

# SOCIAL REPORT 2011

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# SOCIAL REPORT 2011

## Letter to the Stakeholders

The Mediolanum Group's 2011 Social Report reveals a year of big achievements as well as new ambitions and opportunities.

The adventure began on February 2, 1982 and, on the eve of its 30th anniversary, the Group confirms its growth potential, going against the prevailing market trends that have been affected by the ongoing global financial crisis since 2008, with once again remarkably positive total net inflows: €2.3 billion, of which 1.4 billion in mutual funds. Banca Mediolanum once again ranks first among Italian banks in terms of inflows and, most of all, proves the effectiveness of the fiduciary relationship between customers and Family Bankers®, who can provide new solutions and reassurance in times when it is important to help investors manage emotions.

Thanks to net inflows, total assets under management increased to €46,207 million (+1% vs. 2010). However, due to the ongoing financial crisis, the Group had unrealized (and therefore 'on paper') losses on investments so, in accordance with international accounting standards, it had to take a write-down on the Greek bonds held in its portfolio, as well as on an equity stake. Nonetheless, net income was positive: €67 million.

The report, which is a key element of our business model, outlines the Group's modus operandi in each business, at all levels and with respect to all its stakeholders – internal and external. Building effective relationships has always been Mediolanum's priority and the common thread of all the activities recorded in this year's Social Report.

By launching InMediolanum, the new deposit account, Banca Mediolanum introduced a new customer acquisition strategy, by offering a new account that can be easily opened and managed, and that combines high rates and investment safety. It provides a reassuring solution for all savers, which is key in hard times like these. Apart from this offer, the Group also launched new projects in other areas and made investments to improve its services and communication tools: from IT innovation, such as mobile applications and online chat, to training and educational initiatives dedicated to financial professionals and the community. All this was achieved thanks to local events and the increasing number of educational activities carried out by Mediolanum Corporate University, which is located near Banca Mediolanum Headquarters in Milano 3.

Today more than ever, the important thing for Mediolanum is not so much to develop IT innovation in itself, but to ensure that it aims to improve human relations.

Moreover, in 2011, the key annual event organized by Banca Mediolanum - the "Estote Parati" (Be Ready) Conference that was held in early May in Rimini - opened its doors to customers, journalists and financial operators. Together with

the Sales Network, all the participants had the opportunity to spend an amazing day together dedicated to a new type of sharing and to listen to the speeches delivered by esteemed speakers, such as Patch Adams and Rita El Khayat. It was a unique opportunity to spend some time together and prepare for future changes.

In 2011, due to the dramatic events that occurred during the year, the Group had to face some challenges. Heavy floods hit Tuscany, Liguria and Sicily in fall; Banca Mediolanum took prompt action and effective measures, such as suspending mortgage and loan payments and granting soft loans. Moreover, in collaboration with Caritas, it promoted donations for flood-affected people. The bank immediately took specific measures to ease the burden on its customers and Family Bankers® in affected areas, and will provide further financial support to help them reconstruct and restart their businesses.

The Mediolanum Foundation continues to work on initiatives aimed at helping and supporting disadvantaged children, as well as improving the quality of life and the education of children in developing countries. The Piccolo Fratello project continues its mission in collaboration with the Francesca Rava NPH Italia Non-Profit Foundation in Haiti by providing tangible help and long-term financial and planning support to develop educational, relief and productive self-sustaining activities. The Foundation is also working together with other organizations. It expects to become a Non-Profit Organization by early 2012, which will allow it to directly raise funds to support further projects.

Mediolanum, by demonstrating its continuous commitment to such issues, also practically demonstrated its ability to achieve the target set in the previous Social Report, i.e. that "we can all grow together". They are not just words, but a specific strategy that will eventually enable Mediolanum, thanks to the respect it shows for people, to become the leading banking and insurance group in Italy, standing alongside individuals and households.

Chairman  
Roberto Ruozi



Chief Executive Officer  
Ennio Doris

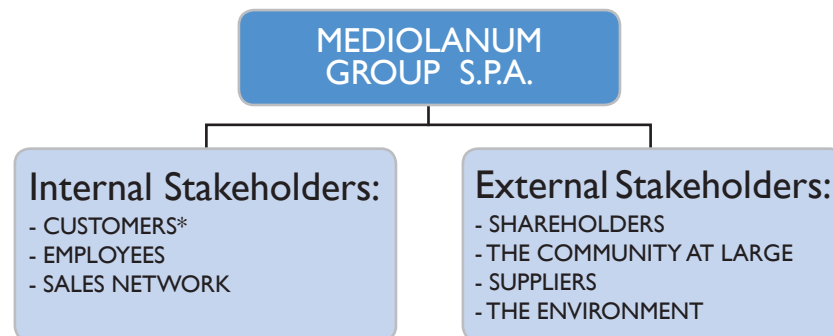


# Introduction and note on methodology

The Mediolanum Group's 2011 Social Report – at its sixth run – summarizes the year's most significant projects and initiatives, highlighting the results achieved in terms of Corporate Social Responsibility and supplementing the financial and economic information contained in the Consolidated and Separate Annual Reports.

The Social Report identifies the link underlying the Group's values, the corporate strategies characterizing 2011 and how the Group manages the relationship with its key stakeholders.

## STAKEHOLDERS



\*Customer satisfaction is key to the company's soundness and profitability. This is why our philosophy is based on the "3 Yesses" principle.

The "3 Yesses" principle expresses the "convergence" between the interests of customers/savers, Family Bankers® and Banca Mediolanum. The Bank constantly focuses not only on customer satisfaction, but also on the satisfaction of its Family Bankers®. Actually, Banca Mediolanum designs and develops new products and initiatives based on the "3 Yesses" principle.

According to this principle, such products or initiatives are developed only if an answer in the affirmative is given to the following three questions:

Is it beneficial for our customers? Is it beneficial for our Family Bankers®? Is it beneficial for the company?

The three questions were listed in this order not by chance. Customers are a top priority and only if a product or initiative is deemed to be beneficial for them – and the answer to the first question is "yes" – such product or initiative passes to the next stage, i.e. the second and third points. If a negative reply is given to any of the questions listed above, such product/initiative is suspended or cancelled, even if it is ongoing or in the process of being implemented.

The Social Report was divided into three sections to provide a comprehensive overview of three issues that are key to the Mediolanum Group.

- **identity**: to provide information on the Group's organization, history, vision, mission, values, strategic

guidelines and corporate governance;

- **financial indicators**: this section, in which the main link between the Consolidated Annual Report and the Social Report is found, illustrates the value created for the stakeholders, by also analyzing the financial results achieved;
- **social indicators**: this section outlines the results achieved in relation to the various programs implemented and their impact on individual stakeholders, by using qualitative and quantitative indicators.

The Social Report is issued on an annual basis and is submitted to the Board of Directors for approval alongside the Consolidated and Separate Annual Reports. Moreover, the Social Report is audited by an independent third party.

## SOCIAL REPORTING STANDARDS

The Social Report was prepared based on the social reporting standards indicated by the Working Group on Social Reporting (Gruppo di Studio per il Bilancio Sociale - GBS), as they best comply with the approach that the Mediolanum Group intends to adopt, which is based on communication and dialogue with its stakeholders.

It also contains qualitative information in line with the guidelines set by ABI (the Italian Banking Association) and the Global Reporting Initiative, to ensure greater information disclosure.

The Mediolanum Group's Social Report covers the main activities carried out in the period January 1 to December 31, 2011.

## SCOPE

The Financial Indicators section covers the entire Mediolanum Group, while the Social Indicators section mainly focuses on the Group's Italian companies, which currently account for the largest share of the Group's business (employing 87.2% of its employees and Sales Network staff and representing over 95.2% of the reference market).

## SYMBOLS

Readers will note certain symbols in this Social Report.

These symbols, which stand for the intangible capital components listed below,

were included to highlight the fact that Social Report indicators were gradually integrated with those typical of the Intangible Capital Report:



• **relational capital:** it's the wealth of the Group's relationships with its stakeholders. It expresses the value of the company's reputation, as well as its ability to raise capital and attract investors, customers and contractors;



• **human capital:** it expresses the skills, ideas, knowledge, behavior, talents and professional skills of the Mediolanum Group's workforce;



• **structural capital:** it indicates the soundness of the company and of its investments, as well as the value of its brands, processes and methods that deliver financial benefits and make the organization more efficient.

These indicators will be provided along with traditional Social Report indicators for a more comprehensive analysis of reported data and information as well as for a better understanding and appreciation of the Mediolanum Group's Intangible Capital, thanks to concrete elements.

## Dialogue with the stakeholders

Maintaining active dialogue with its stakeholders is key to Mediolanum. Therefore, it implemented programs aimed at assessing the degree of fulfillment of their expectations, to launch improvement projects and initiatives.

Specifically, targeted measures were adopted, such as, for example:

- customer satisfaction surveys;
- Sales Network satisfaction surveys;
- meetings held between the Group's executives and analysts and investors, coordinated by the Investor Relations team;
- market research and analysis, aimed at assessing brand awareness and the positioning of the Mediolanum Group with respect to its competitors, as perceived by the community;
  - dialogue with NPOs and other organizations engaged in the third sector, through which Mediolanum carries out social initiatives.

## Distribution to the Stakeholders

The 2010 Social Report was distributed in June 2011; the Italian and English versions are also available in electronic format and may be downloaded from the website [www.mediolanum.com](http://www.mediolanum.com).

The number of hardcopies printed was drastically reduced with respect to the previous year to encourage the use of the electronic version.

The significant number of visits to the corporate website (4,000 hits were recorded for the Italian version as of December 31, 2011) has encouraged giving preference to the electronic rather than the printed version. The latter will therefore no longer be made available. This will benefit the environment (by reducing paper waste and CO2 emissions for its distribution) and will allow us to save money.

### CONTACTS

The Social Marketing Department is in charge of drafting the Social Report, together with all the other departments involved in the initiative. To foster dialogue on Corporate Social Responsibility issues, the Mediolanum Group's Social Marketing Department staff is available for any request or comment.

You may send your opinions on the Social Report via the online questionnaire available on the website [www.mediolanum.com](http://www.mediolanum.com).

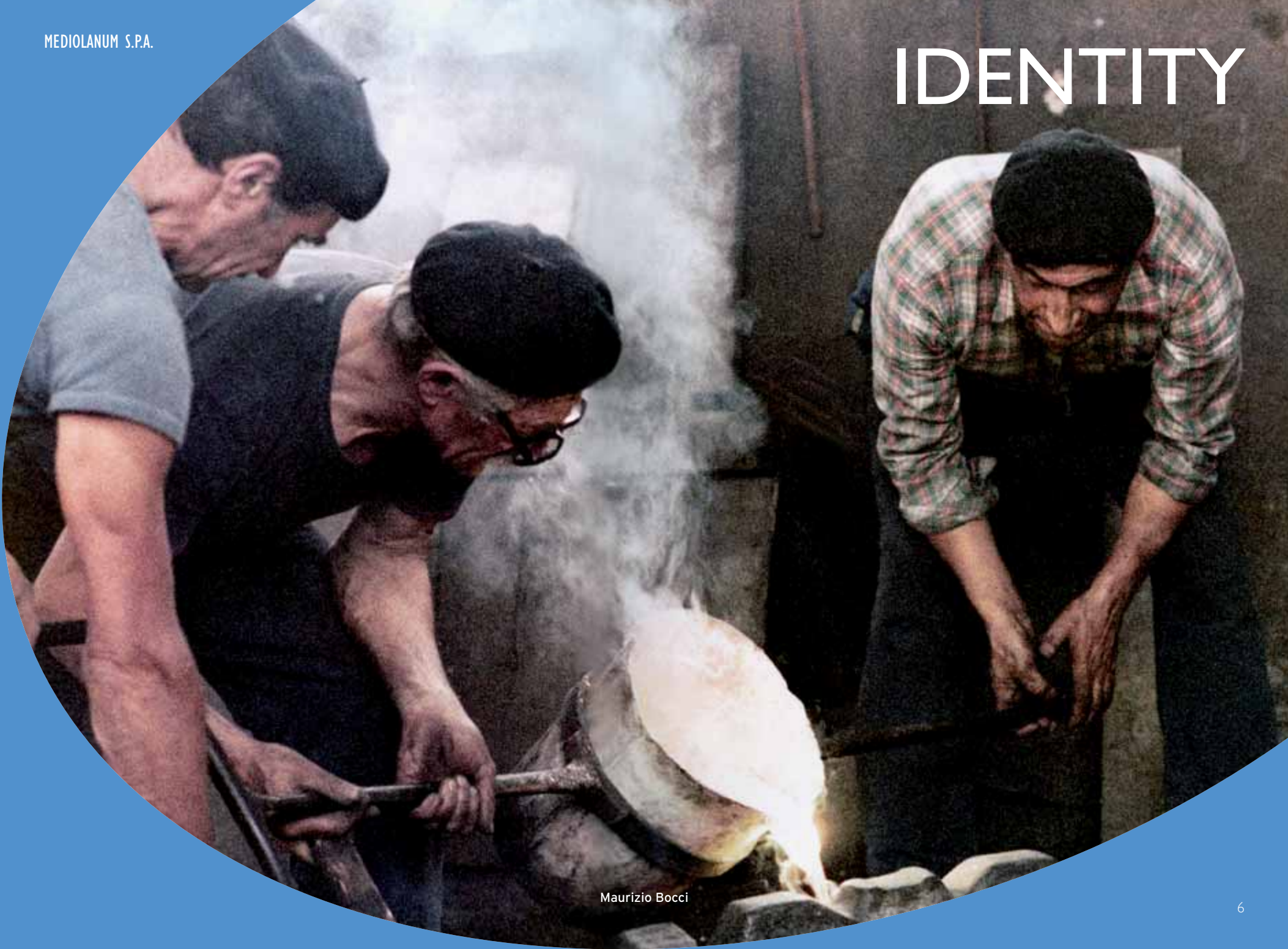
Contacts:

e-mail: [marketingsociale@mediolanum.it](mailto:marketingsociale@mediolanum.it)

The photos used in the layout of this year's Social Report were taken by employees and selected from those on display at the company's photo exhibit on the theme "relationships".



# IDENTITY



Maurizio Bocci



# History of the Group

## ORIGINS

**1982**

Partnering with the Fininvest Group, Ennio Doris founded Programma Italia S.p.A., the first organization to provide all-round financial advisory services in Italy.

**1983**

Mediolanum Gestione Fondi, an Italian fund management company, was set up.

**1984**

Mediolanum Vita was acquired to broaden the range of products offered.

**1991**

Programma Italia Investimenti, a stock brokerage firm, was set up.

**1996**

Mediolanum S.p.A., the new holding company of the various subsidiaries, was listed on the Italian Stock Exchange in Milan on June 3, 1996.

**1997**

Banca Mediolanum, an innovative multi-channel bank combining technology innovation and assistance provided by a team of dedicated professionals, was set up. Mediolanum International Funds, a product “factory”, was established in Dublin.

**1998**

The Mediolanum stock was included in the MIB 30 index.

**2000**

An extensive advertising campaign starring Mediolanum Chairman Ennio Doris, which subsequently became a typical “case study”, was launched.

Banca Mediolanum expanded into Spain to replicate its Italian business model with the acquisition of the Fibanc Banking Group. Me-

diolanum acquired a stake in Mediobanca; they later formed the joint-venture Banca Esperia, which provides private banking services.

**2001**

With the acquisition of Bankhaus August Lenz & Co. in Germany and Gamax Holding AG in Luxembourg, Mediolanum continued its expansion into Europe.

**2002**

The Mediolanum Foundation was established and the “Piccolo Fratello” project was launched.

**2003**

Mediolanum sponsored, for the first time ever, the Green Jersey of the Giro d'Italia cycling race. This sponsorship continues to-date, due to the significant opportunities it still offers in terms of locally promoting the company.

**2004**

Mediolanum Channel, the Mediolanum Group digital satellite TV channel, started broadcasting. The “PrimaFila” project for the management of high net-worth customers was launched.

## RECENT PAST

**2005**

The “4Freedoms” project, a program geared to win new customers by leveraging the Riflex range of products, was launched. The new multimedia advertising campaign starring customers reinforced the concept of Ennio Doris as the “face” of the bank.

**2006**

The Family Banker® was introduced: a professional who brings services and advice directly into the homes of customers to help them find the banking and financial solutions that best meet their needs.

## 2007

The Mediolanum Group celebrated its 25th and Banca Mediolanum its 10th anniversary: it reached more than a million customers. The 5th year of the Mediolanum Foundation came to a close with excellent results and new objectives. The star of the new communications campaign was "customer satisfaction", featuring real customers who are at the center of the relationship with the bank and the banking model. In 2007, Italy passed a new law on supplementary pensions and the Mediolanum Group was the market leader, with a share of about one third of the individual pension plan market.

## 2008

The Mediolanum Market Forum, a multimedia initiative to promote dialogue and exchange information with the stakeholders, was held twice over the course of the year: Mediolanum Best Brands, the new mutual fund of Mediolanum International Funds, was launched. It was based on an agreement with the leading international asset management companies. The Group promoted significant projects to protect the interests of its customers and help them deal with the growing impact of mortgage rates on household budgets as well as with the global financial crisis.

## 2009

Mediolanum Corporate University became a reality: it's a top-quality training center aimed at transferring the values as well as the personal and professional experience that have enriched the Group's corporate culture for more than 25 years. The range of next generation banking products was extended with the new Freedom Account.

## 2010

The Mediolanum Best Brands offer was broadened thanks to new international partners. To re-launch the Freedom bank account, Banca Mediolanum covered, for each new current account opened, one month of schooling for a child in Haiti.

## 2011

InMediolanum, the new no-fee deposit account that can be

easily opened online and offers high rates, was launched.

The "Estote Parati" Conference, which was held in May in Rimini, for the first time ever opened its doors to customers, journalists and representatives from the financial community. 5,000 people, including Family Bankers®, participated in the event.

## VISION

We at Mediolanum are bringing change to the traditional banking market, which goes well beyond technology: we give families a new kind of freedom as well as the human touch in their relationship with the bank. We are committed to “Freedom in Banking”.

## MISSION

For each and every one of us “Freedom in Banking” means giving families tailored, comprehensive, reassuring and transparent financial solutions through innovative yet easy-to-use technological solutions.

## OUR VALUES

The concepts contained in our Vision and Mission are real values on which any external or internal activity carried out by the companies of the Group and its people is based.

### FREEDOM

We work to “free” our customers, by offering them a wide range of opportunities. Thanks to the integration of the person-to-person and the online model, each customer can really choose, “here and now”, the best solution for his/her needs. We are committed to creating and promoting financial knowledge to free and reassure our customers, raise awareness and provide opportunities. “Freedom in Banking” is freedom made possible.

### RELATIONS

We put our customers at the center of our model and attention. Everything is built around customer satisfaction, and we aim to enhance the value of customer resources over time. The Family Banker® - who is the heart of our business model and the market “benchmark” - is considered “the Bank” by our customers as well as at the local level. We believe in improving people’s skills and enhancing their potential; we believe in collaboration, teamwork and in building relationships based on mutual trust.

### COMMITMENT

We intend to be market leaders but, above all, we want to set the benchmark in the banking sector. Therefore, we pursue excellence in terms of services, products, solutions, training and relationships. We foster ethical principles, responsibility, entrepreneurial spirit and knowledge to increase the value of the company and its people and promote a new way to consider opportunities. We invest in solidarity, relief and development projects by taking concrete and large-scale action.

### INNOVATION

We can change, both in terms of technology and ideas, to anticipate market shifts and identify latent needs. We constantly assess and develop new tools, processes and behavior to ensure complete customer satisfaction for both internal and external customers. The use of financial, operational, and human resources is always geared toward efficiency.

The **Code of Ethics**, updated in March 2010, is a synthesis of the values and commitments of the Group towards its stakeholders in the carrying out of day-to-day business.

# THE BUSINESS MODEL



## The bank built around the customer

Since 2000, Banca Mediolanum's business model, which is built around the needs of each and every customer, has set the benchmark in the world of banking.

Thanks to the telephone, computers and television, customers can choose to 'utilize' their Bank via easy-to-use technological tools; they can also choose when and how to communicate with the Bank on a case-by-case basis. Banca Mediolanum is an accessible and easy-to-use bank; moreover, as it is close at hand to individuals and households, which are its target market, it can offer solutions, i.e. products and services, that are truly customized and built around the customer's real needs.

The principles that have always driven Banca Mediolanum's business strategy are based on:

- **tradition**, thanks to years of experience and the professionalism of a Group that operates in the financial arena with authority, seriousness and transparency;
- **the future**, to anticipate market needs and make use of innovation, thus improving the services offered to customers;
- **technology**, to increase the number of tools and means at the fingertips of the customer, by providing innovative services;
- **humanity**, the main and fundamental aspect on which any true relationship between individuals is based and the starting point for building relationships based on collaboration and respect, in order to reach common goals successfully, by making careful and informed choices.

Through its multi-channel model, the Bank offers the same comprehensive service provided by traditional banks, as well as:

- **greater freedom** to the individual to choose when, where and how to enter the bank in a simple and secure way in order to make daily transactions;
  - **assistance of a Family Banker®**, who has the role of building professional relationships with customers and assisting families in making their investment and asset management choices.

The Family Banker® is a professional figure that was created by Banca Mediolanum. Family Bankers® bring products, services and advice directly to the customer's home. Together they study the solutions that best meet the customer's savings, investment, retirement, insurance and financing needs, helping out if necessary with the first attempts at using the Bank's multi-channels.

### MORE THAN A TRADITIONAL BANK, MUCH MORE THAN AN INTERNET BANK.

Thanks to Banca Mediolanum's multi-channel model, customers have no restrictions in terms of working hours and don't have to physically go into their bank to make transactions: they can make them anytime and anywhere they want. All they need is a computer connected to the Internet or a phone. Customers can either send an e-mail or call the Banking Services Center, where more than **300 Banking Specialists** are available Monday to Friday 8.00 a.m to 10.00 p.m. and Saturday till noon.

With the **B.Med Voice** service customers can get any information they need, while with **B.Med Mobile** they can make transactions in their account and check their investments right on their mobile phone, BlackBerry, iPhone, iPad, smartphone and Android phone. Moreover, Android devices allow customers to make video calls and chat with our Banking Center operators.

Over **18,000 Post Office and Intesa Sanpaolo branches and ATMs** are available for cash withdrawal and deposit.

Additionally, Family Bankers® provide expert advice and assist customers in making key choices.

## Asset management and advice

In addition to the products and services offered by the Bank itself, Banca Mediolanum also provides asset management and consultancy services in financial matters through its Family Bankers®, who are listed in the Register of Financial Advisors.

### PROFILING

In accordance with the EU MiFID Directive, which came into effect in 2007, advisory services require prior assessment of the suitability of the investment choices made by customers with respect to their investment objectives, specific financial situation, as well as knowledge and experience. Thanks to this assessment, investors are effectively protected, as it involves mandatorily filling out a **“Personal Profile”** questionnaire, where customers provide all the information necessary for the Bank and the Family Banker® to get to know and understand them even better. Thanks to the information provided, each customer is assigned an “investor profile” from a possible 9 classifications according to their risk aversion/ appetite and their investment time horizon. Specifically, the new assessment model for contracts and investments (which is currently being adopted) also takes into account the customer’s existing financial product and service portfolio. Family Bankers® constantly update the information acquired and monitor the investments of their customers, making sure that all their financial needs are adequately met. In an effort to provide utmost protection, the Bank also assesses those transactions regarding asset management products and bonds handled directly by the customer through the various access channels (e.g. the Internet, telephone).

### ASSISTANCE AND ADVICE

Providing after-sale services not only means proposing the best investment solution, but also helping customers manage emotions that are put to the test by inevitable market volatility, which was the case particularly over the course of the last several years given the stock market performance and the global financial crisis. This approach to advice ensures that customers reap the greatest benefits, long term.

Accordingly, advice must be customized and targeted to individual needs so that customers can make investment choices that are consistent with their profile, individual needs, experience and real opportunities.

Family Bankers® do not merely sell products, they offer solutions. This system allows Mediolanum to operate in the various areas of financial services applying the skills and flexibility needed to best respond to the constant economic, tax, financial and regulatory changes. The investment strategy is the result of a thorough analysis of global financial markets and the expertise Mediolanum has developed in asset management. This is a strategy aimed at reducing risks associated with lack of investment diversification.

## “THE 5D STRATEGY ”

This is the fundamental financial diversification principle that Mediolanum has always applied as a guideline to identify, within the products and services offered, the most appropriate tools/instruments to satisfy the needs of its customers. It is based on 5 types of diversification:

### **1. Diversification by time horizon:**

Investments need to be diversified across time horizons, i.e. short, medium and long term, consistent with individual goals.

### **2. Diversification across securities:**

Many securities are better than a few. The more diversified the portfolio, the lower the “investment risk”.

### **3. Diversification across geographies and industries:**

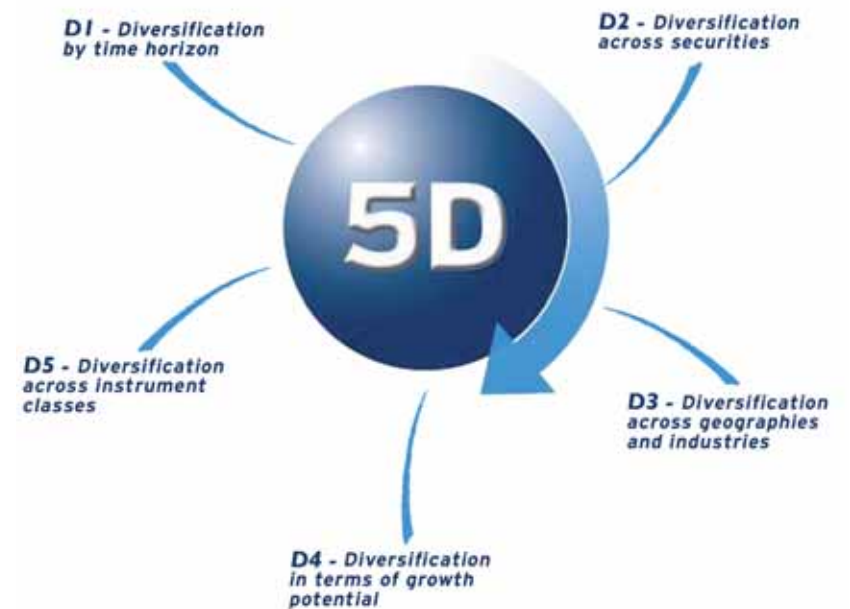
Diversifying investments across geographic areas increases security and return opportunities.

### **4. Diversification in terms of growth potential:**

A portfolio with a long-term view based on the rules above needs to include investments in emerging markets and companies in order to add value to the investment.

### **5. Diversification across instrument classes:**

A factor providing additional stability and security relies on investment instruments with a variety of characteristics (for example, mutual funds and insurance/financial products).

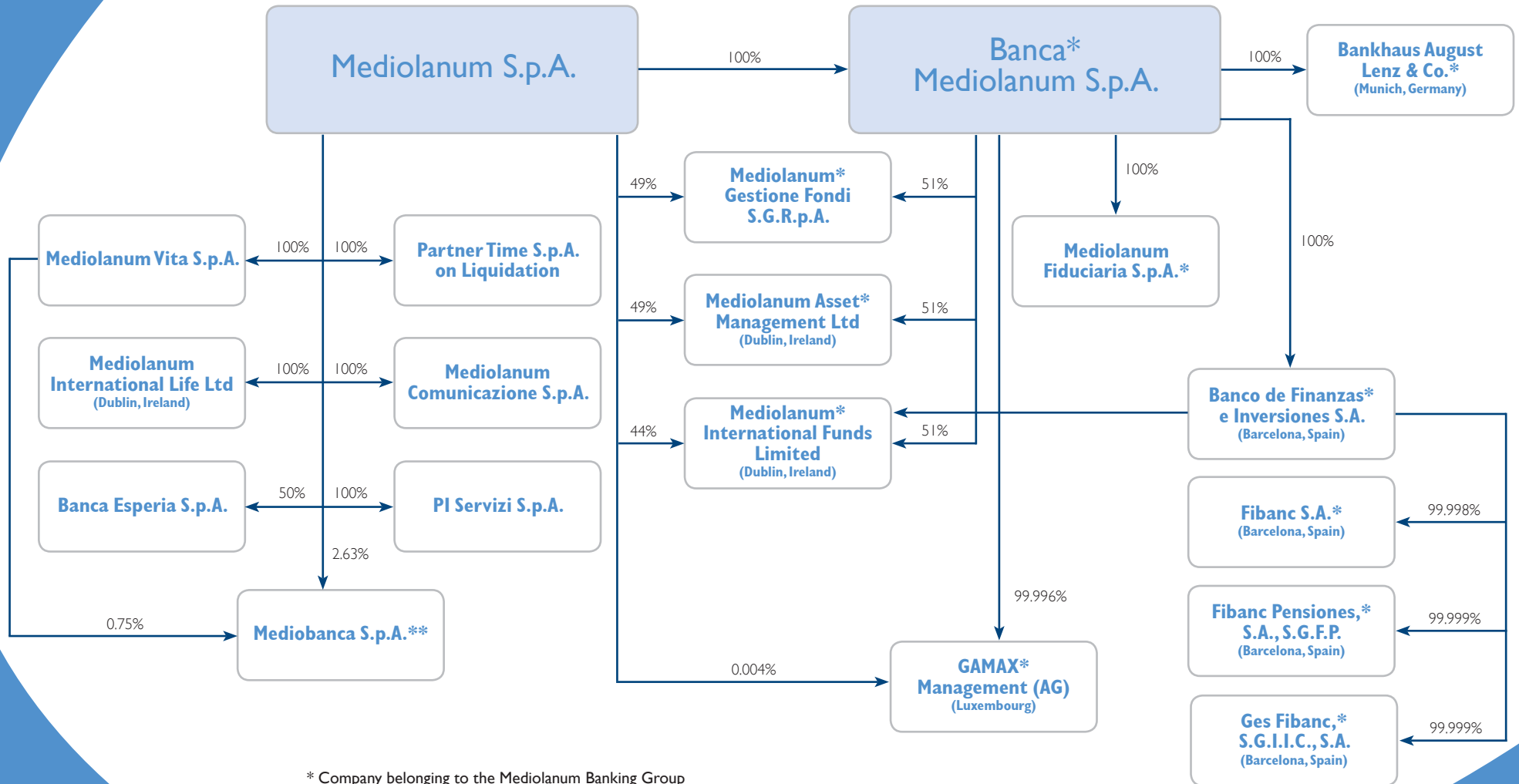


# THE ORGANIZATIONAL SETUP



# The Group Structure

As of December 31, 2011



\* Company belonging to the Mediolanum Banking Group

\*\* Due to the fact that Mediobanca holds a given amount of own shares, total shareholding is equal to 3.447% of the voting shares

Mediolanum S.p.A. – the holding of the Group – controls the insurance product companies and Banca Mediolanum S.p.A. – the holding of the Banking Group – heads the foreign subsidiaries (Fibanc and Bankhaus August Lenz & Co. AG).

Mediolanum S.p.A. also owns Banca Esperia S.p.A jointly with Mediobanca S.p.A. and holds a stake in Mediobanca S.p.A.

The Group's retail banks that provide products and services to customers are:

- Banca Mediolanum S.p.A. based in Basiglio (Milano 3, Milan);
- Banco de Finanzas e Inversiones S.A. based in Barcelona (Spain);
- Bankhaus August Lenz & Co. AG based in Munich (Germany).

