BANCA MEDIOLANUM S.p.A.

Annual Report 2008

BANCA MEDIOLANUM

MEDIOLANUM BANKING GROUP

Table of contents

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

BANCA MEDIOLANUM S.p.A.

Annual Report 2008

Registered Office: Basiglio Milano Tre (MI) - Via F. Sforza - Meucci Building
Share Capital: € 430,000,000.00 fully paid up
Tax Registration and Milan Register of Companies No.: 02124090164
VAT Registration No.: 10698820155

Corporate Governance Officers

Board of Directors

Ennio Doris	Chairman of the Board of Directors
Edoardo Lombardi	Deputy Chairman
Massimo Antonio Doris	Chief Executive Officer and General Manager
Luigi Del Fabbro	Director
Paolo Gualtieri	Director
Giuseppe Lalli	Director
Alfio Noto	Director
Giovanni Pirovano	Director and Deputy General Manager
Angelo Renoldi	Director
Paolo Sciumè	Director
Javier Tusquets Trias de Bes Carlos	Director

Board of Statutory Auditors

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

Board Secretary

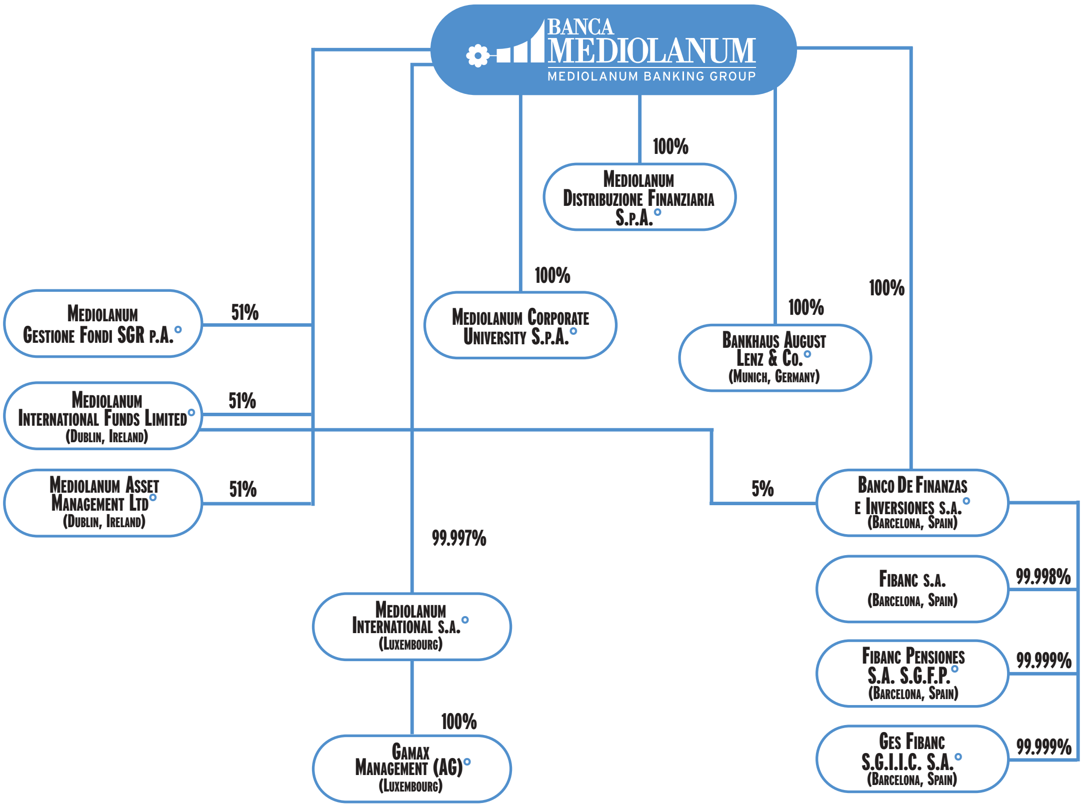
Luca Maria Rovere

Independent Auditors

Reconta Ernst & Young S.p.A.

Group structure

As at December 31, 2008



° Mediolanum Banking Group

Financial highlights

€/m	2008	2007	Change %
Assets under management & administration	23,941.1	27,370.5	-12%
Gross inflows	6,505.2	7,493.1	-13%
Net inflows	2,610.2	1,689.1	+54%
Total Assets	9,184.9	7,706.7	+19%
Loans to customers (lending)	3,109.4	1,523.2	+104%
Amounts due to customers /Securities issued (funding)	5,594.5	5,044.0	+11%
Profit before tax	24.2	55.0	-56%
Tax	8.7	(3.9)	n/a
Net profit	32.9	5.0	-35%

Number			
Licensed Financial Advisors	5,077	5,040	+1%
Non Licensed Financial Advisors	774	1,342	-42%
Employees	1,489	1,322	+13%
Bank accounts	565,476	533,679	+6%

BANCA MEDIOLANUM S.p.A.

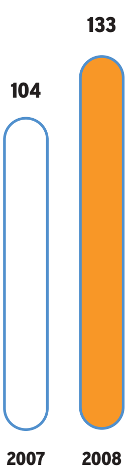
Separate Annual Financial Statements 2008

Directors' Report

Dear Shareholder,

for the year ended December 31, 2008,Your Bank reported net profit of €32,927 thousand (after €8,687 thousand tax) versus €51,060 thousand at December 31, 2007 (after €3,958 thousand tax).
In the recently ended financial year, net financial income rose €23.8 million (up 20.4%), while net commission income declined €28.8 million, especially due to lower commissions earned on life products and mutual funds, as a result of the different mix of insurance products sold in the year as well as the decline in the value of assets under management owing to the financial market downturn. Dividends from subsidiaries were down €8.5 million, contributing to the decline in net profit.
In 2008, gross inflows into mutual funds and managed accounts totalled €2,203.2 million versus €3,110.8 million in 2007, while gross inflows into insurance and pension products amounted to €2,666.6 million versus €3,388.8 million in 2007.
At year end 2008, your Bank had over one million customers.
At December 31, 2008, total balance sheet assets grew 19.2% to €9,185 million from €7,707 million in the prior year.
Inflows of customer assets into bank accounts, repurchase agreements and bonds reached €5,595 million from €5,044 million at the end of the prior year. Loans to customers increased notably from €1,523 million at the end of the prior year to €3,206 million, of which €984 million to financial firms under section 107 of the Consolidated Banking Act.
Net financial income rose 20.4% to €140.9 million from €117.1 million at year end 2007. Net interest income increased to €132.9 million from €103.8 million at year end 2007 thanks to the profitable management of the bank's interest-earning assets that largely consist of euro-denominated inter-bank loans, especially to Italian banks, treasuries and bonds issued by primary Italian and European banks. In spite of the market turmoil, profits on financial transactions, gains from hedging transactions and gains from the sale of 'available-for-sale financial assets' amounted to €8.1 million versus €13.3 million in the prior year.
Dividends from subsidiaries amounted to €79.7 million versus €90.1 million in the prior year.

Net interest income
€/m



Total income for the year was down 5.1% from €301.7 million in 2007 to €286.3 million.
Operating expenses were up 6.3% to €246.3 million from €231.6 million at year end 2007 partly because of the significant increase in mortgage loans and required adjustments of organisational and operational structures.
Specifically, staff costs increased from €75 million in 2007 to €84 million at the end of the year under review, and the Bank's headcount grew to 1,489 employees from 1,322 at the end of the prior year.
In January 2008, the Board of Directors of Banca Mediolanum S.p.A. resolved to

increase share capital from €371 million up to €500 million, to assure the bank the funds it needs for growth. Banca Mediolanum share capital increases will be effected in different occasions according to capital requirements. The Bank of Italy issued the relevant authorisation on April 30, 2008. In May and October 2008, the parent company Mediolanum S.p.A. effected capital increases by a total amount of €59 million to €430 million.

