euro 10.2 million, in line versus the comparative period (December 31, 2013: Euro 10.1 million).

Profits from investments in subsidiaries recorded an improvement of Euro +0.5 million over the comparative year, mainly due to the total liquidation of the company Partner Time (liquidated definitively by General Meeting of December 17, 2014). The liquidation of this company resulted in an overall profit of Euro +770 thousand.

Equity investments

As at December 31, 2014, investments in Group companies amounted to Euro 1,168.6 million, a decrease of Euro 0.1 million on the corresponding figure for the previous year, amounting to Euro 1,168.7 million due to the closing of the liquidation of the subsidiary Partner Time S.p.A. (Euro -0.4 million) and capital contributions in favour of PI Servizi S.p.A. (Euro +0.3 million).

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 as recalled in previous years, presented the market with strategic guidelines for the period 2014-2016.
It is noted that 2014 was characterized by the recovery of the market value and the equity of the investee and also by the passing of the rigid tests on the quality of the assets and the stress imposed by the Supervisory Authority prudentially.
In line with the approach taken in previous years, the impairment test as at December 31, 2014 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. 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 capitalisation, and has been applied in continuity with the previous years.
The recoverable amount of the investment in Mediobanca S.p.A. was determined with the assistance of an independent expert on the basis of publicly available information and, in particular, the objectives set by the 2014-2016 strategic guidelines and the actual results as at September 30, 2014.
The main variables and parameters considered for the purpose of determining the recoverable amount of the investment in Mediobanca are illustrated below:

- Financial statements for the years ended June 30, 2012, 2013 and 2014;
- Quarterly Reports as at September 30, 2012, 2013 and 2014;
- 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 9.17%, estimated using the Capital Asset Pricing Model (CAPM) assuming:
  - Risk-free rate of 2.43% (average 6-month gross yield on 10-yr Italian BTP as at December 31, 2014);
  - Beta coefficient of 1.35 (average beta coefficient of the Mediobanca stock as at December 31, 2014 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 1.5%, in line with long-term inflation expectations.

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 as at September 30, 2014.
In light of this analysis, with reference to December 31, 2014, taking into account the elements listed above and described, there was a recoverable value of the investment that falls within the range Euro 12.00 and Euro 13.90 with a central value equal to Euro 12.95 per share.
With respect to the impairment test as at December 31, 2013, the increase in the recoverable value is therefore largely due to the decrease in market rates that, as is known, amounted to record lows in the Eurozone. In order to appreciate the results of the analyses performed with a reasonable degree of prudence, the expert reports that interest rates represent a valuation variable, exogenous with respect to the fundamentals of the bank, subject to variations in the market by their nature uncertain and unpredictable. It shall be noted that methodologically the sensitivity range was obtained as the average of the results of the sensitivity analyses carried out that, in a particularly prudent scenario, are at the lower end, below the carrying value of the subsidiary. This limit scenario shows the extreme variability of the results, the complexity of the assessment process and ultimately, together with other factors, confirms the carrying value of the subsidiary.
Based on all the elements analysed, the Board of Directors has therefore decided to confirm the value of the investment for Euro 10.05 per share.

As at December 31, 2014 Banca Esperia reported a net equity of Euro 187.8 million (Euro 176.9 million as at December 31, 2013), corresponding to a net asset value per share of Euro 1.55 (Euro 1.46 vs. December 31, 2013) and a balance of assets under management of Euro 15,914 million and operating profit of Euro 8.2 million.
In light of the foregoing, given the constant growth in the size of the investment, both in terms of increase in the balance of equity and the balance of assets under management and considering the positive result for the year, for a carrying value of the investment for Banca Esperia equal to Euro 0.9 per share compared to a net asset value equal to Euro 1.55, there were no conditions to recognise lasting impairment.

With reference to the management performance of the subsidiaries of Mediolanum, below is a brief summary of the main results as at December 31, 2014.

Banca Mediolanum S.p.A.

As at December 31, 2014, the year recorded a net profit of Euro 144.4 million, an increase over the previous year of Euro 9.7 million (December 31, 2013: Euro 134.7 million). Pre-tax profit totalled Euro +161.1 million, compared to a gross profit of Euro +209.4 million in the previous year, with a decrease of Euro -48.3 million, mainly due to lower net interest income (Euro -43.4 million) and greater operating costs (Euro -75.2 million), only partly offset by higher dividends from investments (Euro +96.7 million).
As at December 31, 2014, total balance sheet assets amounted to Euro 23,053.9 million, up Euro 3,413.6 million over December 31, 2013.
Customer deposits grew from Euro 11,200.1 million at year end 2013 to Euro 12,474.38 million as at December 31, 2014. Loans to customers, excluding securities, amounted to Euro 6,060.6 million versus Euro 4,967.4 million as at December 31, 2013.
Total net inflows (managed assets and administered assets) amounted to Euro +4,081.9 million versus Euro +3,339.4 million in the prior year (+22%).

Net deposits in asset management and placement of third-party structured bonds posted a positive balance of Euro +3,855.2 million compared with a balance of Euro +3,001.9 (+28%) in 2013. As to administered assets, Mediolanum Plus policies associated with Freedom bank accounts had net outflows of Euro -747 million versus Euro 1,710.7 million as at December 31, 2013.
At year end, total assets under management and under administration amounted to Euro 53,033 million versus Euro 47,360 million as at December 31, 2013 (+12%).
The sales network consisted of 4,386 people (December 31, 2013: 4,407).
CET1 and Tier 1 Capital ratio were equal, at the end of 2014 at 13.905% and the total capital ratio stood at 14.304%.
With reference to the management performance of the subsidiaries of Banca Mediolanum, below is a brief summary of the main results as at December 31, 2014.

Banco Mediolanum S.A.

For financial year 2014 the Spanish Group reported net profit of Euro 20.9 million versus Euro 24.7 million in the prior year.
Gross inflows of asset management products showed an increase over the previous year recording a balance of Euro +777.1 million (December 31, 2013: Euro +537.9); net inflows for AuM products recorded a positive balance of Euro +364.0 million versus Euro +237.7 million the previous year.
Assets under administration recorded inflows of Euro +157.9 million (December 31, 2013: Euro +212.8 million).
At year end, total assets under management and under administration amounted to Euro 2,983.1 million versus Euro 2,376.3 million as at December 31, 2013.
The sales network consisted of 749 people (December 31, 2013: 690), of whom 712 tied advisors (December 31, 2013: 652 people).

Bankhaus August Lenz & Co. AG

For financial year 2014 the company reported a net loss of Euro -6.1 million versus Euro -8.2 million in the prior year.
Net inflows of assets under management were positive for Euro +26.8 million (December 31, 2013: Euro +17.8 million), while net inflows of assets under administration were positive for Euro +6 million (December 31, 2013: Euro -13.5 million).
At year end, total assets under management and under administration amounted to Euro 274.6 million (December 31, 2013: Euro 231.1 million).
As at December 31, 2014, the sales network consisted of 60 people (46 in the previous year).

Gamax Management AG

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

In 2013 in the retail segment, the company recorded net outflows of Euro -28.3 million versus net outflows of Euro -41.9 million in the prior year. At year end 2014, assets under management amounted to Euro 209.4 million versus Euro 214.0 million at the end of 2013.

Mediolanum Gestione Fondi SGR p.a.

The financial statements as at December 31, 2014 show a net profit of Euro 31.6 million, in line with the previous year (December 31, 2013: Euro 31.0 million).
The company reported positive net inflows of Euro +2,709.8 million (December 31, 2013: Euro +1,017.9 million), while total assets under management directly by the Company amounted to Euro 6,506.3 million compared to Euro 4,351.6 million as at December 31, 2013 (+49.5%).
Assets under management on behalf of the subsidiaries under the proxies received amounted to Euro 559.3 million, a decrease of Euro 13,233.7 million compared to December 31, 2013 mainly due to the termination of the management proxy with the subsidiary Mediolanum Vita S.p.A. after internalisation of the management of investments in securities of the company.

Mediolanum International Funds Ltd

As at December 31, 2014 the Company reported net profit of Euro 338.1 million, up Euro 35.3 million over the prior year (December 31, 2013: Euro 302.8 million), largely due to the increase in management fees earned in the period (Euro +74.8 million).
For the year 2014, net inflows were positive for Euro +1,746.4 million, down compared to the previous year of Euro -1,679.2 million.
As at December 31, 2014, total assets under management amounted to Euro 28,920.7 million compared to Euro 25,517.3 million as at December 31, 2013 (+13.3%).
In October, the company resolved to distribute an interim dividend for a total amount of Euro 235 million versus Euro 200 million in the prior year.

Mediolanum Asset Management Ltd

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

Mediolanum Fiduciaria S.p.A.

For financial year 2014 the company reported a net loss of Euro -532.9 thousand versus Euro -512 thousand in the prior year. This loss was largely determined by start-up and operating costs.

The number of mandates as at December 31, 2014 was equal to 74 compared to 32 at the end of the previous year. Assets under management and under administration amounted to Euro 94.5 million (December 31, 2013: Euro 44.3 million).

Mediolanum Vita S.p.A.

Net income for the year as at December 31, 2014, calculated on the basis of GAAP was Euro 28.6 million compared to Euro 24.6 million of the previous year.

Net income for the year as at December 31, 2014, calculated on the basis of IAS/IFRS was Euro 24.8 million compared to Euro 7.0 million of the previous year. The application of international accounting standards as at December 31, 2014 generates a decrease in net income of Euro 3.7 million compared to the value as determined in accordance with GAAP, mainly due to higher potential relegation to policyholders in respect of capital gains from the valuation of the securities portfolio.

New production for the year 2014 amounted to Euro 4,316.7 million, an increase of 18.3% compared to the previous year (equal to Euro 3,649.5 million). This change is due mainly to the positive inflows generated by the product "My Life" that as at December 31, 2014 amounted to Euro 1,548.8 million, only partially offset by the decrease in inflows of the "Mediolanum Plus" policy, which shows a decrease of Euro -903.6 million compared to the previous year.

With regard to liquidations, in the period there was a decrease over the previous year (Euro -2,130.3 million), mainly due to lower liquidations for redemptions of individual policies attributable to the "Mediolanum Plus" policy, which rose from Euro 5,293.1 million as at December 31, 2013 to Euro 3,409.3 million in the period under review (Euro -1,883.8 million).

Overall, at the end of the year under review the liquidations of the "Mediolanum Plus" policy amounted to Euro 3,421 million against Euro 5,314 million in 2013 (-36%).

As at December 31, 2014, the insured benefits in the form of capital, both for the case of death and survival, relative to individual and group policies amounted to Euro 16,598.3 million (December 31, 2013: Euro 14,836.3 million); insured benefits in the form of annuities, on issue and deferred, instead amounted to Euro 93.3 million (December 31, 2013: Euro 95.1 million).

Mediolanum Assicurazioni S.p.A.

Net income for the year as at December 31, 2014, calculated on the basis of GAAP was Euro 6,210 thousand compared to Euro 4,674 thousand of the previous year (Euro +1,536 thousand).

Net income for the year as at December 31, 2014, calculated on the basis of IAS/IFRS was Euro 6,655 thousand compared to Euro 4,254 thousand of the previous year (Euro +2,401 thousand). The application of international accounting standards to the situation of the accounts as at December 31, 2014 generates a decrease in net income of Euro 445 thousand compared to as determined in accordance with GAAP, mainly due to valuation of the securities portfolio owned.

As at December 31, 2014, the volume of premiums written amounted to Euro 57,266 thousand (Euro 46,795 thousand as at December 31, 2013), an increase of +22%.

The claims settlement activities resulted in a total charge to income of Euro 9,582 thousand, noting a substantial sufficiency of amounts compared to the amounts recognized in reserves in the previous year.

Technical reserves went from Euro 79,126 thousand as at December 31, 2013 to Euro 102,078 thousand at the end of the year under review.

Mediolanum International Life Ltd

For 2014 the company reported net profit of Euro 9.8 million versus Euro 15.9 million in the same period of 2013. New production for the year 2014 amounted to Euro 141 million (December 31, 2013: Euro 178 million). With regard to payments, during the year there was a balance of Euro -820 million (December 31, 2013: Euro 1,191 million).
As at December 31, 2014, the insured benefits in the form of capital, both for the case of death and survival, relative to individual and group policies amounted to Euro 2,118 million (December 31, 2013: Euro 2,552 million).

With reference to the management performance of the joint ventures and associates of Mediolanum S.p.A., below is a brief summary of the main results as at December 31, 2014.

Banca Esperia S.p.A.

As at December 31, 2014 the Banca Esperia Group reported consolidated net profit of Euro 8.1 million versus Euro 1.6 million as at December 31, 2013.
Total assets under administration went from Euro 15,300.0 million as at December 31, 2013 to Euro 15,914 million as at December 31, 2014.

Mediobanca S.p.A.

As at December 31, 2014 the Mediobanca Group showed a net profit of Euro 260.6 million compared to a net profit of Euro 304.7 million in the same comparative period.
Net consolidated equity as at December 31, 2014, amounted to Euro 8,076.0 million compared to Euro 7,417.2 million as at December 31, 2013.

Mediolanum bonds

As of December 31, 2014, there are outstanding non-convertible bonds for a total nominal amount of Euro 68.1 as follows:
- Euro 47.7 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.