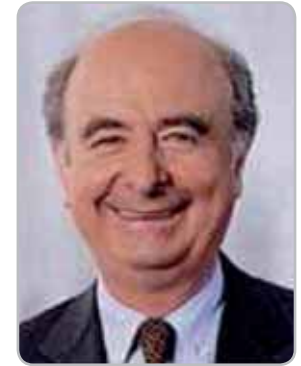
The Group companies that design and manage products are:

- Mediolanum Gestione Fondi S.G.R.p.A. based in Basiglio (Milano 3, Milan);
- Mediolanum Vita S.p.A. based in Basiglio (Milano 3, Milan);
- Mediolanum International Funds Ltd, Mediolanum Asset Management Ltd and Mediolanum International Life Ltd based in Dublin (Ireland);
- Gamax Management AG based in Luxembourg.

## Management profiles

### ROBERTO RUOZI

#### Chairman of Mediolanum S.p.A.



He was the Dean of the L. Bocconi University in Milan from 1995 to 2000 and a Professor of Economics of Financial Intermediaries until 2002. He was a Professor at the Universities of Ancona, Siena, Parma, Paris (Sorbonne) and the Politecnico di Milano. He is currently Professor Emeritus at the Bocconi University. He is the author of many publications on banking and financial issues. He is the Chairman of Palladio Finanziaria S.p.A., of the Touring Club Italiano, and of Retelit S.p.A. and the Chairman of the Board of Statutory Auditors of Borsa Italiana S.p.A.. He is also a member of the Board of Directors of Gewiss S.p.A. and of Cerruti Tessile S.p.A..

### ENNIO DORIS

#### Chairman of Banca Mediolanum S.p.A. Chief Executive Officer of Mediolanum S.p.A.



Mr. Doris started off as a financial advisor, first with Fideuram and then with the RAS Group. His career underwent a major change when he founded Programma Italia, a financial brokerage organization, together with the Fininvest Group. He was the CEO of Programma Italia since it was founded. He and the Fininvest Group own an equal control shareholding in Mediolanum S.p.A., the company formed by the merger of Fininvest Italia S.p.A., Fintre S.p.A. and Programma Italia S.p.A.. He is the Chairman of Banca Mediolanum S.p.A., a Director of Mediobanca S.p.A., of Banca Esperia S.p.A. and of Safilo S.p.A..

**ALFREDO MESSINA**  
Deputy Chairman  
of Mediolanum S.p.A.

After serving at a number of major companies, Mr. Messina joined Olivetti as Group Production Controller, and then moved to Alitalia as Corporate Finance, Control and Administration Officer. In 1989 he joined IRI as Planning and Control Director and in 1990 he joined Fininvest, first as General Manager and then, from February to July 1996, as Chief Executive Officer. He is the Chairman of Mediolanum Vita S.p.A. and of Mediolanum Assicurazioni S.p.A. and a member of the Board of Directors of Mediaset S.p.A. and of Molmed S.p.A..



**MASSIMO DORIS**  
Executive Deputy Chairman  
of Mediolanum S.p.A.  
Chief Executive Officer and General  
Manager of Banca Mediolanum S.p.A.

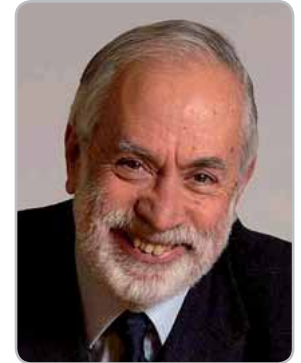
Massimo Doris started his career at Banca Mediolanum in 1999 as a Financial Advisor. Previously he was based in London where he worked as a sales assistant at UBS, Merrill Lynch and Credit Suisse Financial Products. Initially, he was the Marketing Manager in charge of the launch of the Group's Internet Banking website and was subsequently named Head of the Sales Network Training. In October 2003, he took on the position of Italian Network Manager of Banca Mediolanum and was in charge of the Italian Sales Network until September 2005, after which he moved to Barcelona to take on the positions of Chief Executive Officer and General Manager of Banco de Finanzas e Inversiones. In July 2008, he returned to Italy as the Chief Executive Officer and General Manager of Banca Mediolanum S.p.A.. In May 2009, he became the Executive Deputy Chairman of Mediolanum S.p.A..



**EDOARDO LOMBARDI**  
Executive Deputy Chairman  
of Banca Mediolanum S.p.A.  
Chairman of Banca Esperia S.p.A.

He was the Corporate General Manager of Procter & Gamble Italia and the General Manager of the Sangemini/Ferrarelle Group. In 1987 he was the General Manager of Fininvest Italia S.p.A. and in 1989 he was appointed Executive Director of Mediolanum Vita S.p.A..

He is currently the Executive Deputy Chairman of Banca Mediolanum S.p.A., the Chairman of Banca Esperia S.p.A., the Chief Executive Officer of Mediolanum Vita S.p.A and a Director of Mediolanum S.p.A..



## Our people

The Mediolanum Group has more than 7,000 people classified into two main categories:

- employees;
- Sales Network members.

Our people are scattered across 5 countries (Italy, Spain, Germany, Ireland and Luxembourg).

### TOTAL PEOPLE

Category (number)	2011	2010	Change %
Employees	2,098	2,066	1.5
Sales Network members	5,099	5,336	(4.4)
<b>TOTAL</b>	<b>7,197</b>	<b>7,402</b>	<b>(2.8)</b>

Details regarding the Mediolanum Group people, divided into employees and Sales Network members, follow:

### GROUP EMPLOYEES

Category (number)	2011	2010	Change %
Total employees in Italy	1,770	1,749	1.2
Total employees abroad	328	317	3.5
<b>TOTAL EMPLOYEES</b>	<b>2,098</b>	<b>2,066</b>	<b>1.5</b>

Data on employees of foreign firms	328	317
Banco Mediolanum	213	213
Banklenz	59	58
MILL	13	12
MIF	13	10
MAM	28	23
GAMAX	2	1

### GROUP EMPLOYEES

Category (number)	2011	2010	Change %
Full-time employees in Italy	4,508	4,816	(6.4)
Full-time employees abroad	591	520	13.7
<b>TOTAL FULL-TIME EMPLOYEES</b>	<b>5,099</b>	<b>5,336</b>	<b>(4.4)</b>

# QUALITY AND CORPORATE SOCIAL RESPONSIBILITY



## Service quality and Corporate Social Responsibility

In 2011, service quality and Corporate Social Responsibility have become a top priority for the Mediolanum Group. Specifically, service quality is epitomized by the attention paid to customer satisfaction through the efficient use of resources at hand, the effectiveness of all the processes regarding products and services and the efficiency of the organization as a whole. During the course of the year, the company decided that “socially responsible” behavior had to play an increasingly important role in the business of the company. This strategy is expected to bring significant advantages in terms of image and brand reputation. It aims to change the way customers currently perceive Banca Mediolanum, by enhancing its value and giving it a new meaning, as well as building a closer, trust-based relationship with all its stakeholders.

To achieve these goals, teamwork is key. Therefore, several working groups have been set up, which involve both Headquarters and the Sales Network, and where great importance is given to cross-departmental projects as well as employee initiative.

## Corporate Governance

### INTERNAL DEALING

The Board of Directors of Mediolanum S.p.A. – pursuant to Article 114, Paragraph 7 of the Consolidated Finance Act (“T.U.F.”) – approved the **“Rules for purchases and sales made by insiders and their close family members – Internal Dealing Code”**, which is available on the corporate website ([www.mediolanum.com](http://www.mediolanum.com)). In compliance with regulatory requirements (summarized in the attachment to the Code), the Code regulates purchases and sales of the issuer’s shares and related financial instruments exceeding □5,000 per year, when made by insiders as defined by Article 152.6 of CONSOB’s “Regulation for Issuers” (CONSOB Resolution no. 11971/99), both directly or through their intermediaries or trusts, as well as by their

close family members. In addition to insiders as set out in the regulations (i.e. directors, statutory auditors, and their close family members), the Company resolved that the Code shall also be applicable to Mr. Luigi Del Fabbro, the Officer responsible for preparing accounting and financial reporting documents, due to the authorities delegated to him in relation to strategic matters.

As allowed under current regulations, the abovementioned individuals, who have a disclosure obligation, delegated the filing of mandatory disclosures to the Corporate Affairs Office, to be done according to the terms laid out in Article 152.8 of the Regulation for Issuers.

Information on any purchases and sales falling under the scope of the Internal Dealing Code is published on the Company’s website - by the end of the following market day - and is made available to CONSOB, Borsa Italiana (the stock market operator) and the public.

### RELATED PARTIES

Back in 2003, the Board of Directors of Mediolanum S.p.A. adopted a new procedure to manage the most significant transactions – and especially those with related parties.

In 2010, Mediolanum S.p.A. took action to comply with CONSOB Resolution no. 17221/2010 on transactions with related parties. More specifically, on November 10, 2010 the Board of Directors approved the “Procedures pursuant to Article 4 of CONSOB Resolution 17221” that were promptly transmitted to all companies in the Mediolanum Financial Conglomerate – so that they would supply all the necessary information to meet the obligations, set forth by the Regulations, regarding transparency of the most relevant transactions also in the transition period between December 1, 2010 and January 1, 2011. Such procedures were published on the website [www.mediolanum.com](http://www.mediolanum.com) in the following section: Investor Relations > Corporate Governance > Corporate Governance Documents.

## GOVERNING AND SUPERVISORY BODIES

### Board of Directors

The Board of Directors is vested with all powers for the ordinary and extraordinary management of the company – except for those that the law exclusively reserves to the General Meeting – as well as the authority to take any and all actions expedient to the achievement and fulfillment of the company's purposes.

The Board of Directors is responsible for the management of the company. In this respect:

- the Board provides guidance and supervision in accordance with the law and the Bylaws, sets corporate strategies and goals, and ensures the implementation and regular assessment of an efficient and effective internal control system, which is to be consistent with the complexity of the business;
- the Board examines and approves all the strategic, business and financial plans of the issuer and the group it heads, the governance system of the issuer and the Group's organization;
- the Board assesses the adequacy of the organizational, management and accounting systems of the issuer and its strategic subsidiaries as organized by their Chief Executive Officers, especially in relation to the internal control system and the management of conflicts of interest;
- the Board delegates to and revokes authorities from executive officers and, when appointed, the Executive Committee, setting the limits and procedures for exercise thereof;
- the Board also determines the frequency of reporting (which shall be on a quarterly basis, maximum) to the Board by the relevant bodies on the work performed with respect to the duties conferred upon them;
- after examining the proposals submitted by the Compensation Committee and the opinion of the Board of Statutory Auditors, it sets the compensation of Chief Executive Officers and other Directors holding special positions, and, when not determined by the General Meeting, the distribution of the aggregate compensation among the members of the Board of Directors;
  - the Board assesses the overall business performance especially on the basis of information received from the delegated bodies, as well as by periodically comparing actual results with expected results;
    - the Board examines and gives prior approval to

those transactions of the issuers and its subsidiaries that are of strategic importance or that may have a material impact on the strategy, equity, earnings or cash flows of the issuer, devoting special attention to those transactions where one or more directors may have vested interest, either directly or on behalf of third parties, as well as to related party transactions (to that end, the Board established general guidelines for the identification of significant transactions);

- at least once a year, the Board assesses the size, composition and work of the Board of Directors and its Committees, recommending, when appropriate, the inclusion of professional figures whose presence on the Board is considered to be beneficial;
- in its annual corporate governance report, the Board provides information on the implementation of the abovementioned Code of Conduct, including the number of Board of Directors meetings held during the financial year and the attendance of each Director;
- the Board examines and makes decisions on significant transactions as defined in article 23 of the Bylaws;
- the Board examines the Internal Audit plan on an annual basis.

In 2011, the mandate of the Board of Directors was renewed until the approval of the financial statements as of December 31, 2013.

Composition	14* members (of which 4 executive and 3 independent members) * 13 Directors, since September 15, 2011, after the decease of Director Antonio Zunino
Meetings held in 2011	7

### Board of Statutory Auditors

The Board of Statutory Auditors verifies compliance with the law and the Bylaws, as well as adherence to principles of proper management. In particular, it verifies the adequacy of the organizational structure and the management and accounting systems adopted by the company, as well as their operation.

In addition, pursuant to the provisions set out in art. 159 of the Consolidated Finance Act, the Board of Statutory Auditors submits its proposal – along with the relevant reasons – for the appointment of the independent auditors and scope of their work to the General Meeting.

On April 21, 2011, the members of the Board of Statutory Auditors were appointed and will remain in office until the financial statements as of December 31, 2013 are approved.

Composition	3 standing auditors 2 alternate auditors
Meetings held in 2011	10

### Compensation Committee

The Compensation Committee, in accordance with the Code of Conduct, is in charge of the following duties:

- to submit proposals regarding the compensation of Chief Executives and other directors holding special positions to the Board, as well as to monitor the implementation of resolutions passed by the Board of Directors;
- to periodically assess the compensation criteria adopted for executives having strategic roles, oversee their implementation (on the basis of the information provided by Chief Executive Officers) and submit general recommendations on the matter to the Board of Directors;
- to draw up the regulations that will govern all aspects of the Stock Option Plan and that will be submitted to the Board of Directors for approval;
- to take all necessary measures to implement the Stock Option Plan including identifying beneficiaries, defining the number of options to be assigned to each one and related terms of exercise;
  - to set the objectives in terms of economic and/or financial performance, if any, that must be met for beneficiaries to be entitled to exercise the options that they were granted;

- to carry out all the tasks that were previously assigned to the Stock Option Plan Committee.

Composition	3 members (2 independent members and 1 non-executive member)
Meetings held in 2011	3

### Audit Committee

In 2001, the Board of Directors of Mediolanum S.p.A. established the Audit Committee pursuant to the Corporate Governance Code for Listed Companies. In accordance with the revised Code, the Audit Committee is in charge of the following duties:

- to assist the Board of Directors in defining internal control system guidelines, which ensure the proper identification, measurement, management and control of major risks for the issuer and its subsidiaries, as well as guidelines for assessing whether those risks are compatible with a sound and proper management of the business;
- to assist the Board of Directors in the selection of an Executive Director (generally one of the Chief Executive Officers) responsible for overseeing the effectiveness of the internal control system;
- to assist the Board of Directors in the assessment (at least on an annual basis) of the adequacy, effectiveness and proper functioning of the internal control system;
- to assist the Board of Directors in specifying – in the corporate governance report – the key elements making up the internal control system and to express its opinion on the overall adequacy of the internal control system;
- to verify (in conjunction with the officer responsible for the preparation of accounting and financial reporting documents and external auditors) the proper application of accounting standards and, as regards groups, their consistency for the purpose of consolidated financial reporting;
- to express opinions on specific aspects that relate to the identification of main corporate risks as well as the design, implementation and management of the internal control system (upon request from the executive director that has been specifically appointed to carry out such task);
- to review the audit plan prepared



- by the Chief Auditor as well as his/her periodic reports;
- to carry out any other activity required by the Board of Directors;
  - to report on work performed and the adequacy of the internal control system to the Board of Directors (at least every six months, concurrent with the approval of interim and annual financial statements).

The Audit Committee works in coordination with the Board of Statutory Auditors in the performance of its duties.

The Audit Committee presents its annual budget to the Board, and in an emergency, it is assisted by executive directors for the funding of its expenses. The Audit Committee is authorized to access corporate information and receive assistance from those staff members that may help the Committee in the performance of its duties as well as to avail itself of external advisors when necessary.

The Audit Committee is composed of non-executive directors, the majority of whom are independent directors and at least one has knowledge of accounting and financial reporting. The members of the Board of Statutory Auditors and the Chief Auditor participate in the work of the Audit Committee.

At its January 18, 2011 meeting, the Committee examined, among other things, the main points in Legislative Decree no. 39 dated January 27, 2010 (the so-called "Auditors Decree"), analyzing the decree with the help of all the relevant company departments and focusing on the possibility of overlap between the different audit functions.

Therefore, the Audit Committee proposed – and the Board of Directors approved – that the following duties should not be taken on by the Audit Committee, effective from 2011:

- i) to evaluate proposals and choose the audit firm the assignment should be given to;
- ii) to assess the audit firm's audit plan;
- iii) to monitor the effectiveness of the audit process.

The reason behind this proposal was that these duties run in parallel with those assigned to the Board of Statutory Auditors, under the abovementioned new law.

In December 2011, the Corporate Governance Code for Listed Companies was amended so as to reflect this and other changes in the legislation.

Moreover, as regards other changes in the Code, the Board of Directors will express its opinion and issue a resolution in 2012.

Composition	3 members (2 independent members and 1 non-executive member)
Meetings held in 2011	4

#### Supervisory Board (pursuant to Legislative Decree no. 231/2001)

Upon the adoption of the "Organization, Management and Control Models" as required under art. 6 of Legislative Decree no. 231/2001 (Liability of Legal Persons), the Board of Directors of the Company established the Supervisory Board responsible for overseeing the effectiveness, compliance and updating of said models.

Composition	3 members
Meetings held in 2011	7

## MEDIOLANUM S.P.A. GOVERNANCE OFFICERS

### Composition of the Board of Directors

The Board of Directors of Mediolanum S.p.A. consists of 14 members, of which 3 independent (21%) and 4 executive members.

Director Antonio Zunino passed away on September 15, 2011.

In 2011, the Board of Directors of Mediolanum S.p.A. held 7 meetings and the average attendance rate was 91%.

2011								
Position	Last name and first name	Independent	Executive	Female	Internal audit	Compensation Committee	Meetings attended	Attendance rate
Chairman of the Board	Ruozzi Roberto (°)	●					7/7	100%
Chief Executive Officer	Doris Ennio		●				7/7	100%
Deputy Chairman	Messina Alfredo		●				6/7	86%
Executive Deputy Chairman	Doris Massimo Antonio		●				7/7	100%
Director	Berlusconi Luigi						4/7	57%
Director	Cannatelli Pasquale						7/7	100%
Director	Carfagna Maurizio						7/7	100%
Director	Ermolli Bruno					●	5/7	71%
Director	Lombardi Edoardo (*)		●				7/7	100%
Director	Molteni Mario (°)	●			●	●	6/7	86%
Director	Pellegrino Danilo						7/7	100%
Director	Renoldi Angelo (°°)	●			●	●	7/7	100%
Director	Sciumè Paolo				●		7/7	100%
Director	Zunino Antonio (deceased on September 15, 2011)						4/6	67%
<b>Total</b>	<b>14</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>88</b>	<b>91%</b>

(°) Independent director pursuant to the Corporate Governance Code and art. 147-ter of the Consolidated Finance Act;

(°°) Independent director pursuant to the Corporate Governance Code;

(\*) He retained his Executive role in his capacity as the Executive Deputy Chairman of the subsidiary Banca Mediolanum S.p.A..

### Composition of the Board of Statutory Auditors

Position	Last name and first name	Meetings attended	Attendance rate %
Chairman	Simonelli Ezio Maria	7	100
Standing Auditor	Perotta Riccardo	5	71
Standing Auditor	Vittadini Francesco	7	100
Alternate Auditor	Gatti Ferdinando	-	-
Alternate Auditor	Marchesi Antonio	-	-

## The internal control system

The Boards of Directors of the Parent Company and of all the Group companies promote high ethical and integrity standards, as well as a 'culture of internal control' within the organization by raising awareness, among their personnel, of the importance of internal controls. Specifically, the Boards of Directors are responsible for the proper functioning of the internal control system; they set guidelines and assess the adequacy and effectiveness of the internal control system by also relying on other internal control structures. Pursuant to the Corporate Governance Code for Listed Companies, the Board of Directors of the Parent Company Mediolanum S.p.A. established the Audit Committee and appointed the Chief Auditor. In their respective areas of remit, the Audit Committee and the Chief Auditor assist the Board of Directors in:

- identifying main corporate risks;
- implementing the Internal Control System guidelines issued by the Board of Directors by planning and monitoring the internal control system.

Moreover, the Audit Committee of Mediolanum S.p.A. accepted the amendments made (in December 2011) to the Corporate Governance Code, which shall come into force in 2012. The amended Code emphasized the concept of compatible risk associated with the company's business and goals and stated that the Committee shall be renamed

"Audit and Risk Committee".

Pursuant to the Corporate Governance Code, the Board of Directors appointed Deputy Chairman Mr. Alfredo Messina as the officer responsible for the internal control system.

Special importance is given to the solidity of the overall internal control system to ensure compliance with the Bank of Italy's supervisory regulations, which the companies in the Mediolanum Banking Group must comply with.

Under these regulations, banks must put in place adequate risk detection, measurement and control mechanisms, depending upon the complexity and size of their business.

In this context, the internal control system is the set of rules, procedures and organizational structures designed to ensure that corporate strategies are implemented and the following goals are achieved: effectiveness and efficiency of processes; preservation of the value of the business and protection from losses; reliability and completeness of accounting and administrative data; compliance of operations with the law, supervisory regulations, as well as all the internal policies, plans, codes and procedures.

For the Mediolanum Banking Group, a specific Audit and Risk Committee has been established within Banca Mediolanum S.p.A., whose members are non-executive directors with specific expertise.

The results of systematic control activities within the Banking Group are acquired and incorporated by the Audit Committee of the holding company Mediolanum S.p.A. in its overall assessment of the control system for the Mediolanum conglomerate.

### INTERNAL AUDIT

Internal audit of all Group companies (including the Parent Company Mediolanum S.p.A.) is performed under individual outsourcing agreements by the Internal Audit Department of the subsidiary Banca Mediolanum S.p.A.

The Internal Audit Department is separate and independent from operational departments and reports directly to the Board of Directors and the Board of Statutory Auditors of the respective companies on the work done.

Specifically, as regards Mediolanum S.p.A., the Department reports via the Chief Auditor to the Deputy Chairman, the Audit Committee and the Board of Statutory Auditors.

Internal Audit provides independent and objective assessment and assurance of the efficiency and effectiveness of the organization and detects possible areas for improvement. It assists operational departments in pursuing their goals through a systematic professional approach, which creates value since it aims to assess and improve control, risk management and corporate governance processes.

Internal auditors monitor that the rights of all the categories of stakeholders (e.g. customers, employees, minority and majority shareholders, etc.) are respected. As part of such activities, they assess the effectiveness of the internal control system and processes and prepare final reports that include the actions planned by senior management to correct deficiencies or implement the recommendations made to improve process efficiency.

### Internal Audit Work

Internal audits were conducted on all Group companies and were particularly meticulous for those companies representing the most significant portion of business.

No severe irregularities emerged from the work of the Internal Audit Department in 2011, and for the vast majority of critical issues adequate measures were promptly scheduled.

Audit on Italian companies	2011	2010	Change %
Reports	47	75	n/a (*)
Recommendations/Areas for improvement	149	285	n/a (*)

(\*) The comparison is not meaningful, as in 2010 Internal Audit activities regarded a 12-month period (March 2010 - February 2011) while in 2011 a 9-month period (March - December 2011). The Internal Audit Department, in fact, adopted an audit plan based on the calendar year starting this year.

### RISK MANAGEMENT & CONTROL AND COMPLIANCE

Risk management, risk monitoring and compliance are an integral part of the Group's internal control system. These functions were developed in compliance with the regulations set forth by the Bank of Italy and CONSOB for banking and financial activities and

ISVAP for the insurance business.

The Risk Management and Compliance Department is in charge of monitoring exposure to financial and credit risk throughout the entire financial conglomerate as well as assessing the impact of operational, legal and reputational risks, by constantly monitoring capital adequacy with respect to each business.

The Risk Management Department of Banca Mediolanum provides risk management and compliance services for all of the Italian companies in the Group through specific service agreements. As regards foreign companies, Banca Mediolanum works together with the Risk Management and Compliance units established at:

- Banco de Finanzas e Inversiones, the parent company of the Spanish banking subsidiary;
- Irish companies Mediolanum International Funds, Mediolanum Asset Management and Mediolanum International Life;
- Bankhaus August Lenz in Germany.

The Risk Management Department also works together with other Control departments, specifically with the Sales Network Inspection and Anti-Money Laundering Office, which is in charge of monitoring the Sales Network of Banca Mediolanum – the main distribution channel for the Group's products – as well as of monitoring compliance with the requirements imposed by the "Anti-Money Laundering and Terrorist Financing Prevention" regulation.

In 2011, Risk Management and Compliance activities were reorganized to lay the foundations for the improved exploitation of synergies between operational risk management and compliance activities, by setting up – within the Department – a specific office in charge of both assessing and constantly monitoring such risk. Therefore, the Risk Assessment & Mitigation office was set up, which works together with the Risk Management as well as the Compliance Department and aims to increase the effectiveness of risk assessment of the different departments, promoting the development of a single framework for both operational and non-compliance risk.

Improvement projects and actions were undertaken to enhance efficiency, as well as improve and formalize some processes in the company, by

expanding automated processes in certain critical areas that were characterized by a high degree of manual work, as well as by blocking certain 'dangerous' transactions and by establishing new checkpoints also in relation to officers' powers and delegated authorities and the proper exercise of such authority. Moreover, risk dashboards were created to detect, well in advance, potential operational and non-compliance risks, and mechanisms were implemented to assess the effectiveness of the risk management measures adopted.

With respect to the continuous improvement efforts made, training and information sessions designed to spread a control-oriented culture throughout the Group's companies play a key role. A basic compliance course entitled "The value of rules", dedicated to new hires and coordinators was created, among other things.

In 2011, activities mandated by ICAAP (Internal Capital Adequacy Assessment Process) continued on and are disclosed in the final ICAAP statement. This statement confirms the significant stability of the assets of the Mediolanum Banking Group against stress test scenarios.

The Mediolanum Banking Group continues to take part in the Basel III impact monitoring exercise, which verified the Group's adequacy and compliance with the new capitalization and liquidity management requirements that will be enforced over the next few years.

With reference to the Group's insurance business, the planning activity regarding the new Solvency II framework (i.e. a draft EU directive that is currently being discussed and that aims to regulate the insurance sector based on an approach that is similar to that of Basel II) is noteworthy. Within the scope of this activity, the insurance companies belonging to the Group developed an implementation plan regarding the procedures and mechanisms needed for the calculation of the new capital requirements.

Furthermore, an implementation project aimed at adjusting the documentation, methods and policies – in order to reach full compliance by November 2012 as prescribed – is ongoing.

## Protection of stakeholder interests

### ADEQUATE ACCOUNTING AND FINANCIAL REPORTING PROCEDURES

Within the complex internal control system, checking that accounting and financial reporting procedures are adequate is key.

Lawmakers introduced the requirement for issuers to appoint an Officer responsible for accounting and financial reporting documents (art. 154-bis of the Consolidated Finance Act, as amended by Law no. 262/2005 and by Legislative Decree no. 303) to constantly protect investors. This Officer is the guarantor of the information set out in accounting and financial reporting documents vis-à-vis third parties and is one of the various officers who work together on shaping an effective Corporate Governance system, meaning the set of rules and functions that ensure the company is properly and efficiently run. Therefore, this Officer is in charge of signing the accounting reports that are disclosed to the market, and of declaring that the information disclosed is consistent with the company's accounting figures.

Mediolanum S.p.A. created the position of 'Officer responsible for accounting and financial reporting documents' and Luigi Del Fabbro was appointed Officer Responsible (his appointment was renewed on April 21, 2011). To comply with the regulatory requirements relating to the duties of the Officer Responsible, the company **defined and adopted a new Corporate Governance model** to define the role, duties and responsibilities of the various staff members involved in accounting and financial reporting procedures. The new rules revolve around assessing the effectiveness and proper application of accounting and financial reporting procedures.

The Officer responsible for accounting and financial reporting documents is in charge of:

- establishing well-structured organizational processes for the purpose of accurate accounting and financial reporting and related controls;
- assessing the adequacy of processes and controls as well as ensuring that operating units effectively and constantly perform their control duties;
- defining and monitoring any corrective measures;
- confirming the effectiveness of the control system and its operation through responsibility

statements and other information disclosure obligations imposed by the regulations.

The new Corporate Governance model – under Law no. 262/05 – is part of the existing complex internal control system of Mediolanum S.p.A and the other consolidated subsidiaries.

Since Group companies based abroad must comply with local regulations, an executive officer in charge of taking together with Unit 262, any action considered necessary – in accordance with the requirements set out in art. 154-bis of Italy's Consolidated Finance Act – to enable the officer responsible for accounting and financial reporting documents to fulfill his duties was appointed.

By complying with the new regulations, Mediolanum S.p.A. and the other companies that adopted such models improved transparency of the information disclosed to investors. The appointment of the Officer responsible for accounting and financial reporting documents, who acts as guarantor, and the adoption of an organizational and management model aimed at ensuring the adequacy of the accounting and financial reporting processes give greater protection to investors and the broader audience of stakeholders in relation to the reliability and accuracy of financial information disclosed by the company.

### INDEPENDENT AUDITORS

Starting this year, Deloitte & Touche S.p.A will be the independent auditors responsible for auditing the separate and consolidated financial statements of Mediolanum S.p.A. for nine financial years (2011-2019), in accordance with the regulations.

## Rules of conduct

The Group has two Codes setting out rules of conduct.

The **Code of Ethics** lays out the general obligations of due diligence, fairness and loyalty which should characterize behavior in the workplace and business conduct in general. Most importantly, it is a binding set of principles for employees and anyone working for Mediolanum, which must be complied with in order to ensure the proper functioning of the Group, as well as its reliability and reputation.

**The Code of Conduct** is based on the general guidelines set out in the Code of Ethics, and further details the rules of conduct for governing and supervisory body members, Sales Network staff, employees and contract workers, with specific reference to certain operational companies within the Group (for example, those regarding Banca Mediolanum S.p.A. and Mediolanum Gestione Fondi S.G.R.p.A. were reviewed in 2011, in accordance with existing regulations). Codes of Conduct are regularly updated to reflect changes in the regulatory environment, organizational models and processes in order to have common, clear and transparent rules which ensure the ethical conduct of all people within the organization.

The key rules of conduct regulate workplace Internet use as well as personal transactions made by Group employees and contract workers, and impose upon them the obligation not to disclose any confidential or insider information, as well as the obligation not to accept gifts that, due to their nature or value, may potentially lead to behavior that clashes with the interests of investors or the Company. Group companies abroad also adopted their Code of Ethics and Code of Conduct, containing the binding principles and rules of conduct that employees and contract workers must comply with in their daily work, in accordance with local regulations and the parent company's guidelines.

## Business continuity

The Mediolanum Group stands out for its high service reliability and IT security.

Business continuity and the provision of services to customers are dependent upon the proper operation of the communications and information technology infrastructure and processes.

This is particularly true for an organization like the Mediolanum Banking Group in which technology-based channels allowing customers direct access to services (e.g. the Internet, the Banking Services Center, television) are the keystones of its business model.

The Group is equipped with adequate systems to ensure business continuity and to constantly monitor the proper functioning of all components, making sure they are suitably scaled to ensure the delivery of services. This entails developing reliable control mechanisms regarding critical business processes, by investing in technology to ensure service delivery continuity, by constantly monitoring processes, as well as by establishing and disseminating alternative procedures to those currently in use in order to ensure business continuity in the event of failures or crises.

Due to the close correlation between technology and operational processes, the Information Systems Department and the Organization Department of Banca Mediolanum work together on the company's extensive business continuity plan, by identifying the measures that must be taken in order to achieve the targets and by focusing on two key lines of action.

From a technology standpoint, they analyzed all the activities needed to ensure infrastructure efficiency and security, by also constantly monitoring infrastructure-related equipment. This was done to ensure the delivery of services also in case of failures or any kind of problem.