MEDIOLANUM BANKING GROUP

During 2008, the Group continued the reorganisation of non-strategic operations which entailed the sale of the distribution company Gamax Austria AG and the liquidation of the Barcelona-based company Fibanc FAIF S.A.
The Luxembourg-based company Gamax Holding S.A. was merged into the parent Mediolanum International S.A..

During the year, the subsidiary Banco de Finanzas e Inversiones S.A increased its shareholding in Mediolanum International Funds Ltd by acquiring an additional 2.5% interest in the parent company Mediolanum S.p.A. for €25,272 thousand.
In March 2008, Mediolanum Corporate University S.p.A. was incorporated. The company is a direct subsidiary of Banca Mediolanum and was established to provide education and training to the Mediolanum Banking Group employees and sales network. The Bank of Italy has already registered Mediolanum Corporate University as a Mediolanum Banking Group company.

The macroeconomic environment

The recently ended year will be remembered by businesses and investors as the worst year since the post-WWII period. In fact, the subprime mortgage crisis started in 2007 in the US rapidly propagated across the world bringing about a global, severe financial and economic crisis. In the US the height of the crisis was marked by the default of the fourth largest investment bank, Lehman Brothers, and the bailout of the government-sponsored enterprises Fannie Mae and Freddie Mac. Lehman Brothers was not bailed out, and thus had to file for bankruptcy protection. The decision to let Lehman Brothers default sent an immediate shockwave across global financial markets which had been already struggling against a widespread confidence crisis. Due to the steep climb in interbank rates and credit risk premiums, lending tightened; global equity markets plunged.
In the final months of 2008, macroeconomic data confirmed that the world's major economies were slowing down and sliding into recession, unemployment was on the rise, investor and consumer confidence was deteriorating.
In the fourth quarter 2008, economic growth in the US, Germany and Japan shrank by 0.96%, 2.11% and 3.3%, respectively. In Italy, GDP fell 1.8% in the fourth quarter, after declining by 0.6% in the second and third quarters.
In December, in the US, retail sales were down for the sixth month in a row, unemployment rose to 7.2%, the highest level since February 1993. Reflecting dismal expectations, the Conference Board Consumer Confidence Index was at the lowest level since the related survey was first launched in 1967.
In Germany, the erosion of consumer confidence and the gloomy economic outlook were reflected in falling retail sales and worsened businesses sentiment.

In the US, the Government and the Fed tried to ring-fence the financial crisis and prevent its spill-over into the real economy by bringing Federal Funds rates down to almost zero, frequently pumping significant amounts of liquidity into the system, recapitalising the banking system and passing various stimulus packages, as well as through quantitative easing. Faced with slumping stock markets, lack of trust on the interbank market, especially after the failure of Lehman Brothers, the US Federal Reserve promptly understood the risk posed to price stability by the expansionary monetary policy would soon be offset by the deflationary effects generated by a shrinking global demand.

In Europe, the ECB hiked interest rates by 25 basis points in the summer to curb any inflationary pressures resulting from rising commodity prices, but then it had to forego its strict control over price stability. In fact, the Governing Council of the European Central Bank had decided to raise interest rates before the default of Lehman Brothers and the bailout of other major financial institutions (AIG, Merrill Lynch, Fannie Mae, Freddie Mac, HBOS), but when the ECB realised that these events would undoubtedly affect the confidence of market participants and economic growth in the Eurozone, it responsibly agreed to a coordinated move with other world's major central banks slashing the main refinancing rate to 2.50%. Also the Bank of England took strong action and cut the key interest rate to 2%, in light of the dramatically changed economic scenario, declining commodity, energy and food prices, but especially due to the heavy impact of the global recession on the British economy.

Japan was relatively unaffected by the financial crisis up until September, when the effects of further credit tightening and the global turmoil began to make a dent in Japan's economic outlook, especially in terms of falling exports. Increased tension on financial markets and the expected worsening of economic growth pushed the Bank of Japan to further reduce the key policy rate to 0.10%.

Financial markets

In 2008, global stock markets fell by over 40% on average (Morgan Stanley World Index down 42% in local currency). In the US, the S&P500 and the NASDAQ Composite shed 38.5% and 40.5%, respectively. In Europe, the Dow Jones Stoxx600 dropped 45.6%. The SPMIB fell 49.5%, the DAX was down 40.4% and the CAC40 off 42.7%. Thanks to greater stock diversification the FTSE contained its descent to 31.3%, while the defensive position of the Swiss SMI did not spare it a 34.8% downward correction. In emerging markets, stock indices fell 47% on average.
Cyclical stocks (manufacturing, automotive, technology, commodity processing) underperformed compared to defensive stocks (healthcare, households non-durable goods, utilities and telecoms). The underperformance of banking and insurance stocks was a consequence of the credit crisis.

The extreme downward movements on stock markets led investors to turn to treasuries in their flight to safety. European and US treasury yields declined, especially on short and medium term maturities. At year end 2008, 2-year and 10-year yields on US treasuries stood at 0.76% and 2.21%, respectively, while 2-year and 10-year yields on European treasuries were 1.75% and 2.95%, respectively.
In October, the credit crisis pushed 3-month interbank lending rates on the European and the US markets up to 5.39% and 4.81%, respectively. Central Banks' interventions and government guarantees eased tensions and at year end 2008 interbank lending rates were down to 2.89% and 1.42%, respectively.
The market turmoil and the prolonged liquidity problems drove the risk premium on corporate and emerging mar-

ket bond issues, i.e. their yield spread over treasuries, to all-time highs. Italian treasuries were impacted too, and their yield spread over German treasuries hit 143 basis points on 10-year maturities.

In 2008, the Euro was about 4% off the US dollar, rising from 1.46 at the beginning of the year to about 1.60 in July, but then closing the year at 1.39.

The deteriorated outlook for the domestic economy and the Bank of England's aggressive interest rate cuts to 2% weakened the Sterling from 0.73 at the beginning of the year to 0.95 at December 31, 2008.

The strengthening of the yen was due more to global market conditions (end of carry trades) than Japan's macroeconomic fundamentals. In fact, under normal circumstances, the current recession in Japan would instead have determined the weakening of the currency.

REVIEW OF OPERATIONS

The recently ended year was a year of growth consolidation for your Bank against the backdrop of a severe financial crisis.

In the first half of the year, a number of key commercial actions were taken.

In March, three major commercial agreements were signed with Black Rock, JP Morgan Asset Management and Morgan Stanley Investment Management. Thanks to these agreements Mediolanum International Funds Ltd's "Top Managers" Funds family was expanded to include 3 new Global Selection products which invest in a selected suite of funds of each of the asset managers above, giving the Mediolanum customers the opportunity to invest across geographies and industries. The value added by this new offering comes from the synergy between the quality management skills and advice of said asset managers and the Mediolanum Group's consolidated investment strategies.

In March, the Mediolanum Group also signed an agreement with Santander Consumer Bank for the provision of personal loans and special-purpose loans originated by the latter and distributed by the sales networks of Banca Mediolanum and Mediolanum Distribuzione Finanziaria. The agreement made with Santander Consumer Bank enabled the Mediolanum Group to expand the range of personal loan products offered to the bank's customers.

In June 2008, Banca Mediolanum announced that from September 2008 it would cut the interest rate on customer mortgages in its portfolio by 0.64% on average. The operation entailed an estimated opportunity cost of about €65 million over the residual life of both existing and future mortgage loans and was expected to generate an equally significant revenue increase thanks to the projected increase in lending volumes. The operation also entailed the option for customers to request lower mortgage payments over an extended repayment period pursuant to the guidelines set forth in Italy's Treasury Minister Decree (Tremonti Decree).