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, 2014 were prepared based on the going concern assumption. Following their examination of the financial position, result of operations and cash-flows, they also confirm they did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern.

In relation to "Impairment of Assets" (IAS 36), as illustrated above, the impairment method used by the Mediolanum Group included assessment of impairment by an independent expert based on publicly available information. The results of this process were subject to approval by the Board of Directors of the companies. The process of impairment has been subsequently approved by the Board of Directors. 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 investments irrespective of any other considerations.

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

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

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

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

Main risks and uncertainties

Readers can find information about the risks and uncertainties to which the Company is exposed in section E of the Notes.

Other information

Pursuant to the resolution passed at the Annual General Meeting held on April 21, 2011, Mediolanum S.p.A. separate financial statements 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.

Key corporate events subsequent to the end of the year

In the period between December 31, 2014 and the date on which these financial statements were approved there was no material event which could have a significant impact on the financial positions, results of operations or cash flows of the Company.

Outlook

Considering the risks that are inherent in the business conducted by the Bank, barring any exceptional events or circumstances that depend on variables essentially outside the control of Directors and Senior Management – and not in the offing at present – the outlook for 2015 is positive.

Information on Stock Option Plans

On May 14, 2014, the Board of Directors, 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, resolved:

- to increase the share capital by a maximum amount of Euro 97,335.00 for a consideration, by issuing up to 973,350 dividend-bearing ordinary shares, par value of Euro 0.1 each, with the exclusion of the option right 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 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 share capital by a maximum amount of Euro 121,425.00 for a consideration, by issuing up to 1,214,250 dividend-bearing ordinary shares, par value of Euro 0.1 each, with the exclusion of the option right pursuant to article 2441, paragraph five, of the Italian Civil Code, as they are reserved to the collaborators of the Company and its subsidiaries pursuant to article 2359 paragraph 1, no. 1, of the Italian Civil Code for subscription the fifth business day in the thirty-sixth calendar months subsequent to the expiration of the nine year term from the date of the capital increase resolution.

Dear Shareholders,

We assure you that the financial statements for the year ended December 31, 2014 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 328,733,907.21:

- distribution to shareholders of a dividend for 2014 of Euro 0.27 per share with a nominal value of Euro 0.10, of which Euro 0.15 already distributed in November 2014 as an interim dividend. The final dividend of Euro 0.12 per share will be payable as of April 22, 2015, with coupon detachment (no. 30) on April 20, 2015;
- the remainder to the extraordinary reserve as the legal reserve has already reached the statutory limit.

Basiglio, February 11, 2015

For the Board of Directors
The Chairman
(Carlo Secchi)

Accounts
2014

Statement of financial position

Assets

€	Dec. 31, 2014	Dec. 31, 2013
10. Cash and cash equivalents	10,088	10,690
20. Financial assets held for trading	-	-
30. Financial assets measured at fair value	-	-
40. Available-for-sale financial assets	15,936,239	21,787,375
50. Held-to-maturity investments	-	-
60. Loans to banks	8,852,020	36,253,301
70. Loans to customers	120,073,973	120,073,973
80. Hedging derivatives	-	-
90. Value adjustment of financial assets backed by generic hedges (+/-)	-	-
100. Equity investments	1,168,564,283	1,168,665,406
110. Tangible assets	1,969	10,683
120. Intangible assets	977	1,547
of which:		
- goodwill	-	-
130. Tax assets	107,200,129	102,065,470
a) current	106,753,180	100,432,475
b) advanced	446,949	1,632,995
b1) pursuant to Law 214/2011	-	-
140. Non-current assets and disposal groups	-	-
150. Other assets	650,043	779,400
Total assets	1,421,289,721	1,449,647,845

Liabilities and shareholders' equity

€	Dec. 31, 2014	Dec. 31, 2013
10. Amounts due to banks	250,919,186	251,528,704
20. Amounts due to customers	-	-
30. Securities issued	68,344,181	211,040,290
40. Financial liabilities held for trading	-	-
50. Financial liabilities measured at fair value	-	-
60. Hedging derivatives	-	-
70. Value adjustment of financial liabilities backed by generic hedges (+/-)	-	-
80. Tax liabilities	105,237,783	101,829,660
a) current	105,210,571	101,802,212
b) deferred	27,212	27,448
90. Liabilities associated with assets held for sale	-	-
100. Other liabilities	2,085,274	2,465,679
110. Employee completion-of-service entitlements	344,187	339,719
120. Provisions for risks and charges:	31,396	-
a) severance benefits and similar obligations	-	-
b) other provisions	31,396	-
130. Valuation reserve	1,584,272	1,597,173
140. Redeemable shares	-	-
150. Equity instruments	-	-
160. Reserves	639,719,755	488,058,169
165. Interim dividend (-)	(110,608,027)	(73,594,746)
170. Share premium account	63,199,223	59,376,339
180. Share capital	73,743,700	73,600,181
190. Treasury shares (-)	(2,045,116)	(2,045,116)
200. Net profit (loss) for the year (+/-)	328,733,907	335,451,793
Total liabilities and shareholders' equity	1,421,289,721	1,449,647,845

Income statement

€		Dec. 31, 2014	Dec. 31, 2013
10.	Interest income and similar income	5,639,862	5,643,767
20.	Interest expense and similar charges	(11,521,493)	(19,367,257)
30.	**Net interest income**	(5,881,631)	(13,723,490)
40.	Commission income	-	-
50.	Commission expense	-	-
60.	**Net commission**	-	-
70.	Dividends and similar income	353,242,229	366,568,546
80.	Net income from trading	(64)	90
90.	Net income from hedging	-	-
100.	Gains (losses) on sale or buyback of:	523,254	-
	a) loans	-	-
	b) available-for-sale financial assets	523,254	-
	c) held-to-maturity investments	-	-
	d) financial liabilities	-	-
110.	Net result from financial assets and liabilities measured at fair value	-	-
120.	**Total income**	347,883,788	352,845,146
130.	Net impairment/reversal of impairment of:	-	-
	a) loans	-	-
	b) available-for-sale financial assets	-	-
	c) held-to-maturity investments	-	-
	d) financial liabilities	-	-
140.	**Net income from financial operations**	347,883,788	352,845,146
150.	Administrative expenses:	(10,207,527)	(10,110,751)
	a) personnel expenses	(4,621,895)	(4,666,743)
	b) other administrative expenses	(5,585,632)	(5,444,008)
160.	Net provisions for risks and charges	(31,396)	-
170.	Depreciation and net impairment of tangible assets	(8,714)	(22,674)
180.	Amortisation and net impairment of intangible assets	(570)	(570)
190.	Other operating income/expenses	663,390	715,824
200.	**Operating expenses**	(9,584,817)	(9,418,171)
210.	Profit (loss) on equity investments	29,764	(453,709)
220.	Net income of valuations at fair value of tangible and intangible assets	-	-
230.	Impairment of goodwill	-	-
240.	Net profit (loss) on disposal of investments	12	-
250.	**Net profit (loss) before tax on continuing operations**	338,328,747	342,973,266
260.	Income tax expense on continuing operations	(9,594,840)	(7,521,473)
270.	**Net profit (loss) after tax on continuing operations**	328,733,907	335,451,793
280.	Net profit (loss) after tax of non-current assets pending disposal	-	-
290.	**Net profit (loss) for the year**	328,733,907	335,451,793

Statement of other comprehensive income as at December 31, 2014

€	Dec. 31, 2014	31.12.2013
10. Net profit (loss) for the year	328,733,907	335,451,793
Other comprehensive income components, net of income tax without reversals to the income statement		
40. Defined benefit plans	4,025	73,468
50. Non-current assets held for sale	-	-
Other comprehensive income components, net of income tax with reversals to the income statement		
90. Cash flow hedges	-	-
100. Available-for-sale financial assets	(16,926)	909,609
130. Total other comprehensive income components, net of income tax	(12,901)	983,077
140. Comprehensive income (captions 10+130)	328,721,006	336,434,870

Statement of changes in equity

Situation as of December 31, 2013

				Appropriation of prior year's profit	
€	Balance as at Dec. 31, 2012	Adjustment to opening balances	Balance as at Jan. 1, 2013	Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	73,433,792	-	73,433,792	-	-
b) other shares	-	-	-	-	-
Share premium account	56,496,878	-	56,496,878	-	-
Reserves:					
a) retained earnings	328,252,650	-	328,252,650	74,876,109	-
b) other	84,692,746	-	84,692,746	-	-
Valuation reserve	614,096	-	614,096	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(2,045,116)	-	(2,045,116)	-	-
Net profit (loss) for the year	133,619,860	-	133,619,860	(74,876,109)	(58,743,751)
Shareholders' equity	675,064,906	-	675,064,906	-	(58,743,751)

Situation as of December 31, 2014

				Appropriation of prior year's profit	
€	Balance as at Dec. 31, 2013	Adjustment to opening balances	Balance as at Jan. 1, 2014	Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	73,600,181	-	73,600,181	-	-
b) other shares	-	-	-	-	-
Share premium account	59,376,339	-	59,376,339	-	-
Reserves:					
a) retained earnings	329,770,677	-	329,770,677	225,030,807	-
b) other	84,692,746	-	84,692,746	-	-
Valuation reserve	1,597,173	-	1,597,173	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(2,045,116)	-	(2,045,116)	-	-
Net profit (loss) for the year	335,451,793	-	335,451,793	(225,030,807)	(110,420,986)
Shareholders' equity	882,443,793	-	882,443,793	-	(110,420,986)

Changes in the year								
	Equity transactions							
Change in reserves	New share issue	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Treasury share derivatives	Stock options	Comprehensive income FY 2013	Shareholders' equity as at 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
-	-	-	-	-	-	-	983,077	1,597,173
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(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 in the year								
	Equity transactions							
Change in reserves	New share issues	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Comprehensive income FY 2014	Shareholders' equity as at Dec. 31, 2014
-	143,519	-	-	-	-	-	-	73,743,700
-	-	-	-	-	-	-	-	-
-	3,822,884	-	-	-	-	-	-	63,199,223
27,919	-	-	(110,608,027)	-	-	197,606	-	444,418,982
-	-	-	-	-	-	-	-	84,692,746
-	-	-	-	-	-	-	(12,901)	1,584,272
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	-	328,733,907	328,733,907
27,919	3,966,403	-	(110,608,027)	-	-	197,606	328,721,006	994,327,714

Statement of cash flows

Indirect method

€/t	Dec. 31, 2014	Dec. 31, 2013
A. OPERATING ACTIVITIES		
1. Operations	338,668,219	298,950,254
- result for the year (+/-)	328,733,907	335,451,794
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	64	(90)
- net write-downs/write-backs of tangible and intangible assets (+/-)	9,284	23,244
- net for risks and charges and other costs/revenues (+/-)	31,396	-
- unpaid taxes and duties (+)	9,594,840	7,521,473
- other adjustments (+/-)	298,728	(44,046,167)
2. Cash generated/used by financial assets	(8,779,964)	76,438,794
- available-for-sale financial assets	5,833,975	(892,960)
- other assets	(14,613,939)	77,331,754
3. Cash generated/used by financial liabilities	(140,254,946)	(235,979,141)
- due to banks: on demand	(609,518)	(50,620,680)
- securities issued	(142,696,109)	(126,643,280)
- other liabilities	3,050,681	(58,715,181)
Net cash generated by/used in operating activities	189,633,309	139,409,907
B. INVESTMENT ACTIVITIES		
1. Cash generated by	-	-
- sale of investments	-	-
- dividends collected on investments	-	-
- sale of held-to-maturity financial assets	-	-
2. Cash used for	(501)	-
- purchases of tangible assets	(501)	-
Net cash generated by/used in investing activities	(501)	-
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	143,519	166,389
- issue/purchase of equity instruments	3,822,884	2,879,461
- dividend distribution and other	(221,001,094)	(132,272,479)
Net cash generated by/used in financing activities	(217,034,691)	(129,226,629)
NET CASH GENERATED/USED IN THE YEAR	(27,401,883)	10,183,278

Legend: (+) generated (-) used

RECONCILIATION

€/t	Dec. 31, 2014	Dec. 31, 2013
Captions		
Cash and cash equivalents at beginning of the year	36,263,991	26,080,713
Net cash generated/used in the year	(27,401,883)	10,183,278
Cash and cash equivalents at end of the year	8,862,108	36,263,991

Notes to the Separate Annual Financial Statements 2014

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

These notes are structured as follows:

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

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

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

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

Following the entry into force on April 16, 2014 of Legislative Decree 4.3.2014 no. 53 (implementing Directive 2011/89/EU) Mediolanum S.p.A. acquired the characteristics to perform the parent company functions of Mediolanum S.p.A. banking Group.
As a result of the above, as of April 16, Mediolanum S.p.A. was registered as parent company of the banking Group in accordance with article 64 of the Consolidated Law on Banking. Therefore, the individual annual financial statements for the year ended December 31, 2014 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 and subsequent updates. In this regard, the data of the 2013 financial statements were reclassified for comparative purposes.

Section 2 - Accounting basis

In the preparation of the separate financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect as at December 31, 2014, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS, no departure was made from requirements therein.
These 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 the Notes in addition to the Report on Operations.
In accordance with Art. 5 of Legislative Decree 38/2005 the separate financial statements were prepared using the Euro as reporting currency.
The amounts set out in the Accounts are presented in units of Euro, while the amounts set out in the Notes and the Report on Operations are presented in thousands of Euro except where otherwise stated.
The Accounts and the Notes also include comparative information for the year ended December 31, 2013 appropriately reclassified.