From an organizational standpoint, they developed the operational procedures that ensure business continuity across a wide range of crisis scenarios (from temporary disruption to an emergency situation, severe crisis or catastrophe).

The procedures were designed, tested and maintained in cooperation with the various users.

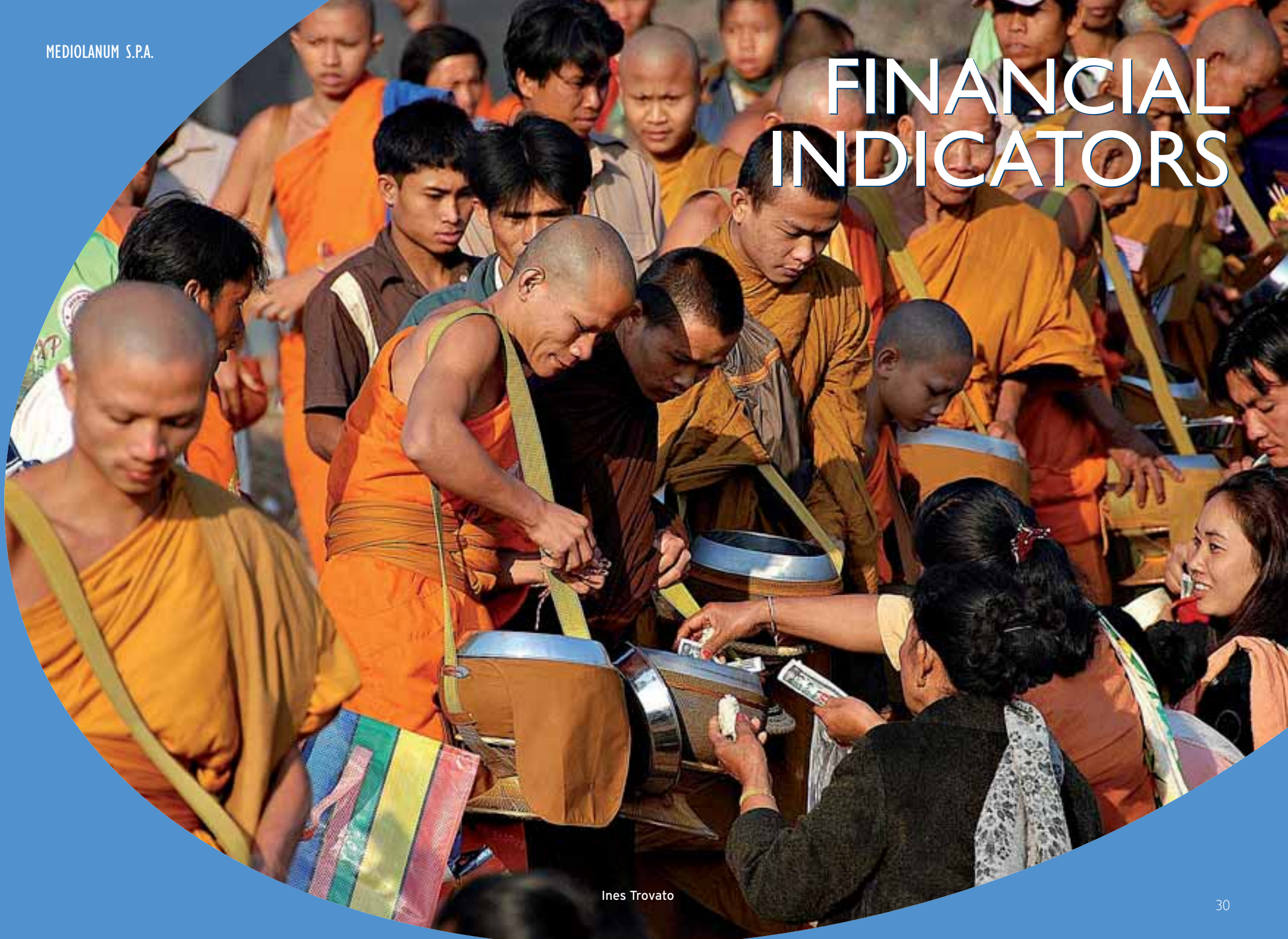
A Crisis Team was established to coordinate and manage

the various stages in a crisis until business is resumed. The team is composed of the Heads of various departments and is responsible for coordinating all steps taken in the management of the crisis.

Banca Mediolanum not only provides Information Technology services but also manages, via intercompany service agreements, business continuity of the Group's Italian companies whose products are sold by the Bank.

The Group carries out a variety of tests on an annual basis as well as updates and upgrades of its processes and systems to reflect any changes in internal processes and product innovation and to ensure that the organization's infrastructure keeps pace with the rapidly changing market environment and business needs of the company.

# FINANCIAL INDICATORS

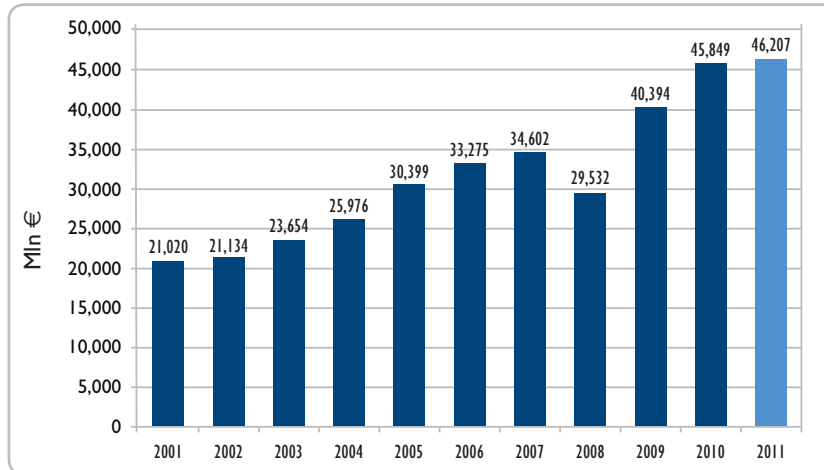




# Key financial data

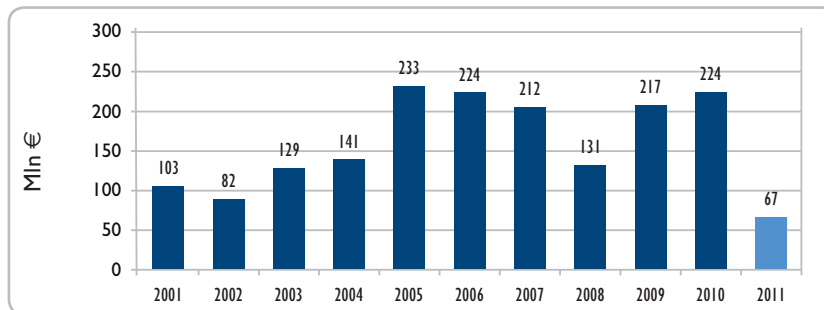
## CONSOLIDATED DATA <sup>(1)</sup>

### GROUP ASSETS UNDER MANAGEMENT & ADMINISTRATION <sup>(2)</sup>



Assets under management and administration also increased in 2011, reaching  $\square$ 46,207 million.

### GROUP NET PROFIT <sup>(3)</sup>



In 2011, consolidated net income from ordinary operations decreased vs. 2010 and was  $\square$ 67 million.

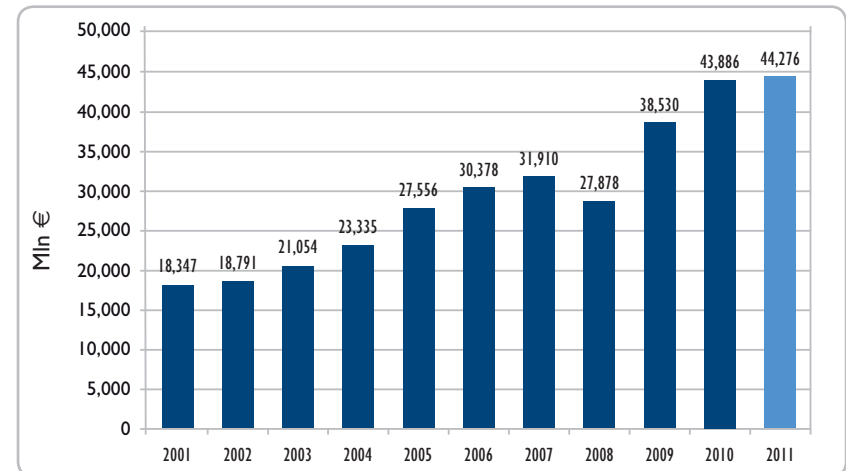
(1) Luigi Del Fabbro, the Officer responsible for preparing Mediolanum S.p.A. accounting and financial reporting documents hereby certifies pursuant to art. 154-bis, second paragraph, of the Consolidated Finance Act, that the financial information contained herein reflects the accounting entries, records and books.

(2) Figures relating to group assets under management & administration also include the results of Banca Esperia on a pro-rata basis (50%).

(3) 2008 and 2010 figures relating to net profit were adjusted to take the Lehman Brother transaction into account.

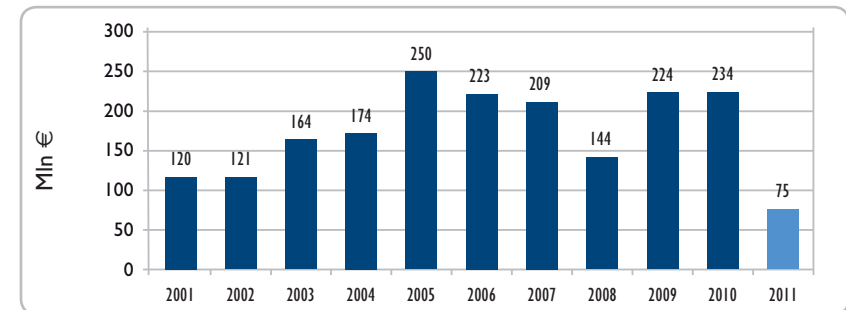
## DOMESTIC MARKET <sup>(4)</sup>

### DOMESTIC MARKET ASSETS UNDER MANAGEMENT & ADMINISTRATION



Assets under management and administration increased compared to 2010, coming in at  $\square$ 44,275 million.

### DOMESTIC MARKET NET PROFIT <sup>(5)</sup>



Net profit from ordinary operations in the domestic market decreased compared to 2010, coming in at  $\square$ 75 million.

(4) Figures relating to domestic market assets under management & administration also include the results of Banca Esperia on a pro-rata basis (50%).

(5) 2008 and 2010 figures relating to net profit were adjusted to take the Lehman Brother transaction into account.

Summary business and financial data<sup>(6)</sup>

<b>Group business</b>	<b>2011</b>	<b>2010</b>	<b>Change %</b>
<b>Asset management</b>			
Ordinary Shares outstanding (number)	733,819,366	732,879,960	0.1
<b>Group (€m)</b>			
Group Assets under Management & Administration	46,207	45,849	0.8
Gross Inflows*	8,358	9,589	(12.8)
Embedded Value Post-Acquisitions	2,747	3,233	(15.0)
Revenue	10,324	10,117	2.0
Profit Before Tax	84	275	(69.3)
Income Tax	17	51	(66.6)
Net Profit	67	224	(69.9)
Dividend	81	114	(28.9)
Dividend per Share	0.11	0.16	(29.0)
<b>Domestic Market</b>			
<b>Mediolanum</b>			
Total Customers	1,066,420	1,076,550	(0.9)
Total Primary Account Holders	885,620	897,160	(1.3)
Bank Accounts*	627,365	568,328	10.4
Sales Networks	4,508	4,816	(6.4)
<b>Assets under Management &amp; Administration (€m)</b>	<b>37,867</b>	<b>37,514</b>	<b>0.9</b>
<b>Total Gross Inflows (€m) of which:</b>	<b>7,965</b>	<b>9,241</b>	<b>(13.8)</b>
Gross Life Premium Written	1,504	1,510	(0.4)
Structured Bonds	141	855	(83.5)
Gross Inflows to Mutual Funds & Managed Accounts	4,444	4,997	(11.0)
Gross Inflows to Assets under Administration	1,548	1,156	33.9
Banca Esperia Gross Inflows	301	697	(56.7)
Other**	26	26	(1.0)
<b>Total Net Inflows (€m), of which:</b>	<b>2,280</b>	<b>3,285</b>	<b>(30.6)</b>
Net Inflows to Assets under Management	590	1,273	(53.6)
Structured Bonds	141	855	(83.5)
Net Inflows to Assets under Administration	1,548	1,156	33.9
<b>Banca Esperia*** (€m)</b>			
Assets under Management & Administration	6,408	6,372	0.6
<b>International Markets (€m)</b>			
Assets under Management & Administration	1,931	1,963	(1.6)

(6) Figures relating to domestic market group assets under management & administration also include the results of Banca Esperia on a pro-rata basis (50%).

\* 2011 figures include the InMediolanum deposit account

\*\* Non-life policies and third-party insurance products (Skandia)

\*\*\* Mediolanum shareholding (50%)

## Embedded value

Taking into account the “embedded value” is key to better understanding the evolution of Mediolanum Group’s performance: therefore, information prepared with the assistance and supervision of Towers Watson is provided below.

As regards the Market Consistent Embedded Value (MCEV) of the life business, the Mediolanum Group adopts the principles established by the CFO Forum (the organization comprised of all the CFOs of the leading European insurance groups), while for the other businesses (Asset Management and Banking) the Market Consistent European Embedded Value principles.

“Embedded Value” is the sum of Shareholders’ Equity (adjusted to the market value of assets) plus the value of in-force business. For life business, the value of in-force business is the present value of the stream of future after-tax profits projected over the contract life and adjusted for the cost of maintaining a certain level of required capital and for the cost of non-hedgeable risk. The value of in-force business for mutual funds, managed accounts and the banking business is calculated, wherever possible, in a way similar to that of the life policies in-force. The table below shows the analysis of “Embedded Value” as of December 31, 2011, compared to 2010 restated figures. 2010 figures were restated to enable readers to compare them to 2011 figures due to certain methodological changes that were introduced this year.

### Embedded value as of December 31

€/m	2011	2010	2009	Change %
Net asset value	762	1,036	1,036	(26)
Adjustments to net asset value	8	(132)	(302)	n.s.
Adjusted net asset value	770	904	734	(15)
Value of in-force business, life business	1,263	1,698	1,710	(25.6)
Value of in-force business, asset management	581	541	541	7,5
Value of in-force business, banking	133	248	248	(46.4)
Value of in-force business	1,977	2,486	2,499	(20)
EMBEDDED VALUE	2,747	3,390	3,233	(19)

Embedded value totaled 2,747 million.

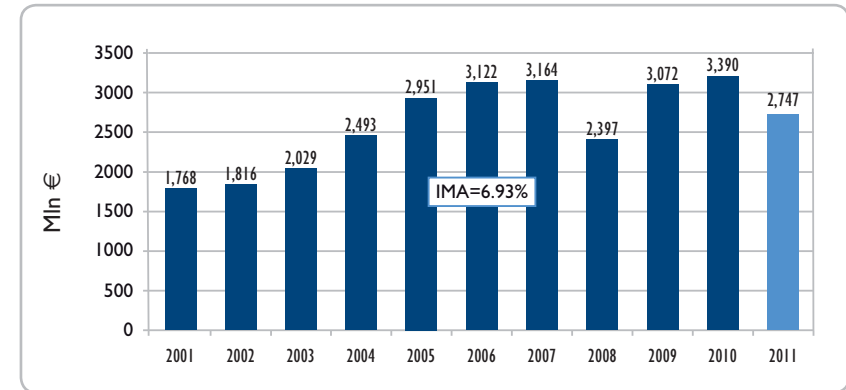
(1) On an IFRS (International Financial Reporting Standards) basis.

(2) Consolidated shareholders’ equity on an IFRS basis before distribution of

dividends payable in the following year; is adjusted to:

- I. reflect the market value of any assets not measured at market value under IFRS;
- II. eliminate the impact of goodwill arising in prior years, largely from the acquisitions of Fibanc, Gamax, B.A. Lenz and MILL;
- III. eliminate gains on segregated funds which are included in the value of in-force life business as they are realized;
- IV. eliminate the accounting balances relating to life contracts classified in accordance with IAS 39 for which the value of the in-force business is determined on a statutory basis;
- V. eliminate the impact of taxation on life reserves.

### CALCULATION AND DISTRIBUTION



2005, 2008 and 2010 figures provided in the table above were restated to take into account certain methodological changes that were introduced over the past few years.

The key components of the Mediolanum Group’s Embedded Value have been calculated internally since 2007, relying on the consultancy of Towers Watson for the review of the results of the calculation and for the calculation of all the other Embedded Value components that are calculated externally.

# Value added for the stakeholders

## CALCULATION AND DISTRIBUTION OF VALUE ADDED

### Method

Value added expresses the value created by the company during the year (calculated as the difference between sales and costs) and represents the bridge between the Annual Report and the Social Report. For the calculation of value added, income statement items are reclassified to highlight the processes through which value is generated and distributed, and the relationship between the company and its social and business partners, especially some of its key stakeholders, is quantified in monetary terms as follows:

- dividends that are paid out to the shareholders (shareholders);
- wages and salaries, social security contributions, completion-of-service entitlements, compensation paid to human resources (employees, contract workers and the Sales Network);
- direct and indirect taxes paid to the Government and its agencies; fees paid to supervisory authorities and trade associations (the Government, government agencies and institutions);
- charitable projects for the community (the community at large);
- earnings retained by the company to be reinvested in the business to ensure that the business is efficient and keeps growing (the company).

The tables below show the creation and distribution of value added for our domestic market (Italy) using the same classification of items as reported in Segmental Financial Information as of December 31, 2011 and as of December 31, 2010, under Part E of the Notes to the 2011 Annual Consolidated Financial Statements.

## GENERATION OF CONSOLIDATED VALUE ADDED - ITALIAN MARKET

Amounts in thousands of €	FY 2011	FY 2010
<b>NET SALES</b>		
Net premiums written	9,400,919	9,003,188
Amounts paid and changes in technical reserves	(9,381,508)	(8,977,543)
Commission income	702,428	746,664
Commission expense (1)	(27,903)	(26,839)
Net financial income	153,222	146,390
Net income on other investments (2)	(24,532)	22,487
Other revenues	21,166	22,823
<b>TOTAL NET SALES</b>	<b>822,698</b>	<b>937,170</b>
<b>COSTS</b>		
General and administrative expenses (3)	(143,753)	(134,557)
Net impairment	(131,904)	(17,532)
Provisions for risks and charges (1)	(12,420)	(15,352)
<b>TOTAL COSTS</b>	<b>(288,077)</b>	<b>(167,441)</b>
<b>GROSS VALUE ADDED FROM ORDINARY OPERATIONS</b>	<b>534,621</b>	<b>769,729</b>
Profit/(loss) from discontinued operations	(320)	(55)
Profit/(loss) from disposal of investment (2)	3,231	5,447
<b>TOTAL GROSS VALUE ADDED</b>	<b>558,626</b>	<b>775,121</b>
Amortization and depreciation(3)	(12,112)	(11,468)
Impairment of goodwill	0	0
<b>TOTAL NET VALUE ADDED</b>	<b>546,515</b>	<b>763,653</b>

(1) - (2) - (3) The figure differs from that reported in the reclassified income statement due to the separate indication of the amounts relating to the items reported after Total Net Value Added.

## DISTRIBUTION OF CONSOLIDATED TOTAL GROSS VALUE ADDED - ITALIAN MARKET

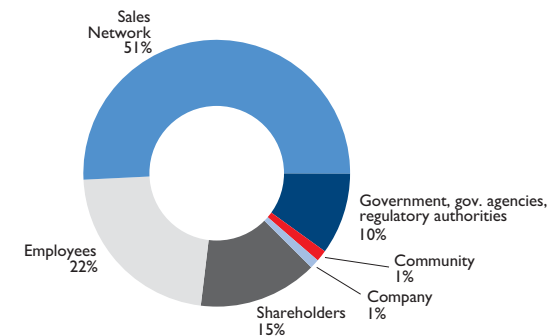
Amounts in thousands of €	FY 2011	FY 2010
<b>DISTRIBUTION OF TOTAL GROSS VALUE ADDED</b>		
<b>Shareholders</b>	<b>80,674</b>	<b>113,508</b>
- dividend to third party stakeholders	80,674	113,508
<b>Employees</b>	<b>124,678</b>	<b>128,626</b>
<b>Sales Network</b>	<b>283,961</b>	<b>304,759</b>
<b>Government, gov. agencies, regulatory authorities</b>	<b>55,270</b>	<b>88,573</b>
- direct and indirect taxes	38,372	36,415
- income tax for the period	16,898	52,158
<b>Community</b>	<b>7,674</b>	<b>7,232</b>
- gifts and donations	7,674	7,232
<b>Company</b>	<b>6,369</b>	<b>132,422</b>
- amortization and depreciation	12,112	11,468
- foreign operations	7,664	10,736
- retained earnings	0	110,218
- retained earnings distribution to shareholders (1)	(13,407)	0
<b>TOTAL GROSS VALUE ADDED (2)</b>	<b>558,626</b>	<b>775,121</b>

(1) Dividend distribution is based on Mediolanum S.p.A.'s 2011 net profit, which was €59.6 million.

(2) No specific figure regarding value added for suppliers is provided, as it is included in general and administrative expenses.

Amounts in thousands of €	FY 2011	FY 2010
<b>DISTRIBUTION OF TOTAL GROSS VALUE ADDED</b>		
Shareholders	80,674	113,508
Employees	124,678	128,626
Sales Network	283,961	304,759
Government, gov. agencies, regulatory authorities	55,270	88,573
Community	7,674	7,232
Company	6,369	132,422
<b>Total Gross Value Added</b>	<b>558,626</b>	<b>775,121</b>

### Distribution of Value Added 2011



# SOCIAL INDICATORS

- CUSTOMERS
- SALES NETWORK
- EMPLOYEES
- SHAREHOLDERS AND INVESTORS
- SUPPLIERS
- THE COMMUNITY AT LARGE
- THE ENVIRONMENT
- REGULATORY AND LEGAL AUTHORITIES, TRADE ASSOCIATIONS

# CUSTOMERS



# Analysis of customers

## NUMBER OF CUSTOMERS

The number of total customers and primary account holders had steadily increased over the last several years until 2009; however, it slightly decreased in 2010 as well as in 2011.

Number of total customers (natural and legal persons)	2011	2010	2009
TOTAL (no overlap)	1,066,423	1,076,549	1,097,800

Number of primary account holders (natural and legal persons)	2011	2010	2009
TOTAL (no overlap)	885,615	897,158	921,330

Number	2011	2010	Change %
Primary account holders	885,615	897,158	(1.30)
Total customers	1,066,423	1,076,549	(1.00)

## NUMBER OF CONTRACTS

The number of contracts also decreased by 3.4%, specifically in the banking business, due to the rationalization of the portfolio via the closing of inactive accounts.

Number of contracts* (natural and legal persons)	2011	2010	2009
TOTAL	2,196,259	2,273,219	2,323,131

\* Types of contracts included in the analysis: Life policies, Mutual Funds, Managed Accounts, Bank Accounts, Securities Accounts, Credit Cards, Mortgage Loans, Loans, Credit Facilities, Protection and Real Estate products (Timeshare Proper)

## PRIMARY ACCOUNT HOLDERS BY GEOGRAPHY

The Group's customers are evenly distributed across Italy.

Breakdown by geography (natural and legal persons, Mediolanum Group customers)	2011	2010	Change %	% out of total account holders in Italy
Northwest	241,826	246,111	(1.7)	27.3
Northeast	262,759	265,012	(0.9)	29.7
Central	200,894	204,263	(1.7)	22.7
South and Islands	180,136	181,772	(1)	20.3
TOTAL ITALY	885,615	897,158	(1.30)	100

## PRIMARY ACCOUNT HOLDERS BY GENDER

Breakdown by gender remained stable.

Breakdown by gender % (natural persons, Mediolanum Group customers)	2011	2010	2009
Men	61	61	61
Women	39	39	39
TOTAL	100	100	100

## PRIMARY ACCOUNT HOLDERS BY AGE GROUP

The majority of Group customers are in the 36-55 age group (53%), with an average age of 48.8.

Breakdown by age group % (natural persons, Mediolanum Group customers)	2011	2010	2009
Up to 25 years	3.2	3.3	3.8
26-30	5.8	6.2	6.8
31-35	9.6	10.5	11.4
36-45	28.4	28.9	29.2
46-55	24.6	23.7	22.6
56-65	15.5	14.9	14.3
>65	12.9	12.5	11.9
TOTAL	100	100	100
Average age	48.8	48.3	47.7



### PRIMARY ACCOUNT HOLDERS BY PROFESSIONAL CATEGORY

In 2011, no significant change was observed in the breakdown of customers by professional category with respect to the previous year.

Breakdown by professional category % (natural persons, Mediolanum Group customers)	2011	2010	2009
Non-management employees	33.4	33.8	34.2
Entrepreneurs	16.0	15.8	15.6
Blue collar workers	14.6	14.5	14.3
Self-employed professionals	9.5	10.4	11.1
Retired	14.8	13.7	12.8
Homemakers	5.9	6.2	6.4
Students	2.5	2.7	2.8
Managers	2.2	2.1	2.0
Unemployed	1.2	0.9	0.8
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

### PRIMARY ACCOUNT HOLDERS BY LEVEL OF EDUCATION

In 2011, the number of customers holding a university or postgraduate degree increased.

Breakdown by level of education % (natural persons, Mediolanum Group customers)	2011	2010	2009
Elementary school	6.7	6.8	7.0
Junior high school	24.0	24.0	24.0
High school	50.2	51.1	51.6
University/postgraduate degree	19.1	18.1	17.4
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Customer Satisfaction

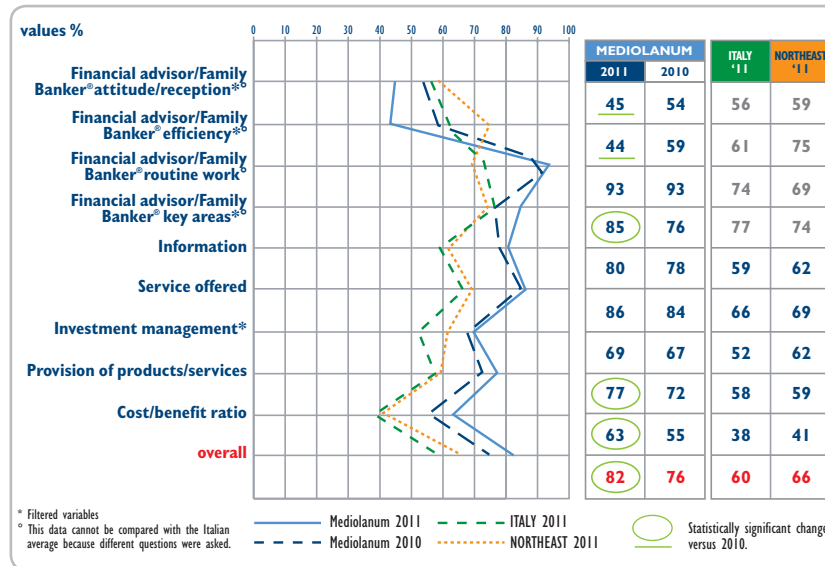
Banca Mediolanum assessed the level of customer satisfaction in terms of the relationship with the Bank and in terms of customer expectations also in 2011, by participating, also this year, in the annual multi-client Retail Customer Satisfaction Survey conducted by ABI and carried out in cooperation with GfK Eurisko. This analysis compared a sample of more than 600 Banca Mediolanum customers with a sample representative of the Italian banking market in order to examine different areas regarding the provision of services and the bank-customer relationship, such as:

- reception/attitude of the Financial Advisor/Family Banker® (and Office staff);
- efficiency of the Financial Advisor/Family Banker® (and Office staff);
- routine work done by the Financial Advisor/Family Banker®;
- key areas for the Financial Advisor/Family Banker®;
- quality and accessibility of information;
- service offered;
- investment management;
- provision of products and services;
- cost/benefit ratio.

The overall level of satisfaction is always very high and, also this year, the overall satisfaction index of Mediolanum customers was higher than the satisfaction level achieved by the entire sector (82% vs. 60%). Mediolanum stands out among other banks in the following areas:

- assistance provided by the Family Banker® in making key decisions;
- provision of products and services;
- cost/benefit ratio.

## CS MODEL INDICATORS



Customer loyalty is stable at very high levels - particularly in areas such as Average Customer Seniority, Cross-Selling and Retention.

### AVERAGE CUSTOMER SENIORITY

Average length of time as a customer increased, confirming customer loyalty.

Average customer seniority (natural and legal persons, primary account holders) Years	2011	2010	2009
Average customer seniority	10.0	9.5	8.9

### CROSS-SELLING

Cross-selling is an indicator of the degree of coverage of the customer's financial needs by the Bank. It actually represents the number of products held by a customer. The average number of products held by each customer remained unchanged in 2011.

Cross-selling (natural persons, primary account holders)	2011	2010	2009
Average number of products held	2.8	2.8	2.8
% out of total customers	2011	2010	2009
One product	11.3	38.0	35.0
2-5 products	50.2	50.6	54.6
At least 6 products	38.5	11.4	10.3

(The average number of products was calculated on a total of 13 product lines.)

### CUSTOMER RETENTION

The customer retention rate is the percentage of retained customers over a 12-month period (i.e. the percentage of those who were active customers at the beginning and at the end of the year). In 2011 it slightly increased compared to the previous year:

Year	Mediolanum Group
2001	95.6%
2002	94.8%
2003	94.4%
2004	94.1%
2005	94.1%
2006	93.9%
2007	93.0%
2008	93.4%
2009	92.9%
2010	92.0%
2011	92.2%



To reward the Group's most loyal customers, PrimaFila was launched in 2004: it's a program that rewards customer loyalty, fostering continuity in the relationship with customers. PrimaFila also provides additional opportunities to keep in touch with the Banca Mediolanum community by means of meetings, events, and a variety of activities that help strengthen the bond between customers and the Group.

### Advantages and services

PrimaFila customers can access a number of initiatives and privileges via co-marketing activities and agreements with outside companies. As regards services, they can benefit from differentiated services, like preferential access to the Banking Services Center, the possibility of increasing maximum balance on their credit card or ATM card and personalized bank checks.

There are a variety of activities that are designed to involve customers, inviting them to exclusive events in the areas of art, culture, music, entertainment, but also sporting events and food and wine tasting. These events give Family Bankers® the opportunity to socialize with their customers outside of work and strengthen their relationship with them. 301 events were held in Italy in 2011. 1,500 Family Bankers® and 12,100 customers participated in these events, some of which are mentioned below:

- “Alle corti di Bacco” – customers have the opportunity to visit Italy's top winemakers, taste excellent wines and enjoy gourmet cuisine;
- “I luoghi dell'incanto: il Tour del Gusto” – customers have the opportunity to learn more about Italian culinary traditions thanks to traditional food manufacturers and their products;
- “Tour dell'Arte” – PrimaFila customers have the opportunity to enjoy a private tour of the most prestigious art galleries and museums in



- Italy with a personal tour guide;
- concerts and shows held at the Mediolanum Forum in Milan, PalaLottomatica in Rome and PalaOlimpico in Turin.