In July, another announcement relating to mortgage loans was made, i.e. the decision to establish a 'Solidarity Fund'. Thanks to this provision, Banca Mediolanum will extinguish first-home mortgage loans (up to €250 thousand) of its customers in the event mortgage customers become permanently disabled following injury or disease.

In early September, there was the launch of a new unit-linked policy named "Mediolanum Premium Plan", which invests in "Best Brands" funds. Mediolanum Premium Plan allows customers to invest in major global equity markets, taking advantage of the technical skills of the world's leading asset management companies, without losing the benefits typical of an insurance product, and also being awarded a very rich bonus at maturity, equal to at least all loadings paid.

Also our latest addition to our funds line-up related to the 'Mediolanum Best Brands' product family. In mid September,

we announced the extension of the agreement to another 15 of the world's most prestigious and qualified asset management companies. The agreement introduces 8 new funds of funds which add to the existing 3 single-brand 'Global Selection' funds of funds, established in cooperation with Black Rock, JPMorgan & Morgan Stanley.
The 8 new funds of funds named the 'Collection Series' are managed by a pool of asset management companies and include 5 geographically & sector-specialised equity funds, along with 3 new balanced funds.
In October, Banca Mediolanum S.p.A. also signed an agreement with Fonspabank, a Morgan Stanley Group company, for the acquisition of a portfolio of mortgages extended by Fonspabank to Banca Mediolanum customers from 2005 to 2007. The portfolio is worth about €170 million and includes mortgages taken out by 1,742 customers. The agreement above became effective on November 1, 2008.
Last but not least, after the failure of the major US financial institution, Lehman Brothers, in September 2008, the parent company Mediolanum S.p.A. through the Group's insurance companies promoted a major operation to safeguard customers holding index-linked policies with Lehman Brothers bonds as underlying assets. The operation entailed the transformation of those policies with the objective of returning the net paid-in amounts to customers. The total cost of the operation is estimated at about €120 million. The operation was made possible through the capital injected by the two Mediolanum S.p.A. majority shareholders, Doris Group and Fininvest S.p.A.. Through its sales network, Banca Mediolanum gathered applications from customers and provided all necessary support for the successful outcome of the operation.

An analysis of key organisational and operational developments is set out below.

Funding, lending and securities portfolio

At year end 2008, in Italy, bank funding (savings accounts, current accounts, certificates of deposit, repurchase agreements and bonds) amounted to €1,802.8 billion, growing 11.7% versus 6.7% at year end 2007. In the year under review the stock of funding grew by about €166 billion. Bank bonds were buoyant (up 21.2% at year end 2008), while deposits increased 6.1%. Repurchase agreements with customers were also on the upside, posting an about 10.2% increase in January 2008.
Interest on deposits and repos as well as bond yields averaged 3.06% in December 2008, while interest on current accounts was 1.56%.
Due to the recession, in 2008, lending grew at a slower pace, namely 4.9% versus 10.2% in 2007. At the end of December 2008, bank lending to businesses in Italy amounted to €1,526.6 billion, with almost €62 billion new loans extended. Loans to households increased 3.6%, below the December 2007 level of 7.8%, but well above GDP growth and investments. Markedly down was interest on both new and in-force financing facilities. At December 2008, in line with the ECB indications and interbank market conditions, weighted average interest on loans to households stood at 6.04%, 14 basis points below the December 2007 level. In particular, interest on home loans was 5.08% at year end 2008 (vs. 5.72% at year end 2007).
In spite of the crisis which hit also the real economy, main credit risk indicators show a certain degree of stability in credit quality: net nonperforming loans to total loans stood at 1.11% in line with the prior year.
The securities portfolio of banks amounted to €290 billion at year end 2008 up 55.1% from €187 billion at year end 2007.

Customers

At year end 2008, the number of customers – either bank account holders or investors in financial/insurance products sold by Banca Mediolanum – grew from 1,061,000 at year end 2007 to 1,084,740. 914,700 of these customers were primary account holders.
At December 31, 2008, the number of bank accounts grew 6% from 533,679 at year end 2007 to 565,476, corresponding to 795,140 account holders. The number of credit cards increased to 160,601 from 152,601 at December 31, 2007, and the number of debit cards to 453,300 from 375,321 at the end of the prior year.
At year end 2008, bank account holders accounted for 73.3% of total bank customers, a percentage demonstrating customer satisfaction with the quality, breadth and depth of the banking offering.

Asset Management

In spite of the market turbulence, inflows through Banca Mediolanum continued to grow. In 2008, net inflows amounted to about €2.6 billion jumping 55% over the notable figure reported in the prior year.
Specifically, net inflows into managed assets climbed 39% from €714.3 million in the prior year to the outstanding figure of €990.7 million. The analysis of assets under management shows that new recurring-premium policies and mutual funds instalment plans, two different forms of long-term investment, rose 8% over the prior year. This represents a significant indicator of Mediolanum Banking Group's value growth and its ability to generate future value.
The net inflows reported by Banca Mediolanum are even more remarkable when compared to the significant net outflows from the market in 2008.
According to statistics published by Assoreti, in 2008, the industry reported outflows of €10.64 billion while Banca Mediolanum posted inflows of €1.06 billion.
As to net inflows into mutual funds in the Italian market, at year end 2008, Banca Mediolanum reported net inflows of €891 million versus an unprecedented collapse in the Italian asset management industry that recorded €143.7 billion outflows. The Assogestioni ranking of top asset managers in terms of volumes shows that the Mediolanum Banking Group climbed to the sixth place from the eleventh place in June 2007, the tenth place in December 2007 and the eighth place in June 2008 (source: Assogestioni).

Funding

At year end 2008, assets under administration recorded inflows of €1,619.5 million, climbing 66% from €974.8 million in the prior year.
The increase was largely in connection with the growth in repurchase agreements (up €597.5 million) thanks to the success of the 'Tasso Netto' campaign dedicated to new customers launched by the Bank in the final part of the year.
At year end 2008, funding from customers, including the bond issued by Banca Mediolanum, amounted to €5,595 million, up 10.9% from €5,044 million at year 2007.
At December 31, 2008 there was no funding through CDs.