Accounts

Statement of financial position and income statement

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

Statement of other comprehensive income

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

Statement of changes in equity

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

Statement of cash flows

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

Content of the Notes

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

Section 3 - Post balance sheet date events

In the period between December 31, 2014 and the date on which these financial statements were approved there was no material event which could have a significant impact on the financial positions, results of operations or cash flows of the Company.

Section 4 - Other information

Information on the business and the results of operations for the year 2014 of the main subsidiaries is set out in the Report on Operations.
Pursuant to the resolution passed at the Annual General Meeting held on April 20, 2011, Mediolanum S.p.A. separate financial statements 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 separate financial statements for the year ended December 31, 2014.
The accounting policies applied in the preparation of the separate financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as of income and expense, are consistent with those applied in the preparation of the separate financial statements for the year ended December 31, 2013 except for new standards and amendments applied.

Accounting principles, amendments and IFRS interpretations starting from January 1, 2014

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

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

  In general terms, the application of IFRS 10 requires a significant degree of judgement on a number of implementation aspects.
- On May 12, 2011, the IASB issued **IFRS 11 – *Joint Arrangements***, which will replace IAS 31 – *Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Contributions in joint control by the stockholders*. The new principle, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements by focusing on the rights and obligations deriving from these arrangements, rather than its legal form, distinguishing between joint ventures and joint operations.
- On May 12, 2011 the IASB issued **IFRS 12 – *Disclosures of Interests in Other Entities***, a new and comprehensive principle on the disclosures that are to be provided about any type of holdings, including investments in subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated special purpose vehicles.
- On December 16, 2011, the IASB issued amendments to **IAS 32 – Financial Instruments**: presentation in the financial statements to provide additional guidance on consistent application of IAS 32 regarding offset of financial assets and financial liabilities. The amendments are retrospectively applicable starting from January 01, 2014.
- On June 28, 2012, the IASB published the document ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*** (***Amendments to IFRS 10, IFRS 11 and IFRS 12***). The document clarifies the transition rules of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities.
- On October 31, 2012 amendments to **IFRS 10, IFRS 12 and IAS 27 "Investment Entities"** were issued, which introduce an exception to the consolidation of subsidiaries for an investment company, with the exception of cases in which subsidiaries provide services that relate to the investment activities of such companies. Pursuant to those amendments, investment companies shall evaluate their investments in subsidiaries at fair value.

- On December 16, 2011, the IASB issued amendments to IAS 32 – Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities to provide additional guidance on consistent application of IAS 32 regarding offset of financial assets and financial liabilities. The amendments are retrospectively applicable starting from January 01, 2014.
- On June 28, 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document clarifies the transition rules of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities.
- On May 29, 2013, the IASB issued amendments to IAS 36 – Impairment of assets – Additional information on the recoverable value of non-financial assets. The amendments are intended to clarify that the additional information to be provided regarding the recoverable value of the assets (including goodwill) or cash-generating units, in the event that their recoverable value is based on fair value less costs of disposal, relate only to the assets or cash-generating unit for which a loss for a reduction in value has been recognized or reversed during the year.
- On June 27, 2013, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Novation of derivatives and continuation of hedge accounting". The amendments include the introduction of certain exemptions from the requirements of hedge accounting as defined by IAS 39 in the circumstance in which an existing derivative is to be replaced with a new derivative in a specific case in which said substitution is against a Central Counterparty-CCP following the introduction of a new law or regulation.
- On May 20, 2013 the interpretation IFRIC 21 – Levies was published, which provides clarification on recognition of a liability related to taxes (other than income taxes) imposed by a government agency to a company that shall pay such taxes. The standard addresses both the liabilities for taxes that fall within the scope of IAS 37 – Provisions, contingent liabilities and assets, both for the taxes where the amount and timing are certain.

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

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

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

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

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

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

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

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

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

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

On May 06, 2014, the IASB issued amendments to IAS 16 Property, plant and Equipment and IAS 38 Intangibles Assets. The amendments to IAS 16 Property, plant and Equipment establish that the depreciation criteria determined on the basis of the revenues are not appropriate. The changes are applicable starting from January 1, 2016. However, earlier application is permitted.

On May 12, 2014, the IASB issued amendments to IFRS 11 Joint Arrangements relating to the accounting for the purchase of stakes in a joint operation whose activity constitutes a business in the meaning provided by IFRS 3. The changes are applicable starting from January 01, 2016. However, earlier application is permitted.

On August 12, 2014, the IASB published the document "Equity method in separate financial statements (amendments to IAS 27)". The document amends IAS 27 to allow companies to apply the equity method in the separate financial statements for the evaluation of investments in subsidiaries, associates and joint ventures.
The companies must apply the same evaluation criteria for each investment category. The amendments to IAS 27 must be applied retrospectively as of the financial statements starting on or after January 1, 2016. Advance application is allowed.

On September 11, 2014, the IASB published the document "Sale or transfer of assets between an investor and its associate or joint venture" – amendments to IFRS 10 and IAS 28. The amendments of the two standards were made to resolve an inconsistency between IAS 28, pursuant to which the gains and losses on transactions between a company and its associate or joint venture are recognised only to the extent of the minority interest, and IFRS 10, which requires the total recognition of gains and losses arising from the loss of control over a subsidiary by the parent company. The amendments must be applied with effect from the financial statements, beginning on or after January 1, 2016; advance application is allowed.

Financial assets held for trading

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

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

The item Loans and receivables include bank loans and the subordinated loan granted to Mediolanum Vita S.p.A.
The first recognition of a trade receivable is at the date of billing of the service or accrual of compensation while for loans with banks the first recognition is at the date of disbursement of the funds.
At each interim and annual reporting date the Group assess whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition.
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.

Equity investments

This account relates to investments in subsidiaries, associates and joint ventures 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.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Tangible assets

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

Intangible assets

Intangible assets primarily relate to software applications.
Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.
Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Otherwise, the cost is recognised as an expense in the income statement in the year in which it was incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.
At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from it.

Other assets

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

Current and deferred taxation

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

Provisions for risks and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. Provisions for risk and charges are recognised in the income statement.

Debt and securities issued/Other financial liabilities

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

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

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

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

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

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

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

Employee completion-of-service entitlements

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

Such values involve the recognition in the income statement of expenses related to work performance and net financial expense and the inclusion of actuarial gains and losses arising from the remeasurement of liabilities in Other comprehensive income/(loss).

Employee pension plan

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

Assets and liabilities denominated in foreign currencies

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

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

Income statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.
In particular:
- commissions are measured on an accrual basis;
- interest income and interest expense are recognised on an accrual basis applying the effective interest method;
- dividends are recognised in the Income statement when their distribution to Shareholders is established.

OTHER INFORMATION

Use of estimates

The application of International Accounting and Financial Reporting Standards (IAS/IFRS) in the preparation of financial statements entails the use of complex valuations and estimates which have an impact on assets, liabilities, revenues and costs recognised in the financial statements as well as on the identification of potential assets and liabilities: these estimates are primarily related to:
- estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- identification of loss events as per IAS 39;
- assumptions used for the identification of any objective evidence of impairment equity investments recognised in the statement of financial position;

- determination of impairment losses on loans and other financial assets;
- determination of provisions for risks and charges and tax provisions;
- estimates and assumptions for the determination of the probability of utilisation of deferred tax assets;
- assumptions used to determine the costs of stock options plans for top management and employees.

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

Impairment

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

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

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

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

Share-based payments

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

A.3 DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

This section has not been completed, as in the year ended December 31, 2014 and in the previous year the company did not make transfers between portfolios of financial assets.

A.4 - FAIR VALUE DISCLOSURES

Qualitative information

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

A.4.3 Fair value hierarchy

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

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

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

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

Level 3 assets of Mediolanum are mainly represented by securities recorded at cost related to equity investments in unlisted companies, which at present do not show evidence of impairment.

Investments in subsidiaries are carried at historical values which are significantly lower than their value in use.

With reference to the equity investment in Mediobanca S.p.A. and Banca Esperia, reference is made to the section "Equity investments" in Part A of the Notes.

Quantitative information

A.4.5 Fair value hierarchy

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

	Dec. 31, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets measured at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	4,718	-	11,218	4,735	-	17,052
4. Hedging derivatives	-	-	-	-	-	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	4,718		11,218	4,735	-	17,052
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-

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

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

€/t	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Hedging derivatives	Tangible assets	Intangible assets
1. Opening balance	-	-	17,052	-	-	-
2. Increases	-	-	-	-	-	-
2.1. Acquisitions	-	-	-	-	-	-
2.2. Profits recognised:						
2.2.1. Income statement	-	-	-	-	-	-
Gains	-	-	-	-	-	-
2.2.2. Shareholders' equity	X	X	-	-	-	-
2.3. Transferred from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
3. Decreases	-	-	5,834	-	-	-
3.1. Sales	-	-	5,834	-	-	-
3.2. Redemptions	-	-	-	-	-	-
3.3. Losses recognised:						
3.3.1. Income statement	-	-	-	-	-	-
- of which: losses	-	-	-	-	-	-
3.3.2. Shareholders' equity	X	X	-	-	-	-
3.4. Transferred to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
4. Closing balance	-	-	11,218	-	-	-

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

	Dec. 31, 2014				Dec. 31, 2013			
€/t	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	-	-	-	-	-	-	-	-
2. Loans to banks	8,852		-	8,852	36,253	-	-	36,253
3. Loans to customers	120,074	-	-	120,074	120,074	-	-	120,074
4. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
5. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	128,926	-	-	128,926	156,327	-	-	156,327
1. Amounts due to banks	250,919	-	-	250,919	251,529	-	-	251,529
2. Amounts due to customers	-	-	-	-	-	-	-	-
3. Securities issued	68,344	-	68,344	-	211,040	-	211,040	-
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	319,263	-	68,344	250,919	462,569	-	211,040	251,529

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

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

1.1 Analysis of cash and cash equivalents

€/t	Dec. 31, 2014	Dec. 31, 2013
a) Cash	10	11
b) Demand deposits with Central Banks	-	-
Total	10	11

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2014			Dec. 31, 2013		
€/t	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	4,718	-	11,218	4,735	-	17,052
2.1 Measured at fair value	4,718	-	-	4,735	-	-
2.2 Measured at cost	-	-	11,218	-	-	17,052
3. Holdings in UCITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	4,718	-	11,218	4,735	-	17,052

Securities carried at cost are related to investments in unlisted companies that based on our evidence did not show any situations of impairment.

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Debt securities	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
2. Equities	15,936	21,787
a) Banks	-	-
b) Other issuers:	15,936	21,787
- insurance companies	4,718	4,735
- financial companies	-	-
- non-financial companies	-	-
- other	11,218	17,052
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	15,936	21,787

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

€/t	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	-	21,787	-	-	21,787
B. Increases	-	-	-	-	-
B.1 Acquisitions	-	-	-	-	-
B.2 Increases in fair value	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-
- in income statement	-	X	-	-	-
- in equity	-	-	-	-	-
B.4 Reclassified from other portfolios	-	-	-	-	-
B.5 Other increases	-	-	-	-	-
C. Decreases	-	5,851	-	-	5,851
C.1 Disposals	-	5,834	-	-	5,834
C.2 Redemptions	-	-	-	-	-
C.3 Decreases in fair value	-	17	-	-	17
C.4 Impairment	-	-	-	-	-
- in income statement	-	-	-	-	-
- in equity	-	-	-	-	-
C.5 Reclassified to other portfolios	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-
D. Closing balance	-	15,936	-	-	15,936

The decrease amounted to Euro 5,851.2 thousand and refers to the sale of the Cedacri shares for a total of Euro 5,834 thousand and evaluation of Generali shares which resulted in a decrease of the same for Euro 17.2 thousand.

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

	Dec. 31, 2014				Dec. 31, 2013			
		FV				FV		
€/t	BV	Level 1	Level 2	Level 3	BV	Level 1	Level 2	Level 3
A. Central Banks	-	-	-	-	-	-	-	-
1. Time deposits	-	X	X	X	-	X	X	X
2. Reserve requirements	-	X	X	X	-	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans to banks	8,852	-	-	8,852	36,253	-	-	36,253
1. Loans	8,852	-	-	8,852	36,253	-	-	36,253
1.1 Current accounts and demand deposits	8,852	X	X	X	36,253	X	X	X
1.2 Time deposits	-	X	X	X	-	X	X	X
1.3 Other loans:	-	X	X	X	-	X	X	X
- Repurchase agreements	-	X	X	X	-	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	-	X	X	X	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-
2.1 Structured notes	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	-	X	X	X
Total	8,852	-	-	8,852	36,253	-	-	36,253

Legend:
FV = Fair value
BV = Book value

Section 7 - Loans to customers - Caption 70

7.1 Analysis of loans to customers

	Dec. 31, 2014						Dec. 31, 2013					
	Book value			Fair value			Book value			Fair value		
		Impaired						Impaired				
€/t	Performing	Purchased	Others	L1	L2	L3	Performing	Purchased	Others	L1	L2	L3
Loans	120,074	-	-	-	-	120,074	120,074	-	-	-	-	120,074
1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	-	-	-	X	X	X	-	-	-	X	X	X
4. Credit cards, personal loans and salary-guaranteed loans	-	-	-	X	X	X	-	-	-	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	120,074	-	-	X	X	X	120,074	-	-	X	X	X
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
Total	120,074	-	-	-	-	120,074	120,074	-	-	-	-	120,074

7.2 Analysis of loans to customers by debtor/issuer

	Dec. 31, 2014			Dec. 31, 2013		
		Impaired			Impaired	
€/t	Performing	Purchased	Others	Performing	Purchased	Others
1. Debt securities	-	-	-	-	-	-
a) Governments	-	-	-	-	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans	120,074	-	-	120,074	-	-
a) Governments	-	-	-	-	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other	120,074	-	-	120,074	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	120,074	-	-	120,074	-	-
- other	-	-	-	-	-	-
Total	120,074	-	-	120,074	-	-

The item *Receivables from customers* is related to the term subordinated loan for an amount of Euro 120,000,000 granted to the subsidiary Mediolanum Vita S.p.A. The loan is fully used, the rate applied is equal to 4.50% annually. The account also includes interest accrued on the loan at year end.