A review of the events and activities of the Club, as well as useful tips and information about topics of general interest are available to customers in the **World PrimaFila magazine**, which is distributed twice a year in both printed and electronic versions. The interactive version allows the reader to browse through the gallery of photographs, view videos and send selected articles to external e-mail addresses. The magazine is also showcased on the website [www.primafilamediolanum.it](http://www.primafilamediolanum.it), which allows customers and others to view all the initiatives, access the photo archives and keep up-to-date with services and news.

In order to continue to broaden the opportunities available to PrimaFila customers, the idea of broadening the range of special terms and conditions relating to the products and services provided by the Group is currently being evaluated, which would give further

value to the benefits enjoyed by these customers as well as a sense of belonging to the Banca Mediolanum community.



## Channels and Services

In 2011, **75%** of the customers who are bank account holders used direct channels (594,032 in 2011 vs. 570,771 in 2010), a 4.1% increase compared to 2010.

Total contacts with the Bank increased by 7.4% (27,215,833 in 2011 vs. 25,343,699 in 2010), while the number of text messages sent by customers utilizing the text messaging service was up by 1.3% compared to 2010 (43,026,971 in 2011 vs. 42,460,695 in 2010).

Customers are becoming increasingly familiar with the bank's multi-channel platform: there was a 12% increase in the number of transactions made directly by customers (5,588,416 in 2011 vs. 4,972,011 in 2010).

### DIRECT CHANNEL USAGE RATE 2011 VS. 2010

#### B.Med Online

Contacts made via the Internet kept increasing (+6%) and represented 73.6% of the total. Worthy of note is the fact that a website dedicated to the new InMediolanum deposit account was created; approximately 540,000 people have accessed the website since it was launched (in May 2011).

#### B.Med Voice

The number of contacts made via the voice portal slightly decreased versus 2010 (-6.3%), helped by the fact that new mobile applications for Apple and Android devices were developed – through which approximately 1,150,000 people accessed services in 2011 (+1.455% vs. 2010) – as well as by a sort of “substitution effect” regarding some information requests and simple transactions (such as, for example, customers checking their bank balance or topping up their mobile phone). Similarly, the use of the Banking Services Center also slightly decreased (-2.8%).

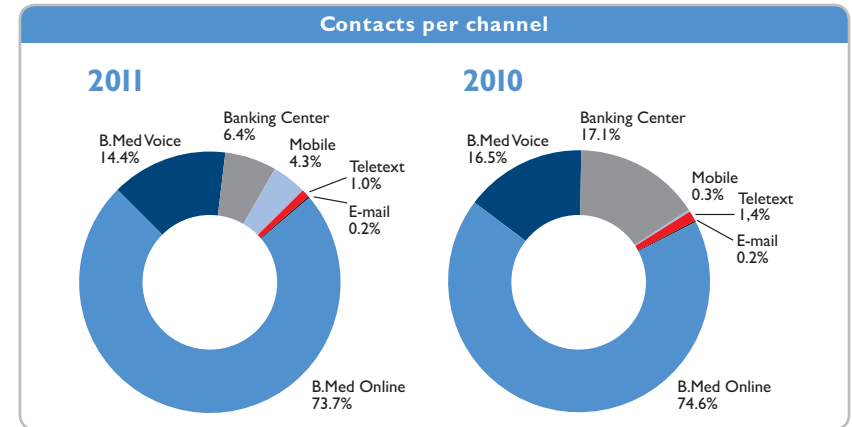
The **Banking Services Center** continues to maintain a very high level of service: approximately 91.5% of the calls are responded to within 20 seconds, and the average waiting time for all calls is about 6.7 seconds.

To fully appreciate these results, it is helpful to compare them with those of the seventh research study “Rapporto sui call center bancari”\* (Report on Bank Call Centers - conducted by ABI Lab and ABI's Marketing

\* Source: “7th Report on Bank Call Centers”, ABI Lab and ABI Marketing and Customer Satisfaction Department.

and Customer Satisfaction Department, in which Banca Mediolanum is included, together with 20 other call centers representing 84 banks).

Approximately 64% of the calls receive a response within 20 seconds with an average waiting time on all calls of 40 seconds.



The Welcome Pack initiative, which was launched in 2009 to help new account holders better understand and use the multi-channel services offered by the Bank, also continued in 2011, with good results. At the first telephone contact, more than 14,000 new bank account holders received a personalized welcome message as well as information on what functions are available through the multi-channels and how to access the Bank using Self-Banking.



## DEVELOPMENTS

The year 2011 started with the launch of the **Mediolanum mobile application** for iPhones, first, and then also for iPads, Android and Windows Phone 7 devices.

The new online trading app stands out among the new services, as it allows customers to make transactions on all the markets available on the website and check their investments. Thanks to next-generation smartphone functions, geo-location applications enable customers to find the nearest ATM or Family Banker® Office.

As regards direct channels, the bank-customer relationship was further strengthened in 2011, by broadening the range of services and contact channels available. Customers can access the new channels via the website **bmedonline.it** by entering their customer access code and first account PIN.

A new **conference call** service called "**Chiamata Multipla**" that connects the three key stakeholders of the Mediolanum banking model, i.e. the customer, the Family Banker® and the Banking Services Center, is being tested. Apparently, it has so far delivered significant benefits in terms of resolution of ordinary and extraordinary management issues requiring joint problem solving.

The **video calling** service, instead, allows customers to make a video call to a Banking Specialist. Our Banking Services Center becomes a true virtual branch, where the visual communication component adds a personal touch to Banking Specialists' expertise.

An **Internet calling** (VOIP) service is also available: customers can, in case of need, access the website **bmedonline.it** to contact a Banking Specialist while remaining online or on the phone.

Lastly, customers can chat with the Banking Services Center, as **online chat** has become extremely popular among Internet users.

## OTHER UPDATES IN 2011

The new InMediolanum deposit account was launched in Italy in May. New customers can easily open an account via the website **www.inmediolanum.it** or a specific IVR (Interactive Voice Response) system providing information, assistance, and the possibility of checking the status of their request.

The information and service channels were adjusted to meet the needs of new as well as existing customers, allowing them to manage their finances online, as well as to deposit and withdraw money (a new InMediolanum application was specifically created for new customers).

As regards trading, the obligations imposed by the MiFID Directive requiring banks to assess whether a transaction is appropriate for a specific investor's profile have been met, and a "best execution" service ensuring that customers obtain the best possible result for the execution of their orders has been introduced.

## Development of the range of products and services

The Mediolanum Group's commitment to the products and services offered is based on the importance of identifying customer needs and ensuring a high level of customer satisfaction, by providing solutions that are increasingly flexible and innovative and able to respond to their needs.

### NEW PRODUCTS IN THE BANKING SERVICES RANGE

The **Mediolanum Freedom** bank account, which was launched in 2009, is still the only banking solution that offers a current account with all the banking services and advantages together with a life insurance policy providing the highest return on cash deposits above a certain minimum threshold. Banca Mediolanum confirms its commitment to its customers by increasing, to 3%, the net rate offered to account holders per year, despite the extremely negative market scenario. Moreover, with this account, Banca Mediolanum also confirms its social commitment by enabling its customers to turn the points earned with the Freedom Rewarding program into tangible help for the disadvantaged, by participating in the **Piccolo Fratello project** promoted by the Mediolanum Foundation.

As part of the efforts made to meet the needs of its customers, Banca Mediolanum launched two securities portfolio special offers in July 2011.

Customers who decide to transfer their securities from an account held at another bank to Banca Mediolanum will not pay any safekeeping charges for two years. Moreover, for those cus-

tomers who choose Banca Mediolanum as their “primary bank”, the **stamp duty on securities will remain unchanged**: this means that they will keep on paying only **€34.20** whatever the value of their portfolio.

In 2011, the Bank further broadened the range of complementary products for the Freedom bank account, to better meet the needs of customers in terms of return and efficient liquidity management and provide tailored solutions.

Repurchase agreements granting higher returns - i.e. **Mediolanum RendiCash** - were introduced in February. This service offers the opportunity to invest for up to 12 months, although the money invested is available on a quarterly basis without customers having to pay any penalties.



As mentioned above, the **InMediolanum deposit account** was launched in May. It is specifically designed to attract new customers thanks to a multi-channel strategy and, for the first time ever, dedicated booths in the major shopping malls.

As regards loan products, a special offer granting more-favorable-than-standard repayment terms for **home mortgage loans** was launched in April and was extended to the end of the year. This initiative demonstrates Banca Mediolanum's commitment to its customers, especially in times when most of its competitors increased their rates.

In April, the Bank also broadened the range of Mediolanum MaxiCredit loans by introducing a new “**Partially Secured**” solution which enables customers to obtain loans for up to double the value of the asset backing it – calculated at its gross value. Therefore, Mediolanum MaxiCredit currently includes three types of loans: personal loans guaranteed by AUM with haircut, personal loans guaranteed by AUM without haircut and partially secured loans.

### FOCUSING ON THE HOME

As regards customer protection, in 2011 Banca Mediolanum focused on two key initiatives regarding the home, which can be considered Italian households' major investment.

**Payment Protection Insurance:** ensuring that all the

mortgage loans granted by Banca Mediolanum are covered by specific insurance policies is key to the Bank. Such mortgage insurance policies protect and support customers in repaying the loan, should they be temporarily or permanently unable to fulfill their repayment obligations. In 2011, the Bank made a great effort to bring this concept to its Sales Network and customers.

**Asset Protection Insurance:** 4Protection Home, an insurance product covering the customer's primary residence (or secondary residence, if any) was created. This product also covers against damage to third-party property or personal injury to third parties caused by family members, protecting customers against compensation claims.

### WHAT'S NEW IN THE INVESTMENT SERVICES RANGE

2011 represented a pivotal year for the development of Mutual Fund investment products. Specifically, the Mediolanum Best Brands product line was broadened in May thanks to the new Coupon Strategy Collection, which was developed by Mediolanum International Funds together with some of the leading international asset management companies, and offers the opportunity for customers to receive an income every six months and still achieve long-term appreciation of their investment. Coupon Strategy Collection adopts a flexible strategy to invest in stocks, bonds and the real estate market.

The new **Super 10 Evolution** service was also launched in May. It enables customers to start investing in the stock market and take advantage of long-term growth potential, by gradually investing in Singlebrand funds, for 5 or 10 years, seizing the best opportunities for growth from day 1. The amount is invested in Pimco Inflation Strategy Selection, which allows customers to immediately make the best out of their investment, at the same time protecting it from inflation risk.

In the second half of 2011 Banca Mediolanum launched **Double Chance Bond Edition**, a new service that allows customers to enter the bond market and take advantage of market volatility and uncertainty.

The amount to be invested in a single premium product is initially put in a dedicated deposit account, which offers 5% gross per year (3.65% net). Then, part of this amount is periodically

transferred to bond funds until the entire initial amount is transferred, in line with a Systematic Investment Plan (SIP).

Thanks to the new investment solutions and the advising skills of Family Bankers®, in 2011, the Mediolanum Group had net inflows into mutual funds of over **€4 billion**.

The Mediolanum Group also broadened its range of insurance products to better meet the needs of customers and adapt to the changing market. Therefore, new products were added to the **Mediolanum Synergy** and **Mediolanum Più** product lines (the latter is a product that allows the Bank to also meet the specific needs of its private customers).

Moreover, significant changes were introduced in the terms of the contracts for the different products to comply with the new requirements imposed by the regulations (new ISVAP Regulation no. 38) as well as to improve transparency with respect to customers.

To provide a comprehensive overview of the Group's investment products, structured products are worthy of note. **MedPlus** (structured bonds) and **MedPlus Certificate** are financial instruments that provide customers with advanced solutions to create a diversified portfolio.

Lastly, in 2011 Banca Mediolanum – which is the parent company's main distribution channel – sold **€40 million** worth of Mediolanum S.p.A. bonds to its customers.

### FOCUSING ON PENSION PRODUCTS

Banca Mediolanum continues to show its commitment to customers' pension needs by promoting TaxBenefit New, a Personal Pension Plan (PPP) that is designed to supplement retirement income and respond to the needs of individual customers. The "Lifecycle" component is the strong point of TaxBenefit New: the percentage of assets allocated to equities and bonds is adjusted over time, according to the total duration of each contract.

**TaxBenefit New** is also an all-round product that offers different services, such as "Big Chance", "Consolidazione Rendimenti" and "Reinvesti sui Cali".

## Advertising

The year 2011 started with Banca Mediolanum's advertising campaign, which was in line with that of 2010. The new - TV, radio, Internet and outdoor - advertising campaign dedicated to the **Mediolanum Freedom account** was scheduled to run January 2-23. The ads also promoted a key charity project to help children in Haiti: for each Freedom account opened during the period October 1, 2010 - March 31, 2011, Banca Mediolanum donated funds to the Francesca Rava NPH Italia Non-Profit Foundation to cover the cost of one month of schooling for a child in Haiti. Overall, thanks to this initiative, Banca Mediolanum guaranteed a year of schooling to 2,880 Haitian children through the opening of new Freedom bank accounts. Once again, Ennio Doris was the face of the Group's ad campaign.

The message that the Bank wanted to convey with its advertising slogan "We can all grow together" was that sustainable growth is possible if it benefits everybody. With this initiative, Mediolanum practically demonstrated its commitment to business ethics, offering customers the opportunity to enjoy favorable terms and at the same time being socially responsible.



The **InMediolanum deposit account** ad campaign ran from May 7 to June 18. The campaign strengthened the concept of the circle as a symbol of the Bank's customer-oriented model. Each person in the ad draws a circle and then symbolically enters this circle.

The ad conveys the message of living a simple, daily life. Ennio Doris, who is the narrator, promotes the new opportunities offered by the Bank and hands over the baton to customers who, by drawing a circle on a salt lake, confirm that Banca Mediolanum is “built around them”.



The Bank made extensive use of TV, radio, the press and the Internet (with direct marketing initiatives aimed at attracting new customers), as well as outdoor advertising (referring customers to the local Family Banker® Office).

To promote the new deposit account offering 3.75%, an advertising campaign in all the major Italian newspapers was launched in August. Then, in September and October, extensive advertising was launched once again in all media, TV and radio programs as well as columns in newspapers, magazines and blogs which were deemed a good fit for the InMediolanum account target audience.

In November, a new ad campaign featuring Ennio Doris was launched to confirm the message conveyed six months previously and promote a new offer: 4.25% on deposits held one year. In the ad, Ennio Doris is featured in a coffee bar talking to other customers and resolving their doubts about the current economic downturn.

In 2011, television was the most used communication medium, with 51% of the advertising spend. Due to the launch of InMediolanum, the web ad spend significantly increased versus 2010 (26% vs. 8%). The advertising campaigns launched during the year generated a great deal of visibility thanks to extremely high levels of reach and frequency.



Media Mix			
Medium (%)	2011	2010	2009
TV	51	73	68
Internet	26	8	9
Print	6	5	6
Radio	9	5	4
Cinema	0	1	2
Billboards	8	8	11
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>



## EFFECTIVENESS AND RECALL

All of the advertising efforts made in 2011 kept Banca Mediolanum in 4th place for brand awareness in the area of retail banking, as well as 1st place in the category of spontaneous recall of banking brands advertising (for the seventh year in a row).

Spontaneous recall of banking brands advertisement*	
2011	2010
1. Banca Mediolanum	1. Banca Mediolanum
2. ING Direct/Conto Arancio	2. ING Direct/Conto Arancio
3. CheBanca!	3. Intesa SanPaolo - CheBanca!

\* Source: GfK Eurisko - Multifintrack research, December 2011

## Customer-oriented communication

Banca Mediolanum has always developed, along with “traditional” forms of advertising, a variety of other initiatives, especially at the local level, to build a close relationship with its existing and potential customers and involve them in its activities – including those regarding the Sales Network.

### MEDIOLANUM FREEDOM REWARDING

In 2009, Banca Mediolanum launched a loyalty program called Mediolanum Freedom Rewarding: primary account holders can introduce a friend or someone they know, so that the Bank staff can illustrate the features and advantages of the account to them. If they become primary account holders, the customer who introduced them will earn points that he/she can use to choose a reward from the catalog. Moreover, Freedom account holders can also accrue points when they use their bank account, such as, for example, when they use their credit card for purchases, direct debit to pay their utility bills, direct credit for their salary, or when they transfer securities from a safekeeping account to another.

In May 2011, the “I Love Mediolanum” special offer was launched: customers introducing 3 friends who become new customers by opening a Freedom or Standard account (in accordance with the terms set out in the offer regulations\*) can win an iPad2 with WI-FI+3G 32GB or earn 180,000 Freedom Rewarding points that they can

use to pick a gift from the reward catalog.

The initiative was a great success: customers received 20,000 rewards and many chose to give their points to the Piccolo Fratello charitable project promoted by the Mediolanum Foundation together with the Francesca Rava NPH Italia Non-Profit Foundation.



\* The complete rewarding program regulations are deposited at Testoni & Testoni Promotion s.a.s, Via Martiri di Belfiore, 3 20090 Opera (MI). A copy of the regulations and information about the duration of the program are available on the website [www.bancamediolanum.it](http://www.bancamediolanum.it).

### SPONSORSHIPS: THE GIRO D'ITALIA

Banca Mediolanum has sponsored the **Green Jersey** at the Giro d'Italia for 10 years and in doing so set the stage for get-togethers between the Sales Network and customers in various parts of the country. In conjunction with the race, Banca Mediolanum organizes entertaining and informative activities for the public at large, and has the opportunity to meet thousands of customers at dedicated dinners and events along the stages of the race route.



In 2011, the Mediolanum team welcomed Paolo Bettini – world champion, gold medal winner and the Italian national team coach – among its cycling celebrities (Francesco Moser, Maurizio Fondriest and Gianni Motta).



The participation of some of the biggest names in the world of cycling and the

experience gained over the years enhanced all aspects of the event, including: amateur races, reception areas and booths at the start and

finish of every stage.

Moreover, the Piccolo Fratello project supporting the children of Haiti was promoted during these events, and significant funds were raised to support the initiative.

In March 2011, Banca Mediolanum sponsored, for the first time ever, the leader's jersey at the **Tirreno-Adriatico** men's road race, which is one of the key early-season cycling events and a great opportunity for riders training for the Milan-San Remo race. Reception areas and booths were set up at the start and finish and four gala dinners, in which over 1,000 people participated, were held in prestigious locations.

### Estote Parati

The key annual event organized by Banca Mediolanum and dedicated to its Sales Network, which was held in early May, opened its doors, for the first time ever, to approximately 1,000 customers, journalists and representatives from the financial community.

The fact that 5,000 people participated in the two-day **Estote Parati** (Be Ready) Conference that was held at the Fiera di Rimini, is a sign that the Bank is in step with the times.



The event offered Banca Mediolanum the opportunity to inform all the participants of its new strategy and initiatives (specifically the launch of its Best Brands Coupon Strategy and the InMediolanum account), as well as to get together with its community and convey its message, i.e. that the Bank is so innovative and transparent that it provides guidelines to its workforce at a meeting in which the public at large can participate.

The venue where this prestigious event was held was equipped with 3 stages, a 160-meter large monitor and a holographic projector. Esteemed speakers delivered speeches on topics that evoked a strong emotional response from the listeners, such as:

- **technology** - Steve Wozniak (the "father" of the information revolution and co-founder of Apple Computers);
- **love** - Patch Adams (a doctor and a clown, whose life inspired a movie);
- **freedom** - Lech Walesa (founder of Solidarnosc and Nobel Peace Prize winner);

- **change** - Rita El Khayat (a scientist, a human rights activist and a Nobel Peace Prize nominee).

These are the values based on which Banca Mediolanum runs its business and the topical issues for today and tomorrow of which it aims to raise awareness among the public.

A survey conducted by GfK Eurisko after the event revealed that the company's image improved: customers felt part of the Mediolanum community.

### Local events

The events organized by the Bank are not limited to national events, but are also carried out at the local level (e.g. fairs, meetings, conferences, sports events, exhibitions): the Family Bankers® themselves



identify the opportunities to meet up with current customers and prospects. In 2011, 5,023 events, in which over **200,000** people participated, were carried out at the local level (+64% vs. 2010).



Starting April 2011, Banca Mediolanum's promotional van travelled across Italy and was positioned in high traffic public areas in 100 cities.

A booth equipped with touch screen monitors where staff can provide a practical demonstration of the multi-channel integrated bank model was created to promote the Bank in busy shopping malls and trade fairs.



## INMEDIOLANUM DISPLAY AREAS

In May 2011, when the new InMediolanum account was launched, display areas were set up in 36 different venues (e.g. busy shopping malls, beaches, etc.) in many towns across Italy for 71 weeks, i.e. 852 days.



### Mediolanum Forum

Since January 1, 2009, Banca Mediolanum's corporate image has been linked to the Forum di Assiago, which has therefore become the Mediolanum Forum. It's the top indoor multi-purpose



facility in Italy in terms of capacity, number of participants and

relevance of events hosted. As it accommodates over 11,000 people, it's the perfect venue for a variety of relevant national and international events, such as music concerts, sports events and live shows.

### Private Banking: High-Level Events

High-Level Events are the main tools used by Private Bankers to build and strengthen the relationship with their existing and potential customers. They differ from other initiatives due to the high-level expert and professional advice provided at these events, attention to detail and conference customization. In 2011, 53 events, in which 3,500 people participated, were organized at the local level.

### MEDIOLANUM PERSONAL MARKETING

Mediolanum Personal Marketing (MPM) is the Marketing Automation platform that enables Family Bankers® to plan communication activities for their customers and prospects through a variety of methods, such as letters, e-mail, text messages and dedicated notices on the corporate website. It's a key tool to develop communication activities.

In 2011, 55 banking, investment and insurance product campaigns were carried out and made available to the Sales Network (vs. 33 in 2010). 84% of Family Bankers® used this tool.

**More than 400,000** existing customers and over 166,000 prospects were contacted at least once.

Specifically, the most frequently used campaigns were those regarding the new Best Brands products – which were launched in May – and Personal Marketing, which allows the Sales Network staff to keep in touch with their customers and ensures that they receive, on a regular basis and starting November, news and information about financial matters.

The Mediolanum Personal Marketing tool – which may be considered a new type of media – supported the InMediolanum advertising campaign with e-mail that Family Bankers® could send to prospects\*.

In 2011, the platform was enhanced with a new communication channel, i.e. the telephone, to also carry out outbound and inbound campaigns (via call centers).

\* Who had given their consent in compliance with the Data Protection Act.

## LOCAL CUSTOMIZED MARKETING CAMPAIGNS

In May, when the new InMediolanum deposit account was launched, three new tools were made available to the Sales Network to carry out marketing campaigns at the local level:

- a Promotion kit, containing customized promotional materials on which Family Bankers® personal data is printed (e.g. flyers, leaflets and postcards) to be used personally and directly by the Family Bankers®;
- a new booth to organize indoor events in shopping malls;
- a Communication kit, which is a real customized advertising campaign that runs on different types of media, such as radio, print, billboards and direct e-mail.

Since May – when the marketing campaigns were launched – 337 Promotion kits have been used, 14 events have been organized in shopping malls and 44 advertising campaigns have been planned.

## Protection and Guarantees

### COMMITMENTS TO QUALITY

The **PattiChiari Consortium**, a self-regulating organization for the banking industry whose objective is the quality and efficiency of the market was founded in 2003 and Banca Mediolanum was among its founders. PattiChiari develops programs, tools and rules to promote a better bank-customer relationship based on simplicity, clarity, comparability and mobility. From the beginning, Banca Mediolanum has participated in the program “Conti Correnti a confronto” (Comparing current accounts) – designed to enable customers to compare the features and costs of the accounts offered by its member banks – and “Cambio conto” (Switching bank accounts) – the program that helps customers move easily from one bank to another.

As a form of self-regulation, the Consortium subsequently introduced “**Impegni per la Qualità**” (Commitments to Quality), which is a set of regulations and initiatives promoted by the banking system that simplify the relationship between banks and customers.

Banca Mediolanum participates in the “Commitments to Quality” project, which targets retail customers and addresses 4 areas of interest:

- customer mobility;
- simplicity and clarity of information;
- customer assistance;
- security.

The project mainly aims to offer simple and exhaustive information on the diverse world of the economy – from financial education to investing options – in order to create a more balanced relationship with the bank and provide simple and clear information to customers, enabling them to make more informed choices in terms of banking services.

The joint efforts made by the PattiChiari Consortium member banks are based on the “Commitments to Quality” and their implementation.

The Boards governing the Consortium include an Advisory Committee, which is made up of representatives from consumers’ associations and academic and professional circles, and is in charge of supervising the fairness of the overall activity carried out by the Consortium as well as monitoring the implementation of the Commitments. Specifically, Banca Mediolanum continues to strengthen its commercial initiatives aimed at making customer mobility easier. For example, **PortaConto**, the new easy-to-use and user-friendly service that enables customers to easily switch bank without having to personally fulfill any bureaucratic requirements: Banca Mediolanum, upon request from the customer, closes all the bank accounts that the customer holds at another bank and opens new accounts.

The website [www.bancamediolanum.it](http://www.bancamediolanum.it) has granted visibility to Patti Chiari’s “Commitments to Quality” through a dedicated section, which can be accessed directly from the home page.

COMMITMENTS TO QUALITY			
Areas of intervention	Activity	Activated	In the process of being activated
CUSTOMER MOBILITY	Direct Debit	●	
	Mortgage portability	●	
	Transfer of bank transfers	●	
	Transfer of credit card statements		●
	Transfer of cash orders	●	
	Transfer of mortgage or loan payments not automatically debited to the account	●	
	Transfer of securities portfolios	●	
	Disclosure of average time to close an account	●	
SIMPLE AND CLEAR INFORMATION	Search engine - comparing packaged current accounts	●	
	Search engine - comparing current accounts	not applicable to the Mediolanum model	
	Search engine - comparing basic banking services		●
	Search engine - making informed investments	●	
	Annual fees index - packaged current accounts	●	
	Annual fees index - current accounts	not applicable to the Mediolanum model	
	Annual fees index - basic banking services		●
	“Cambio conto” guide - how to switch accounts	●	
	“Cambio mutuo” guide - how to switch mortgages	●	
“Guide to secure banking”	●		
CUSTOMER ASSISTANCE	Monitoring average time to close an account	●	
	Code of ethics of financial intermediaries		●
	Monitoring ATM-FARO service quality	not applicable to the Mediolanum model	
	Information provided by ATMs on ATM usage fees	●	
	FARO call center	not applicable to the Mediolanum model	
	Mortgage Credit Certificate	●	
SECURITY	Time to get refunds for wrong /unauthorized credit card charges	●	
	Protecting credit cards from illegal use	●	
	Online banking protection	●	

## REVIEW OF CONTRACTUAL TERMS

Among the credit products offered to customers, there are some highly flexible options. 'Mutuo Freedom' is an example of a non-standard mortgage loan product that can be adapted to meet customer needs and that allows to modify certain parameters (including the interest rate paid, the amount of monthly payments and the length of the mortgage) over the life of the contract, without having to renegotiate the mortgage.

## PERSONAL DATA PROTECTION

Legislative Decree no. 196 of June 30, 2003, also known as the "Personal Data Protection Code", unified the many amendments and addenda to the original Act no. 675/1996 into a single Data Protection Act. The Personal Data Protection Code addresses confidentiality of information as well as identity and personal data protection. The Code requires that personal information be processed only for the purpose that it was originally collected for and in a manner that complies with the nature of the information itself.

Processing of personal data is allowed only when minimum security requirements are met. Moreover, to increase security of personal data and of the databases storing information on customers and Mediolanum Group companies, (i.e. to mitigate the risk associated with the circulation and/or use of information by third parties) **specific actions** were taken:

- a notice was sent to all Banca Mediolanum's personnel regarding the minimum data security and confidentiality requirements users must comply with when storing and processing data and documents, including electronically;
- document shredders were installed on each floor at the HQ to destroy any confidential material;
- the Bank met the specific requirements imposed by the regulation issued on November 11, 2008 regarding the personnel in charge of the electronic processing of personal data, with specific reference to the role they play within the administrative system;
- the Bank complied with the provisions contained in the "2011 Development Decree" aimed at streamlining procedures.

Mediolanum has a **Personal Data Protection Office** that is responsible for:

- preparing information about deeds, contracts, contests etc. in accordance with the guidelines issued by the Italian Data Protection Authority;
- verifying compliance with the regulations on physical and information technology security affecting personal data protection;
- preparing "Security Policy Documents" for the companies that are part of the Group, in collaboration with the Information Systems and Organization Department;
- organizing training sessions for data processors and individuals in charge of processing personal data.

## Claims and Requests

The Personal Data Protection Office may receive the following claims and requests either directly from customers or from the Italian Data Protection Authority:

- **complaints:** complaints must contain a detailed account of facts, violated regulations and remedies sought. They can be filed without having to comply with specific official procedures;
- **requests for investigation:** when it is impossible to file a complaint containing the abovementioned information, a request for further investigation by the Data Protection Authority can be filed;
- **claims:** claims are filed when an individual intends to protect his/her rights under the Personal Data Protection Code;
- **requests for production of information:** requests for production of information are requests filed to verify whether a company stores certain personal information in its databases;
- **requests for cancellation of data:** requests for cancellation of data are requests filed to block the use of data for purposes other than those strictly related to the relationship in force with the bank.

### Analysis of claims and requests received

In 2011, the number of requests for cancellation of personal data increased versus the prior year:

Type of claim/ request (Number)	2011	2010
Complaints	23	8
Requests for investigation	0	0
Claims	4	3
Requests for production of information	1	2
Requests for cancellation of data	1,161	193
<b>TOTAL</b>	<b>1,189</b>	<b>206</b>

### COMPLAINTS

In accordance with existing regulations, the Mediolanum Group adopted a structured and regulated approach to complaint handling. The Group is aware that customer satisfaction – which is a top priority for the Group – is also a key element in developing a successful corporate image with respect to the market. Therefore, the complaint handling procedure is not only designed to comply with the existing regulations, but also to obtain relevant information that allows the company to constantly improve service quality.

The department in charge of complaint handling is organizationally and hierarchically independent with respect to the other departments in charge of marketing services and operations to ensure that department staff can provide an unbiased opinion of the issues addressed.

#### Number of complaints received

The overview of complaints received in 2011 provided below takes into account all the written complaints regarding banking, investment and insurance services provided by the Group that were sent by fax, mail, e-mail or telegram by customers or prospects.

In 2011, the Group received 7,366 complaints, of which 7,242 could be handled and 124 could not, as they failed to contain the necessary information. For example, complaints that fail to provide information about the person filing the complaint or the product that is the subject of the complaint fall within the latter category.

Moreover, to provide a comprehensive overview of the complaints received, it is worth mentioning that, in 2011, 810 old complaints were reopened, since the initial response was felt to be unsatisfactory by the customers. Out of these, 804 could be handled and 6 could not.

Out of 7,366 total complaints received, 6,728 (approximately 91%) were addressed to Banca Mediolanum, Banco de Finanzas e Inversiones and Bankhaus August Lenz, which sell the Group's products through their Sales Network.

The most frequently used channel to file complaints was by e-mail.