Lending

At December 31, 2008, loans to customers – private individuals and financial institutions other than banks – jumped 110.5% to €3,206.3 million from €1,523.2 million in 2007.
The outstanding lending growth largely related to residential mortgage loans and loans to institutional clients.
Banca Mediolanum's retail lending products and services – traditionally offered to customers who already hold Mediolanum Group's financial products – further grew during 2008.
Personal loans originated by Banca Mediolanum rose 24.8% to €64.5 million from €51.7 million in the prior year.
The total balance on customer bank accounts grew 19.1% to €307.7 million from €258.4 million in the prior year.
At December 31, 2008 residential mortgage loans were up 135.8% to €1,213.2 million from €514.5 million in the prior year. Growth in this segment was due to the following two reasons.
In November 2008, your Bank acquired a portfolio of mortgage loans originated by Fonspabank and distributed by Banca Mediolanum in previous years – namely 1,713 mortgage loans for a total amount of €171.2 million – and terminated the distribution agreement.
In the second half of 2008, Banca Mediolanum unilaterally cut interest rates on all home loans. This contributed to the remarkable growth (197.3%) in mortgage lending volumes, including the mortgage loans acquired from Fonspabank. In addition, taking advantage of the changes introduced by the Bersani and Tremonti decrees, which facilitate home loan transfer from one lender to another, the interest cut above permitted Banca Mediolanum to gain new customers from other lenders, and, at the same time, limit the number of its customers who switched to other lenders.
Besides attractive pricing, what truly sets your Bank's commercial offering apart from any other lenders' is product innovation, as proven also by the new mortgage loan product named *Mutuo Mediolanum Freedom*.
This product includes the home loan and mortgage insurance in a 'single package'. Mortgage insurance is designed to pay the balance of the mortgage loan should the borrower suffer certain unfortunate events, e.g. job loss, major surgery.
Again in 2008, consistently with its disciplined approach to lending, your Bank did not enter into any transactions carrying a high level of credit risk. It should be noted that your Bank has no subprime mortgage loans in its portfolio.
Turning to the analysis of other forms of lending, repurchase agreements with institutional clients for treasury management purposes amounted to €514.1 million versus €362.3 million in the prior year. The 41.9% year-on-year increase was largely in connection with the high demand in the retail segment.
Again in the year under review, your Bank participated in lending syndicates and granted loans to companies that are part of leading banking and insurance groups and also extended loans in the form of "hot money" to Italian institutional customers for a total amount of €957.9 million versus €290.0 million in 2007. The weak economic cycle and the persistent tensions on financial markets entailed increasing demand for funds especially from financial companies that are supervised by the Bank of Italy and controlled by primary banks. This permitted Banca Mediolanum to extend short-term loans at particularly advantageous conditions to carefully selected prime borrowers.
At year end 2008, the 'impaired loans-to-total customer loans' ratio remained at a very low level (0.82%), actually even lower than in the prior year when it stood at 0.92%.
Finally, you are advised that in 2008 Banca Mediolanum S.p.A. offering was expanded with a new product named *Mediolanum Credit*. The product was designed together with Santander Consumer Bank, the originator, and features a number of credit lines as typical of consumer credit products. *Mediolanum Credit* is distributed by Banca

Mediolanum through its Sales Network. The number of contracts signed in the year hit the record mark of 12,643 contracts for a total value of €96 million.

Securities brokerage

In 2008, the financial market turmoil led investors to shift to treasuries and very short-term investments such as repurchase agreements, which hit €1billion (including *Tasso Netto*). At year end 2008, bonds held by customers grew 14% to €1,094 million from €963 million at year end. Italian treasuries grew 20% to €602 million from €501 million at year end 2007, accounting for 55% of total bonds held by customers.

In the year under review, MiFID compliance activities continued and included the launch of the Systematic Internalisation System. In addition. activities were carried out to back commercial campaigns such as *Tasso Netto* (repurchase agreements) and the issue of the first Banca Mediolanum 2-year plain vanilla bond paying a coupon linked to the 3-month EURIBOR rate.

In 2008, total trading orders executed for retail clients on the Italian regulated stock market were 486,824 versus 544,627 in 2007. The 10% decline was largely in connection with the dramatic downturn of the domestic market which shed almost 50%. The total value of securities brokered on the Italian stock market declined 30% to €10,455 million from €15,032 million in 2007.
Total orders executed for retail clients on foreign stock markets were 23,268 remaining essentially in line with the prior year's figure of 23,310. The total value of securities brokered on foreign stock markets was €234.2 million versus €274.4 million in 2007.
At year end 2008, the total value of securities held by retail customers was down 9.6% to €1,586 million from €1,755 million at year end 2007, largely due to the decline in stock prices price value. Specifically, they held €492 million in equities (2007: €819 million), of which €43 million foreign equities, and €1,094 million in bonds (2007: €935 million).
The value of assets invested in managed accounts fell 59.4% from €217 million in 2007 to €88 million, of which €6 million invested in securities. Total managed accounts declined from 2,933 to 1,600.

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

The use of Direct Channels by customers grew also in 2008, hitting over 22 million accesses. 70% of these accesses were made by bank account holders, up 29% over the prior year.
This confirms the customer appreciation of the bank's multi-channel approach as well as of the new functions and services provided through the direct channels.
Customers increasingly prefer to make transactions on their own, in fact 90% of accesses were made through the Bank's automatic systems: the Internet and the IVR system.
Internet accesses were 69% of total accesses, up 13% over 2007. Particularly notable was the increase in the number of text messages that climbed 44% compared to the prior year. Customer appreciated especially the text messaging services introduced to further enhance security, e.g. alerts for ATM withdrawals, website log-ins, change in mobile phone numbers.
As the use of direct channel increased in the year, customer orders through the direct channels grew too (up 22%).

As to the Banking Services Center, it should be noted that, in spite of a further 8.4% increase in phone calls, the broader range of services offered and the greater number of customer inquiries, 96% of phone calls were answered in 20 seconds and customers were kept on hold less than 2 seconds on average. This confirms the excellent level of service provided to customers.

Major investments in Direct Channels were aimed at expanding services, modernising the voice portal which is the first point of contact for customers, upgrading software and the technology infrastructure for re-routing phone calls from the answering system to Banking Center representatives and for the migration of Borsa Italiana trading system onto the LSE trading platform, as well as the establishment of a toll-free line for financial advisors.

Confirming its leadership position in the use of Direct Channels and banking services' innovative technology, in 2008, Banca Mediolanum launched the new voice portal *B.Med Voice*, which enables customers to receive information and place orders with the Bank in a more dynamic and interactive way through automatic voice recognition. *B.Med Voice* features personalised services tailored to the profile of the individual customer and can also be used by customers to give their personal identification numbers during telephone conversations with Banking Service Center representatives or to make transactions on their own.

As to web-based services, during the year, new functions were added to the section of the corporate website reserved for customers. One of the most prominent is *B.Med Più* which pools together all projects and promotions in the non-banking sphere e.g. 'Presenta un Amico' (Introduce a Friend), internet security solutions.

In addition, to promote greater efficiency, faster delivery of documents and a more responsible use of paper, official documents including those relating to non-banking products (funds and life policies) are now available in the reserved area of the site.

The Sales Network

At December 31, 2008, Banca Mediolanum Sales Network were 5,851 versus 6,382 at year end 2007. The number of Family Bankers (licensed financial advisors) further grew to 5,077 from 5,040 at year end 2007, while the number of junior Family bankers (non-licensed advisors) declined to 774 from 1,342 at year end 2007. 747 non-licensed advisors work also as financial agents for Mediolanum Distribuzione Finanziaria S.p.A. (vs. 1,148 at year end 2007).

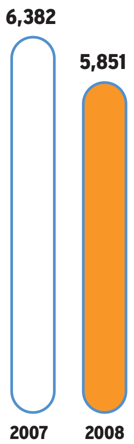
Sales Network offices and bank branches

At year end 2008, there were 536 Banca Mediolanum Sales Network Offices (Family Banker Offices and Traditional Offices), 6 more compared to the prior year.
In 2008, the ground floor layout of Family Banker Offices was redesigned and the new "Banca Mediolanum - Family Banker Office" sign made them even more visible to the public.
The analysis of Sales Network Offices is set out in the table below:

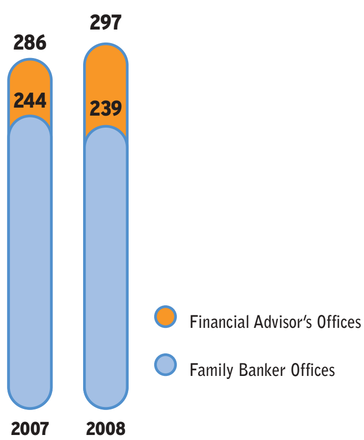
	2008	2007	2006
Family Banker Offices	239	244	160
Traditional offices	297	286	362
Total offices	536	530	522

Family Banker Offices are evenly spread in all Italian regions reflecting the presence of Family Bankers across Italy. The regions with the highest presence of Family Banker Offices are: Lombardy (40), Piedmont (19), Veneto (36), Sicily (24), Emilia Romagna (23), Latium (22), Tuscany (20), and the Marches (14).