Section 10 - Equity investments - Caption 100

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

Company Name	Registered office	Operative office	Shareholding %	Voting rights %
A. Wholly-controlled companies				
Mediolanum Vita S.p.A.	Basiglio	Basiglio	100.00%	100.00%
Mediolanum Comunicazione S.p.A.	Basiglio	Basiglio	100.00%	100.00%
PI Servizi S.p.A.	Basiglio	Basiglio	100.00%	100.00%
Mediolanum International Life Ltd	Dublin	Dublin	100.00%	100.00%
Banca Mediolanum S.p.A.	Basiglio	Basiglio	100.00%	100.00%
Mediolanum Assicurazioni S.p.A.	Basiglio	Basiglio	100.00%	100.00%
Mediolanum Gestione Fondi SGR p.A.	Basiglio	Basiglio	49.00%	49.00%
Mediolanum International Funds Ltd	Dublin	Dublin	44.00%	44.00%
Mediolanum Asset Management Ltd	Dublin	Dublin	49.00%	49.00%
Gamax Management AG	Luxembourg	Luxembourg	0.004%	0.004%
B. Joint ventures				
Banca Esperia S.p.A.	Milan	Milan	50.00%	50.00%
C. Companies under significant influence				
Mediobanca S.p.A.	Milan	Milan	2.63%	2.63%

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

Company Name €/t	Book value	Fair value	Dividends received
A. Wholly-controlled companies			
Mediolanum Vita S.p.A.	166,681	166,681	24,664
Mediolanum Comunicazione S.p.A.	1,687	1,687	-
PI Servizi S.p.A.	7,652	7,652	-
Mediolanum International Life Ltd	60,131	60,131	18,000
Banca Mediolanum S.p.A.	600,239	600,239	127,002
Mediolanum Assicurazioni S.p.A.	44,671	44,671	4,437
Mediolanum Gestione Fondi SGR p.A.	2,507	2,507	15,204
Mediolanum International Funds Ltd	1,193	1,193	148,280
Mediolanum Asset Management Ltd	1,911	1,911	10,290
Gamax Management AG	0.9	0.9	0.3
B. Joint ventures			
Banca Esperia S.p.A.	54,312	54,312	-
C. Companies under significant influence			
Mediobanca S.p.A.	227,579	153,304	3,396

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

€/t	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Banking income/ Total revenues
A. Wholly-controlled companies						
Mediolanum Vita S.p.A.	355,005	14,589,821	499,910	120,000	14,997,688	5,194,046
Mediolanum Comunicazione S.p.A.	-	940	1,530	-	(1,017)	3
PI Servizi S.p.A.	-	373	7,548	-	(155)	-
Mediolanum International Life Ltd	-	2,298,365	27,841	(62,127)	(2,188,712)	125,796
Banca Mediolanum S.p.A.	1,027	22,627,380	425,504	(21,469,075)	(597,538)	576,353
Mediolanum Assicurazioni S.p.A.	22,798	113,960	16,991	-	(115,203)	34,167
Mediolanum Gestione Fondi SGR p.A.	-	55,396	25,164	(5,277)	(27,165)	58,703
Mediolanum International Funds Ltd	-	140,307	1,410	(30,197)	(931)	389,816
Mediolanum Asset Management Ltd	-	22,396	822	(308)	(3,393)	26,557
Gamax Management AG	-	8,508	-	(1,249)	(307)	6,284
Mediolanum Fiduciaria S.p.A.	-	821	365	-	(358)	112
Banco Mediolanum S.A.	1,571	1,675,770	34,436	(1,477,147)	(41,741)	54,662
Bankhaus August Lenz & Co. AG	63,138	52,987	8,250	(87,759)	(6,816)	11,667
Fermi & Galeno Real Estate S.r.l.	-	1,685	21,246	-	(111)	3
Mediolanum Gestión S.G.I.I.C. S.A.	-	5,329	19	-	(940)	1,247
Fibanc S.A.	-	423	3	-	(3)	4
Mediolanum Pensiones S.G.F.P. S.A.	-	2,833	2	-	(385)	608
B. Joint Ventures						
Banca Esperia S.p.A.	76	850,153	51,078	(776,642)	(30,771)	47,854
C. Companies under significant influence						
Parent Company - Mediolanum S.p.A.						
Mediobanca S.p.A.	X	68,524	1,984	61,194	1,287	8,246

€/t	Net interest income	Adj. of reversal of impairment on tangible and intangible assets	Profit (loss) before tax on continuing operations	Profit/loss for the year (1)	Total other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Wholly-controlled companies						
Mediolanum Vita S.p.A.	-	(1,810)	48,480	28,563		28,563
Mediolanum Comunicazione S.p.A.	3	(98)	193	89	-	89
PI Servizi S.p.A.	-	(166)	(342)	(182)	-	(182)
Mediolanum International Life Ltd	50,306	(143)	11,494	9,780	-	9,780
Banca Mediolanum S.p.A.	203,618	(13,230)	161,054	144,437	28,039	172,476
Mediolanum Assicurazioni S.p.A.	-	(74)	9,150	6,210	-	6,210
Mediolanum Gestione Fondi SGR p.A.	51	(252)	47,395	31,631	2	31,633
Mediolanum International Funds Ltd	268	(136)	386,455	338,103	3	338,106
Mediolanum Asset Management Ltd	30	(120)	20,640	18,036	6	18,042
Gamax Management AG	44	-	5,202	4,752	-	4,752
Mediolanum Fiduciaria S.p.A.	2	(1)	(742)	(533)	-	(533)
Banco Mediolanum S.A.	23,359	(1,186)	21,648	20,241	3,709	23,950
Bankhaus August Lenz & Co. AG	47	(252)	(6,135)	(6,135)	(420)	(6,555)
Fermi & Galeno Real Estate S.r.l.	3	(427)	1,082	1,018	-	1,018
Mediolanum Gestión S.G.I.I.C. S.A.	41	(12)	506	354	(6)	348
Fibanc S.A.	4	-	2	1	-	1
Mediolanum Pensiones S.G.F.P. S.A.	6	-	439	307	-	307
B. Joint ventures						
Banca Esperia S.p.A.	6,228	(876)	7,528	4,076	1,017	5,092
C. Companies under significant influence						
Parent Company - Mediolanum S.p.A.						
Mediobanca S.p.A.	X	X	325,679	261,579	-	261,579

The fair value of the investments of the Mediolanum Group was conventionally set at the historical cost given the lack of an active market and given the absence of circumstances that indicate the need for impairment. To this end, it is recalled that the market capitalisation of the Mediolanum Group is significantly higher than the value of shareholders' equity (3.92 times the net book value).

Investments in subsidiaries that are part of the Mediolanum Group, including Banca Esperia, are carried at historical values which are significantly lower than their value in use.

With regard to the fair value of the investment in Mediobanca, the exact value of the stock market was taken as a reference at year end.

10.5 Year's movements in equity investments

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Opening balance	1,168,666	1,124,449
B. Increases	318	44,670
B.1 Acquisitions	-	-
B.2 Reversal of impairment	-	-
B.3 Revaluations	-	-
B.4 Other increases	317	44,670
C. Decreases	419	453
C.1 Sales	-	-
C.2 Impairment	419	453
C.3 Other decreases	-	-
D. Closing balance	1,168,564	1,168,666
E. Total revaluations	-	-
F. Total adjustments	-	-

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, 2014.
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. as at December 31, 2014 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 as at September 30, 2014.
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 capitalisation, 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.
Ernst & Young Financial-Business Advisory S.p.A. issued the report on the impairment test as at December 31, 2014 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 as at September 30, 2014 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 12.95 per share (range: Euro 12.00 – 13.90).
For considerations concerning the sensitivity analysis and value recoverability, refer to as expressed in the Report.
In relation to the results of the impairment process, the carrying value expressed in the financial statements as at December 31, 2014, equal to Euro 10.05 per share, is adequate and it is therefore not necessary to adjust the carrying value of the investment in Mediobanca.

Section 11 - Tangible assets - Caption 110

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1.1 Property assets	2	11
a) land	-	-
b) buildings	-	-
c) furnishings	2	10
d) electronic equipment	-	1
e) other	-	-
1.2 Assets acquired under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total	2	11

11.5 Year's movements in tangible assets held for use

€/t	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	-	-	2,110	3,419	-	5,529
A.1 Total net write-downs	-	-	(2,100)	(3,418)	-	(5,518)
A.2 Net opening balance	-	-	10	1	-	11
B. Increases	-	-	-	-	-	-
B.1 Acquisitions	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
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	-	-	-	-	-	-
C. Decreases	-	-	8	1	-	9
C.1 Disposals	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-	8	-	-	8
C.3 Impairment:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
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	-	-	-	1	-	1
D. Net closing balance	-	-	2	-	-	2
D.1 Total net write-downs	-	-	(2,099)	(3,420)	-	(5,519)
D.2 Gross closing balance	-	-	2,101	3,420	-	5,521
E. Measured at cost	-	-	-	-	-	-

Section 12 - Intangible assets - Caption 120

12.1 Analysis of intangible assets

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

12.2 Year's movements in intangible assets

€/t	Goodwill	Other internally generated intangible assets: Definite	Other internally generated intangible assets: Indefinite	Other intangible assets: other: Definite	Other intangible assets: other: Indefinite	Total
A. Gross opening balance	-	-	-	2	-	2
A.1 Total net write-downs	-	-	-	-	-	-
A.2 Net opening balance	-	-	-	2	-	2
B. Increases	-	-	-	-	-	-
B.1 Acquisitions	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
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	-	-	-	-	-	-
C. Decreases	-	-	-	1	-	1
C.1 Disposals	-	-	-	-	-	-
C.2 Amortisation and impairment	-	-	-	-	-	-
- amortisation	X	-	-	-	-	-
- impairment	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
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	-	1
D. Net closing balance	-	-	-	1	-	1
D.1 Total net write-downs	-	-	-	-	-	-
E. Gross closing balance	-	-	-	1	-	1
F. Measured at cost	-	-	-	-	-	-

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

13.1/13.2 Analysis of deferred tax assets and tax liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Deferred tax assets		
Charge to the income statement	447	1,633
Charge to equity	-	-
Total deferred tax assets	447	1,633
Deferred tax liabilities		
Charge to the income statement	6	6
Charge to equity	21	21
Total deferred tax liabilities	27	27

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	1,633	6,749
2. Increases	70	1,643
2.1 Deferred tax assets arisen in the year	-	13
a) relating to prior years	-	13
b) due to changes in the accounting policies	-	-
c) write-backs	-	-
d) other	-	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	70	1,630
- of which business combinations	-	-
3. Decreases	1,257	6,759
3.1 Deferred tax assets cancelled in the year	-	-
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	1,257	6,759
a) turned into tax credit under Law 214/2011	-	-
b) other	1,257	6,759
- of which business combinations	-	-
4. Closing balance	447	1,633

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	6	6
2. Increases	-	-
2.1 Deferred tax liabilities arisen in the year	-	-
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other (temporary differences arisen in the year)	-	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	-	-
3.1 Deferred tax liabilities cancelled in the year	-	-
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	6	6

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

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Opening balance	21	9
2. Increases	-	12
2.1 Deferred tax liabilities arisen in the year	-	-
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	-	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	12
- of which business combinations	-	-
3. Decreases	-	-
3.1 Deferred tax liabilities cancelled in the year	-	-
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	21	21

Section 15 – Other assets – Caption 150

15.1 Analysis of other assets

€/t	Dec. 31, 2014	Dec. 31, 2013
Receivables from tax authorities	57	-
Advances to suppliers and professionals	114	179
Receivables from employees	1	-
Other receivables	81	29
Prepayments	3	29
Receivables from the Parent Company, subsidiaries and associates	394	542
Total	650	779

LIABILITIES

Section 1 – Amounts due to banks – Caption 10

1.1 Analysis of amounts due to banks

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Amounts due to central banks	-	-
2. Amounts due to banks	250,919	251,529
2.1 Current accounts and demand deposits	-	-
2.2 Time deposits	-	-
2.3 Loans	250,919	251,529
2.3.1 Repurchase agreements	-	-
2.3.2 Other	250,919	251,529
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other amounts due	-	-
Total	250,919	251,529
Fair value – Level 1	-	-
Fair value – Level 2	-	-
Fair value – Level 3	250,919	251,529
Total fair value	250,919	251,529

Amounts due to banks aggregated to Euro 250,919 thousand and relate to amounts due under credit facilities received (Euro 250,000 thousand) plus the related interest expense accrued at year end.