Number of complaints	Complaints			Old complaints reopened	
	That could be handled	That could not be handled	% of tot.	That could be handled	That could not be handled
Banca Mediolanum S.p.A.	6,436	57	88.15	726	5
Banco de Finanzas e Inversiones S.A.	104	6	1.49	-	-
Bankhaus August Lenz & Co. AG	129	0	1.75	-	-
Mediolanum Gestione Fondi SGR p.A.	31	6	0.50	4	-
Mediolanum International Fund Ltd	9	0	0.12	0	-
Mediolanum International Life Ltd	51	2	0.72	4	-
Mediolanum S.p.A.	0	35	0.48	0	-
Mediolanum Vita S.p.A.	482	18	6.79	70	1
<b>TOTAL</b>	<b>7,242</b>	<b>124</b>	<b>100</b>	<b>804</b>	<b>6</b>
<b>OVERALL TOTAL</b>	<b>7,366</b>		<b>100%</b>	<b>810</b>	

The number of complaints received in 2011 increased by approximately 28%. This increase is mostly due to the launch of the new online deposit account (InMediolanum): the Bank received 1,612 complaints that could be handled regarding this account, including those filed by prospects who had trouble accessing the product online. Most complaints regarded problems encountered on the website (i.e. supposedly the website was not working properly), delays in carrying out the transactions and lack of information.

Such issues, mostly associated with the offer's innovative content, were promptly resolved and corrective actions taken.

### Breakdown of complaints

A complaint can be closed by one of the following means:

- the complaint is rejected;
- the complaint is accepted, meaning the disservice given the customer is acknowledged;
- the complaint reaches a friendly resolution through an out-of-court agreement.

The analysis of the preliminary investigation results reveals that out of 7,242 complaints that could be handled, 6,620 were resolved in 2011, of which 1,062 were deemed to be well-grounded (approximately 16%); out of these, 50 were settled by agreement with the customers. Specifically referring to the InMediolanum deposit account, 1,547 complaints were resolved, of which 258, i.e. 17%, were deemed to be well-grounded.

In 2011, the average response time decreased compared to the previous year (30 days in 2011 vs. 33 in 2010).

At year end, the ratio between “unresolved and expired complaints” and “total complaints received” was equal to 0.9%, significantly lower than in 2010 (1.55%), confirming that the complaint handling process improved.

Complaints that could be handled	2011	2010	Change %
Complaints received	7,242	5,216	39
Complaints resolved	6,620	4,687	41
Of which:			
Upheld	1,062	774	37
Groundless	5,558	3,913	42
Complaints under investigation - not expired at year end	557	448	23
Complaints under investigation - expired at year end	65	81	(20)

### Claims, conciliation and mediation

Disputes with customers are also resolved through mediation or claims filed with a neutral and impartial dispute resolution organization.

In 2011, a significant number of disputes were resolved through mediation, while the number of disputes settled through other dispute resolution mechanisms decreased.

Number of claims	2011	2010	Change %
Arbitration	16	15	11
Ombudsman	12	23	9
Mediation	128	2	91
<b>TOTAL CLAIMS FILED</b>	<b>140</b>	<b>25</b>	<b>100</b>

The Banking and Financial Arbitrator (BFA) resolves disputes between customers and banks in connection with banking and financial transactions and services. This technique is referred to as ‘out-of-court’ or alternative dispute resolution since it is an easier, quicker and cheaper alternative compared to litigation, which often entails complex and lengthy procedures. BFA is independent and impartial and decides who is in the right and who is in the wrong in a few months’ time. Customers can refer to the Arbitrator by filing a complaint once they have made an effort to solve the problem directly with the bank or the intermediary. If they are not satisfied with the decision of the Arbitrator, they can still present their case to a judge. The Bank of Italy provides the facilities and technical support for the BFA.

Claims filed with the BFA	2011		2010	
	Number of claims	%	Number of claims	%
Arbitration awards				
Discontinuance of the matter in dispute	0	0	2	13
Dismissed claims	0	0	0	0
Upheld customer claims	1	6	0	0
Not upheld customer claims	3	19	8	53
Partially upheld customer claims	0	0	2	13
Unacceptable claims	1	6	0	0
Time-barred claims	3	19	3	20
Total claims resolved	8	50	15	100
Total claims pending arbitration	8	50	0	0
<b>TOTAL CLAIMS FILED</b>	<b>16</b>	<b>100</b>	<b>15</b>	<b>100</b>



Customers of banks that are members of the PattiChiari Consortium can refer their cases to the Ombudsman in connection with disputes relating to investment services and activities as well as other types of transactions that are excluded from the out-of-court dispute resolution mechanism currently referred to as BFA (Banking and Financial Arbitrator) as long as the requirements set out in the regulations are met.

Claims filed with the Banking and Financial Ombudsman	2011		2010	
	Number of claims	%	Number of claims	%
Arbitration awards				
Discontinuance of the matter in dispute	1	8	5	22
Dismissed claims	1	8	0	0
Upheld customer claims	0	0	4	17
Not upheld customer claims	1	8	4	17
Partially upheld customer claims	5	42	6	26
Unacceptable claims	1	8	0	0
Time-barred claims	0	0	1	4
Total claims resolved	9	75	20	87
Total claims pending arbitration	3	25	3	13
<b>TOTAL CLAIMS FILED</b>	<b>12</b>	<b>100</b>	<b>23</b>	<b>100</b>

Legislative Decree no. 28/2010 regulating mediation aimed at resolving civil and commercial disputes came into effect on March 20, 2011 in Italy. The Decree introduced the requirement that those who intend to take legal action relating to disputes concerning banking, financial and insurance contracts, make an attempt at mediation as a condition for the claim to be admissible in court. Mediation therefore aims to assist the parties in reaching an agreement and drafting the dispute settlement terms and conditions.

Requests for mediation	2011	
	Number of requests	%
Reasons		
Failure to participate in the mediation meeting	83	65
Settled after the mediation meeting	5	4
Settled by mediation	5	4
Not settled by mediation	2	2
Under investigation	33	26
<b>Total</b>	<b>128</b>	<b>100</b>

# SALES NETWORK



## Size and Composition

2011 was a tough year for financial markets and the banking sector, due to the sovereign debt crisis and market turmoil. However, the size of Banca Mediolanum's Sales Network was not significantly affected by the unfavorable market conditions, and although there was a slight decrease in 2011, the figures show an improvement compared to the previous year: -6.4% in 2011 vs. -9.2% in 2010. This trend was due, on the one hand, to the challenging market scenario and, on the other hand, to the continued implementation of the recruitment method that was introduced in mid-2010.

Sales Network composition (number)	2011	2010	Change %
Financial Advisors	4,507	4,772	(5.6)
Insurance Agents (non-licensed financial advisors)	1	44 <sup>1</sup>	(97.7)
<b>SALES NETWORK ITALY</b>	<b>4,508</b>	<b>4,816</b>	<b>(6.4)</b>

<sup>1</sup> The figure also includes licensed financial advisors.



## BREAKDOWN BY GEOGRAPHY AND GENDER

53% of the Sales Network is concentrated in the regions of Northern Italy, where the Mediolanum Group has its origins.

Geographic area	Total number of Family Bankers®	% of total	% of female	M	F	Total	M	F	Total
				Average age			Average length of service		
Piedmont and Liguria	478	10.7	22.8	44.4	41.8	43.9	11.2	7.9	10.5
Lombardy	586	13.2	16.4	46.4	42.2	45.7	12.8	8.2	12.0
<b>Northwestern Regions</b>	<b>1,064</b>	<b>23.9</b>	<b>19.3</b>	<b>45.5</b>	<b>42.0</b>	<b>44.9</b>	<b>12.1</b>	<b>8.0</b>	<b>11.3</b>
Emilia Romagna	525	11.8	19.6	45.4	42.9	44.9	11.9	9.8	11.5
Triveneto	781	17.6	11.3	43.9	41.4	43.6	11.9	8.6	11.5
<b>Northeastern Regions</b>	<b>1,306</b>	<b>29.4</b>	<b>14.6</b>	<b>44.5</b>	<b>42.2</b>	<b>44.1</b>	<b>11.9</b>	<b>9.3</b>	<b>11.5</b>
Tuscany/Umbria	401	9.0	20.2	43.6	42.0	43.3	10.9	9.1	10.6
Marches/Abruzzi/Molise	227	5.1	18.9	44.4	40.9	43.7	12.0	8.7	11.4
<b>Northern Central Regions</b>	<b>628</b>	<b>14.1</b>	<b>19.7</b>	<b>43.9</b>	<b>41.6</b>	<b>43.4</b>	<b>11.3</b>	<b>9.0</b>	<b>10.9</b>
Lazio/Sardinia	561	12.6	22.5	43.5	40.0	42.7	10.9	7.7	10.2
Apulia	105	2.4	18.1	42.7	39.5	42.1	9.9	6.8	9.3
<b>Southern Central Regions</b>	<b>666</b>	<b>15.0</b>	<b>21.8</b>	<b>43.3</b>	<b>40.0</b>	<b>42.6</b>	<b>10.7</b>	<b>7.6</b>	<b>10.0</b>
Campania/Calabria/Basilicata	310	7.0	22.9	39.6	37.6	39.2	8.6	6.8	8.2
Sicily	475	10.7	23.2	41.4	39.0	40.9	9.0	6.6	8.4
<b>Southern Regions</b>	<b>785</b>	<b>17.6</b>	<b>23.1</b>	<b>40.7</b>	<b>38.5</b>	<b>40.2</b>	<b>8.8</b>	<b>6.7</b>	<b>8.3</b>
<b>SALES NETWORK ITALY*</b>	<b>4,449</b>	<b>100.0</b>	<b>19.0</b>	<b>43.9</b>	<b>40.9</b>	<b>43.3</b>	<b>11.2</b>	<b>8.1</b>	<b>10.6</b>

Women account for about 19% of the total Sales Network, a percentage higher than the average for Italy in Northern Central, Southern Central and Southern regions. The average age in the Sales Network is 43.3 years. The figures are in line with the previous year's figures (taking the normal aging process factor into account).

\* The Headquarters Sales Network (49 Managers and Family Bankers®) as well as expatriates to international Group companies (10 Managers and Family Bankers®) are not included in the table showing the 2011 breakdown of the Sales Network by geographic area.

## BREAKDOWN BY COMMERCIAL ROLE

Financial Advisors can be classified into the following 4 main subcategories:

1. Managers;
2. Supervisors;
3. Global Family Bankers®;
4. Family Bankers®.

Managers and Supervisors are part of Banca Mediolanum; they are in charge of coordinating Sales Network staff (financial advisors, insurance agents, i.e. non-licensed financial advisors, and/or other Supervisors) and their roles are differentiated based on the number of advisors supervised, number of customers, assets under management per capita, turnover and sales.

Global Family Bankers® and Family Bankers® of Banca Mediolanum have no Sales Network members reporting to them and are categorized according to their expertise and professional skills, which are assessed based on certain parameters, such as assets managed, sales, the size of their customer base and the loyalty of their customers.

The abovementioned categories also include those advisors who specifically focus on high net-worth customers. These advisors are part of the **Mediolanum Private Banking Department**, which is composed of qualified professionals and advisors and provides the best banking and financial solutions in terms of quality to high net-worth and affluent customers.

In 2011, the number of advisors in the Private Banking Department increased versus 2010 (+14.4%), confirming the ongoing efforts made by the Group to take on more experienced and qualified advisors (Private Bankers) and attract high net-worth customers (Affluent Customers).

Category (units)	2011	2010	Change %
Managers (from Group to Region)	303	315	(3.8)
Supervisors	827	878	(5.8)
Global Family Bankers®	708	695	1.9
Family Bankers®	2,669	2,884	(7.5)
<b>Total Financial Advisors</b>	<b>4,507</b>	<b>4,772</b>	<b>(5.6)</b>
Of which Private Bankers	247	216	14.4
<b>Junior Family Bankers (non-licensed financial advisors) and licensed financial advisors</b>	<b>1</b>	<b>44<sup>1</sup></b>	<b>(97.7)</b>
<b>TOTAL ITALY</b>	<b>4,508</b>	<b>4,816</b>	<b>(6.4)</b>

\* The figure also includes licensed financial advisors.

Due to the aforementioned strategic decision regarding the composition of the Sales Network, the Sales Network numbers slightly decreased in the licensed segment (the more experienced advisors) while the non-licensed segment (the younger, less experienced advisors) was practically absent.



## BREAKDOWN OF ANNUAL TURNOVER BY GEOGRAPHIC AREA

The annual turnover is the ratio between Number of Resignations and the Average number of Sales Network members\*.

The lowest turnover rate was in the Northeastern regions, while the national average rate stood at 12.2%, on the decline versus 2010 (14.4%). This figure confirms the ongoing positive trend since 2008, which is mainly due to a reduction in the number of resignations.

Regions (%)	Turnover	
	2011	2010
Northwestern Regions	12.4	16.0
Northeastern Regions	11.1	11.7
Northern Central Regions	11.5	9.8
Southern Central Regions	14.0	14.9
Southern Regions	12.5	18.8
<b>SALES NETWORK ITALY</b>	<b>12.2</b>	<b>14.4</b>

## CUSTOMERS PER FAMILY BANKER®

The average number of customers per Family Banker® increased compared to previous years, and so did the number of assets in their portfolio.

	2011	2010	2009
Average customers per Family Banker®	191	180	171
Average assets per Family Banker® (€/1000)	8,040	7,507	6,013

	2011	2010	2009
Average customers per Private Banker	181	149	161
Average assets per Private Banker (€/1000)	23,156	23,364	23,142

In 2011, there was an increase in the average assets managed per Family Banker®. The marketing initiatives launched during the course of the year and specifically the launch of the InMediolanum deposit account – offering the highest interest rates currently available in the market – contributed to this upward trend in average assets.

\* Average number of Sales Network members = [(Sales Network total number as of December 31 of the prior year) + (Sales Network total number as of December 31 of the current year)]/2

## Incentives and promotion

The members of our Sales Network are self-employed, entrepreneurial in spirit, have a variable income, and they bear all the costs of their business. These costs include office-related costs, travel expenses incurred to visit customers, costs incurred for local marketing initiatives and out-of-pocket expenses for training activities.

Family Bankers® can choose between alternative career paths based on their personal inclinations:

- **developing and handling a strong customer base**, which can be sold for a significant amount when the Family Banker® ceases his or her activity;
- **a managerial career**, by building a hierarchy of Family Bankers® within the Banca Mediolanum Sales Network structure, with compensation being awarded in the form of commissions.

Moreover, the Mediolanum Group appraises the business the “entrepreneur” has built up at a premium compared to other businesses in the same sector.

The incentive system takes various quantitative and qualitative factors into account: part of the compensation is linked to quality parameters that are measured on an annual basis, such as parameters aimed at assessing whether regular payments are made into recurring policies and installment plans, the number of bank accounts opened and customer retention. Incentive plans with a variety of objectives are underway. This applies to the entire organization up to senior executives. Moreover, the incentive plan is also characterized by:

- consistency between personal objectives and the requirements of the Group;
- rewarding salespeople for particularly positive results through contests;
- granting stock options to the most qualified salespeople.

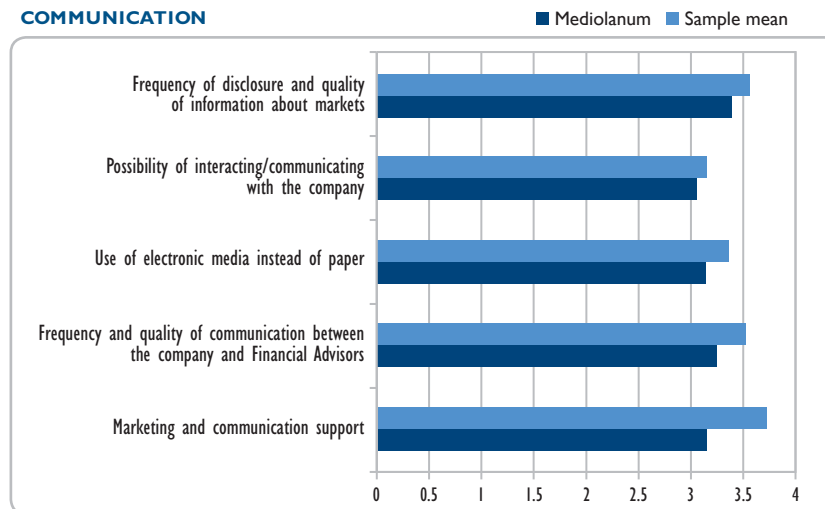
## Satisfaction of the Sales Network

Also this year, Banca Mediolanum participated in the PF Monitor survey conducted by independent research company GfK Eurisko to assess the satisfaction level of Financial Advisors with respect to different aspects of the business.

The survey shows that, despite hard times, the overall satisfaction level of the Banca Mediolanum's Sales Network remains very high (3.26 on a scale of 1-4, where 4 is the highest score). 92% of Banca Mediolanum interviewees responded they were fairly or completely satisfied, and the satisfaction level peaked to 97% in certain areas, such as training effectiveness.

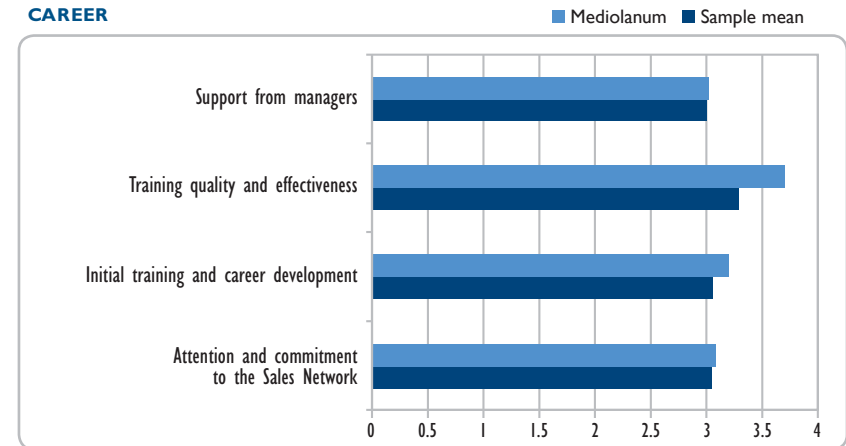
An overview of some of the topics analyzed follows, in which Banca Mediolanum figures are compared to the sample mean.

### COMMUNICATION



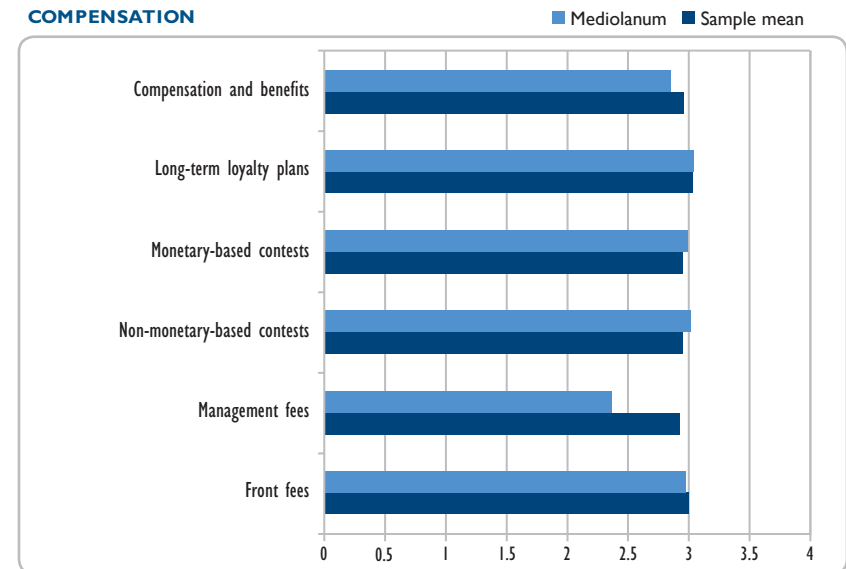
The survey shows a high level of satisfaction along all the parameters of communication, particularly Mediolanum was judged to be excellent in the area of 'marketing and communication support'. The satisfaction level in the area of 'frequency of disclosure and quality of information about the markets' was 94% while in the area of 'frequency and quality of communication with the company' it stood at 95%.

### CAREER



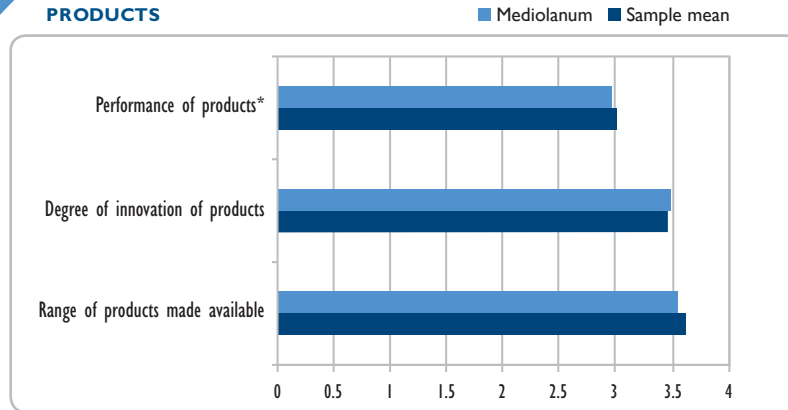
The Bank registered an extremely high level of satisfaction in the area of 'training quality and effectiveness', and 'initial training and career development' was also much appreciated.

### COMPENSATION



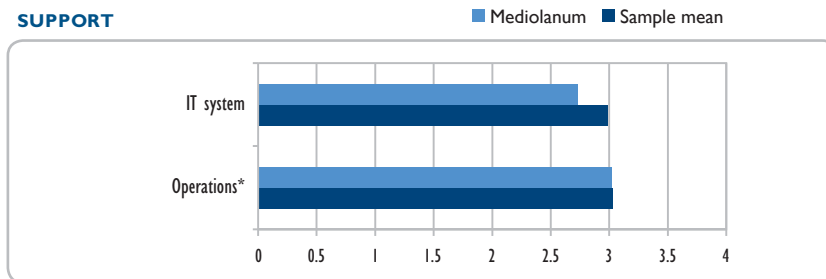
As regards compensation, the level of satisfaction exceeded 75% in some areas, while in other areas it was in line with the previous years. There was a slight decrease in the area of 'management fees'.

**PRODUCTS**



The satisfaction of the Sales Network with the Group's products was in line with the industry average.

**SUPPORT**

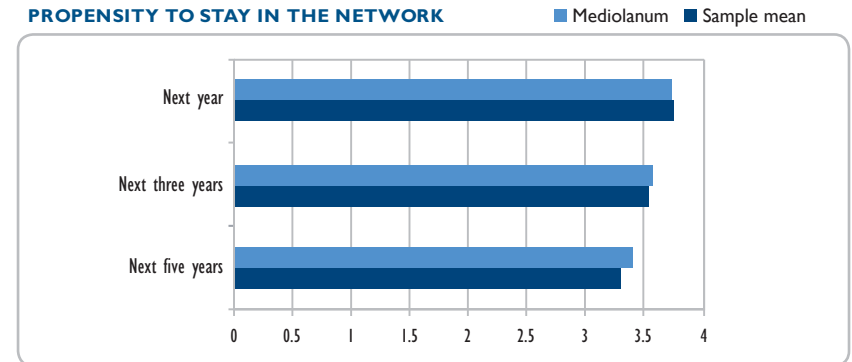


A good level of satisfaction, exceeding 80%, was expressed for the infrastructure supporting Financial Advisors.

\* Source: PF Monitor 2011 GfK Eurisko.

The 2011 survey included a sample of 1,520 Financial Advisors from the following companies: Banca Mediolanum, Azimut, S. Paolo Invest, Banca Sara, Finanza & Futuro, Banca Fideuram, Allianz Bank, Banca Generali, Fineco, MPS Banca Personale.

**PROPENSITY TO STAY IN THE NETWORK**



The indicators show a good propensity for the members of the Sales Network to remain in the network for the coming years, confirming an above average level of loyalty.

## Tools supporting sales activities

The Group has significant communication tools dedicated to the members of the Sales Network: an Intranet portal, the corporate TV and commercial brochures and tools.

### BMEDNET: AN INTEGRATED PORTAL

The BMedNet portal contains all the key information meant for the Sales Network. The portal consolidates all of the various facets of the activities of the Sales Network in one place, unquestionably delivering benefits to Family Bankers® and making work easier for them, as they can find, all in one place, the information available regarding the subject of their search.

Moreover, all the devices that have to do with training, information, tools, commercial initiatives and incentives are available on the portal. It is a key tool (which is constantly updated and features enriched content) that permits Family Bankers® to best prepare and plan their work in order to meet customer needs in an even more timely manner.

### THE CORPORATE TV

The corporate TV transmits a variety of programs on training and refresher courses, which focus on products, marketing initiatives and strategies. The Mediolanum Group was the first Italian company to use this innovative means of communication, having developed the first corporate TV channel in 1989, based on the experience of some American companies. The corporate TV, which was conceived to create horizontal communication, has transmitted programs via the Internet since 2006, reaching the entire Sales Network. Family Bankers® can watch these programs at any time on their laptops.

In 2010, the corporate TV was integrated with BMedNet, allowing for stream viewing of the shows directly on the portal.

In 2011, the programming was enriched by new shows on the ongoing financial crisis, providing answers and updated information in a timely manner to the Sales Network, as well as delivering breaking news on a daily basis.

The "Mercati che fare" show (which is also available to the public – i.e. customers and prospects – on the

Banca Mediolanum website) provides a comprehensive overview of the current financial situation, welcoming esteemed guests, including columnists, economists, university professors, entrepreneurs and journalists.

In addition to the programs for the Italian Sales Network, shows adapted for the foreign subsidiaries TV were introduced.

### TOOLS AND COMMERCIAL BROCHURES

To provide unique, tailored and highly professional consultancy services, Banca Mediolanum supports Family Bankers® by providing them with commercial tools designed to help them illustrate specific products and services and to plan their sales activity. These tools:

- contain certified data and information;
- have strong appeal to customers and Family Bankers®;
- are constantly updated and adapted to reflect the changing market conditions and needs of the customers and the Sales Network;
- are extremely flexible, to enable Family Bankers® to adapt their sales presentations to the selling situation.

These tools, which are jointly developed by certain Headquarters Departments and the Sales Network, build on real success cases and include:

- **tools:** i.e. multimedia tools (which are integrated with BMedNet and connected to the customer database) containing certified and constantly updated information and data; moreover, there is a single sales approach and a common thread running along the entire range of tools.
- **commercial brochures:** i.e. paper versions of the tools, which are usually brochures also containing separate technical data sheets integrating the multimedia tools to enable flexible use of such tools and meet a wider range of customer and Family Banker® needs.

These tools are designed to respond to specific customer needs in terms of banking, pension, investment and credit services.

The Sales Network uses these devices more than 15,000 times per month on average.



### A DEDICATED TOLL-FREE NUMBER

A **toll-free number** staffed by more than 50 operators providing support and assistance to the Network has been active at Headquarters since 2008. Over the course of 2011, there were about 231,400 incoming telephone calls from Family Bankers® and in 77% of the cases the request was managed within the same phone call. The main objective of this set-up is to provide the best possible support, in real time, to Family Bankers® in their work.

### LITIGATION AND DISPUTES

Outstanding lawsuits with the Sales Network mainly involve legal actions initiated by the Bank in response to unacceptable behavior or in any case behavior that is not compliant with the regulations governing off-premises sales of financial services: in this case the Bank takes measures to protect customers who suffered damage. To mitigate these risks, the Sales Network Inspectors Unit performs checks on the sales activity of the Network on a regular basis, with the objective of ensuring full and continuous compliance with the regulations applicable to off-premises sales of financial products and services. Checks and audits were conducted at Financial Advisors' offices as well as at corporate Headquarters. In addition to such checks, potential operational and reputational risks related to the Sales Network activities were assessed by using specific quantitative and statistical indicators.

To further protect the Bank, in 2011 the insurance policy covering potential illegal actions by Sales Network members that could come to the detriment of customers was renewed.

## Training & Learning

### MEDIOLANUM CORPORATE UNIVERSITY

Mediolanum Corporate University is the educational institution of Banca Mediolanum, developed to protect and reaffirm the values that have made the company great. It aims to train professionals to achieve excellence in customer relationship, financial advice and in the management of household assets. MCU has 134 professors, all of whom are managers who personally contributed to 'making Banca Mediolanum's history'. They work side by side with university professors and renowned corporate consultants chosen from among the best both nationally and internationally.

Mediolanum Corporate University aims to be a main point of reference for:

- Banca Mediolanum Family Bankers® and employees during their professional development and personal growth;
- Banca Mediolanum customers or small investors to improve their economic and financial literacy;
- universities and the academic world as the ideal counterpart for discussing issues relating to negotiation, sales and customer relationship management;
- the company's partners and all those who are close to the Mediolanum Community.

The MCU Campus is located in Milano Tre, Basiglio, Milan, on the Headquarters premises of Banca Mediolanum. There are more than 4,000 square meters of space entirely dedicated to students with spacious classrooms, a museum where the roots of Banca Mediolanum are preserved, a library and an audiovisual library where an ample selection



of international books and videos is available, thanks to advanced multimedia equipment.

Moreover, to let new information acquired during the day sink in and help students get ready for the upcoming tasks, the Mens Sana room was created: it's the ideal place to find body/mind balance. The Mediolanum Corporate University Campus includes a residence with 75 fully-appointed rooms to host the guests of MCU during the various training sessions.

In addition to the normal training activities, a new course called Mediolanum Business Meeting was introduced in 2011. These meetings, in which the entire Sales Network participates, are held every 15 days to inform Family Bankers® of the Bank's new strategies and targets as well as to provide them with useful technical and commercial tools for their activities.

A total of over 162,000 hours were dedicated to this new type of training and more than 40,000 people participated in these meetings.

A significant number of training activities dedicated to the insurance sector and the new regulatory requirements and obligations imposed by ISVAP were also carried out in 2011, for a total of approximately 160,000 hours and 35,000 participants.

In 2011, faculty preparation programs were further strengthened by monitoring teaching skills and organizing business coaching to improve teachers' classroom practice.

Moreover, as regards faculty training, a specific course was held for professors who teach courses dedicated to Family Bankers® and Supervisors; innovative teaching methods, such as role-playing, as well as audiovisual devices were used and targeted feedback focused on specific behavior was given.

Mediolanum Corporate University, in the wake of the successful series of conferences organized in 2009 and 2010, decided to replicate the initiative, in order to support the Sales Network in the areas of protection, funding and financial planning. 25 conferences were held, with 2,901 Family Bankers® participating on a voluntary basis.

In an effort to emphasize its role as a “Financial Educator”, MCU has chosen to organize educational events, aimed at Banca Mediolanum customers and retail investors in general, addressing topics such as financial planning, protecting families and their assets and achieving financial stability, since real crises are generated by not knowing the rules that govern the financial universe. So the “Conoscere & Investire” (Knowing & Investing) project was launched to create opportunities for those interested in finance and economics to meet and share their views.

In 2011, MCU, true to its vision (i.e. “Providing a Way to Excellence”), proposed a series of cultural events called “MCU incontra l'Eccellenza” (MCU meets Excellence), which are designed to promote professional development and personal growth among managers and customers.

MCU firmly believes that today what really makes a difference is wanting to make a difference; it's the only way to create a better working and living environment. Over 200 customers attended the 7 events, with highly-esteemed speakers, such as (2001) Nobel Prize-winning economist Michael Spence, Paolo Legrenzi (a student of Nobel Laureate Daniel Kahneman), as well as other esteemed scholars and representatives from the financial world.

### LEARNING: AN INTEGRATED PROCESS

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

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

### MEDBRAIN: KNOWLEDGE AT-HAND AT ANY MOMENT

MedBrain projects continued in 2011; this technologically advanced, innovative system guarantees each student online access to their customized training plan. Through multimedia technology, MedBrain allows students to choose the learning mode best-suited to each individual: online courses in video, written

and audio versions, all of which are downloadable and available for use at any time. This MCU system gives students the opportunity to get together, converse with each other and share their views and results. MedBrain connects all the “Menti della Rete” (Minds of the Sales Network) in just one place, for a new way of learning, where relationships can be built, and know-how and knowledge shared.