Number of Financial Advisors



Family Banker Offices and Financial Advisor's Offices



During 2008 three new Private Banking branches opened in Rome, Bologna and Padua, adding to the bank branch already existing in Milan. These branches are located on the upper floors of prestigious buildings in the heart of the city centres and mainly serve the purpose of providing a sophisticated ambience for meetings with private banking customers.

Including the bank branch at the Basiglio HQ, at December 31, 2008, there were five Banca Mediolanum bank branches.

Sales Network Training

Once again in 2008 Banca Mediolanum well-rounded training platform proved to be effective, offering not only self-study but also classroom training held by university professors of national standing; the involvement of managers as tutors rounds off the training offering.
The high number of advisors who passed the CONSOB exam demonstrates the effectiveness of the training provided. Once again the average number of those who passed from Banca Mediolanum was higher than the Italian average by about 27%.

In 2008, 280,399 hours of classroom training were given, up 9.2% over the prior year. The number of participants grew markedly from 10,231 in 2007 to 22,938 in 2008 (up 124.2%).

	Man hours 2008	Man hours 2007	Change
Courses offered			
Banking	29,748	38,620	-29.0%
Finance	21,866	40,480	-45.0%
Insurance	119,875	77,740	+54.3%
Other subjects*	108,810	99,924	+8.9%
Total	280,399	256,764	+9.2%

*Courses on management, commercial and sales techniques, communication skills, etc.

The decline in the number of Finance and Banking training hours is due mainly to a lower number passing from non-licensed to licensed financial advisors; additionally, the shift away from active recruiting resulted in consequent reduction in the number of courses offered for the preparation to the CONSOB exam to become a Licensed Financial Advisor and be included in the Register of Financial Advisors.

In the past year, numerous conferences were held in cooperation with universities and organisations associated to financial advisors. These were also opened to the public and were focused on appreciating the value of the financial advisor's role as a professional who is key in supporting customers in moments of financial market crisis as those experienced in 2008.

In 2008, Mediolanum Corporate University S.p.A. (MCU) was established. This new training centre is located in a building close to the headquarters. MCU is a venture within the company conceived, wanted and created to train our people for Excellence, creating unrivalled professionals in Customer Relationship, financial advising and the management of household assets. A combination of knowledge and technology, supporting the development – both professional and personal – of the Family Banker.

Mediolanum Corporate University has the ambition to become the main reference point for the acquisition of expertise and capabilities in Customer Relationship Management.

Inspiration for the design of the training and learning courses was drawn from the greatest international corporations. These companies consider training as part of a broader project: the strategic investment in knowledge. Training in technical, economic and financial matters is complemented by classes in the company's corporate culture as well as interpersonal relationships along with great passion, strong motivation, and a solid team spirit.

The faculty consists of managers who have lived the history of Banca Mediolanum and have all given their personal contribution to it, while at the same time achieving important results in terms of their profession and career. They were chosen through a rigorous selection process followed by a course of targeted training and coaching. Rounding out the faculty at the Mediolanum Corporate University are important leaders and advising professionals from outside the Mediolanum world – qualified and well-known professionals who were carefully selected from among the best in the national and international training arena.

The training courses for the various professionals in the Banca Mediolanum Sales Network are developed based on an approach integrating 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-training provides fundamental preparation prior to entering the classroom where all the ideas and knowledge acquired during the self-study phase become shared experience.

The on-the-job training phase follows the training phase in order to apply in the field what was learnt in the structured training sessions.

In 2008, a new technologically advanced system was launched: MedBrain, the virtual gateway to Mediolanum Corporate University. This system consists in online courses with a personalised training programme and allows participants to exchange opinions and to share material with others, to access news relating to their training coursework.

This IT tool is a means to check on the training programme of each participant as well as on the updated results on the tests taken and attendance of specific courses.

Employees

The analysis of the year's movements in Banca Mediolanum's employees in 2008 is set out below.

	Dec. 31, 2008	Dec. 31, 2007	Changge %		% Average age
Senior management	64	61	+3	4.3%	47.1
Middle management	181	153	+28	12.2%	40.7
Non-management	1,244	1,108	+136	83.5%	32.7
Total	1,489	1,322	+167	100%	34.3

Compared to 2007, employees grew by 167 people. This increase was in connection with the greater breadth and depth of services offered to customers and support provided to the Sales Network. Personnel growth was significant also in retail lending units where people were hired also under temporary employment contracts.

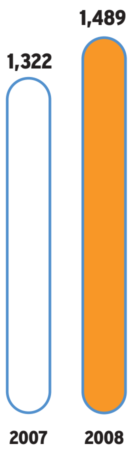
New staff was also hired in control units (Compliance, Internal Audit and Network Inspection) in light of regulatory changes and related compliance requirements.

Women accounted for 53% of total employees and the average age of the employees was around 34.

The recruitment policy focused on young talents led to the selection of young high-potential individuals, mostly university graduates.

Training continued to pursue improvement of professional abilities and was redesigned especially in the sales area. Employees actively participated in training sessions focused on either technical or management subjects. Classroom attendance of employees, including new hires, increased for courses on customer relationship management, service quality, teamwork and continuous improvement.

Employees



Training of all employees on technical and financial subjects as well as on regulatory changes is an ongoing process.

Again in 2008, our personnel development programmes focused on growth from within, with job rotation, including international assignments, to attain cross-functional skills and a comprehensive view of the organisation through practical on-the-job experience.

Collaborations with prestigious universities increased in areas such as Service Quality, Marketing, Communication, Economics and Finance.

Students attending university or master's courses in financial markets, marketing and Customer Satisfaction took internships across our organisation working on research and innovation projects.

Teams for Quality Improvement, spontaneously formed by employees, obtained outstanding achievements in day-to-day improvement of operational processes.

To improve the work-life balance additional services were offered to the employees, who took

advantage of these services and showed their appreciation. Enrolment of employees' children in the company day care centre was high, proving once again employees greatly appreciate this service.
Another major project was the design of the new Workplace Safety & Prevention system which ensures regulatory compliance but first and foremost pursues excellence in this sphere.

Health and Safety in the workplace

During 2008, we planned and took the organisational and structural measures necessary for the safety and health protection of workers, in compliance with the new Consolidated Act – Legislative Decree 81/2008. Specifically, we reviewed the Risk Assessment Document, drafted Health and Safety Rules, trained and appointed the Health & Safety Manager, the Heath & Safety Specialist, workers' representatives for health and safety in the workplace as well as people responsible for first aid and fire-fighting. The corporate portal now includes a section dedicated to Safety. A healthcare programme, evacuation drills and other measures were also taken to improve health and safety in the workplace, including the installation of false ceilings to improve room acoustics, sun protection films to windows exposed to sunlight, new high-insulation carpeting with special anti-allergy features and new lamps for better illumination of rooms.

The Bank regularly checks that the values of electromagnetic field emissions and the values of Radon gas emissions from the ground are within statutory limits.
Your bank is a smoke-free company as smoking is prohibited in the offices.

Internal audit

During the year the Internal Audit staff continued their audit work on the Bank activities, focusing on the assessment of the effectiveness and efficiency of the internal control system as implemented by the various departments. Under a service agreement, the Internal Audit department of the parent company Banca Mediolanum also performed audit work for the subsidiaries Mediolanum Distribuzione Finanziaria S.p.A. and Mediolanum Gestione Fondi SGR p.A., that do not have an internal audit unit. In addition, as part of the parent company's duties of guidance and supervision, the Internal Audit department of Banca Mediolanum carried out on site inspections, participated in the meetings of the Executive Committee, where established, and exchanged information with the officers of those foreign subsidiaries that have their own internal audit department (Fibanc Group, Bankhaus August Lenz, Mediolanum International Funds and Mediolanum Asset Management).
Management is committed to promptly remedying any anomalies which audits may reveal and closely monitors the implementation of any corrective action taken.
At December 31, 2008, Internal Audit staff consisted of 14 people (unchanged over the prior year).