Section 3 – Securities issued – Caption 30

3.1 Analysis of securities issued

	Dec. 31, 2014				Dec. 31, 2013			
		Fair value				Fair value		
€/t	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
A. Securities								
1. Bonds	68,344	-	68,344	-	211,040	-	211,040	-
1.1 structured	68,344	-	68,344	-	117,330	-	117,330	-
1.2 other	-	-	-	-	93,710	-	93,710	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	68,344	-	68,344	-	211,040	-	211,040	-

The balance of the item Securities issued amounted to Euro 68,344 thousand (Euro 211,040 thousand at the end of the previous year), and includes two issues of bonds at a variable rate. The decrease compared to the previous year (Euro -142,696 thousand) is due to the maturity of three issues.

Section 8 – Tax liabilities – Caption 80

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

Section 10 – Other liabilities – Caption 100

10.1 Analysis of other liabilities

€/t	Dec. 31, 2014	Dec. 31, 2013
Payables to suppliers	459	335
Payables to parent companies, subsidiaries and associates	126	98
Payables to tax authorities	302	290
Payables to social security agencies	115	103
Payables to employees	321	315
Payables to professionals, directors and auditors	295	344
Other liabilities	467	981
Total	2,085	2,466

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

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

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Opening balance	340	522
B. Increases	114	207
B.1 Provisions for the year	110	178
B.2 Other increases	4	29
- of which business combinations	-	-
C. Decreases	110	389
C.1 Funds used in the year	109	217
C.2 Other decreases	1	172
- of which business combinations	-	-
D. Closing balance	344	340

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Severance entitlements	-	-
2. Other provisions for risks and charges	31	-
2.1 Legal proceedings	31	-
2.2 Personnel expenses	-	-
2.3 Others	-	-
Total	31	-

12.2 Year's movements in provisions for risks and charges

	Severance entitlements	Other provisions	Total
A. Opening balance	-	-	-
B. Increases	-	31	31
B.1 Provisions for the year	-	31	31
B.2 Time-related changes	-	-	-
B.3 Discount rate changes	-	-	-
- of which business combinations	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	-	-
C.1 Used in the year	-	-	-
C.2 Discount rate changes	-	-	-
C.3 Other decreases	-	-	-
- of which business combinations	-	-	-
D. Closing balance	-	31	31

Section 14 - Company shareholders' equity - Captions 130, 150, 160, 170, 180, 190 and 200

14.1 Analysis of share capital and treasury shares

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Share capital		
A.1 Ordinary shares	73,744	73,600
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	-	-

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

€/t	Ordinary	Other
A. Opening balance	73,600	-
- fully paid up	73,600	-
- not fully paid up	-	-
A.1 Treasury shares (-)	(2,045)	-
A.2 Outstanding shares: opening balance	71,555	-
B. Increases	144	-
B.1 New issues	-	-
- payment:	144	-
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	-	-
- bonus issues:	-	-
- employees	-	-
- directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellations	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of businesses	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	71,699	-
D.1 Treasury shares (+)	2,045	-
D.2 Shares at year end	73,744	-
- fully paid up	73,744	-
- not fully paid up	-	-

Share capital is fully paid up and amounts to Euro 73,743,699.80 divided into 737,436,998 ordinary shares.
In 2014, to service the Stock Options Plans, capital was increased by Euro 143,519.10 which corresponds to 1,435,191 shares.

14.3 Share capital: other information

The company holds own shares for Euro 2,045 million (data unchanged compared to the previous year).

14.4 Retained earnings: other information

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.

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/t	Debt securities	Loans	Other	Dec. 31, 2014	Dec. 31, 2013
1. Financial assets held for trading	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	-	-
3. Held-to-maturity investments	-	-	-	-	-
4. Loans to banks	-	240	-	240	243
5. Loans to customers	-	-	-	-	-
6. Financial assets measured at fair value	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	5,400	5,400	5,400
Total	-	240	5,400	5,640	5,643

1.4 Analysis of interest expense and similar charges

€/t	Payables	Securities	Other	Dec. 31, 2014	Dec. 31, 2013
1. Amounts due to central banks	-	X	-	-	-
2. Amounts due to banks	(6,237)	X	-	(6.237)	(8,728)
3. Amounts due to customers	-	X	-	-	-
4. Securities issued	X	(5,285)	-	(5,285)	(10,639)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	X	X		-	-
8. Hedging derivatives	X	X	-	-	-
Total	(6,237)	(5,285)	-	(11,522)	(19,367)

Interest income mainly relate to accrued interest on the subordinated loan with the subsidiary Mediolanum Vita S.p.A. (Euro 5,400 thousand).

Interest expense and similar charges amounted to Euro 11,522 thousand (December 31, 2013: Euro 19,367 thousand) and are primarily related to interest expense on financing facilities in place amounting to Euro 6,237 thousand and on notes issued amounting to Euro 5,285 thousand.

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

€/t	Dec. 31, 2014		Dec. 31, 2013	
	Dividends	Gains from holdings in UCITS	Dividends	Gains from holdings in UCITS
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	1,410	-	382	-
C. Financial assets measured at fair value	-	-	-	-
D. Equity investments	351,832	X	366,186	X
Total	353,242	-	366,568	-

Dividends from available-for-sale financial assets amounted to Euro 1,410 thousand (December 31, 2013: Euro 382 thousand) and mainly consist of dividends received by Sia SSB S.p.A. (Euro 1,285 thousand).
Dividends collected from the associate Mediobanca S.p.A. amounted to Euro 3,397 thousand, and those collected from investments in subsidiaries amounted to Euro 348,436 thousand (December 31, 2013: Euro 366,186 thousand).

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

6.1 Analysis of gains (losses) on sale/buyback

€/t	Dec. 31, 2014			Dec. 31, 2013		
	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	523	-	523	-	-	-
3.1 Debt securities	-	-	-	-	-	-
3.2 Equities	523	-	523	-	-	-
3.3 Holdings in UCITS	-	-	-	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	523	-	523	-	-	-
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Gains on sale totalled Euro 523 thousand and refer to the sale of Cedacri shares to the subsidiary Banca Mediolanum.

Section 9 - Administrative expenses - Caption 150

9.1 Analysis of personnel expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
1) Employees	(2,660)	(2,758)
a) wages and salaries	(1,834)	(1,831)
b) social security contributions	(601)	(588)
c) completion of service entitlements	-	-
d) pensions	-	-
e) provision for completion of service entitlements	(109)	(178)
f) provisions for severance benefits and similar obligations:	-	-
- defined contribution plan	-	-
- defined benefit plan	-	-
g) external supplementary pension funds:	(20)	(20)
- defined contribution plan	(20)	(20)
- defined benefit plan	-	-
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	(96)	(141)
2) Other personnel	(3)	(305)
3) Directors and Statutory Auditors	(2,189)	(2,015)
4) Retirees	-	-
5) Recovery of expenses for employees seconded to other companies	691	815
6) Reimbursement of expenses for seconded third-party employees at the Company	(461)	(404)
Total	(4,622)	(4,667)

9.2 Average number of employees by category

Category	Dec. 31, 2014	Dec. 31, 2013
1) Employees	23	21
a) senior management	2	2
b) middle management	7	6
c) other employees	14	13
2) Other personnel	-	1
Total	23	22

Personnel expenses amounted to Euro 4,622 thousand, slightly down compared to the previous year (Euro -45 thousand).

9.5 Analysis of other administrative expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
Intragroup services	(1,891)	(1,814)
Rentals	(1,327)	(1,101)
Advisory services and collaborations	(1,277)	(1,431)
Member fees	(249)	(172)
Other administrative expenses	(842)	(926)
Total	(5,586)	(5,444)

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

10.1 Analysis of net provisions for risks and charges

€/t	Dec. 31, 2014	Dec. 31, 2013
Legal proceedings	(31)	-
Total	(31)	-

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

11.1 Analysis of depreciation and net impairment of tangible assets

€/t	Depreciation (a)	Impairment (b)	Reversal of impairment (c)	Net income (a + b + c)
A. Tangible assets				
A.1 Owned	(9)	-	-	(9)
- held for use	(9)	-	-	(9)
- held for investment purposes	-	-	-	-
A.2 Assets acquired under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(9)	-	-	(9)

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

12.1 Analysis of amortisation and net impairment of intangible assets

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

Section 13 - Other operating income/expenses - Caption 190

13.1/13.2 Analysis of other operating income/expenses

€/t	Dec. 31, 2014	Dec. 31, 2013
Recovery of expenses for contracts and services rendered	684	634
Other operating income:		
Other income	32	82
Total other operating income	716	716
Other operating expenses	(53)	-
Compensation and settlements	(53)	-
Total other operating expenses	(53)	-

Other operating income/expenses amounted to Euro 663 thousand, slightly down compared to the previous year (Euro -53 thousand).

This item mainly includes the recovery of costs incurred for intra-group services.

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

14.1 Analysis of profit (loss) on equity investments

€/t	Dec. 31, 2014	Dec. 31, 2013
A. Income	212	-
1. Write-ups	-	-
2. Gains on disposal	212	-
3. Reversal of impairment	-	-
4. Other income	-	-
B. Expenses	(182)	(454)
1. Write-downs	(182)	(454)
2. Impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net income	(30)	(454)

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

18.1 Analysis of income tax expense on continuing operations

€/t	Dec. 31, 2014	Dec. 31, 2013
1. Current tax (-)	(9,516)	(9,177)
2. Change in current tax for prior years (+/-)	(11)	37
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 (+/-)	32	1,619
5. Change in deferred tax liabilities (+/-)	-	-
6. Income tax expense for the year (-) (-1+/-2+3+3*bis*+/-4+/-5)	(9,595)	(7,521)

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

€/t	Rate	Value	Taxes
Calculation of taxable IRES			
Profit before tax including entitled tax receivable	-	338,329	-
Theoretical tax	27.5%	-	93,040
Financial charges	-	-	-
Temporary differences deductible in following years	-	179,658	-
Temporary differences from previous years	-	(62,044)	-
Permanent differences	-	(337,093)	-
Total taxable income	-	1,354	-
Current tax expense for the year	-	-	372
Tax consolidation adjustment	-	-	-
Income taxes related to previous years	-	-	11
Current tax expense recognised in the income statement	-	-	383
Average rate on income before tax	(0.1%)	-	-
Calculation of taxable IRAP	-	-	-
Gross production value before changes	-	(166,227)	-
Costs/revenues not relevant for IRAP purposes	-	(759,665)	-
Net production value	-	165,468	-
Theoretical tax	5.57%	-	9,217
Financial charges	-	-	-
Temporary differences deductible in following years	-	-	-
Temporary differences from previous years	-	-	-
Permanent differences	-	491	-
Production revenues	-	165,958	-
Current tax expense for the year	-	-	9,244
Income taxes related to previous years	-	-	-
Current tax expense recognised in the income statement	-	-	9,244
Average rate on value added result	-	-	-

Section 21 - Earnings per share

Reference is made to the reporting in the same section of the Notes.

PART D - INFORMATION ON OTHER COMPREHENSIVE INCOME

Statement of other comprehensive income

€/t	Dec. 31, 2014 Gross amount	Income tax	Net amount
10. Net profit (loss) for the year	X	X	328,733,907
Other comprehensive income components without reversals to the income statement			
20. Tangible assets	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	4,025	-	4,025
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves on investments accounted for by the equity method	-	-	-
Other comprehensive income components with reversals to the income statement			
70. Hedges of investments in foreign operations:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
80. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
90. Cash flow hedges:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
100. Available-for-sale financial assets:	(17,161)	235	(16,926)
a) changes in fair value	(17,161)	235	(16,926)
b) reversals to the income statement	-	-	-
- impairment	-	-	-
- realized gains/losses	-	-	-
c) other changes	-	-	-
110. Non-current assets held for sale:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
120. Share of valuation reserves on investments accounted for by the equity method:	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
- impairment	-	-	-
- realized gains/losses	-	-	-
c) other changes	-	-	-
130. Total other comprehensive income components	(13,136)	235	(12,901)
140. Comprehensive income (Captions 10+130)	-	-	328,721,007

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk management and internal control system

Following the entry into force on April 16, 2004 of Legislative Decree 4.3.2014 no. 53 - implementing Directive 2011/89/EU Mediolanum S.p.A. acquired the characteristics to be included in the Banca Mediolanum Group and to perform the parent company functions.

The business model adopted and the characteristics of the company as holding of investments highlight the exposure primarily to operational, non-compliance and reputational risks as well as to the typical risks of the business of the financial and insurance subsidiaries. The subsidiaries individually monitor their exposure to risks in respect by the company of its role as parent company of the banking group.