### TRAINING AND DRILLING: DIALOGUE AND SHARING

MedBrain allows the Banca Mediolanum Sales Network to access their study plan – containing constantly updated information about specific courses and tests passed – as well as data analyses and reports.

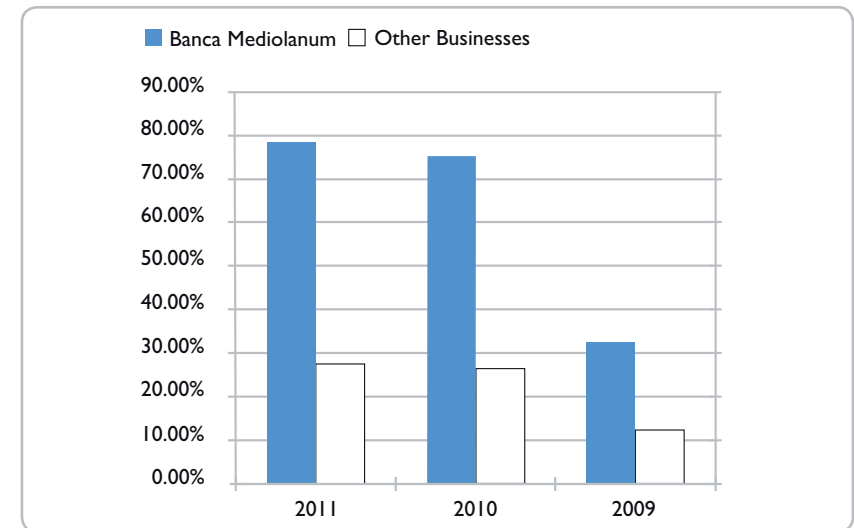
Total number of hours of training	Hours of credit 2011	Hours of credit 2010
Total number of hours - classroom	314,216	237,366
Of which: hours spent in the MCU lecture hall	65,164	86,237
Total number of hours - online	242,288	262,284
<b>TOTAL</b>	<b>556,504</b>	<b>499,650</b>

Total number of hours of training per category	Hours of credit 2011	Hours of credit 2010
Refresher training	165,848	-
Behavioral	46,510	58,527
Managerial	17,590	51,285
Regulations – Compliance with regulatory requirements	160,181	-
Insurance products	30,564	227,761
Banking products	111,155	132,654
Financial products	18,134	23,792
IT systems	6,522	5,632
<b>TOTAL</b>	<b>556,504</b>	<b>499,650</b>

In 2011, the institution mostly focused on the area of 'refresher training', in its new MBM version, while the number of hours dedicated to behavioral and managerial topics – especially the latter – was reduced. Moreover, there was a significant decrease in the hours dedicated to insurance products compared to previous years. Starting 2011, in fact, ISVAP courses (Sales Network and Headquarters), which used to be included in the 'insurance products' area up to 2010, fall within the 'regulations - compliance with regulatory requirements' area. Additionally, the analysis shows a slight decrease in the 'IT systems' area.

## PREPARATION FOR THE STATE EXAM FOR REGISTRATION IN THE FINANCIAL ADVISOR REGISTER

2011 figures were in line with those of 2010, as regards candidates from Banca Mediolanum as well as candidates from other businesses. Out of 246 candidates from Banca Mediolanum who took the exam (vs. 2,564 candidates from other businesses), 192 passed it (vs. 694 from other businesses), i.e. 78% versus 27.1%. The success rate for Banca Mediolanum in 2011 was also in line with – or slightly better than – that registered in 2010 (75.7% vs. 26.2%).



## Family Banker® Recruiting

The growth in size of the Sales Network continues to represent one of the strategic objectives of the Mediolanum Group. Consequently, the decision was made to constantly invest in finding Family Banker® candidates, i.e. next-generation Financial Advisors who always seize the best opportunities available in the market.

The Family Banker Recruiting Department – thanks to a dedicated team of managers working at Headquarters as well as at the local level – is in charge of designing and constantly reviewing new recruitment strategies and tools aimed at finding High Potential and High Profile candidates and putting them in touch with Banca Mediolanum. Moreover, the Headquarters Team, which directly reports to the Sales Department, is also in charge of training the best Supervisors and all the recruiters.

The “Web Recruiting” program was launched in 2009, with the creation of an advanced recruiting platform, which sends e-mail and text messages to potential candidates on a regular basis, inviting them to a meeting about Banca Mediolanum and its growth project.

Continuing the strategy implemented in the previous years, online recruitment campaigns, which boost the number of candidates, were carried out also this year.

In 2011 there was a radical change in the recruitment strategy: the requirements that High Potential candidates must meet were made more stringent, eliminating less qualified and experienced candidates. This new recruitment strategy aimed at improving the Bank’s candidate pool resulted in an increase in the quality of candidates, as only those who are very motivated to work as Family Bankers® were selected.

The training tours that are carried out by Headquarters managers on a regular basis strengthened the skills of the best recruiters in selecting candidates.

Moreover, the best Supervisors were also given the task of developing start-up programs aimed at helping new Family Bankers® improve their performance and be on their own sooner.

As regards High Profile candidates, local initiatives were undertaken, which resulted in an increase in the number of contacts with local agencies, Financial Advisors from other businesses and Private Bankers.

Due to their success, these initiatives will also continue in 2012.

The selection process was based on an accurate profiling stage, after which individual Financial Family Banker® candidates were invited to a meeting aimed at illustrating the market to them and learning more about the candidates to predict their success on the job.

Moreover, the Bank currently offers better financial terms, with respect to previous years, for the recruitment of High Profiles, which makes Banca Mediolanum one of the most competitive banks in the industry.

# The Customer-Family Banker® Relationship at the local level

## THE FAMILY BANKER OFFICE®

Banca Mediolanum and its Family Bankers® are present in all Italian regions and main cities in Italy with offices that are located at street level and offices located on higher floors.

The street level premises, i.e. "Banca Mediolanum - Family Banker Offices®", are a point of contact where customers and prospects can obtain information or an opinion on financial, banking or pension matters.

Number	2011	2010	Change %
Family Banker® Offices	234	239	(2)
Sales Network Traditional Offices	261	266	(1.8)
Branches	6	6	0
<b>TOTAL</b>	<b>501</b>	<b>511</b>	<b>(1.9)</b>

The Family Banker Office® is the place where customers can find out about Banca Mediolanum and, with the help of Family Bankers®, they can also learn how to use the Bank's multiple channels via the workstations that connect directly to the Internet and to Tele-text or they can access the Banking Services Center directly. Both Family Banker Offices® and the traditional Sales Network offices are Family Bankers® administrative offices. Besides the Head-



quarters' branch in Basiglio, the other branches of Banca Mediolanum are in Milan, Rome, Bologna, Padua and Assago.



The Family Banker Offices® of Banca Mediolanum are distributed so that practically the entire country of Italy is covered. The regions with the greatest number of offices are Veneto, Lombardy, Emilia Romagna, Lazio and Sicily.



Network of  
Family Banker® Offices  
across Italy



# EMPLOYEES





## Analysis of employees

An overview of the Mediolanum Group's personnel at the end of the year is provided in this section.

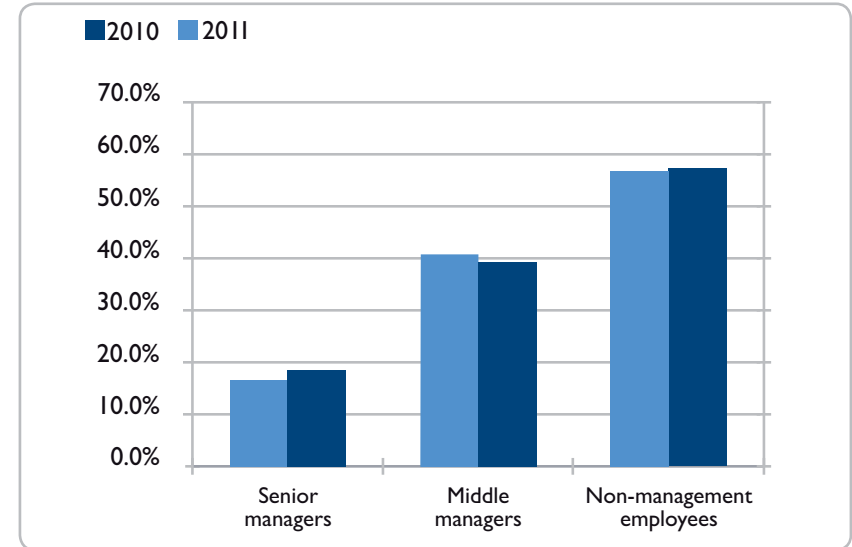
### BREAKDOWN OF EMPLOYEES BY CATEGORY AND GENDER

2011				
Category	Number			% of total
	M	F	Total	
Senior Managers (*)	71	14	85	4.8
Middle Managers (*)	138	93	231	13.1
Non-management employees	624	830	1,454	82.1
<b>TOTAL</b>	<b>833</b>	<b>937</b>	<b>1,770</b>	
Men/Women (%)	47.1%	52.9%		
2010				
Category	Number			% of total
	M	F	Total	
Senior Managers (*)	69	16	85	4.9
Middle Managers (*)	136	88	224	12.8
Non-management employees	615	825	1,440	82.3
<b>TOTAL</b>	<b>820</b>	<b>929</b>	<b>1,749</b>	
Men/Women (%)	46.9%	53.1%		
Change %				
Category	Number			% of total
	M	F	Total	
Senior Managers (*)	2	2	-	0.0
Middle Managers (*)	2	5	7	3.1
Non-management employees	9	5	14	1.0
<b>TOTAL</b>	<b>13</b>	<b>8</b>	<b>21</b>	<b>1.2</b>
Men/Women (%)	61.9%	38.1%		

\*\*\* 2010 data does not take into account 7 senior managers and 5 middle managers hired on a temporary basis for a specific project underway in the Banca Mediolanum Sales Network Area.

In 2011, there was a slight increase in employee numbers, specifically due to the InMediolanum project. This year, 53% of the employees were women, in line with previous years. The figure is significant if compared to the industry average of 43%\*.

### BREAKDOWN OF FEMALE EMPLOYEES BY CATEGORY



The breakdown of female employees by category was stable. In 2011, female executives accounted for 1.5% of all women employees, compared to the average of 0.5% in the banking and finance industry according to ABI (Italian Banking Association)\*. Out of total executives, 16.5% were women, and the percentage is high also for other professional categories.

\* ABI "2011 Report on Employment in the Finance Industry".

## BREAKDOWN OF EMPLOYEES BY COLLECTIVE LABOR AGREEMENT TYPE

Collective Labor Agreement type	2011			Total	% of total
	Number				
	SM	MM	NME		
Banking		201	1,366	<b>1,567</b>	88.5
Insurance	1	5	22	<b>28</b>	1.6
Commerce	84	21	39	<b>144</b>	8.1
Manufacturing				-	0.0
Private Radio & TV Networks		4	27	<b>31</b>	1.8
<b>TOTAL</b>	<b>85</b>	<b>231</b>	<b>1,454</b>	<b>1,770</b>	
Collective Labor Agreement type	2010			Total	% of total
	Number				
	SM	MM	NME		
Banking		193	1,331	<b>1,524</b>	87
Insurance	2	4	23	<b>29</b>	2
Commerce	83	23	53	<b>159</b>	9
Manufacturing				-	0.0
Private Radio & TV Networks		4	33	<b>37</b>	2
<b>TOTAL</b>	<b>85</b>	<b>224</b>	<b>1,440</b>	<b>1,749</b>	

The breakdown of employees by collective labor agreement type reflects the weight of the different components of the Group's business. Since the Group includes Mediolanum Comunicazione S.p.A., a company engaged in the communications business, some employees are covered under the "Private Radio & TV Networks" agreement. All other employees are covered under the banking, insurance and commerce agreements.

## BREAKDOWN OF EMPLOYEES BY LABOR AGREEMENT TYPE

Type of contract	2011	2010	Change %
	Number	Number	
Permanent employment	1,704	1,684	1.2
Total fixed-term contracts	66	70	(5.7)
<i>Trainee contracts</i>	46	38	21.1
<i>Fixed-term contracts (*)</i>	20	32	(37.5)
<b>TOTAL STANDARD CONTRACTS</b>	<b>1,770</b>	<b>1,754</b>	<b>0.9</b>
<b>TOTAL FLEXIBLE CONTRACTS AND OTHER CONTRACTS</b>	<b>31</b>	<b>35</b>	<b>(11.4)</b>
<b>TOTAL</b>	<b>1,801</b>	<b>1,789</b>	<b>0.7</b>

(\*) 2010 data takes into account 5 senior managers hired on a temporary basis for a specific project underway in the Banca Mediolanum Sales Network Area.

In terms of the total workforce, there was more stability in terms of both standard and flexible contracts, due to an increase in the number of permanent contracts.

## BREAKDOWN OF EMPLOYEES BY AGE GROUPS

Age group	2011				
	Number per category			Total	% of total
	SM	MM	NME		
18-25			45	45	2.5
25-35		10	760	770	43.5
35-45	33	144	533	710	40.1
45-55	38	67	104	209	11.8
over 55	14	10	12	36	2.0
<b>TOTAL</b>	<b>85</b>	<b>231</b>	<b>1,454</b>	<b>1,770</b>	
Age group	2010				
	Number per category			Total	% of total
	SM	MM	NME		
18-25			55	55	3.1
25-35		14	805	819	46.8
35-45	32	135	485	652	37.3
45-55	39	66	83	188	10.7
over 55	14	9	12	35	2.0
<b>TOTAL</b>	<b>85</b>	<b>224</b>	<b>1,440</b>	<b>1,749</b>	

In 2011, 50% of total employees were younger than 35.

## AVERAGE AGE

Category (Age)	2011			2010		
	M	F	Total	M	F	Total
Senior managers	47.74	51.13	48.30	47.44	49.15	47.76
Middle managers	43.16	42.93	43.07	42.53	42.18	42.39
Non-management employees	34.28	35.63	35.03	33.64	34.81	34.31
<b>TOTAL</b>	<b>36.90</b>	<b>36.59</b>	<b>36.74</b>	<b>35.70</b>	<b>35.10</b>	<b>36.00</b>

The average age of Mediolanum employees is 36.7, which is considerably lower than the ABI average\* (43.4).

\* ABI "2011 Report on Employment in the Finance Industry".

## BREAKDOWN OF EMPLOYEES BY LENGTH OF SERVICE (\*)

Length of service	2011				
	Number per category			Total	% of total
	SM	MM	NME		
0-2 years	3	9	77	89	5.0
2-5 years	9	18	404	431	24.4
5-10 years	20	37	436	493	27.9
10-15 years	29	120	441	590	33.3
over 15 years	24	47	96	167	9.4
<b>TOTAL</b>	<b>85</b>	<b>231</b>	<b>1,454</b>	<b>1,770</b>	
Length of service	2010				
	Number per category			Total	% of total
	SM	MM	NME		
0-2 years	2	4	82	88	5.0
2-5 years	11	28	523	562	32.1
5-10 years	25	40	306	371	21.2
10-15 years	27	107	436	570	32.6
over 15 years	20	45	93	158	9.0
<b>TOTAL</b>	<b>85</b>	<b>224</b>	<b>1,440</b>	<b>1,749</b>	

(\*) Length of Service relates to service within the Group.

The trend relating to the range of '2-5 years' and '5-10 years' of service was mainly due to a significant portion of employees – who have joined the Group over the past few years – moving up to the next length of service group.

 EDUCATION LEVEL

		2011			
		Number per category %			Total %
Category	Gender	University degree	High school diploma	Vocational school	
Senior managers	M	84.5	15.5	0.0	100
	F	50.0	50.0	0.0	100
	Total	78.8	21.2	0.0	100
Middle managers	M	58.7	38.4	2.9	100
	F	44.1	52.7	3.2	100
	Total	52.8	44.2	3.0	100
Non-management employees	M	42.8	52.4	4.8	100
	F	38.2	59.4	2.4	100
	Total	40.2	56.4	3.4	100
<b>TOTAL</b>		<b>43.7</b>	<b>53.1</b>	<b>3.2</b>	<b>100</b>
		2010			
		Number per category %			Total %
Category	Gender	University degree	High school diploma	Vocational school	
Senior managers	M	83.3	16.7	0.0	100
	F	55.6	44.4	0.0	100
	Total	77.8	22.2	0.0	100
Middle managers	M	57.4	39.0	3.7	100
	F	42.0	52.3	5.7	100
	Total	51.3	44.2	4.5	100
Non-management employees	M	38.2	54.3	7.5	100
	F	33.8	61.2	5.0	100
	Total	35.7	58.3	6.0	100
<b>TOTAL</b>		<b>39.9</b>	<b>54.6</b>	<b>5.5</b>	<b>100</b>

Employees have a high level of education: 43.7% of them hold a university degree, compared to the ABI average of 35.3%\*. Moreover, over 77% of executives and 52% of middle managers hold a university degree.

 EDUCATION LEVEL OF NEW HIRES

	2011		2010	
Education level	Number	% of total	Number	% of total
Postgraduate	5	7.5	2	3.3
University degree	40	59.7	26	43.3
High school diploma	21	31.3	15	25.0
Other	1	1.5	17	28.4
<b>TOTAL</b>	<b>67</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>

New hires also have a high level of education: 66.7% of them hold a university degree.

\* ABI "2011 Report on Employment in the Finance Industry".

**BREAKDOWN OF HOURS ABSENT BY LEAVE-TYPE IN TERMS OF HOURS AVAILABLE**

	2011		2010	
Leave-type	Hours	%***	Hours	%***
Holiday/ Maternity leave	379,801	12.8	391,973	12.6
Sick leave	112,248	3.8	123,073	3.9
Paid leave	66,814	2.2	75,628	2.4
Other*	48,403	1.6	49,583	1.6
<b>TOTAL HOURS ABSENT</b>	<b>607,266</b>	<b>20.5</b>	<b>640,257</b>	<b>20.5</b>
<b>REGULAR HOURS WORKED</b>	<b>2,362,246</b>	<b>79.5</b>	<b>2,479,239</b>	<b>79.5</b>
<b>AVAILABLE HOURS **</b>	<b>2,969,512</b>	<b>100.0</b>	<b>3,119,496</b>	<b>100.0%</b>

Managers are not included in the table above due to the different way in which their presence at work is accounted for. Vacation and maternity leave are contractually obligatory and account for more than 62% of the total of hours absent.

\* Coursework, medical visits, family leave and work-related leave.

\*\* Available hours are calculated as the number of work days in a year multiplied by the number of work hours according to the related labor agreement.

\*\*\* The percentage is calculated as the ratio to the total number of available hours.

## EQUAL OPPORTUNITIES

This section highlights the relationship between the average compensation for men and that for women, calculated as the ratio between the average compensation for men and the average compensation for women.

2011						
Category (%)	<2	2-5 years	5-10 years	10-15 years	>15 years	Average
Senior managers	n.a.*	n.a.*	1.34	0.97	1.41	1.20
Middle managers	0.97	1.08	0.98	1.11	1.16	1.11
Non-management employees	0.97	1.03	1.04	1.05	1.00	1.00
2010						
Category (%)	<2	2-5 years	5-10 years	10-15 years	>15 years	Average
Senior managers	n.a.	1.77	1.41	1.04	1.32	1.24
Middle managers	1.05	1.09	1.00	1.13	1.13	1.11
Non-management employees	1.03	1.05	1.00	1.05	0.99	0.99

\*This data is not available, as it cannot be calculated (because there are no female employees in this category and with this length of service).

In 2011 there were no significant changes compared to 2010. With reference to senior managers, there is a significant difference in compensation in certain length-of-service categories, but this is attributed in large part to the different roles and levels of responsibility.

## PROTECTED CATEGORIES

Current laws require hiring personnel belonging to what are termed “protected categories”. Some Group companies have signed special agreements with the Provincial Government of Milan to plan the hiring of these individuals over the next few years, in compliance with the regulatory requirements.

A possible channel for finding candidates belonging to the protected categories has also been activated

through an agreement with an agency recognized by the Provincial Government, which is specialized in helping the disabled enter the world of work.

	2011	2010	Change %
Senior managers	-	-	0.0
Middle managers	6	1	500.0
Non-management employees	38	36	5.6
<b>TOTAL</b>	<b>44</b>	<b>37</b>	<b>18.9</b>

The agency the Group collaborates with has a team of psychologists who recruit, select and train these individuals beforehand, according to the characteristics of the job they will have and in close collaboration with the Human Resources Department of the Group. These employees are helped to settle into the company by a dedicated and specialized tutor who works for the external agency. This tutor follows the individual for the first 6 months of internal training. At the end of this period the tutor, the team of psychologists and the company assess whether the tasks are suited to the individual, in order to make sure that the job is in line with the person's psychological and physical characteristics.

At the Mediolanum Group Headquarters, accessible infrastructure ensuring that the building is accessible to disabled employees and visitors is in place: 13 wheelchair-accessible entryways and 22 reserved parking spaces were constructed for this purpose. Moreover, there are 8 accessible restrooms.

## LITIGATIONS AND DISPUTES

In 2011, there is a pending dispute with a former employee.

## Care for our people

### PERFORMANCE MANAGEMENT AND DEVELOPMENT TOOLS

Many tools have been adopted within the Group to support HR in the management and development of employee performance, in terms of meeting targets and in terms of behavior and attitudes displayed while carrying out their work activities.

In 2011, strategies were devised which will become the benchmarks for the staff's professional development for years to come. Moreover, the concept of coaching was developed (training and resource support), essential for the managers in charge when it comes to interacting with collaborators.

Even if we maintained a consistent approach, as regards the relevant areas of performance and skills assessed, instruments vary in terms of the specific professional skill set. For example, the Banking Services Center adopts a skills' assessment scheme which assesses both operational performance (such as handling phone calls within an appropriate amount of time), as well as the ability to collaborate (e.g. interact with colleagues, share information and knowledge, etc.).

Mastering a certain skill is subject to ability and merits and preceded by targeted training. Anyone who acquires and effectively uses a specific skill will be rewarded with a salary increase.

### CAREER PATH AND TURNOVER

There was a slight increase in the headcount of the Group in 2011.

The human resources development policy, which starts with targeted recruitment and the selection of young high school and university graduates, continued to be pursued. The selection process entails inviting candidates to spend an entire day at the company, where they are given a full description of the organization and its values as well as the induction and development processes. Candidates also take part in group assessments and have individual interviews with Human Resources personnel. The induction process includes a 2-month training period in the classroom, followed by a period alongside senior call center representatives who manage the relationships with the customers and the Sales Network. At the end of this training period, the new hires are then ready to work autonomously, within a specialized working group.

Depending upon personal characteristics, educational background, and individual aspirations, the new hires continue to be followed in their work path, in order to identify the best opportunities for their professional development and to unlock their potential, whether it be in the area of customer care, or in other departments. Moreover, there are specific training and development courses to acquire or strengthen technical and managerial skills that are designed in close cooperation with the Corporate University of the Group.

The search for individuals who can add value to the business (i.e. personnel with specialized know-how or specific managerial experience) is carried out with the assistance of external recruiters (i.e. headhunters).

The job rotation policy aimed at job enlargement or job enrichment is characterized by the mobility of personnel inside the Group, also internationally, with time spent abroad working for foreign subsidiaries.

## NET NEW JOBS

In 2011, there was a slight increase in the number of new hires in the Group, which is associated with the customer service for the InMediolanum project.

2011				
Category (Number)	SM	MM	NME	Total
Hires	3	7	57	67
Terminations	5	3	38	46
Resignations	4	2	32	38
Retirement	1			1
End of contract		1	5	6
Death			1	1
<b>NET NEW JOBS (*)</b>	<b>(2)</b>	<b>4</b>	<b>19</b>	<b>21</b>
2010				
Category (Number)	SM	MM	NME	Total
Hires	1	2	57	60
Terminations	5	6	48	59
Resignations	3	5	38	46
Retirement	2	1	4	7
End of contract			6	6
Death				0
<b>NET NEW JOBS (*)</b>	<b>(4)</b>	<b>(4)</b>	<b>9</b>	<b>1</b>

\* Where Net New Jobs = Hires – Terminations

NOTE: Please note that the figures regarding net new hires by category – shown in the table above – do not coincide with those shown in the table 'Breakdown of Employees by Category' as they do not include the effects of promotions to higher positions. Moreover, the senior management category does not include executives hired with a fixed-term contract, people joining/leaving the Group's foreign operations, nor new personnel resulting from acquisitions.

## TURNOVER

In 2011, the turnover decreased versus 2010. As regards senior managers, this decrease was partly due to some executives having reached retirement age and partly to the expiry of fixed-term contracts.

2011				
Turnover (%)	SM	MM	NME	Total
New Hires (*) total	3.5	3.1	4.0	3.8
Resignations (**) total	5.9	1.3	2.6	2.6
Turnover T1 (***)	4.7	0.9	1.9	1.9
2010				
Turnover (%)	SM	MM	NME	Total
New Hires (*) total	1.1	1.0	3.9	3.4
Resignations (**) total	5.6	2.9	3.3	3.4
Turnover T1 (***)	4.5	2.8	3.0	3.1

\* New hires = No. of individuals hired in the category/total personnel in that category at the start of the year.

\*\* Resignations = No. of resignations in the category/total personnel in that category at the start of the year.

\*\*\* Resignations calculated on permanent employment contracts.

## PROMOTIONS

The figures provided below confirm, in absolute terms, equal career development for men and women, and the extensive use of internal promotion to fill higher positions.

2011				
Promotions (Number)	M	F	Total	% standard contracts
Middle > Senior managers	2	0	2	0.1
Middle > Middle managers	8	0	8	0.5
Non-management employees > Middle managers	2	3	5	0.3
Non-management employees > Non-management employees	46	61	107	6.0
<b>TOTAL PROMOTIONS</b>	<b>58</b>	<b>64</b>	<b>122</b>	<b>6.9</b>
<b>TOTAL STANDARD CONTRACTS</b>			<b>1,770</b>	
2010				
Promotions (Number)	M	F	Total	% standard contracts
Middle > Senior managers	0	0	0	0.0
Middle > Middle managers	4	7	11	0.6
Non-management employees > Middle managers	7	11	18	1.0
Non-management employees > Non-management employees	60	57	117	6.7
<b>TOTAL PROMOTIONS</b>	<b>71</b>	<b>75</b>	<b>146</b>	<b>8.3</b>
<b>TOTAL STANDARD CONTRACTS</b>			<b>1,749</b>	

## EMPLOYEE BENEFITS

Over the past several years, the Mediolanum Group has put special services and activities in place to help its employees create personal life-work balance. Some of these stemmed from employee suggestions. We believe caring for our people is a concrete way to apply corporate values, as well as improve the quality of our professional relationships.

### Workplace day care center

The company's day care center "**Baby Med**", which is located just 50 meters away from the Group's Headquarters and is managed by specialists, has been operational since 2004. It was created by Banca Mediolanum to respond to the lack of maternity-related services, a problem that can significantly affect working mothers and is even more relevant considering how "young" Mediolanum is, and how many women there are in the workforce.

The structure, which has been enlarged over the years due to increasing demand, occupies 1,000 square meters of space and can accommodate **127 children** ranging from 0 to 3 years of age. Baby Med is probably one of the largest workplace day care centers in Italy that is located on the same premises and is designed to take care of employees' children.

There is a 300 square-meter outdoor play-ground protected by a video-surveillance system. The monthly fee paid by employees for the day care center is reasonable and below average fees in Milan, due to



the fact that it is a non-profit initiative. There is also a positive impact on the local community. Due to the high-quality child care services provided, the Lombardy Region contributed funds to the project, and about 10% of the places available were reserved

for families living in Basiglio where the Group's Headquarters is located. The day care center is open year-round, including August, from 8:30 a.m. to 6:30 p.m.: short programs are available during the summer months in order to offer the service to other mothers when there are vacancies during summer holidays. Moreover, in order to meet the needs of employees and their families when other day care centers close for the summer holidays, Baby Med functions as a "campus" for pre-school age children as well.

### Flextime

The Flextime scheme allows employees to arrive at work any time between 8:00 a.m. and 9:30 a.m.; moreover, Mediolanum also meets employee needs by adopting flexible, part-time working schemes. In 2011, 43 employees took advantage of part-time schedules, with 11 different hour schemes.

### Shuttle bus service

A private shuttle bus service is available, with frequent runs between Headquarters and Milan. The flexible shuttle hours respond to the needs of employees in terms of both hours and runs that cover the main subway stops. This service delivers considerable benefits, in terms of reducing commuting time and costs, as well as pollution and traffic.

### Employer-sponsored supplementary pension

Some time ago the Group established a Pension Fund, which is available to all employees. The mechanism incentivizes employees to enroll in the scheme: those who opt to pay their productivity bonus into the fund will see their bonus increase. At the end of 2011, 93% of middle managers and 89% of non-management employees were members of the Fund.



### Protection: supplementary health insurance

Optional supplementary healthcare is an additional insurance coverage offered free of charge to employees (middle managers and non-management employees covered under the banking and commerce labor agreements who have permanent employment or trainee contracts). It includes coverage for a range of medical expenses, with the possibility of extending it to the employee's family for an additional amount.

	2011		2010	
	Number	% of total	Number	% of total
<b>Insured</b>				
Employee beneficiaries (middle managers and non-management employees)	1,628	83.9	1,600	82.9
No. of family members with extended health insurance	313	16.1	330	17.1
<b>TOTAL NO. OF INSURED</b>	<b>1,941</b>	<b>100</b>	<b>1,930</b>	<b>100.0</b>
No. of employees who extended the health coverage to their family members	182	11.2	184	(1.1)

Since 2008, supplementary health coverage has also been granted to senior managers, completing the range of services already offered.

### Tax Assistance

A tax assistance service was offered free of charge to employees also in 2011, to help them file their annual individual income tax return. This year, 1,129 employees took advantage of this service.

### Special terms for products and services

Employees may also take advantage of special terms for the products and services offered by the Group, such as:

- mortgage loans;
- bank accounts;
- credit and personal loans;
- financial products and services (e.g. investment funds, supplementary pension plans).

Moreover, a service providing information and practical support in terms of investment in the Group's products is available for employees and is staffed by colleagues called 'Supporter di Sede' (Headquarters Support Service).

### Special deals

The Mediolanum Group signs commercial agreements for discounts and/or special terms for its employees and Family Bankers®. These agreements cover sectors ranging from furniture to apparel, from wellbeing to leisure time and travel. An updated list of the special deals is available on the Innova portal.

## Employee involvement

The Mediolanum Group has always made an effort so that the concept of continuous improvement becomes part of the work life of the entire organization. Mediolanum Group employees actively take part in improving the efficiency of corporate processes, by also participating in Work Improvement Teams, Improvement Projects and, since the end of 2009, in Kaizen Weeks (which is a Japanese methodology for step-by-step, continuous improvement).

### WORK IMPROVEMENT TEAMS

Work Improvement Teams (WIT) were first introduced in the company in the 90s. They are composed of 5-8 employees who participate on a voluntary basis in this activity. The teams last approximately five months and meet regularly to identify critical areas and find solutions to improve or optimize work issues.



All the participants follow an ad hoc learning process and WITs are always under the guidance of a Tutor (i.e. a manager within the company who has experience and specific knowledge in the area related to the project) who has the role of assisting all the team members during all the phases of the project:

1. identification of the problem;
2. data collection;
3. writing up of one or more proposals for improvements;
4. implementation (and follow up).