Compliance

At December 31, 2008, Compliance staff consisted of 5 people. People with top legal and organisational qualifications, as well as insurance, financial and credit products specialists were hired to fill positions in this unit in order to meet current organisational requirements, including the provision of compliance services to other companies within the Group.
During the year, Compliance unit staff continued to roll out the compliance risk framework and mapping tools. They also continued to provide guidance and services as in prior years.
To ensure compliance with any and all regulatory and statutory requirements in a rapidly changing environment, Compliance unit staff avail themselves of the assistance of local staff and line officers.
In addition, in light of past experience and regulatory changes, the scope of work of the Compliance unit within the Group is being reviewed to ensure better response to the needs of the organisation.
In 2008, 4,506 written complaints were received from customers (vs. 3,986 in 2007), of which 2,541 relating to investment services (vs. 2,016 in 2007).
The number of complaints received in 2008 increased 26% over the prior year. Over the same period the number of customers grew 2.31%. The increase in complaints was largely in relation to complaints about unsatisfactory returns or investments not in line with the customer risk profile, partly as a consequence of the financial market turmoil.
Following the overall review of the complaints received in the year, no material procedural or organisational deficiency or misconduct was found, which required reporting to the Board of Directors and the Board of Statutory Auditors.

Network Inspection

During the year the Network Inspection staff continued to carry out second level controls and checks on the sales network members to make sure their off-premises activities were in full compliance with the regulations in force.
Checks and inspections were conducted at the Family Banker Offices in the field as well as at corporate Headquarters. Additional checks were conducted via ad-hoc quantitative and statistical indicators monitoring potential operational and reputational risks related to the Sales Network activities.
The Network Inspection staff also availed themselves of the assistance of Banking Services Center representatives who liaise with customers.
Upon completion of checks, actions were planned to remedy any irregularities found and, where necessary, sanctions were applied to the financial advisors involved or their mandate was revoked.
At December 31, 2008, the Network Inspection unit had a total of 28 staff versus 30 at December 31, 2007. The Banking Services Center staff providing assistance to Network Inspection unit consist of 4-6 people.
In 2008, financial advisors irregularities reported to Supervisory Authorities were 61 (vs. 77 in 2007). As further protection, in 2008, the Bank renewed the policy taken out to cover any illegal actions committed by the sales force to the detriment of customers.
The Network inspection unit of the parent company Banca Mediolanum conducted controls and checks also for the subsidiary Mediolanum Distribuzione Finanziaria S.p.A, which does not have its own network inspection unit, under the relevant service agreement.

Operations and IT

In 2008, the Bank completed the Transition-to-Smart-Cards project started at the end of the prior year, replacing magnetic stripe cards with the new chip-based cards. The Personal Identification Number (PIN) of cardholders remained unchanged.

System and procedure upgrades were effected to meet the new statutory requirements for cheques that entered into effect on April 30, 2008 as well as customer due diligence requirements under Legislative Decree 231/2007 which transposed '*Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing*' into Italian law.

Furthermore, in 2008, we completed technology upgrades and system adjustments necessary to accommodate growing business volumes, and kick-started the rationalisation of the existing technology infrastructure. These efforts will bring about significant cost savings.

As to the Sales Network, a new unified portal is in the making to pool together information, application, training and multimedia contents into a single platform and facilitate Family Banker's searches and use of tools.

To facilitate prompter response by the network, a hotline, called Numero Rosso, was set up to answer Family Bankers' requests for information concerning their customers mostly in real time, that is during that same telephone call, or by sending the request to the competent office. When the request is fulfilled the family banker is informed via text messaging.

In the Finance area, we started the Securities information system migration to the new platform developed by Cedacri that replaces the current CAD system. In the lending area, a new IT system was released for the management of loan and credit line applications that replicates the system developed for the management of home loan applications.

In HR, payroll management outsourcing was kick-started and a new IT system was acquired to support Group budgeting.

Treasury management

In spite of the remarkable growth in retail lending, at December 31, 2008, the net treasury balance amounted to €3,640 million versus €3,683 million at December 31, 2007. Banca Mediolanum is one of the most liquid Italian banks.

Specifically, at year end 2008, funding from banks amounted to €1,924 million versus €1,134 million at year end 2007, of which €400 million in repurchase agreements with the European Central Bank (vs. €290 million at year end 2007).

Loans to banks declined to €1,956 million from €2,645 million at year end 2007. Loans extended in the form of "hot money" to financial companies (section 107 of the Consolidated Banking Act) controlled by primary Italian banks grew to €984 million from €322 million in the prior year, owing to wider spreads.

Interbank lending was almost exclusively with Italian banks, and marginally with Eurozone banks under the supervision of the European Central Bank. The maturity of interbank lending on deposits was extended up to one year to take advantage of declining rates in the final part of the year.

The securities portfolio grew significantly from €2,888 million at year end 2007 to €3,366 million at year end 2008.
The analysis of the securities portfolio is set out in the table below.

€/m	2008	2007
Held-To-Maturity Investments	1,107	373
Available-For-Sale Financial Assets	862	315
Financial Assets Held For Trading	1,300	2,200
Loans & Receivables	97	-
Total	3,366	2,888

Held-to-Maturity Investments rose from €373 million in 2007. They consist of Italian treasuries and plain vanilla, fixed or floating-rate bonds issued by primary Italian banks with duration of no more than 3 years. *Available-for-sale financial assets* notably increased from €315 million in 2007. They largely consist of bonds issued by primary Italian banks. Preference was given to medium term investments over trading, as also confirmed by the decline in *Financial Assets held for trading* to €1,300 million from €2,200 million at year end 2007.
Finally, *Loans and Receivables* consists of ABS not quoted in an active market, originally classified as financial assets held for trading, which at present do not show any objective evidence of impairment, are no longer held for the purpose of selling or repurchasing them in the near term due to market conditions and which are intended to be held in the foreseeable future.
Treasury management activities exclusively relate to euro-denominated instruments (interbank deposits and securities), thus your Bank is not exposed to currency risk.

Thanks to the larger trading volumes and the careful management of interest rates – which rose in the first part of the year and then fell in the final part of the year – treasury management gave a fundamental contribution to the 28% growth in net interest income from €104 million in 2007 to €133 million in 2008. In addition, gains from trading, hedging and sale of available-for-sale financial assets totalled €8.1 million, a remarkable achievement in a year when all major financial institutions reported major losses. Net financial income thus climbed 20.4% from €117.1 million in 2007 to €141.0 million at the end of the year under review.

Equity and capital ratios

At December 31, 2008 shareholders' equity, excluding net profit, amounted to €486.0 million up 11.1% from €437.6 million at December 31, 2007. The €48.4 million increase is the result of the share capital increase (+€59 million), the appropriation of net profit for the year 2007 to reserves (+€11.1 million), the movements in equity reserves in connection with stock options (+€2.0 million) and the fair value measurement of available-for-sale financial assets (-€23.7 million).
If the General Meeting approves the appropriation of net profit for the year 2008 as proposed by the Board of Directors, equity will further increase by €7.9 million to €493.9 million.
This corresponds to a net book value of €1.15 (vs. €1.21 in 2007) for each €1 share. Earnings per share (EPS) amount to €0.077 versus €0.138 in 2007.
Total capital ratio is 13.77%, well above the minimum requirement of 8% which is reduced to 6% for banks that are part of banking groups with consolidated regulatory capital above total capital requirements.

Equity investments

At December 31, 2008, the Bank's equity investments in Group companies increased to €393.2 million from €360.6 million in the prior financial year.