For the performance of their duties, control staff is granted access to all corporate structures as well as to any information they may need to assess outsourced activities. The Board of Directors and the Board of Statutory Auditors receive regular reports on internal control work so that they can promptly take suitable corrective measures if deficiencies are detected.
Regarding the risks of the banking group, the risk control and management model defined involves support of the Compliance and Risk Management Functions of the subsidiary Banca Mediolanum S.p.A.
In 2014, in order to ensure adjustment to the provisions contained in the 15th Update of Bank of Italy Circular no. 263, the activities carried out of the previous Compliance and Risk Control Function of the subsidiary Banca Mediolanum were divided between two different control functions reporting directly to the related Board of Directors, that is the Compliance and Risk Management functions were established.
The Risk Management Function is responsible for monitoring the exposure of the Bank to financial and credit risks and assessing the capital impact on operational and reputational risks, keeping under constant control the capital adequacy in relation to the activity performed exercising a role of guidance and coordination on issues related to the management and control of risks, in respect of subsidiaries in which there are specific Risk Management Functions.

The Risk Management Function therefore defines and maintains the framework of the control and management of all the risks of the bank; it is responsible for the supervision of the first pillar risks (credit, market and operational) of Banca Mediolanum and conducts qualitative and quantitative assessment of second pillar risks of Basel II, in compliance with the guidelines of the Board of Directors and the current law provisions.
It also defines the methods for assessing and monitoring reputational risks in coordination by the Compliance Function. Prepares internal regulations, or policies and regulations relating to all relevant risks and identifies and develops quantitative methods aimed at managing the relevant first and second pillar risks of the Bank.
Verifies continuously of the adequacy of the Risk Appetite Framework of the Bank and the Mediolanum Group and coordinates the Internal Capital Adequacy Assessment Process (ICAAP) for those activities specifically attributed to them and falling within the scope of the ICAAP Regulation. Reports to the Board of Directors about the overall risk situation in its various aspects.
In 2014, the Risk Management Function proceeded with the proposal and definition of quantitative and qualitative parameters necessary for the definition of the Risk Appetite Framework, the document adopted by the subsidiary

Banca Mediolanum and the Group, in addition to continuing with the activities covered by the ICAAP Regulation (Internal Capital Adequacy Assessment Process). The report prepared in 2014 confirms the substantial capital stability of the Mediolanum Banking Group, even in the face of an outbreak of stress scenarios.
The experience gained from participation in impact exercises of Basel 3 to the new requirements of capitalisation and liquidity management allowed the Risk Management Function to have the necessary tools and related skills for the operational monitoring of variables and relative limits concerning supervisory reporting of liquidity requirements required by the Supervisory Authorities as early as the first quarter of 2014.

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

In 2014, specific and autonomous principles were also established to monitor risks in the insurance sector for each of the insurance companies. Said principles aim to monitor the exposure to insurance risks (subscription, reservation), the connection with financial risks (interest rate, market, concentration) in the context of risk management choices made at strategic level.

Compliance Function

The Compliance Function oversees the management of non-compliance risks, according to a risk-based approach, with regard to all corporate activities, using, for oversight of certain regulatory areas for which there are forms of specialized oversight, to specifically identified specialist units which are attributed certain stages of the compliance process.
In addition to overseeing the regulatory framework, the Function is responsible for specialist consulting, regulatory alert and gap analysis, verification of adequacy of company structures and processes with respect to the existing regulatory framework and identification of actions to mitigate non-compliance risks.
The Compliance Function oversees compliance risks and for the Risk Management function, performs the assessments on operational and reputational risks, as part of the integrated assessment activities and periodically sends the results to the function itself, on the basis of planning agreed with the same.
Reports to the Board of Directors about the overall risk situation in its various aspects.

Internal Audit Team

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, verifies and supplements the effectiveness of the overall management process of financial, credit and operational risk.
The Internal Audit Team performs an independent, objective internal audit and consulting, aimed at improving the effectiveness and efficiency of the organisation and the overall audit system. It monitors, even with on-site verifications, the regularity of operations and evaluates the functionality of the overall audit system, bringing to the attention of the Board of Directors and the Chief Executive Officer the possible improvements to risk management policies, measurement tools and governance processes. It provides the services outlined above for companies

with which the Bank has signed a specific service contract for which the same Function is committed to providing the internal auditing service; 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.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

General

Mediolanum S.p.A. as holding oversees the risk management framework defining the 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 Banca Mediolanum.
Credit risk exposure is 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.

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 quality (book value)

€/t	Non-performing	Watch list	Restructured	Past due	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Held-to-maturity investments	-	-	-	-	-	-
4. Loans to banks	-	-	-	-	8,852	8,852
5. Loans to customers	-	-	-	-	120,074	120,074
6. Financial assets measured at fair value	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total Dec. 31, 2014	-	-	-	-	128,926	128,926
Total Dec. 31, 2013	-	-	-	-	156,327	156,327

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

	Impaired assets			Performing			
€/t	Gross exposure	Individual impairment	Net exposure	Gross exposure	Collective impairment	Net exposure	Total (net exposure)
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	8,852	-	8,852	8,852
5. Loans to customers	-	-	-	120,074	-	120,074	120,074
6. Financial assets measured at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total Dec. 31, 2014	-	-	-	128,926	-	128,926	128,926
Total Dec. 31, 2013	-	-	-	156,327	-	156,327	156,327

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	8,852	X	-	8,852
TOTAL A	8,852	-	-	8,852
B. OFF-BALANCE SHEET				
a) Impaired	-	-	X	-
b) Other	-	X	-	-
TOTAL B	-	-	-	-

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

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

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

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

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

€/t	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. ON-BALANCE SHEET				
a) Non-performing	-	-	X	-
b) Watch list	-	-	X	-
c) Restructured	-	-	X	-
d) Past due impaired	-	-	X	-
e) Other assets	120,074	X	-	120,074
TOTAL A	120,074	-	-	120,074
B. OFF-BALANCE SHEET				
a) Impaired	-	-	X	-
b) Other	-	X	-	-
TOTAL B	-	-	-	-

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.2 Analysis of exposures by internal and external rating

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

€/t	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet	-	-	-	-	-	-	128,926	128,926
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	-	-
D. Commitments to disburse funds	-	-	-	-	-	-	-	-
E. Other	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	128,926	128,926

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

The company does not have internal rating models.

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

p.1

€/t	Governments			Other government agencies			Financial companies		
	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On-balance sheet									
A.1 Non performing	-	-	X	-	-	X	-	-	X
A.2 Watch list	-	-	X	-	-	X	-	-	X
A.3 Restructured	-	-	X	-	-	X	-	-	X
A.4 Past due	-	-	X	-	-	X	-	-	X
A.5 Other exposures	-	X	-	-	X	-	-	X	-
Total A	-	-	-	-	-	-	-	-	-
B. Off-balance sheet									
B.1 Non performing	-	-	X	-	-	X	-	-	X
B.2 Watch list	-	-	X	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	-
B.4 Other exposures	-	X	-	-	X	-	-	X	-
Total B	-	-	-	-	-	-	-	-	-
Total (A+B) Dec. 31, 2014	-	-	-	-	-	-	-	-	-
Total (A+B) Dec. 31, 2013	-	-	-	-	-	-	-	-	-

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

p.2

€/t	Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On-balance sheet									
A.1 Non performing	-	-	X	-	-	X	-	-	X
A.2 Watch list	-	-	X	-	-	X	-	-	X
A.3 Restructured	-	-	X	-	-	X	-	-	X
A.4 Past due	-	-	X	-	-	X	-	-	X
A.5 Other exposures	120,074	X	-	-	X	-	-	X	-
Total A	120,074	-	-	-	-	-	-	-	-
B. Off-balance sheet									
B.1 Non performing	-	-	X	-	-	X	-	-	X
B.2 Watch list	-	-	X	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X
B.4 Other exposures	-	X	-	-	X	-	-	X	-
Total B	-	-	-	-	-	-	-	-	-
Total (A+B) Dec. 31, 2014	120,074	-	-	-	-	-	-	-	-
Total (A+B) Dec. 31, 2013	120,074	-	-	-	-	-	-	-	-

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

€/t	Italy		Other EU 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										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	120,074	-	-	-	-	-	-	-	-	-
Total A	120,074	-	-	-	-	-	-	-	-	-
B. Off-balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-
Total A+B Dec. 31, 2014	120,074	-	-	-	-	-	-	-	-	-
Total A+B Dec. 31, 2013	120,074	-	-	-	-	-	-	-	-	-

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

	Italy		Other EU countries		America		Asia		Rest of the world	
€/t	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment	Net exposure	Collective impairment
A. On-balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	8,852	-	-	-	-	-	-	-	-	-
Total A	8,852	-	-	-	-	-	-	-	-	-
B. Off-balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-
Total A+B Dec. 31, 2014	8,852	-	-	-	-	-	-	-	-	-
Total A+B Dec. 31, 2013	36,253	-	-	-	-	-	-	-	-	-

SECTION 2 - MARKET RISK

2.1 Interest rate risk and pricing risk - Trading book

QUALITATIVE INFORMATION

A. General

Banca Mediolanum's Risk Management function is responsible for ensuring that the various units including the Parent Company use consistent methods in assessing financial risk exposure. The team also contributes to the definition of lending and operating limits.

2.2 Interest rate risk and pricing risk - banking book

QUANTITATIVE INFORMATION

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

€/t	On demand	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1. Non-derivative assets	8,852	120,074	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	8,852	-	-	-	-	-	-	-
1.3 Loans to customers	-	120,074	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	120,074	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	120,074	-	-	-	-	-	-
2. Non-derivative liabilities	-	-	68,344	250,919	-	-	-	-
2.1 Amounts due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	250,919	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	250,919	-	-	-	-
2.3 Securities issued	-	-	68,344	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	68,344	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2.3 Currency risk

QUALITATIVE INFORMATION

A. Currency Risk - General information, measurement and management

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

B. Currency Risk - Hedges

There are no hedges as defined under IAS.

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. Liquidity Risk – General information, measurement and management

The Mediolanum Banking Group's liquidity management model is structured in a manner that ensures adequate levels of liquidity in the short term as well as in the medium and long term. Given the types of assets held, their duration as well as the type of funding, the Banking Group has no short-term liquidity concerns.

Liquidity risk management, which is through the definition of guidelines and indicators in the Risk Appetite Framework document adopted by all Group companies (where applicable) is monitored by the Risk Management unit applying dedicated policies and procedures, including operating and structural limits and definition and constant monitoring of the maturity ladder.

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 updated. The policy on liquidity risk adopted effectively implemented a control procedure that involves the preparation of daily reporting that monitors the limits of operating liquidity related to treasury management, consolidated weekly reporting of the Banking Group, which is sent to the Supervisory Board and quarterly reports which controls the aggregated structural liquidity of the Group, brought to the attention of the Strategic Supervisory Board. The method used to manage operational liquidity is derived from the Maturity Mismatch Approach and is based on the monitoring of cumulative gaps generated by Net Flows and Counterbalancing Capacity as assessed using an operational Maturity Ladder. Structural liquidity is monitored by determining the long term ratio (Net Stable Funding Ratio) in accordance with the rules defined by the European Banking Authority (EBA) in relation to the new Basel III liquidity risk requirements.

QUANTITATIVE INFORMATION

1. Time-to-maturity of financial assets and liabilities: 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	8,852	-	-	-	74	-	-	-	-	120,000
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,852	-	-	-	74	-	-	-	-	120,000
- Banks	8,852	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	74	-	-	-	-	120,000
Non-derivative liabilities	-	-	-	-	919	68,344	250,000	-	-	-
B.1 Current accounts and deposits	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	68,344	-	-	-	-
B.3 Other liabilities	-	-	-	-	919	-	250,000	-	-	-
Off-balance sheet items	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

SECTION 4 - OPERATIONAL RISK

QUALITATIVE INFORMATION

General aspects, operational risk measurement and management

The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."
The model for the control and management of operational risk, by virtue of a specific outsourcing contract provides for the support of the Compliance and Risk Management Functions of Banca Mediolanum S.p.A.
In line with the model adopted by the Mediolanum Banking Group and with the requirements of the regulations for the sector, Mediolanum S.p.A. has defined a specific framework for the management of operational risk.
The Risk Management Function is responsible for supervising operational risk, with the support of the Compliance Assessment and Controls Unit of the Compliance Function to carry out risk assessment activities.
The reference framework for the management and control of operational risk is composed of four basic processes:

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

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

The "**Identification**" is the activity of finding and collecting information relating to operational risks through the coordinated and consistent processing of all relevant sources of information. The aim is the establishment of a comprehensive information base.
The identification is done through the definition and classification of the information needed for the integrated management of operational risks.
The information necessary for this purpose are:

- qualitative and quantitative assessments of the risk exposure of key business processes, as part of the annual risk self-assessment conducted by the Compliance Assessment and Controls Unit of the Compliance Function on behalf of the Risk Management Function;
- internal loss data, together with all information relevant to the measurement and management of risks (including recoveries from insurance and direct), collected through the process of Loss Data collection by Operational Risk Management Unit of the Risk Management Function;
- qualitative preliminary analysis, by the Compliance Assessment and Controls Unit in coordination with the Risk Management function, of the risk exposure to the entry into new businesses or new contracts/commercial agreements, as well as a result of organisational changes/regulations;
- "Key Risk Indicators", i.e. risk and performance indicators that provide insight into the status of operational processes and the main drivers of exposures. These indicators, updated by the Compliance Assessment and Controls unit, may include "exposure indicators" or "anomaly indicators".

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

- regulatory capital;
- economic capital.

The Company Mediolanum S.p.A. is not subject to individual capital requirement for operational risk. However, as at December 31, 2014 calculated the consolidated capital requirement Mediolanum Banking Group by adopting a standardised measurement approach[1].