All the proposals for improvements are submitted to senior executives and the best proposals, in terms of concrete benefits delivered to the company, are selected. All winning team members receive a (travel-related) award and are also invited to attend a special dinner along with some senior executives.

Work Improvement Teams have given good results in terms of improving workplace climate, actively involving employees in company life, as well as delivering economic benefits and process optimization.

In 2011, 10 WITs were put together with 70 employees participating. To turn the projects developed by WITs into real corporate projects, 'Followups' were created in 2006. They aim to follow every step of the projects until they are fully implemented, under the guidance of a tutor as well as technical workers.

## Employee Training

In 2011, the Mediolanum Group – through Mediolanum Corporate University – organized the following employee training activities.

Figures updated as of December 31, 2011					
2011		2010		Change %	
Participants	Hours of credit	Participants	Hours of credit	Participants	Hours of credit
14,059	62,345	12,605	62,204	12	0.2

Total number of hours of training per category	Participants 2011	Hours of credit 2011
Refresher training	123	2,605
Behavioral	903	8,776
Managerial	1,771	4,989
Regulations – Compliance with regulatory requirements	3,233	13,804
Insurance products	130	4,704
Banking products	6,152	17,723
Financial products	1,047	5,447
IT systems	489	2,680
Off-campus – Technical courses	211	1,618
<b>Total</b>	<b>14,059</b>	<b>62,345</b>

These figures confirm the great efforts and investments made in 2010. Figures worth mentioning include: courses were up 5% and the number of participants increased by 12%. Apart from this increase in quantitative terms, the Group's range of training courses (i.e. the training "catalog") was also broadened. Moreover, the remarkable increase in the number of classroom activities is noteworthy. Actually, online training slightly decreased versus 2010 (-6%), due to the fact that most of the mandatory topics (e.g. those concerning ISVAP, MiFiD, anti-money laundering, personal data protection and safety regulations) have already been covered. In-depth training, which is key in teaching extremely complex topics, **increased by 58%** (the number of participants grew from 3,412 to 5,401).

The most relevant result in qualitative terms was the increase in training activities dedicated to managers (i.e. senior and middle managers) – with 1,771 participants out of a total of 5,401 – accounting for one third of classroom activities.

This “rebalancing” of trainee categories is mainly due to the launch of the first **Executive Master’s Degree in Business & Banking Administration by Mediolanum – SDA Bocconi**, which was the most complex and relevant employee training project organized in 2011. Thanks to this project, 27 employees can finish their financial and management training with the highest-quality academic program. It aims to:

- help participants focus on scenario analysis, strategic planning and competitive decision-making;
- help participants improve their innovation-related skills and develop specific analytical and decision-making skills in the different areas.

This Master’s course, which is designed to meet the Group’s specific needs, is SDA recognized and will end in December 2012.

Moreover, in the second half of the year, high-quality projects dedicated to various categories of business professionals and organized by major institutions (e.g. Bocconi/SDA University, Cattolica University, MIP-Business School of the Politecnico di Milano, Prometeia) were launched.

Training programs dedicated to Customer Service staff continue to be a top priority for the Group, both in terms of number of courses and investments made, and are constantly improved. Regardless of the number of new hires and the relevant training programs, high-quality training is provided, also due to the fact that new multi-skills programs aimed at enhancing operators’ basic skills are launched and constantly improved.

Investment in training programs aimed at supporting and developing Service Quality, and specifically WITs, remains stable.

Lastly, the activities related to new marketing and sales development projects (e.g. “direct access”, “display areas”) dedicated to specific customer segments (PrimaFila and Private Banking customers) or the support service (for the Sales Network) are also noteworthy.

## TRAINING COURSES FOR NEW HIRES

	2011	2010	Change %
No. of sessions	4	4	-
No. of participants	42	44	(0.45)
Total no. of hours per 49-day course	16,464 hours	16,104 hours	2.23
Hours per capita	392 hours	366 hours	7.10

In 2011, there was the same number of training courses for Banking Specialists as in the previous year. Moreover, the trend in courses for new hires or employees participating in job rotation was also confirmed.

Training quality remains unchanged, but new methods were introduced and the range of training activities was broadened (e.g. with online courses) and adjusted to meet the needs of the Mediolanum Group in terms of new products offered (e.g. “InMediolanum”).

## Workplace safety



Safety protection activities are conducted to ensure employee and workplace safety, in compliance with statutory and regulatory requirements, specifically with the Consolidated Act on Health and Safety at the Workplace, i.e. Legislative Decree no. 81 of April 8, 2008, which replaced Law no. 626/94, encompassing all the laws regarding safety.

The Mediolanum Group’s **Safety Project** aims to minimize the risk of accidents at work, and thus create a culture of safety in the workplace, by taking preventive measures.

In 2011 many specialized support activities were carried out for the Prevention & Protection Service (PPS), which is handled by the “Employer in charge of Safety” together with “Prevention & Protection Managers”.

As of December 31, 2011, the PPS was composed of 7 worker health and safety representatives

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(WHSR), 74 staff members trained and qualified to give first aid and 60 fire wardens.

The new activities implemented in 2011 to comply with the Risk Assessment Document ('Documento della Valutazione del Rischio' - DVR) include an assessment of work-related stress. Moreover, meetings were held and activities carried out to set up this assessment based on a method that reflects INAIL guidelines (National Institute for Insurance against Accidents at Work). The assessment, which is carried out by the 'Employer in charge of Safety' together with the 'Prevention & Protection Manager' and the competent medical doctor – after having consulted worker health and safety representatives – is currently ongoing and will be registered in the Risk Assessment Document after it is concluded. In accordance with the guidelines contained in the Organization and Management Model (Modello Organizzativo di Gestione – MOG), the safety activities carried out in 2011 specifically regarded the following:

- a health monitoring program was implemented (e.g. medical examinations carried out by occupational physicians as well as eye examinations and visual therapy by specialists);
  - a Hazard Survey was conducted (i.e. inspections of the workplace to detect any non-compliant situations and suggest corrective actions; these inspections may also be carried out upon request by employees);
  - Safety Meetings were held (every 15 days);
  - the Safety section contained in the Innova portal, which is available to all staff, was constantly updated (moreover, an e-learning training course was launched in April 2011);
  - the Safety Status Report was submitted to the Supervisory Authority;
  - office evacuation drills were carried out on a regular basis;
  - training courses were carried out, as required by the Consolidated Act on Health and Safety at the Workplace – Legislative Decree no. 81/2008;
- Other activities carried out on an annual basis include:
- a seasonal flu vaccination campaign, providing vaccines to employees on a voluntary basis;
    - workstation and equipment sanitation;
      - air filter replacement;
      - periodic and preventative disinfestation.

## INDUSTRIAL ACCIDENT FREQUENCY RATES

	2011	2010	Change %
Total no. of accidents	21	19	10.5
Of which: commuting accidents*	19	17	11.8
No. of days of work lost for industrial accidents	290	268	8.2
Severity index **	0.12	0.11	13.6

\* Commuting accidents are those accidents that occur during commutes to and from work.

\*\* The severity index is defined as the ratio between days absent due to industrial accidents and thousands of hours worked.

## Company-employee relations

### EMPLOYEE RELATIONS

In 2002, the Employee Relations Unit was set up to maximize the quality of work life and improve workplace climate. The initiatives undertaken have always taken employee needs into account and have dealt with a multitude of areas:

- projects to balance work and family life;
- healthcare;
- cultural, leisure and sports activities.

### BALANCING WORK AND FAMILY LIFE

In addition to the service provided by the Baby Med day care center – which is one of the major employer-sponsored day care centers in Italy – the Group also provides other services to meet employee needs and help them solve their problems, such as:

- a service for the filing and handling of administrative procedures, driving license and passport renewal and duplication and consultancy, transfer of car title and plate number registration, and the “Answers from a building superintendent” service;
- shoe repair, tailoring, mending and laundry services;
- a variety of services offering high-quality, organic foods;
- agreements with mechanics and tire shops for employee car maintenance;
- recreational activities for the children of employees during the summer months.

## HEALTHCARE

To raise awareness in the area of health, specific projects were implemented in 2011:

- two blood drives were organized in cooperation with Avis Milano, with an ever-increasing number of donors;
- an annual flu vaccination campaign was carried out;
- an annual anti-smoking campaign was carried out;
- body mole mapping was performed by a dermatologist in cooperation with LILT - it was the first time that the company organized an initiative of this kind;
- fitness classes were held, such as yoga, total body and Pilates workout, and spaces where employees may simply go jogging were made available (employees can use the space dedicated to sports activities, where changing rooms and showers are available).

Moreover, to promote a healthy lifestyle, bicycles are also available for use during work breaks and at the end of the work day, even for just a short ride.

## RECREATIONAL ACTIVITIES

In 2011, the number of employees who took part in recreational activities significantly increased, also thanks to new initiatives launched. Currently, employees can choose from a wide range of options, such as:

- athletics, sports (see the fitness classes mentioned above) and sports tournaments for employees;
  - recreational activities (including dance, cooking



and sewing classes);

- cultural initiatives and shows (exhibitions, concerts, theater, conferences, employee photography exhibits);
- a cycling team called "Mediolanum che pedala" (Mediolanum goes bike riding);
- Christmas presents for children at Baby Med;
- moreover, a soundproof room was set up at corporate Headquarters and made available to music lovers.

182 initiatives – not taking into account services provided on a regular basis and those provided by third parties – were organized in 2011, slightly more than in 2010.

## “INNOVA” PORTAL

The Innova intranet portal is the communication channel that the company uses to communicate with its employees. It is the gateway to all the information, tools, rules and procedures that are relevant to working and “living” at Mediolanum, including: information about the Group, its organization, values, rules, results, events, activities, facts as well as new developments and opportunities.

2011 Number of page views	
January	360,000
February	546,000
March	717,000
April	540,000
May	493,000
June	498,000
July	481,000
August	344,000
September	608,000
October	539,000
November	708,000
December	602,000

In 2011 there were over 350,000 page views per month on average, with a peak of 717,000 hits in the month of March.

# SHAREHOLDERS AND INVESTORS



# The Mediolanum stock

## HISTORY

The Mediolanum stock has been traded on the Italian Stock Exchange since June 1996 and is part of the FTSE/MIB index, the Italian Blue Chip stock index, including the most liquid and large-cap companies in each industry. The stock is also a component of other major international stock indices, e.g. the Bloomberg European 500, the S&P Euro 350 and the S&P Global BMI Index. The following are the main events in the history of the Mediolanum stock:

- June 3, 1996: the Mediolanum stock is first traded on the Italian Stock Exchange in Milan at ITL 12,000 (€1.197) per share;
- November 1997: 1:5 stock split with ordinary shares divided by 5. Recalculating the IPO stock price after the split, the price is equal to ITL 2,400 (€0.239).

In 2011 a €0.11 dividend will be paid out.

## HISTORICAL DATA IN EURO

	2011*	2010*	2009*	2008*	2007*	2006*	2005*	2004	2003	2002	2001	2000	1999	1998
<b>EPS</b>	0.09	0.31	0.30	0.18**	0.29	0.31	0.32	0.19	0.18	0.11	0.14	0.16	0.12	0.10
<b>DPS</b>	0.11	0.16	0.15	0.15	0.20	0.20	0.20	0.14	0.11	0.10	0.10	0.09	0.07	0.06

\* International Accounting and Financial Reporting Standards (IAS/IFRS)

\*\* On pro forma net profit

EPS= Earnings per Share

DPS= Dividend per Share



## Share capital

As of December 31, 2011 the share capital of Mediolanum S.p.A. was made up of 733,819,366 ordinary shares with par value of €0.10.

The main shareholders of Mediolanum S.p.A. are the Doris Group (40.54626%) and the Fininvest S.p.A. Group (35.89071%). Mediobanca holds a 1.94871% interest with no voting rights. The free float is 21.56186% and 0.05247% is treasury shares held by Mediolanum S.p.A..

A Shareholders' Agreement was signed between the "Doris Group", i.e. Mr. Ennio Doris and Fin. Prog. Italia S.p.a. owned by Ennio Doris & C., and Fininvest S.p.A., representing at least 51% of share capital, the shares being equally divided among shareholders. The agreement was renewed on September 14, 2010 and will remain in force for three years.

## Investor Relations

The Mediolanum Group is committed to ongoing dialogue with the Italian and international financial community, which has always recognized its transparency and reliability.

Mediolanum S.p.A. has several thousands of shareholders from many different countries, including significant shareholders, such as pension funds, mutual funds and insurance groups.

The Investor Relations Team, in line with the guidelines provided by senior executives, aims to promote a line of communication dedicated to shareholders, institutional investors and financial analysts by providing, in a timely manner, accurate information about the management and the strategies adopted by the company – in addition to financial and business results.

All of this in compliance with the regulations laid out by CONSOB and Borsa Italiana for the dissemination of price sensitive information, which could influence the stock's performance on the market. The Investor Relations Team uses a variety of means to keep in touch with the stakeholders in the financial community: telephone calls, one-on-one and group meetings, as well as technological channels (e.g. e-mail, conference calls and video conferences).

Moreover, over the course of the year, there are a number of opportunities that take the Team to the major international markets, such as conferences organized by the major brokers

and roadshows in Europe and North America, with and without the participation of senior executives.

Key communications activities in 2011	2011	2010	Change %
No. of presentations to analysts	6	6	-
No. of presentations to investors	8	9	(11)
No. of roadshow days in Italy	4	1	300
No. of roadshow days abroad	20	21	(5)
No. of one-on-one meetings with analysts (*)	26	13	100
No. of one-on-one meetings with investors	123	159	(29)

\* Telephone calls and e-mail were not included in the figures.

On the one hand, there was an increase in the number of meetings with analysts, which reflects the efforts made by the Investor Relations Team to attract the financial community's interest in the Mediolanum stock, despite the difficult market conditions. On the other hand, there was a slight decrease in the number of group presentations to investors and one-on-one meetings during roadshows versus 2010, although the number is still high. This was even more so in the fall of 2011, when the international financial community was less inclined to consider investing in Italian stocks.

Moreover, the Investor Relations Team ensures that up-to-date information is available to investors and the markets on a dedicated section of the website [www.mediolanum.com](http://www.mediolanum.com). In this section, users can find past and recent financial information as well as the webcasts of the earnings releases (both the live, interactive presentations that give viewers the opportunity to ask questions, as well as past events on demand).

Additionally, the Team provides assistance and advice to all the company departments that need to disclose economic and financial information to external parties for any given reason.

# SUPPLIERS



## Procurement policy

The Mediolanum Group attributes great value to its suppliers, and the role they play. Therefore, it makes great efforts to build strong and constructive long-term relationships with current and potential suppliers; these relationships are based on values and principles such as lawfulness, transparency, fairness and loyalty, in compliance with the Corporate Social Responsibility criteria contained in the Social Report and the requirements imposed by Model 231/01 (i.e. the Organization and Management Model) and the Code of Ethics.

As of December 31, 2011, there were approximately 2,150 suppliers of the Mediolanum Group. The provision of services was particularly concentrated in the following areas: information technology, marketing and communications, consultancy, systems and maintenance.

Suppliers are accurately selected and closely monitored, so as to find the best option available on the market.

Moreover, the Group selects (or confirms) its suppliers based on their financial solidity as well as other criteria, such as:

- service quality;
- reliability;
- assistance and timeliness in their services;
- responsible and ethical behavior; also concerning the environment and the community at large.

### PURCHASING PROCEDURE AND METHOD

The Procurement Department assists the entire organization in purchasing the goods and services needed to run the business.

The Department is in charge of keeping the Register of Suppliers, which provides a list of those suppliers who currently hold contracts with the Group for the provision of goods or services. It is also responsible for monitoring and assessing supplier performance on a regular basis, both in terms of commercial and technical performance and based on Key Performance Indicators. Moreover,

it finds alternatives and other suppliers based on market surveys. To

purchase goods and services the Department uses procurement tools such as e-tendering and e-auctions and

complies with internal policies (approved by the Board of Directors) and Operations Regulations.

The entire process of the procurement of goods and services was automated so that all phases of the activity could be monitored; it includes carefully analyzing and assessing the technical and financial offers based on a Scoring Model containing technical, financial and contractual criteria to identify the best option.

The Procurement Department, together with the other relevant departments in charge under the internal regulations, also carries out those activities aimed at drafting contracts, including, in order to meet existing regulatory requirements, signing certain papers and accepting the terms contained thereof:

- information disclosure in compliance with Legislative Decree no. 231 dated June 8, 2001;
- obligation of confidentiality relative to the data and information concerning the object of the contract or the information acquired in the course of business, and the obligation of compliance with Legislative Decree no. 196/2003 regarding data protection;
- the obligation to comply with safety rules in the workplace.

Lastly, the Banca Mediolanum Procurement Department joined ABC (Asset Banking Consortium), the Consortium that assists banks in identifying best practices and in better managing their purchasing process.

## Breakdown of suppliers by business category

The breakdown of suppliers by business category reflects the composition of the Mediolanum Group's activities and services and is characterized by a large number of IT suppliers. To save money, in 2011 the company decided to outsource less often as regards professional services.

Business category	% of sales		Change %
	2011	2010	
EDP and databases	33.7	31.5	7.0
General expenses	18.3	17.2	6.4
Promotion, Advertising and Marketing	16.6	16.7	(0.6)
Professional services	8.6	11.1	(22.5)
Other	5.2	4.1	26.8
Property management	4.2	4.8	(12.5)
Utilities	3.0	4.4	(31.8)
Transportation and shipment	3.8	3.6	5.6
Insurance	6.6	6.6	-
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	

## Breakdown of suppliers by sales level

The rationalization and optimization policy implemented by the Mediolanum Group continued also this year, resulting in an 8% decrease in the number of suppliers in 2011 (vs. an 18% decrease in 2010). As a consequence, approximately 10% of the suppliers account for 90% of what is spent with suppliers.

Total annual sales (Euro)	% of concentration	
	% of suppliers	% of sales
0 - 10,000	66.4	1.5
10,001 - 100,000	23.2	8.9
> 100,001	10.4	89.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## Breakdown of suppliers by geography

Lombardy is once again the region with the highest number of suppliers, although the ratio between the number of suppliers in Lombardy and the total number of suppliers decreased from 47% in 2010 to 41% in 2011. 88 suppliers providing services to the Italian subsidiaries of the Group have registered offices abroad.

Region	Number of suppliers		Change %
	2011	2010	
Lombardy	877	1,090	(19.54)
Lazio	210	222	(5.41)
Emilia Romagna	165	149	10.74
Veneto	156	144	8.33
Sicily	127	99	28.28
Piedmont	104	125	(16.80)
Abroad	88	89	(1.12)
Tuscany	67	87	(22.99)
Campania	65	66	(1.52)
The Marches	47	42	11.90
Sardinia	37	30	23.33
Apulia	32	30	6.67
Umbria	29	36	(19.44)
Calabria	28	18	55.56
Friuli Venezia Giulia	24	18	33.33
Liguria	23	26	(11.54)
Trentino Alto Adige	21	18	16.67
Abruzzi	20	19	5.26
Molise	6	4	50.00
Valle d'Aosta	2	3	(33.33)
Basilicata	-	1	(100.00)
<b>TOTAL</b>	<b>2,128</b>	<b>2,316</b>	<b>(8.12)</b>

## CLAIMS AND DISPUTES

Out of a total number of over 2,000 suppliers, pending disputes in 2011 were limited in terms of both the number and amounts involved. This result reflects the attention devoted by the Mediolanum Group to fulfilling its contractual obligations and carefully selecting its suppliers.

# THE COMMUNITY AT LARGE



## Corporate Social Responsibility

In 2011, Banca Mediolanum reaffirmed its ongoing commitment to promoting the concept of business ethics and confirming its customer-oriented model.

It demonstrated its commitment by always being ready to help the Sales Network and customers in need, as well as the community at large.

As regards the Mediolanum Foundation, 2011 was a year of transition and commitment.

Commitment to its mission, goals and criteria for selecting and supporting projects, which aim to protect children and help vulnerable individuals.

Transition because at the end of 2011 the Foundation submitted to the Italian Revenue Agency its request to become a Non-Profit Organization, which will allow it to independently raise funds and develop its own initiatives.



## 2011 emergency situations

After the emergency relief initiatives undertaken to help the people affected by the earthquake that struck Abruzzi in 2009 and those affected by the heavy floods that hit Veneto in 2010, Banca Mediolanum also expressed solidarity with the people affected by the

severe flooding that hit Tuscany, Liguria and Sicily in fall 2011. It took prompt action and put a number of measures in place to ease the burden on people who suffered personal and financial loss at the time as well as customers in affected areas, such as:

- suspending mortgage and loan payments for a year;
- granting soft loans (first rates -2.5% = 3.441%).

Moreover, it set up a bank account to accept donations for flood-affected people: on December 28, 2011, Banca Mediolanum gave part of the funds raised (i.e. € 10,991,56) to Caritas charity organizations in affected areas, as they better understand the local community and can more effectively respond to their needs. Moreover, the Bank launched a new service for its customers in affected areas: customers can provide information about the amount of damage suffered to the Bank, which assesses whether they are eligible for additional financial assistance – provided by the Bank – in addition to the funds they will receive from the government.

### SUPPORT TO FAMILY BANKERS®

The heavy floods also caused damage to the Family Banker® Offices in Aulla (MS) and Barcellona Pozzo di Gotto (ME). Banca Mediolanum promptly sent a truck equipped with a mobile office (to enable Family Bankers® to carry out their daily tasks) and then announced its intention to pay for the repair and restoration of the building.

## Low-income lending

### BANCA MEDIOLANUM AND THE SAN BERNARDINO FOUNDATION JOINED FORCES

In May 2009, Banca Mediolanum signed an agreement with the San Bernardino Foundation, which is a charity organization that provides support and help to vulnerable individuals and families struggling financially, especially those struggling with debt, to prevent usury.

Under the agreement, the Bank shall give low-income individuals and/or people living below the poverty line access to loans to help them get through tough times and improve the quality of life of these people (or at least ensure that it doesn't get worse). The San Bernardino Foundation works with Caritas

organizations of the Dioceses in Lombardy, which rely on local Counseling Centers to identify the needs of vulnerable families with children. Qualified volunteers provide financial assistance to people on low incomes and the Bank fully takes on the credit risk associated with the loans granted.

Terms and conditions of the agreement	
Revolving credit ceiling	□250,000.00
Granted on December 31, 2011	□ 297,000.00
Number of loans	31
Average amount	□ 9,581.00
Interest rate (nominal price)	(IRS + 0.50%)

The Bank expects to sign similar agreements with other organizations operating across Italy in 2012.

#### ABI-CEI FRAMEWORK AGREEMENT

On December 21, 2010, the framework agreement between ABI and CEI (Conferenza Episcopale Italiana) came into force. It aims to set up a Guarantee Fund to enable households to have access to credit in two ways:

- “loans for low-income earners” – personal loans for families that are financially and socially vulnerable;
- “microcredit for businesses” – loans for people who want to start up a small business.

Banca Mediolanum takes part in this initiative only as regards granting soft personal loans (the so-called “Prestito della Speranza”) to financially vulnerable families.

## The Mediolanum Foundation: goals and results

The Mediolanum Foundation continues to promote projects aimed at helping children in need. In 2011, the Bank received 45 funding requests from NPOs and other organizations; out of these, 39 were deemed to be consistent with the Foundation’s mission. Each project was carefully assessed based on the following criteria:

1. **number of children helped;**
2. **unit cost:** i.e. the ratio between the cost of the project and the number of individuals (children) benefiting from it;
3. **geographic diversification;**
4. **self-sustainability:** self-sustaining projects are preferred;
5. **cost/investment ratio:** each organization is required to specify how much money, out of total funds raised, will be actually spent to cover management costs, to favor those associations that are able to allocate more funds to the project.





## PROJECTS

In selecting the projects, the Mediolanum Foundation tends to favor those covering specific areas, trying to ensure that each area has the same number of projects.

**Aid/assistance:** projects aimed at helping children in need (orphans or children from disadvantaged families) or those struggling against hunger.

**Education:** projects aimed at building and/or supporting schools which, especially in the poorest countries in the world, also provide healthcare services and necessities, such as food, to students.

**Healthcare:** projects aimed at building and/or supporting healthcare facilities, specifically children's and gynecological/maternity hospitals.

An overview of the 12 projects to which funds were granted is provided in the chart below.



NPO	COUNTRY	AREA	PROJECT	FUNDS GRANTED
<b>ACRA</b>	Chad	Education	Renovating schools and implementing small projects that can make students self-sufficient. Providing teaching materials and assistance to students' families.	<b>40,000</b>
<b>CONSOLATA ONLUS</b>	Tanzania	Healthcare	Building a new maternity ward at the hospital in Ikonda. Providing prenatal and neonatal care.	<b>35,000</b>
<b>AMREF</b>	Tanzania	Education	Building new schools and drilling wells of drinkable water. Thanks to these projects, children will no longer have to walk long distances to provide water for their families.	<b>50,000</b>
<b>ALEIMAR</b>	Benin	Assistance	Providing assistance and family reintegration for motherless, sick and/or malnourished children aged 0-3.	<b>10,000</b>
<b>AMANI</b>	Kenya	Assistance	Supporting a shelter where street children can stay and be looked after and setting up a training center for local teachers.	<b>30,000</b>
<b>FRATELLI SENZA FRONTIERE</b>	Mozambique	Assistance	Building a shelter for little orphans or abandoned children.	<b>15,000</b>
<b>CIAI</b>	Vietnam	Assistance	Implementing a nutrition program for children from ethnic minority groups in Northern Vietnam, including the donation of farm animals and a breeding training program.	<b>50,000</b>
<b>FONDAZIONE PUPI</b>	Argentina	Assistance	Implementing a child support program for children (aged 0-3) from disadvantaged families, including tangible and psychological help.	<b>34,000</b>
<b>AIUTARE I BAMBINI</b>	Ecuador	Education	Building a cafeteria in a school for street children to get them off the street through educational and sports activities.	<b>30,000</b>
<b>AMRI</b>	Italy	Healthcare	Genoa. Providing homes for rent to families whose children are in hospital.	<b>10,000</b>
<b>ASSOCIAZIONE DI AIUTO AL NEONATO</b>	Italy	Healthcare	Bergamo. Purchasing pediatric medical equipment and supplies.	<b>19,000</b>
<b>COMUNITA' DI SANT'EGIDIO</b>	Italy	Education	Rome. Encouraging Roma children to go to school and their parents to send them to school.	<b>58,000</b>

It is also worth mentioning that the **Private Banking Department of Banca Mediolanum** decided to donate the funds allocated for Christmas presents, i.e.

□**20,000**, to the project implemented by the **Aiutare i Bambini** Association which aims to build day care centers across Italy for children from disadvantaged families.

## The “Piccolo Fratello” Project

The Mediolanum Foundation has promoted the Piccolo Fratello project – a humanitarian project for street children in developing countries – for many years.

The project aims to help build a better future for children who, for many different reasons, live on the streets and have nowhere else to go, and who are at high risk of violence, drug abuse and prostitution. This initiative is geared to improve the quality of life and education of these children, by placing them in foster homes and child protection institutions as well as by encouraging them to go to school. The Foundation initially carried out a project in Kenya, which was a great success, and then started **cooperating with the Francesca Rava NPH Italia Non-Profit Foundation in Haiti.**

The Mediolanum Foundation not only made donations to the Rava Foundation, but it also made great efforts to help raise funds by creating synergy between the different companies belonging to the Mediolanum Group.

An overview of the activities and projects carried out and promoted by the Mediolanum Foundation and the Mediolanum Group together with the Rava Foundation is provided below.

The **Freedom for Haiti** project, which was launched in October 2010 and ended on March 31, 2011, envisaged that for each new Freedom account opened Banca Mediolanum would donate funds to the Francesca Rava NPH Italia Non-Profit Foundation to cover the cost of one month of schooling for a child in Haiti. **28,805 new accounts** were opened during the period; overall, thanks to this initiative, Banca Mediolanum donated **€432,075.**

Moreover, at the beginning of the year, the Bank actively promoted a fundraising campaign that was launched at the end of October 2010 to fight cholera outbreaks. People could donate by sending a text message. Banca Mediolanum supported the initiative by buying advertising space on radio stations.

Moreover, the Bank also promoted, among the **Mediolanum community**, an initiative enabling Bank customers to turn the



points earned with the **Mediolanum Freedom Rewarding** program into donations for the disadvantaged, by participating in the Piccolo Fratello project. In 2011, the points earned with the summer and winter catalogs were turned into funds that were given to the Rava Foundation, accounting for **€79,110.**

Other fundraising activities, instead, were carried out to provide much-needed healthcare to people in Haiti. Specifically, the Bank donated part of the proceeds made from merchandise sales (i.e. 3% of total annual sales) to projects aimed at providing pediatric/gynecologic care for children and their mothers.

Additionally, other activities were organized in December, at Christmas time, such as:

- employees were given the opportunity not to accept their Christmas presents and donate the value of their gifts to a project for Saint Damien Hospital (637 employees participated in this charity project);
- Christmas gift baskets were purchased from the Rava Foundation;
- donations were made by Banca Mediolanum.

On the occasion of the concert for the children of Haiti that was held on September 22, 2011 at La Scala Opera House in Milan, Banca Mediolanum supported the Francisville project by making a donation to set up a commercial kitchen.

Moreover, it is well worth mentioning that the Sales Network made a great effort to raise awareness of these charity projects among customers, especially at local events, where leaflets containing information about ongoing projects were handed out. Also thanks to the efforts made by the Sales Network, the Rava Foundation received a regular flow of donations from Banca Mediolanum customers throughout the whole year.

Overall, funds raised for the Piccolo Fratello project amounted to **€56,909** in 2011.