On March 20, 2008, Mediolanum Corporate University S.p.A. was incorporated. This €20 million share capital company is wholly owned by Banca Mediolanum and was established to provide education and training to the Mediolanum Banking Group sales network. On April 30, 2008, the company acquired the property 'Residence Milano 3' in Basiglio, which will accommodate trainees attending programmes at the new corporate university in Milano 3 City.

On March 26, 2008, Mediolanum S.p.A. sold a 2.5% interest in Mediolanum International Funds Ltd to the Spanish subsidiary Banco de Finanzas e Inversiones S.A. – Fibanc for a consideration of €25.3 million. The sale entailed a €25.2 million gain. The value of the stake (€25,272 thousand) was determined by independent valuers.

In June, Banca Mediolanum subscribed to the share capital increase of the Spanish subsidiary, Banco de Finanzas e Inversiones S.A., in the amount of €20 million.

At year end the Bank wrote down the value of Bankhaus August Lenz & Co. AG by €7.4 million due to the losses reported by this company for the year.

Banco de finanzas e inversiones S.A. (FIBANC)

For financial year 2008, the Fibanc Group reported net loss of €0.8 million versus net profit of €3.6 million in the prior year. The year's result was negatively impacted by reduced sales due to the negative performance of financial markets as well as the reorganisation and reinforcement of the sales network.

For financial year 2008, the Group reported gross inflows into asset management products of €277 million versus €520.5 million in 2007, and net outflows of €108.3 million versus net inflows of €52.4 million at year end 2007.

As to assets under administration, the Group reported outflows €182.8 million versus outflows of €275.6 million at the end of the prior year.

At year end 2008, total assets under management and under administration amounted to €1,458 million versus €2.353 million at December 31, 2007.

The sales force consisted of 527 people versus 739 at December 31, 2007. Specifically, tied Advisors, relying on the same business model as Banca Mediolanum financial advisors, were 448 versus 593 at year 2007. Fibanc also availed itself of 38 traditional agents (45 in 2007).

Bankhaus August Lenz & Co. AG

For financial year 2008, Bankhaus August Lenz & Co. reported net loss of €7.4 million versus €8.1 million in the prior year.
Asset management products recorded net inflows of €9.2 million versus €7.1 million in the prior year, while assets under administration €7.3 million outflows versus net inflows of €19.6 million in the prior year.
At year end 2008, total assets under management and under administration amounted to €71 million versus €79 million at December 31, 2007.
The sales network consisted of 30 people (vs. 48 at year end 2007).

Mediolanum International S.A.

Based in Luxembourg, Mediolanum International S.A. is the holding company of the asset management company Gamax Management A.G.
For financial year 2008, the company reported net profit of €0.2 million versus €1.3 million in the prior year, when it had benefitted from the sale of fund holdings classified as available-for-sale financial assets.

Gamax Management AG

At December 31, 2008, the Luxembourg-based company Gamax Management A.G. reported net profit of €1.4 million versus €3.9 million in the prior year. The decline was largely in connection with lower performance fees earned in the period (down €1.7 million).
In 2008, the company established new fund classes to round out the range of Mediolum Group's asset management products.
At December 31, 2008, assets under management amounted to €178 million versus €260 million at the end of the prior year.

Mediolanum Gestione Fondi SGR p.A.

For financial year 2008 Mediolanum Gestione Fondi SGR p.A. reported net outflows of €68.7 million with a marked improvement over the prior year's reported net outflows of €170.8 million.
At December 31, 2008, total assets under management invested in the 23 open-end mutual funds and the non-occupational pension fund amounted to €1,426.3 million, down 25.1% from €1,904.6 million at the end of the prior year, while assets invested in the 2 real estate funds, *Property* and *Real Estate*, grew to €366.3 million from €361.9 million at year end 2007.
Assets managed on mandates from fellow subsidiaries amounted to €9,960.6 million (vs. €12,302.5 million at December 31, 2007), while assets managed by fellow subsidiaries on behalf of Mediolanum Gestione Fondi SGR p.A amounted to €77.6 million (vs. €139 million at December 31, 2007).
For financial year 2008, the company reported net profit of €4.2 million versus €7.9 million at December 31, 2007. The decline in net profit was largely due to lower fees earned in the year as a result of the declined value of assets under management due to the 2008 financial market turmoil.

Mediolanum International Funds Ltd

Mediolanum International Funds Ltd relies on specialised third parties companies to manage three fund families, *Mediolanum Best Brands*, *Challenge Funds* and *Mediolanum Portfolio Fund. Mediolanum Best Brands* invests in financial markets through the funds managed by world-class investment houses; *Challenge Funds* offers diversified investment opportunities both on a global scale or by geography or sector; *Mediolanum Portfolio Fund* is a fund of funds featuring both traditional and active management styles, and the option to neutralise currency fluctuations.
At year end 2008, total assets under management declined to €10,629.4 million from €14,050 million at the end of the prior year due to the impact of the financial market downturn on net asset values. The funds managed by Mediolanum International Funds are distributed in Italy, Spain and Germany.
For financial year 2008 the company reported net inflows of €884.4 million versus €585.1 million at December 31, 2007 (up 51%).
For financial year 2008 the company reported net profit of €125.5 million versus €141.3 million in the prior year. The decrease was largely in connection with the lower level of management fees earned in the year as a result of the declined value of assets under management due to the 2008 financial market turmoil (down €31.6 million).
On October 30, 2008, the company resolved to distribute a 2008 interim dividend for a total amount of €100.0 million (Banca Mediolanum: €51.0 million).

Mediolanum Asset Management Ltd

Mediolanum Asset Management Ltd mainly engages in asset management by directly managing the assets of the Irish fellow subsidiary Mediolanum International Funds Ltd or providing ancillary services, such as monitoring fund performance and underlying risks.
For financial year 2008, the company reported net profit of €9.7 million versus €12.4 million at December 31, 2007.
On October 30, 2008, the company resolved to distribute a 2008 interim dividend for a total amount of €4.5 million (Banca Mediolanum: €2.3 million).

Mediolanum Distribuzione Finanziaria S.p.A.

For financial year 2008,Mediolanum Distribuzione Finanziaria S.p.A. reported net profit of €0.2 million versus €0.3 million in 2007.
In the recently ended financial year, the company's business was centred on the promotion and sale of Banca Mediolanum bank accounts, credit/debit carts, mortgage loans and personal loans as well as Santander Consumer Bank consumer credit products to retail customers.
MDF sales network consists exclusively of "Financial Agents" registered with the Bank of Italy. At year end 2008, there were 747 "Financial Agents" versus 1,148 at year end 2007.
The decline was partly in connection with financial agents passing the state exam and becoming licensed agents of the Banca Mediolanum's sales network and partly to reduced recruiting.

Mediolanum Corporate University S.p.A.

Mediolanum Corporate University was incorporated on April 20, 2008. On April 30, 2008, the newly-formed company acquired the property 'Residence Milano 3' in Basiglio, which will accommodate trainees attending programmes at the new corporate university in Milano 3 City. The property above was acquired for €7.43 million. The new university training courses began last November.
For its first nine months in operation the company reported net loss of €735 thousand essentially due to incorporation and operational start-up costs.

Social and environmental responsibility

For information on the Group's policy on social and environmental responsibility, readers are referred to the 2008 Social Report.

Disclosures pursuant to Document No. 2 of February 6, 2009 jointly issued by the Bank of Italy, Consob and Isvap

In light of the current market and corporate environment, last February 6, the Bank of Italy, CONSOB and ISVAP jointly issued a document whereby these regulators required management to disclose in their financial reporting supplemental information to enable readers and users of financial statements to better understand an entity's performance and outlook.
As to the entity's ability to continue as a going concern, the management of Mediolanum S.p.A. confirm they reasonably expect the company will continue in operation in the foreseeable future and therefore the financial statements for the year ended December 31, 2008 were prepared based on the going concern assumption. Following their examination of the financial position, operations and cash-flows, they also confirm they did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern.
As to disclosures about financial instruments under IFRS 7 and the recommendations set out in the report issued by Financial Stability Forum on April 7, 2008, readers are referred to the relevant chapters of the Notes.