The "**Monitoring, Controlling and Reporting**" process is a direct consequence of the preliminary identification and measurement processes which allow analysing the overall operational risk exposure of the various business units and promptly reporting any critical issues identified. The main tool used in the conduct of this process is periodic reporting to the corporate functions concerned, the Top Management and Board of Directors.

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

In particular in 2014, the risk assessment process covered nearly all of the activities, identifying 53 operational risk checkpoints. About 85% of checkpoints were judged to be effective or in need of being just better formalised. Mitigation actions were taken in relation to controls that were judged to be unsatisfactory or in need of improvement.

SECTION 5 - OTHER RISKS

QUALITATIVE INFORMATION

General aspects, measurement and management

In addition to the above risks, Mediolanum S.p.A. has identified and monitors the following other risks.

Compliance Risk

Across the Mediolanum Group, a single compliance risk management framework has been defined that entrusts the Compliance Function with the responsibility of ensuring compliance as well as supervision, guidance and control of Group companies within its remit.
The scope of work of the Compliance Function has been defined taking account of the responsibilities given to other functions within the organisation based on the above Group Compliance Model and in relation to specific regulatory areas.

The different steps of the Compliance framework, provided by the Group Compliance Policy, updated during the year and implemented by the Company, include the following activities:

- Definition of the methodological framework for compliance risk assessment and monitoring;

[1] Mediolanum S.p.A., following registration in the Register banking groups as Parent Company, became part of the scope of the Mediolanum Banking Group in the first half of 2014 with a basic method.

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

Overall, the Compliance Function has not identified, with regards to its competence, criticalities in the completeness, accuracy, adequacy, operation and reliability of the internal control system of the company, despite having provided appropriate guidelines on specific regulatory aspects in order to strengthen the existing controls.

Reputational Risk

Reputational risk, in line with the indications received by the Parent Company, is the current or prospective risk of impact on earnings or capital arising from the negative perception of the Company's image by customers, counterparties, shareholders, investors or supervisory authorities.
Reputational risk may arise from internal or external events. Internal events may include, but are not limited to:

- the materialisation of other risks (e.g. market risk, liquidity risk, legal risk or strategic risk) not adequately kept in check;
- the occurrence of operational risk events (for example malfunctioning, disservice) with impact on the stakeholders' perception of the bank;
- failed compliance with statutes, regulations and codes of conducts, including those that may be outside the purview of the Compliance team;
- internal or external communications being ineffectively or inappropriately handled;
- the behaviour of corporate officers, employees or collaborators.

More generally, internal events include all events directly associated with the processes in place and the business conducted by the Company as well as any management or operational choices made by Mediolanum S.p.A. (e.g. external communications, materialisation of operational risk events, failure to comply with legislation).
External events include comments or debates in the media, on social networks, blogs and/or other means of digital communication with circulation of information or opinions that damage the reputation of the Company. These events are not directly associated with processes in place or business conducted by the Company, but are related to the circulation of negative opinions or information about the Company or its management (e.g. debates on blogs or social networks, newspaper articles or opinions about the Company and its management).
The materialisation of reputational risk may also have effects on other risks.

Mediolanum S.p.A. recognises the reputation is the bedrock on which the trust-based relationship with customers and market credibility are built. Hence, reputation is managed and protected in accordance with the Group's guidelines, through:

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

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

PART F - INFORMATION ON CAPITAL

SECTION 1 - CORPORATE CAPITAL

For Mediolanum S.p.A. this section is not applicable.
Information on consolidated capital of Mediolanum S.p.A. is included in the specific section of the consolidated financial statements.

B.1 Analysis of corporate equity

€/t		Dec. 31, 2014	Dec. 31, 2013
1.	Share capital	73,744	73,600
2.	Share premium account	63,199	59,376
3.	Reserves	639,721	488,059
	- gains	555,028	403,366
	a) legal	17,363	17,363
	b) statutory	-	-
	c) treasury shares	2,045	2,045
	d) other	535,620	383,958
	- other	84,693	84,693
3.*bis*	Interim dividend	(110,608)	(73,595)
4.	Equity instruments	-	-
5.	(Treasury shares)	(2,045)	(2,045)
6.	Valuation reserves	1,584	1,597
	- Available-for-sale financial assets	1,507	1,524
	- Tangible assets	-	-
	- Intangible assets	-	-
	- Hedges of investments in foreign operations	-	-
	- Cash flow hedges	-	-
	- Exchange differences	-	-
	- Non-current assets and disposal groups	-	-
	- Actuarial gains (losses) related to defined benefit plans	77	73
	- Share of reserves on investments accounted for by the equity method	-	-
	- Special revaluation statutes	-	-
7.	Net profit (loss)	328,733	335,452
Total		994,328	882,444

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

	Dec. 31, 2014		Dec. 31, 2013	
€/t	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equities	1,507	-	1,524	-
3. Holdings in UCITS	-	-	-	-
4. Loans	-	-	-	-
Total	1,507	-	1,524	-

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	-	1,524	-	-
2. Increases	-	-	-	-
2.1 Increases in fair value	-	-	-	-
2.2 Reclassification to the income statement from negative reserves	-	-	-	-
- impairment	-	-	-	-
- realised gains	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	-	17	-	-
3.1 Decrease in fair value	-	17	-	-
3.2 Impairment	-	-	-	-
3.3 Reclassification to the income statement from positive reserves	-	-	-	-
3.4 Other decreases	-	-	-	-
4. Closing balance	-	1,507	-	-

PART G - BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2014 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

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

PART H - RELATED PARTY TRANSACTIONS

1. Information on key management compensation

€/t	Directors, Executives, General Deputy Executives and Auditors	Other key management
Emoluments and social security contributions	(1,970)	-
Other compensation	-	(110)

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 such as: 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 and from other companies within the Mediolanum Group.

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

An analysis of related party balances as at December 31, 2014 is set out in the table below.

1. Information on related party transactions

€/t	Other related parties	Mediolanum Group Companies
Assets		
Financial assets held for trading	-	-
Financial assets measured at fair value	-	-
Available-for-sale financial assets	-	-
Held-to-maturity financial assets	-	-
Loans to banks	-	8,844
Loans to customers	-	120,074
Other assets	-	32,128
Liabilities		
Amounts due to banks	-	-
Amounts due to customers	-	-
Securities issued	-	-
Financial liabilities held for trading	-	-
Financial liabilities measured at fair value	-	-
Other liabilities	(62)	(85,307)
Guarantees issued and commitments	-	-

Details on related party transactions made in the year are set out in the table below.

€/t	Other related parties	Mediolanum Group Companies
Income statement		
Interest income and similar income	-	5,640
Interest expense and similar charges	-	(340)
Net interest income	-	-
Commission income	-	-
Commission expense	-	-
Net commission	-	-
Net income from trading	-	-
Profit (loss) from sale or repurchase of: receivables, AFS, HTM, financial liabilities	-	-
Net result from financial assets and liabilities measured at fair value	-	-
Impairment/reversal of impairment of: receivables, AFS, HTM, other fin. trans.	-	-
Administrative expenses	(695)	(1,548)
Other operating income and expenses	5	702

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

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

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 share capital increases 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 pursuant to art. 2443 of the Italian Civil Code. The 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 creation and growth for the Company and, accordingly, its shareholders. The Top Management Plan 2010 is believed to be an adequate scheme to link key management incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the Shareholders. The 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/Group ("Top Management Plan 2010") and the Rules for the Stock Options Plan for the Contract Workers of the Company/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;

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");
- increase the share capital, in partial execution of the delegation conferred to the Extraordinary General Meeting on April 27, 2010 for a maximum amount of Euro 188,200.00, for a consideration, by issuing up to 1,882,000 ordinary shares for the allotment of Stock Options under the Top Management Plan 2010;
- increase the share capital, in partial execution of the delegation conferred to the Extraordinary General Meeting on April 27, 2010 for a maximum amount of Euro 67,427.50, for a consideration, by issuing up to 674,275 ordinary shares for the allotment of stock options under the Contract Workers Plan 2010.

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 share capital for a maximum amount of Euro 186,405.00, for a consideration, by issuing up to 1,864,050 ordinary shares for the allotment of Stock Options under the Top Management Plan 2010;
- to increase the share capital for a maximum amount of Euro 70,840.00, for a consideration, by issuing up to 708,400 ordinary shares for the allotment of Stock Options under the Contract Workers Plan 2010.

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:

- to 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;
- to 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;

On **May 14, 2014**, 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 97,335.00, for a consideration, by issuing up to 973,350 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 121,425.00, for a consideration, by issuing up to 1,214,250 shares for the allotment of stock options under the Contract Workers Plan 2010.

The issue price was determined in execution and full compliance with objective criteria already approved by the general meeting resolution of delegation and already the subject of a fairness opinion by the Independent Auditors.

3. 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 2014, 1,435,191 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 143,519.10 increase in Mediolanum ordinary share capital and a Euro 3,822.9 thousand increase in the share premium account.

	Dec. 31, 2014		
€/t	Number of options	Average prices in the year	Average maturity
A. Opening balance	480,500	2.012	-
B. Increases	80,000	-	-
B1. New issues	80,000	1.727	May-20
B2. Other increases	-	-	-
C. Decreases	203,500	-	-
C1. Cancelled	27,800	1.076	May-17
C2. Exercised	144,700	2.297	Dec-15
C3. Past due	31,000	6.352	-
C4. Other decreases	-	-	-
D. Closing balance	357,000	1.553	July-18
E. Options exercisable at year end	-	-	-

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 197.6 thousand and entailed a corresponding increase in the company's equity reserves.

Basiglio, February 11, 2015

For the Board of Directors
The Chairman
(Carlo Secchi)

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	1,033,603
Signing tax return	Deloitte & Touche S.p.A.	23,232
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	814,560
Other services	Deloitte & Touche S.p.A. and other that are part of their network	1,303,186
Total		3,174,581

Please note that the Euro 796 thousand 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	Company	Fee
Audit	Deloitte & Touche S.p.A.	228,777
Signing tax return	Deloitte & Touche S.p.A.	3,146
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	-
Other services	Deloitte & Touche S.p.A. and other entities that are part of their network	117,170
Total		349,093

Responsibility Statements

Certification of the Annual Financial Statements pursuant to art. 81-ter
of CONSOB Regulation no. 11971/99 and subsequent amendments and integrations

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 effective application of the administrative and accounting procedures as the basis for preparation of Annual Financial Statements in 2014.

2. The adequacy and the actual application of accounting and financial reporting procedures in the preparation of the annual financial statements as at December 31, 2014 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 Organisations of the Treadway Commission, which is an internationally accepted framework.

3. We also confirm that:

   3.1 The annual financial statements as at December 31, 2014:
   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) correspond to the accounting books and records;
   c) are able to give a true and fair view of the issuer's financial position, results and cash flows;

   3.2 the report on operations includes a reliable analysis of the results of operations, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Basiglio, February 11, 2015

CEO
(*Ennio Doris*)

Chief Financial Officer responsible for
accounting and financial reporting
(*Luigi Del Fabbro*)

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the general meeting convened to approve the separate Financial Statements for the year ended December 31, 2014 of Mediolanum S.p.A. pursuant to art. 153 Legislative Decree no. 58/1998 and art. 2429 Civil Code

Dear Shareholders,

Pursuant to art. 153 of Legislative Decree no. 58 of February 24, 1998 and art. 2429, paragraph 2, of the Civil Code, the Board of Statutory Auditors is required to report to the General Meeting on supervisory activities performed in the year and any omissions and reprehensible facts identified. The Board of Statutory Auditors may make observations and proposals regarding the financial statements, their approval and matters within its competence.
We would like to inform you that we carried out the supervisory activities in accordance with the rules of the Civil Code, Legislative Decrees no. 385 of September 1, 1993 ("TUB, Consolidated Banking Act"), no. 58 of February 24, 1998 ("TUF, Consolidated Finance Act") and no. 39 of January 27, 2010, the statutory rules and regulations of the Authorities that exercise supervision and control, the indications contained in CONSOB communication no. DEM/1025564 of April 6, 2001, also taking into account the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Experts.
The Board of Statutory Auditors in office at the date of this report was appointed by the General Meeting on April 29, 2014 and is composed by Stefano Fiorini (Chairman), Francesca Novati and Riccardo Perotta.

* * *

With reference to the financial statements of Mediolanum S.p.A., ended December 31, 2014, which show a net profit of Euro 328,733,907, the Board of Statutory Auditors notes that they have been prepared in accordance with IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the International Accounting Standards Board and related interpretations of IFRIC (International Financial Reporting Interpretations Committee), approved by the European Commission and currently in force and were sent to the Board of Statutory Auditors with the Report on Operations in accordance with law. In particular, the separate financial statements at December 31, 2014, following the entry into force of Legislative Decree no. 53 of March 4, 2014, under which Mediolanum S.p.A., effective April 16, 2014, was recognized as parent company of the banking group of which pursuant to art. 64 of the TUB were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular no. 262 of December 22, 2005 and subsequent updates. Consequently, the company reclassified the data of the 2013 financial statements for comparative purposes.
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 Report on Operations sets out appropriate comprehensive information on operations.