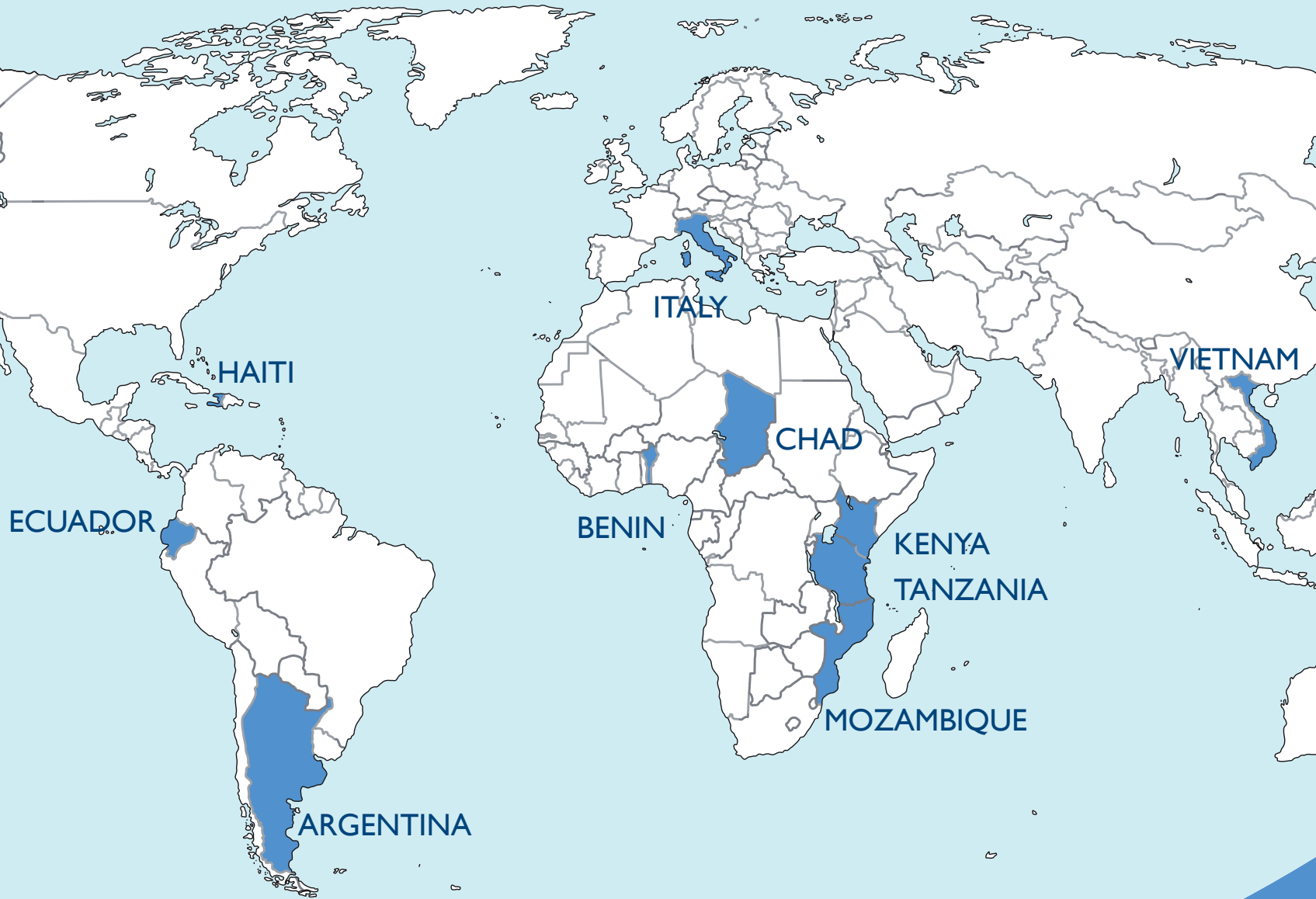
#### OUR GOAL FOR 2012

The Mediolanum Foundation will continue its mission in 2012. It will continue to support social, relief and healthcare projects, and, in general, it will try to help ease the burden and make the lives of disadvantaged people a little better.

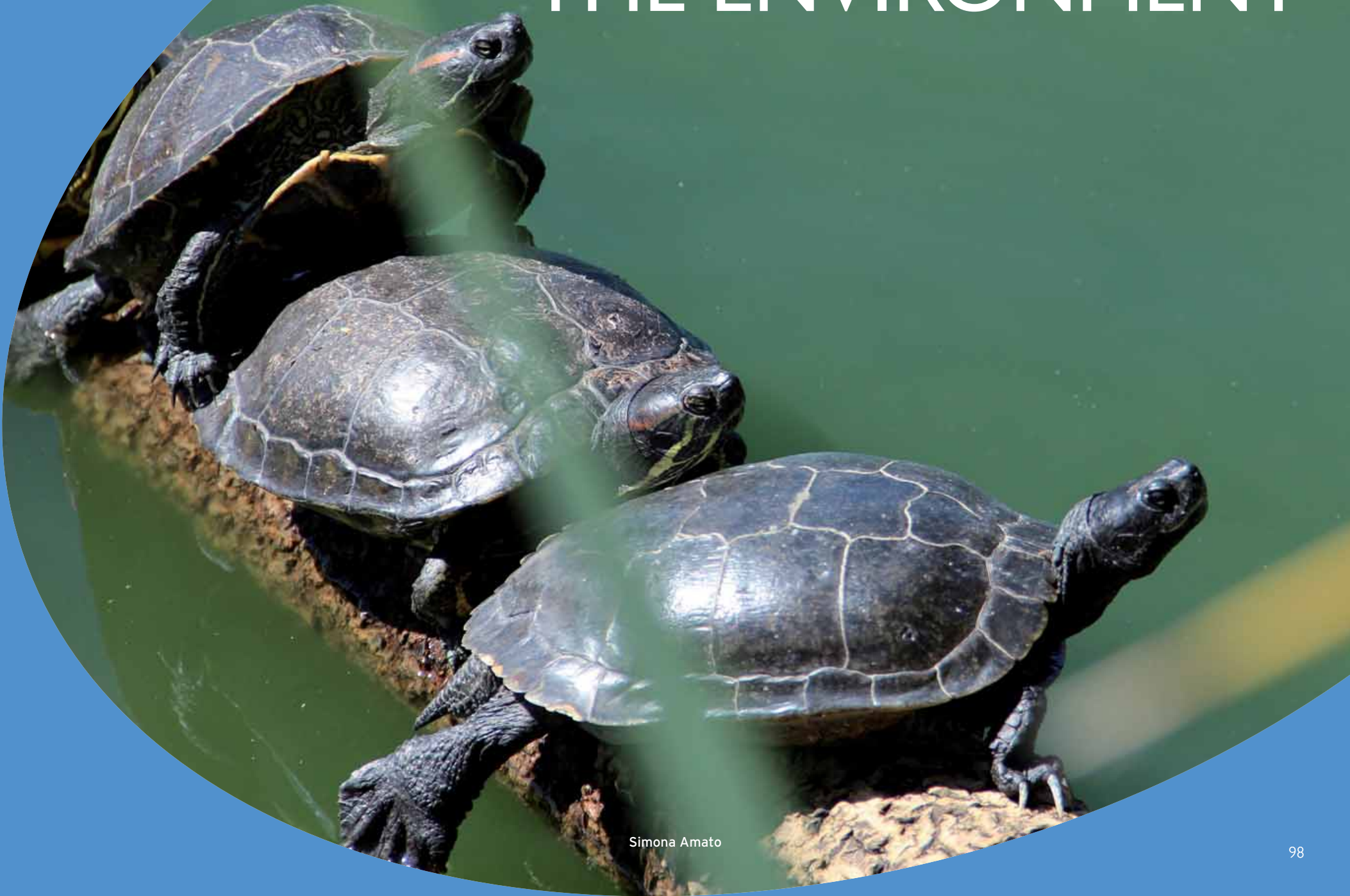
In 2012, the Foundation will promote long-term projects that meet specific requirements in terms of tangible help provided, favoring self-sustaining projects for children.

Due to its long experience in child protection projects, the Foundation believes that in many countries around the world **strengthening the role of women in society** is key in child support efforts, especially where discrimination greatly affects women and children. Therefore, the Foundation will appreciate projects that also aim to help mothers, as it has done in the past.

## 2011 PROJECTS - COUNTRIES



# THE ENVIRONMENT



Simona Amato

## Environmental protection

The Bank is aware of the importance of the environmental impact that all the activities undertaken by the Group and its employees generate at every level. Therefore, it implemented a number of concrete initiatives and projects aimed at reducing consumption and waste (e.g. energy, paper and water) as well as encouraging employees to adopt environmentally friendly behavior:

### RAISING EMPLOYEE AWARENESS

The Group's eco-friendly approach is a daily reality at Headquarters through a series of simple practices, which have allowed the Group to significantly cut costs and reduce its environmental impact, as well as help employees acquire more environmentally aware, greener habits in the workplace. Specifically, here are some of the deeply-rooted practices that have been continuously improved over the years:

- using the copiers' energy-saving features, i.e. the auto shut-off mode;
- reducing paper consumption by using copiers as centralized printers and scanners as well as e-mail (sending documents directly via e-mail) and by setting multifunction copiers to print front and back by default;
- placing toner cartridges and paper recycling bins on all floors;
- encouraging employees to use electronic alternatives to paper-based forms of communication.

The campaign aimed at raising awareness of saving energy at work also continued in 2011. The Bank encourages its employees to adopt simple measures to reduce energy consumption, such as turning off PCs and all



other electronic devices at the end of the workday, and then constantly monitors them.

### TARGETED MEASURES

In 2009, a tri-generation system was installed at Headquarters in Milano 3 for the simultaneous production of electricity, heat and refrigeration through the use of co-generators, heat pumps and absorption chillers. The system is fuelled

with methane gas, and provides self-generated energy for daily consumption (e.g. lighting, PCs, motive power, etc.). Covering the needs of four buildings, the system is made up of two separate and independent devices, located on the roof of each building.

The tri-generation system meets the following needs:

- it supplies approximately 56.3% of the current energy consumption;
- it covers the total heat demand, while it only partially covers the cooling demand.

Moreover, the tri-generation system allows the company to obtain "White certificates" (Energy Efficiency Credits) that can be used on the energy market.

Other buildings (e.g. Archimede, Galilei) as well as the company's day care center will be connected to the tri-generation system in 2012. It will provide self-generated energy, covering 90% of workstations, as well as emergency power (UPS and engine-generators).

### ENERGY CONSUMPTION

The information contained in this section relates only to the Milano 3 Headquarters. In 2011, the total area was 44,362 sq. m. The corresponding headcount came to 2,474 in 2010 and 2,480 in 2011 (+0.2%). This number includes employees and contract workers, e.g. interns, project contractors and advisors who are regularly present at Headquarters.

## ELECTRICITY

The Mediolanum Group devotes a great deal of attention to energy consumption since this is an area where direct actions can be taken to reduce environmental impact. In February 2006, the Group joined the "ABI Energia" Consortium through its membership in the Italian Association of Private Bankers (ASSBANK).

ABI Energia provides services to its members for optimal energy procurement and use. Thanks to agreements made with energy companies, consortium members can benefit from below market energy prices and other favorable contractual terms.

Electricity	2011	2010	Change %
Total consumption (MW)	8,498	9,717	(12.5)
Total consumption (KW)	8,497,701	9,716,735	(12.5)
Yearly consumption/sq. m [kW/ sq. m]	0.19	0.2	(12.5)
Yearly per-capita consumption (MW/employee)	3.43	3.9	(12.8%)

Thanks to the tri-generation system, in 2011, approximately 4,785 MW of electricity were produced, i.e. 56.3% of total consumption.

## HEATING

In 2011, thanks to the tri-generation system, only maintenance costs relating to the centralized system in the Milano 3 Headquarters were borne by the Group, while total heat demand for the buildings at Headquarters was covered by self-generated energy.

In 2011, heat meters were installed on the tri-generation system to accurately measure the number of Mega calories consumed; therefore, the figures regarding certain buildings (e.g. Meucci-Galvani and Fermi-Galeno) are actual figures, while those regarding other buildings (e.g. Archimede and Pitagora) are estimated figures (while in 2010 the figures regarding all the buildings were estimated figures).

Heating (in MCal)	2011*	2010*	Change %
Total consumption (Mcal)	3,250,800	3,071,920	5.8
Yearly consumption/sq. m [MCal/ sq. m]	73.28	69.25	5.8
Yearly per-capita consumption [MCal/ employee]	1,310.8	1,241.7	5.6

\* Consumption/sq. m. figures were adjusted to take into account the Lombardia Unit at Headquarters in Milano 3 in terms of area and employees.

Thanks to the use of the tri-generation system, approximately 2,507,760 MCal. were produced in 2011, i.e. 77.14% of total consumption.

## WATER

Estimated water consumption in 2011 was 13,640 cubic meters (m3) for personal use and 23,858 cubic meters (m3) for water-cooled machines (cooling towers).

Water	2011	2010	Change %
Total consumption (m3)	37,498	32,000	17.2
Per-capita consumption (m3/employee)	15.1	12.9	16.9

## PAPER

The amount of white and recycled paper used in 2011 was further reduced both in absolute terms as well as average per capita consumption thanks to the Bank's continued commitment to raising awareness of the importance of scanning documents, using photocopiers as centralized printers and scanners, using e-mail and setting printers to print front and back by default.

Paper (consumption)	2011*	2010*	Change %
Paper [tons]	41.1	55.2	(25.6)
Of which:	4.8	5.2	(8.1)
Letterhead and blank paper [tons]			
Recycled paper [tons]	36.3	50.0	(27.4)
Per-capita consumption [Kg/employee]	16.6	22.3	(25.8)

\* Per-capita consumption figures were adjusted to take into account the employees of the Lombardia Unit at Headquarters in Milano 3.

The awareness campaign to reduce paper use touched the customers as well. The Bank encouraged customers to receive documents concerning their bank accounts in electronic format rather than by mail (as of December 31, 2011, more than 64% of bank accounts were managed via electronic format).

Customers can receive documents by e-mail or view them on the Banca Mediolanum S.p.A. website, which allows them to reduce the use of paper and effectively store e-mail.

### WASTE SORTING AND DISPOSAL

The following waste is sorted:

- paper;
- packaging (cardboard, Styrofoam, wood);
- printer and copier toner cartridges;
- PCs and electronic equipment;
- batteries;
- plastic and aluminum.

To properly sort and dispose of waste, there are dedicated waste collection areas: toner cartridges and paper recycling bins are placed on all floors and plastic and aluminum recycling bins in the cafeteria and snack bars.



## Environmental impact of transportation

### SUSTAINABLE MOBILITY

Headquarters in Basiglio is connected to Milan (Famagosta and San Donato subway stops) by an efficient shuttle service. This service was used by 262 employees on average per day in 2011.

The use of public transportation to get to work was incentivized by an agreement with ATM – Azienda Trasporti Milanesi, the public company responsible for public transportation in Milan – regarding special rates for annual passes. Mediolanum Group employees purchased 89 ATM passes in 2011.

A carpooling program is also available to employees, enabling them to share rides. Interested employees can get in touch with other co-workers who take the same route to work via the company's Innova portal.

The Mediolanum Group reinforced its commitment to sustainable mobility by appointing a Mobility Manager responsible for this activity.



## TRAVEL EXPENSES

Travel expenses come under a variety of headings, in particular, the two that have to do with the company's car fleet and are reported in the table below are related to long-term rental costs and costs for fuel. The latter is reimbursed to employees who have a company car as part of their benefits.

Travel expenses (€)	2011	2010	Change %
Fuel	354,679	317,731	11.6
Car rental	1,579,943	1,507,618	4.8
Bus (shuttle)	526,991	582,008	(9.5)

Both expenses – covering an average of 113 cars – increased with respect to the previous year. The increase in fuel costs is due to greater consumption and rising raw material prices. Since 2010, the Mediolanum Group has focused on making its company car fleet even more environmentally friendly, with lower CO<sub>2</sub> emission, diesel engines with new generation DPF and alternative fuels. Currently, 30% of the cars in the Mediolanum Group's fleet have CO<sub>2</sub> emissions less than 130 g/km. Within the fleet, 5 of the cars run on alternative fuels (LPG or methane gas) and one is a hybrid (electric/gasoline).

The cost of the shuttle is paid for by the company and is provided by a private transportation service that connects Headquarters in Basiglio with Milan. In August 2011, the Group decided to reduce the number of journeys after having carefully analyzed the issue; as a result, there was a reduction in the kilometers travelled (14,834 kilometers less).

The smoke-free programs adopted by Group companies several years ago are included in workplace health projects: smoking is prohibited in the offices and in common areas. In 2011, 4 new air purification systems were installed, in addition to existing ones.



# REGULATORY AND LEGAL AUTHORITIES, TRADE ASSOCIATIONS

## Regulatory Authorities

The Mediolanum Group operates in heavily regulated sectors (statutes and other industry regulations) and must comply with specific regulations; moreover, companies are subject to inspections by the competent supervisory authorities on a regular basis.

The main regulatory bodies for the Italian companies of the Mediolanum Group are listed in the table below.

COMPANY	TYPE OF BUSINESS	ITALIAN REVENUE AGENCY	ANTITRUST AUTHORITY	REGULATORY AUTHORITY FOR ELECTRICITY AND GAS	COMMUNICATIONS AUTHORITY	BANK OF ITALY	BORSA ITALIANA	CONSOB	COVIP	DATA PROTECTION AUTHORITY	ISVAP	ENSARCO	UIF
Mediolanum S.p.A.	Holding company	●	●	●			●	●		●	●		●
Banca Mediolanum S.p.A.	Banking	●	●	●	●	●	●	●	●	●	●	●	●
Mediolanum Gestione Fondi S.G.R.p.A.	Asset Management	●	●	●		●		●	●	●			●
Mediolanum Vita S.p.A.	Life insurance	●	●	●					●	●	●		●
Mediolanum Corporate University S.p.A.	Training and education	●	●	●				●	●	●	●		●
Mediolanum Comunicazione S.p.A.	Communications	●	●	●	●					●			●
Mediolanum Distribuzione Finanziaria S.p.A.	Financial Services (art. 196 of the Consolidated Banking Act)	●	●	●		●		●		●		●	●

Inspections conducted by the various regulatory authorities in 2011 (according to each authority's jurisdiction) did not bring about any significant sanctions that had any impact on the business.

## Trade Associations

The companies within the Mediolanum Group are members of a variety of trade associations based on the type of business they conduct.

These memberships include:

- ABI - Italian Banking Association;
- Ania - Association of Italian Insurers;
- ASSBB - Association for Development of Banking and Stock Exchange Studies;
- Assogestioni - Asset Management Association;
- Assonime - Association of Italian Joint-Stock Companies;
- Assoreti - National Association of Financial Products and Investment Services Placing Firms.

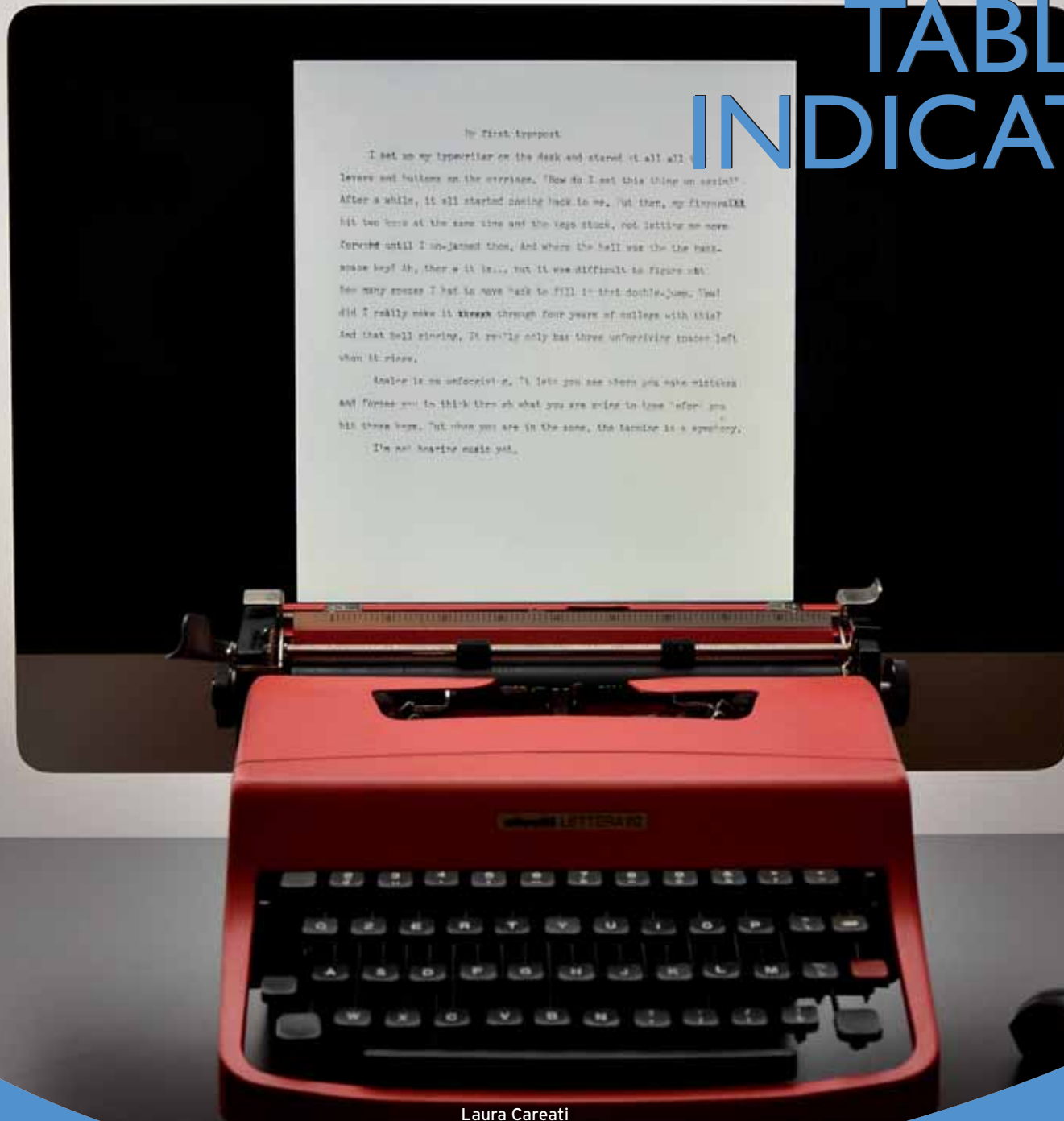
Mediolanum, as an active member of the trade associations above, constantly exchanges information with them and participates in various activities. Moreover, some Group officers are also members of the governing bodies of certain trade associations. Just to mention a few: the 'Knight of Labor' Mr. Ennio Doris is Vice President of Assoreti, Mr. Giovanni Pirovano (Executive Deputy Chairman of Banca Mediolanum S.p.A.) is Vice President of ABI and a Board member of Assbank; Mr. Walter Ottolenghi (Chairman of Mediolanum Gestione Fondi S.G.R.p.A.), sits on the Executive Board of Assogestioni; while Mr. Edoardo Lombardi (Director of Mediolanum S.p.A., Chief Executive Officer of Mediolanum Vita S.p.A and Mediolanum Assicurazioni S.p.A.) is a member of the Executive Committee of Ania.

The activities carried out include:

- participation in workgroups regarding specific issues and technical committees requiring specific expertise or specializing in specific areas;
- participation in initiatives that are geared to monitor developments in the relationship with customers, regulatory and legal authorities, etc. on a regular basis;
- surveys and questionnaires.

In the course of its business, the Mediolanum Group also interacts with the Judiciary and the Tax Authority through the Group's Legal Affairs Department, which is responsible, among other things, for preparing and providing documents and information expressly requested by the bodies mentioned above.

# TABLE OF INDICATORS



In First Report

I set up my typewriter on the desk and stared at all the letters and buttons on the carriage. "How do I set this thing on again?" After a while, it all started coming back to me. But then, my fingers hit two keys at the same time and the keys stuck, not letting me move forward until I un-jammed them, and when the ball was in the way, space key! Ah, there it is... but it was difficult to figure out how many spaces I had to move back to fill in that double jump. You did I really miss it through through four years of college with this? And that bell ringing, it really only has three unforgiving traces left when it rings.

And he is so unforgiving. It lets you see when you make mistakes and forces you to think like oh what you are going to lose before you hit three keys. But when you are in the zone, the machine is a symphony. It's not a noisy music yet.

Indicator	Standard	Coverage	Type of data (N/Q)	Coverage (I/G)	Page
<b>CORPORATE IDENTITY</b>					
ORGANIZATIONAL SETUP	*		N & Q	G	15
VALUES	*		Q	G	9
MISSION	*		Q	G	9
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POLICIES	*		Q	G	4, 11, 20
<b>VALUE ADDED CREATION AND DISTRIBUTION</b>					
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VALUE ADDED CREATION	*		N	I	34
VALUE ADDED BREAKDOWN	*		N	I	35
Personnel remuneration	*		N	I	35
Public administration remuneration	*		N	I	35
Return on debt capital		n.a.			
Return on equity	*		N	I	35
Company return	*		N	I	35
Donations	*		N	I	35
<b>SOCIAL INDICATORS</b>					
<i>KEY SECTIONS</i>					
CONTENT	*		Q	I	2, 20, 36
Overview of commitments, goals and rules of conduct	*		Q	I	4, 20, 28
Identification of stakeholders	*		Q	I	4, 5
Overview of policies regarding stakeholder categories, expected results and consistency with values	*		Q	I	37, 56, 70, 84, 87, 91, 98, 103
Opinions and judgments of stakeholders	*		N & Q	I	5, 39, 60, 82, 107
Improvement goals in terms of processes and substance	*		Q	I	4, 5
Opinions of third parties in charge of assessing process quality and compliance with methodology standards	*		Q	I	107
IDENTIFICATION OF STAKEHOLDERS	*		Q	I	4, 5
KEY ASSUMPTIONS BY STAKEHOLDER CATEGORY	*		Q	I	37, 56, 70, 84, 87, 91, 98, 103
<b>COMMON DENOMINATOR IN THE RELATIONS WITH STAKEHOLDERS</b>					
Guidelines and expected results in line with corporate values and mission	*		Q	I	37, 56, 70, 84, 87, 91, 98, 103
Surveys, legitimate expectations and level of satisfaction/agreement	*		N & Q	I	39, 60, 82
Information disclosure and communications	*		N & Q	I	5
Litigation and disputes	*		N & Q	I	39, 60, 82

**Legend**

Type of data: N: Number Q: Qualitative information  
Coverage: I: Italian companies G: Mediolanum group

Indicator	Standard Coverage	Type of data (N/Q)	Coverage (I/G)	Page
<i>SPECIFIC INFORMATION</i>				
<b>Personnel*</b>				
1. Analysis of personnel	*	N & Q	I	57, 71
2. Breakdown by age, gender, education level, category, job title, length of service, geography, nationality and agreement type	*	N & Q	I	57, 71
3. Work organization	*	N & Q	I	57, 71
4. Turnover	*	N & Q	I	59, 77
5. Social initiatives	*	N & Q	I	78, 82
6. Recruitment policy	*	N & Q	I	76
7. Equal opportunities policy	*	N & Q	I	75
8. Employee training	*	N & Q	I	64, 80
9. Compensation and incentives	*	N & Q	I	59, 76
10. Workplace health and safety	*	N & Q	I	79, 81
11. Industrial relations	n.a.			
<b>Shareholders</b>				
1. Analysis of shareholders by status and nationality	*	N & Q	I	86
2. Shareholders' benefits	n.a.			
3. Return on invested capital	*	N & Q	I	85
4. Shareholders' participation in corporate governance and protection of minority shareholders	*	N & Q	I	84
5. Investor relations	*	N & Q	I	86
<b>Financing parties</b>				
	n.a.			
<b>Customers/Users</b>				
1. Characteristics and analysis of customers and markets	*	N & Q	I	38
2. Quality systems	*	N & Q	I	20, 29
3. Assessment of customer satisfaction	*	N & Q	I	39
4. Customer contractual terms and conditions	*	N & Q	I	52
<b>Suppliers</b>				
1. Characteristics and analysis of suppliers	*	N & Q	I	88
2. Quality systems	*	Q	I	88
3. Supplier contractual terms and conditions	*	Q	I	88
4. Local economic benefits	*	N	I	90
5. Compliance with consistent standards along the supply chain	*	Q	I	89

\* Personnel data includes Sales Network staff and employees

**Legend**

Type of data: N: Number Q: Qualitative information

Coverage: I: Italian companies G: Mediolanum group

Indicator	Standard Coverage	Type of data (N/Q)	Coverage (I/G)	Page
<b>Public Administration</b>				
1. Income tax, other taxes and contributions paid	*	Q	I	34, 35
2. Subsidies, tax reliefs and/or soft loans received by segment	n.a.			
3. Preferential rates	n.a.			
4. Contractual relationships with the Public Administration	n.a.			
5. Internal rules and control systems to ensure regulatory and statutory compliance	*	Q	I	25
<b>The community at large</b>				
(a) Initiatives in the social sphere	*	Q	I	91
(a.1) Improvement of the quality of life in program areas:	*	Q	I	92
1. Education	*	Q	I	94
2. Sports	*	Q	I	47, 83
3. Healthcare	*	Q	I	94
4. Culture	*	Q	I	83
5. Research	n.a.			
6. Solidarity	*	N & Q	I	93
(a.2) Relations with associations and organizations	*	Q	I	103
(b) The environment	*	Q	I	99
1. Environmental and risk management systems	*	Q	I	99
2. Education and training	*	Q	I	99
3. Environmental performance indicators	*	N & Q	I	100
4. Use and consumption of energy and non-recyclable materials	*	N & Q	I	100
<i>SUPPLEMENTARY SECTIONS</i>				
OPINIONS AND JUDGMENTS OF STAKEHOLDERS	*	N & Q	I	5, 39, 60, 82
COMMENTS AND STATEMENTS MADE BY THE COMPANY	*	Q	I	2
SOCIAL REPORT IMPROVEMENT	*	Q	I	4, 5

**Legend**

Type of data: N: Number Q: Qualitative information  
Coverage: I: Italian companies G: Mediolanum group



# INDEPENDENT AUDITORS' REPORT



Stefano Zanoncelli

## REVIEW REPORT ON THE SOCIAL REPORT

### To the Board of Directors of MEDIOLANUM S.p.A.

1. We have reviewed the Social Report of Mediolanum Group (the "Group") as of 31<sup>st</sup> December 2011. The Directors of Mediolanum S.p.A. are responsible for the preparation of the Social Report in accordance with "*Principi di redazione del Bilancio Sociale*", issued in 2001 by GBS ("Gruppo di Studio per il Bilancio Sociale"), as stated in the paragraph "Introduction and note on methodology". The Directors are also responsible for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. The Directors are also responsible for the identification of *stakeholders* and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the Social Report. Our responsibility is to issue this report based on our review.
  
2. We conducted our work in accordance with the criteria for review engagements established by the "*International Standards Engagement 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information*" (ISAE 3000), issued by the *International Auditing and Assurance Standards Board*. That standard requires the compliance with ethical principles ("*Code of Ethics of Professional Accountants*" issued by the *International Federation of Accountants, IFAC*), including independence requirements. A limited assurance engagement on the Social Report consists of making inquiries, primary with company personnel responsible for the preparation of the information included in the Social Report, analysing the Social Report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
  - comparing the economic and financial information and data included in the chapter "Financial Indicators", paragraphs "Key Financial Data" and "Value added for the stakeholders" of the Social Report with those included in the Group Consolidated Financial Statements as of 31<sup>st</sup> December 2011, on Deloitte & Touche S.p.A. issued the auditor's report dated March 27<sup>th</sup>, 2012 pursuant to articles 14 and 16 of Legislative Decree n. 39 of January 27<sup>th</sup>, 2010);
  - analysing how the processes underlying the generation, recording and management of quantitative data included in the Social Report operate. In particular, we have performed the following procedures:
    - interviews and discussions with delegates of Mediolanum Group, to gather information on the information, accounting and reporting systems used in preparing the Social Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Social Report;

- analysis, on a sample basis, of the documentation supporting the preparation of the Social Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Social Report;
- analysing the compliance of the qualitative information included in the Social Report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the sustainable strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of personnel involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the Legal Representative of Mediolanum S.p.A. on the compliance of the Social Report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, it does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

For the data and information relating to the Social Report of the prior year presented for comparative purposes, reference should be made to "attestazione di conformità", dated May 31<sup>st</sup>, 2011 issued by another auditors.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the Social Report of Mediolanum Group as of 31<sup>st</sup> December 2011 is not prepared, in all material respects, in accordance with the "*Principi di redazione del Bilancio Sociale*", issued in 2001 by GBS ("Gruppo di Studio per il Bilancio Sociale"), as stated in the paragraph "Introduction and note on methodology".
4. This review report has been prepared for the Group in accordance with the engagement terms. We conducted our work with the sole aim to report to the Group the topics within this report scope. Therefore, we do not assume any responsibility towards any subject except the Group, regarding our work, this review report or results of it.

DELOITTE & TOUCHE S.p.A.

Signed By  
Paolo Gibello Ribatto  
Partner

Milan, April 27<sup>th</sup>, 2012

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