It is recalled 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. For the ninth 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 the Board of Statutory Auditors performed its duties, it shall be acknowledged that the Board:

– attended all the meetings of the Board of Directors, of the Audit and Risk Committee and of the Nomination and Remuneration Committee, the Independent Directors and the Supervisory Authority pursuant to Legislative Decree no. 231/2001;
– met on several occasions the Executive responsible for preparing accounting and financial reporting and the Head of the Internal Audit, the Compliance function and Risk Management function to exchange information on the activities performed and monitoring programs;
– met with the Boards of Statutory Auditors of the main subsidiaries;
– 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;
– had regular exchanges of information with the independent auditing firm;
– 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 the Report on Operations and in the Notes to the financial statements, the Directors have comprehensively illustrated said transactions, which included:

• the issue of 1,435,191 new Mediolanum dividend-bearing ordinary shares following the exercise of stock options. This entailed a Euro 143,519.10 increase in Mediolanum ordinary share capital and a Euro 3,822.9 thousand increase in the share premium account.

Based on the information acquired through its supervisory activities, the Board of Statutory Auditors did not become aware of transactions not conducted with respect for the principles of good management, resolved and implemented not in accordance with the law and the by-laws, which do not satisfy the interest of Mediolanum S.p.A., in contrast with the resolutions passed by the General Meeting, manifestly imprudent or risky, lacking the necessary information in case of existence of interests of the Directors or such to affect the integrity of corporate assets.

For more detailed information on the characteristics of the transactions and their recognition in the accounts you are referred to the Report on Operations.

As set out in the Report on Operations, after year-end 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 intragroup or related party transactions.

During the year, we did not detect or receive any indication from the Board of Directors, the Executive responsible for preparing the company's accounting and financial reporting, the management, the independent auditors, the Head of the Internal Audit and the Boards of Statutory Auditors, where present and subsidiaries of the existence of any atypical and/or unusual third-party, intragroup 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 Report on Operations on atypical and/or unusual, intragroup or related party transactions.

In addition to as stated in paragraph 2, the Board of Statutory Auditors noted that, with regard to transactions with related parties and/or connected parties, pursuant to article 2391-bis of the Civil Code, in accordance with the provisions introduced by CONSOB with resolution no. 17221 of March 12, 2010 and in accordance with the requirements in terms of connected parties, pursuant to Circular 263 of the Bank of Italy - 15th update of July 3, 2013, the Bank has established appropriate internal regulations, specific procedures and information systems, in force and operating with effect from November 10, 2010 and revised on November 13, 2014, which ensure the management and continuous monitoring of said transactions.

Regarding the required reporting related to the transactions carried out by relevant parties and persons closely associated with them, in accordance with article 114, paragraph 7, of the TUF and articles 152 *sexties*, *septies* and *octies* of the CONSOB Issuers Regulation (provisions on "Internal Dealing"), the Board of Statutory Auditors has ascertained that the company has adopted specific rules and procedures for such reports through the adoption of the "Internal Dealing Regulation".

4. Oversight of the Consolidated Law of Statutory Auditing.

The Board of Statutory Auditors, identified by the Consolidated Law of Statutory Auditing as "Audit and statutory audit committee", oversaw: (i) the financial reporting process; (ii) the effectiveness of audit, internal audit and risk management systems; (iii) the statutory audit of annual accounts and consolidated accounts; (iv) the independence of the statutory auditor, in particular as regards the provision of non-audit services.

It shall be recalled that the company Deloitte & Touche S.p.A. has been assigned the statutory audit for the period 2011-2019 by the General Meeting of April 21, 2011, pursuant to the TUF.

The Board of Statutory Auditors examined the plan of audit activities, as well as reports from the independent auditor Deloitte & Touche S.p.A., whose activities integrate the overall picture of the control functions introduced by the rules in relation to the financial reporting process.

Said reports, issued on March 4, 2015 pursuant to article 14 of Legislative Decree 39/2010, show that the separate financial statements and the consolidated financial statements were prepared in accordance with International Financial Reporting Standards IAS/IFRS issued by the International Accounting Standards Board and adopted by the European Union, in force as at December 31, 2014, as well as in compliance with the measures issued in implementation of article 9 of Legislative Decree 38/2005 and were prepared on the basis of instructions issued by the Bank of Italy with Circular 262/2005 and subsequent amendments and additions. Therefore, they are drafted clearly and provide a true and fair view of the financial position, results of operations and cash flows for the year ended December 31, 2014. The independent auditor has also represented that the method of restatement of comparative figures for 2013, according to the schemes required by the aforementioned Bank of Italy Circular no. 262, and related disclosures presented in the notes, have been examined, without remarks, for the purpose of the opinion on the financial statements for the year ended December 31, 2014. Furthermore, in the opinion of the independent auditor, the Report on Operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), article 123-bis of the TUF contained in the Corporate Governance Report are consistent with the documents of the financial statements.

The Board of Statutory Auditors also examined the draft report that will be released on March 5, 2015, by the independent auditor, in accordance with article 19 of Legislative Decree 39/2010, which show non-significant revision differences and the absence of significant deficiencies in the internal audit system relating to the financial reporting process.

The independent auditor met periodically in compliance with article 150, paragraph 3, of the TUF, for the exchange of mutual information, did not report to the Board of Statutory Auditors acts or facts considered reprehensible or irregularities that required the formulation of specific reports pursuant to article 155, paragraph 2 of the TUF.

With reference to IAS 36, the joint Bank of Italy/CONSOB/ISVAP 4 document of March 3, 2010, and the internal regulations which implemented the law 262/2005, the Board of Statutory Auditors acknowledges that the Board of Directors approved the impairment procedure independently and prior to approval of the financial statements.

5. Notices or complaints under art. 2408 of the Italian Civil Code.

In 2014, the Board of Statutory Auditors did not receive any notices, complaints or claims under article 2408 of the Civil Code.

6. Conferral of further appointments to the independent auditors or other parties linked to them and related costs.

We have reviewed evidence of the fees paid by the company to the independent auditors Deloitte & Touche S.p.A., and entities that are part of their international network as detailed below.

Mediolanum Group

(in Euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Deloitte & Touche S.p.A. and other entities that are part of their network	1,033,603
Signing tax return	Deloitte & Touche S.p.A.	23,232
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	814,560
Other services	Other entities of the Deloitte network	1,303,186
Total		3,174,581

It shall be noted that the Euro 795,686 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	Company	Fee
Audit	Deloitte & Touche S.p.A.	228,777
Signing tax return	Deloitte & Touche S.p.A.	3,146
Certification	Deloitte & Touche S.p.A. and other entities that are part of their network	-
Other services	Other entities of the Deloitte network	117,170
Total		349,093

Deloitte & Touche S.p.A. provided appropriate declaration of assurance that there is no situation that could affect the independence or be cause of incompatibility.

7. Opinions given pursuant to the law.

During the year the Board of Statutory Auditors expressed its opinion, in the cases provided by law, without remarks and in relation to the following main matters:

- appointment of the Executive responsible for preparing accounting and financial reporting documents pursuant to art. 154-bis of the TUF and the Head of the Internal Audit;
- approval of the "Coordination Protocol between Mediolanum S.p.A. and Banca Mediolanum S.p.A.", the "Risk Appetite Framework", the "Group Coordination Policy between the Risk Management Functions", the "Policy for the control and management of Operational Risks" and the "Group Policy for the outsourcing of business functions".

8. Frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors.

During the year 2014, the members of the Board of Statutory Auditors attended 9 meetings of the Board of Directors (of which 2 related to the previous Board). The Board of Statutory Auditors held 10 meetings (of which 2 related to the previous Board) with an average duration of approximately two hours.
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, the Board of Statutory Auditors (i) regularly collected information on activities at the meetings of the Audit and Risks Committee and meetings with the Head of the Internal Audit, (ii) acknowledged the Corporate Governance Report on the adequacy and effectiveness of the internal audit system, and (iii) examined the 2014 Report of the Internal Audit Function that evaluated the internal audit system as adapted to the needs of the Mediolanum Group overall.

Lastly, the Board of Statutory Auditors examined the 2014 Report of the Supervisory Authority on the implementation of the organization and management model adopted by Mediolanum S.p.A. pursuant to Legislative Decree 231/2001.

From the results of the activities carried out by the Supervisory Board in 2014, there were no violations of the internal regulations.

Lastly, 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.

The Board of Statutory Auditors, on the basis of its findings and ascertainments, found no significant deficiencies in operating and control processes that may affect the assessment of the adequacy and effective application of administrative and accounting procedures, in order to fairly present the economic and financial position of operating facts in accordance with international accounting standards.

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, the independent auditor did not report significant criticality of the internal audit system relevant to the financial reporting process and no significant aspects emerged of that require reporting in this Report.

15. Compliance with the Code of Conduct of the Governance Committee for listed companies.

As early as 2000 the company adhered to the Code of Conduct prepared by the Governance Committee 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 Corporate Governance Report.

The Board of Statutory Auditors monitored the procedures for effective implementation of corporate governance rules contained in the codes of conduct which Mediolanum S.p.A. declares to follow.

16. Information on corporate bodies.

Regarding the corporate bodies, the Board of Statutory Auditors noted that:

- the Board of Directors, by resolution of the Board, positively assessed the adequacy of its size, composition and operation;
- evaluated the correct application of the verification criteria and procedures adopted by the Board of Directors regarding the independence requirements of its members, and provided complete disclosure in the Corporate Governance Report;

- regularly verified the independence requirements for every one of its members, both under the TUF, and pursuant to the Code of Conduct;
- with reference to the provisions of art. 36 Decree Law 201/2011 – assumption or exercise of offices in management supervision or control bodies in companies or groups of competitors operating in the credit insurance or financial markets – the Board Directors and members of the Board of Statutory Auditors have assessed their situation and taken the resulting decisions in order to comply with the indicated legislation.

17. Relations with the corresponding bodies of subsidiaries.

The Board of Statutory Auditors exchanged information with the Boards of Statutory Auditors of direct subsidiaries as required by art. 151, paragraph 2 of the TUF and the Supervisory Instructions of the Bank of Italy, without receiving evidence of significant facts to be reported specifically in this Report.

18. Final remarks on supervisory work.

Following the supervisory activity performed by the Board of Statutory Auditors, no reprehensible facts, omissions, or irregularities arose that require disclosure in this Report.

19. Proposals of the Board of Statutory Auditors to the General Meeting.

The Board of Statutory Auditors does not consider it necessary to exercise the right to make proposals to the General Meeting in accordance with article 153, paragraph 2 of the TUF.

In view of the foregoing, the Board of Statutory Auditors considered the content of the independent auditor's reports, acknowledged the statements issued jointly by the CEO and the Executive responsible for preparing the company's accounting and financial reporting, does not note, in the scope of its competence, impediment to the approval of the draft separate financial statements as at December 31, 2014 formulated by the Board of Directors and the related proposed allocation of the result.

Milan, March 4, 2015

Board of Statutory Auditors
Stefano Fiorini – Chairman
Riccardo Perotta
Francesca Novati

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 separate financial statements of Mediolanum S.p.A., which comprise the statement of financial position as of December 31, 2014, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash 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.

   The separate financial statements present for comparative purposes prior year's data. As explained in the notes to the separate financial statements, the Directors have reclassified certain comparative data, in accordance to Bank of Italy Circular n. 262, related to the prior year's separate financial statements with respect to the data previously reported, and audited by us, on which we issued auditors' report dated April 4, 2014. These reclassifications of comparative data and related disclosures included in the notes to the separate financial statements have been audited by us for the purpose of expressing our opinion on the separate financial statements as of December 31, 2014.

3. In our opinion, the separate financial statements give a true and fair view of the financial position of Mediolanum S.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of 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 Mediolanum S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
March 4, 2015

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

General Shareholders' Meeting March 26, 2015

General Shareholders' Meeting March 26, 2015

RESOLUTIONS ABSTRACT

At the General Meeting, shareholders representing 58.12% of share capital by majority of votes resolved:

In ordinary session:

- to approve the financial statements for the year ended December 31, 2014, which reported net profit of Euro 328,733,907.21, including the Directors' Report;
- to appropriate net profit for the year of Euro 328,733,907.21 as follows:
  - distribution of a full-year dividend of Euro 0.27 per share (par value of Euro 0.10) to the shareholders, including the 2014 interim dividend of Euro 0.15 paid in November and the final dividend of Euro 0.12 (before withholding tax) per share, excluding treasury shares held;
  - 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 April 22, 2015 (coupon no. 30) through intermediaries, record date April 21, 2015;
- to appoint as Director – in replacement of resigning Mr. Maurizio Carfagna – Ms., Annalisa Sara Doris, born in Bassano del Grappa (VI) on May 7, 1970, Tax ID: DRS NLS 70E47 A703M domiciled for the office at the registered office;
- to approve – pursuant to art. 123-ter, paragraph 6, of the Consolidated Finance Act and any other effect of law and regulation – the "Report of the Board of Directors on Group Remuneration Policies";
- to approve the criteria and limits for the determination of the remuneration to be agreed in case of early termination of employment or early termination of office as per the proposal submitted to today's General Meeting;
- to approve the adoption of the 2:1 ratio between the fixed and variable component of individual remuneration for "key personnel" as per the proposal submitted to today's General Meeting.

In extraordinary session:

- to amend articles 4, 10, 16 and 23 of the By-Laws in accordance with the text contained in the Directors' Report pursuant to art. 72 of the Issuers' Regulation.