Main risks and uncertainties

Readers can find information about the risks and uncertainties to which the Mediolanum Banking Group is exposed in this Report and in the Notes.

Specifically, information about the risks related to the performance of the world's economies and financial markets is set out in this Report, under 'Macroeconomic Environment' and 'Outlook'. Information on financial risk and operational risk is detailed in Part E of the Notes.

Post balance sheet date events

After December 31, 2008, there was no event which could have a significant impact on the financial position, result of operations and cash flows of the Bank.

Outlook

The policy response of governments and central banks over the past months has been aimed at mitigating the effects of the current recession. Discount rate cuts by the world's main central banks and government guarantees brought about the decline of interbank rates to more contained levels, facilitating a partial return of confidence among market participants and marginally increased liquidity on credit markets. The interbank rate decline entails lower mortgage payments and lower cost of borrowing for businesses and thus encourages consumer spending and promotes business profitability.
Lower commodity prices – especially oil prices – mitigate the risk of inflation and facilitate new discount rate cuts by central banks.
All this paves the way for the recovery of financial markets whose first signs were already visible in the first months of 2009.
The current market conditions do not warrant any possible increase in the value of assets under management in the short term. Thus, commission income may decline, while interest income should remain in line with the prior year.
Based on current reasonable estimates, we expect to achieve positive financial results in the year 2009.

Acknowledgements

Dear Shareholder,
at the end of this Report, we again express our great appreciation for the efforts made in the past year by the Family Bankers and the Employees and we sincerely thank the Shareholder and Customers for the consideration shown to the Bank. Lastly, we thank the Supervisory and Regulatory Authorities, in particular the Bank of Italy through the Director of the Milan Branch, Mr. Salvatore Messina, the trade associations and the correspondent Banks for the constructive support given, as usual, to the work of the Bank.

Appropriation of net profit

Your Bank's financial statements, which we submit to you for approval together with the directors' report, show net profit of €32,926,770.04.

We propose to appropriate net profit as follows:

- €25,000,000.00 as dividend, i.e. €0.0581 per share;
- €1,647,000.00 to the Legal Reserve;
- €6,279,770.04 to the Extraordinary Reserve.

Basiglio, March 23, 2009

For the Board of Directors
The Chairman
Ennio Doris

BANCA MEDIOLANUM S.p.A.

Accounts
2008

Balance sheet

Assets

€			Dec. 31, 2008		Dec. 31, 2007
10.	Cash and cash equivalents		1,660,634		1,403,128
20.	Financial assets held for trading		1,299,588,467		2,199,979,917
40.	Available-for-sale financial assets		861,931,767		315,168,361
50.	Held-to-maturity investments		1,107,047,636		373,023,902
60.	Loans to banks		1,955,687,919		2,645,104,375
70.	Loans to customers		3,206,347,930		1,523,235,552
100.	Equity investments		393,166,181		360,568,134
110.	Tangible assets		25,028,353		25,763,440
120.	Intangible assets		12,454,948		9,620,115
	of which:				
	– goodwill		-		-
130.	Tax assets		68,753,866		53,500,214
	a) current	13,098,412		22,857,327	
	b) deferred	55,655,454		30,642,887	
150.	Other assets		253,230,951		199,329,316
Total assets			9,184,898,652		7,706,696,454

Liabilities and Shareholders' Equity

€			Dec. 31, 2008		Dec. 31, 2007
10.	Due to banks		1,924,420,211		1,134,040,864
20.	Due to customers		5,580,991,986		5,044,037,716
30.	Securities issued		13,536,756		-
40.	Financial liabilities held for trading		741,159,575		716,188,813
60.	Hedging derivatives		18,428,046		-
80.	Tax liabilities		9,230,432		6,778,454
	a) current	3,740,962		3,465,401	
	b) deferred	5,489,470		3,313,053	
100.	Other liabilities		278,909,911		233,277,710
110.	Employee completion-of-service entitlements		9,765,273		8,924,528
120.	Provisions for risks and charges:		89,524,837		74,786,590
	a) severance benefits and similar obligations	-		-	
	b) other provisions	89,524,837		74,786,590	
130.	Valuation reserves		(24,853,325)		(1,112,539)
160.	Reserves		80,858,180		67,714,500
180.	Share capital		430,000,000		371,000,000
200.	Net profit (loss) for the year (+/-)		*32,926,770*		*51,059,818*
Total liabilities and shareholders' equity			9,184,898,652		7,706,696,454

Income statement

€			Dec. 31, 2008		Dec. 31, 2007
10.	Interest income and similar income		333,548,883		264,025,222
20.	Interest expense and similar charges		*(200,634,329)*		*(160,180,162)*
30.	**Net interest income**		*132,914,554*		*103,845,060*
40.	Commission income		290,643,389		346,401,011
50.	Commission expense		*(225,018,988)*		*(251,943,951)*
60.	**Net commission income**		65,624,401		94,457,060
70.	Dividends and similar income		79,735,345		90,154,801
80.	Net income from trading		3,688,983		4,338,028
90.	Net income from hedging		1,750,388		-
100.	Gains (losses) on sale or buyback of:		*2,621,950*		*8,930,123*
	a) loans and receivables	-		-	
	b) available-for-sale financial assets	*2,621,950*		*8,930,123*	
	c) held-to-maturity investments	-		-	
	d) financial liabilities	-		-	
120.	**Total income**		286,335,621		301,725,072
130.	Impairment losses on:		*(8,391,550)*		*(7,010,346)*
	a) loans	*(8,368,928)*		*(7,001,074)*	
	b) available-for-sale financial assets	-		-	
	c) held-to-maturity investments	-		-	
	d) other financial instruments	*(22,622)*		*(9,272)*	
140.	**Net income from financial operations**		277,944,071		294,714,726
150.	Administrative expenses		*(231,809,034)*		*(218,106,236)*
	a) staff costs	*(84,060,598)*		*(75,038,143)*	
	b) other administrative expenses	*(147,748,436)*		*(143,068,093)*	
160.	Provisions for risks and charges		*(18,068,645)*		*(15,315,158)*
170.	Depreciation and net impairment of tangible assets		*(5,027,640)*		*(4,525,064)*
180.	Amortisation and net impairment of intangible assets		*(8,199,728)*		*(9,574,478)*
190.	Other operating income		16,806,834		15,913,050
200.	**Operating expenses**		*(246,298,213)*		*(231,607,886)*
210.	Profit (loss) on equity investments		(7,401,953)		(8,078,704)
240.	Profit (loss) on disposal of investments		(3,789)		(10,377)
250.	**Profit (loss) before tax on continuing operations**		24,240,116		55,017,759
260.	Income tax expense on continuing operations		8,686,654		(3,957,941)
270.	**Profit (loss) after tax on continuing operations**		32,926,770		51,059,818
290.	**Profit (loss) after tax**		32,926,770		51,059,818
	Earning per share (EPS)		0.077		0.138

Cash Flow Statement

Indirect Method

€	Dec. 31, 2008	Dec. 31, 2007
A. OPERATING ACTIVITIES		
1. Operating activities	85,346,526	109,443,388
- net profit (loss) for the year	32,926,770	51,059,818
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	8,112,944	5,873,645
- gains/losses on hedges (+/-)	(1,750,388)	-
- impairment losses/reversals (+/-)	8,391,550	7,010,347
- net write-downs/write-backs of tangible and intangible assets (+/-)	13,224,537	14,099,542
- provisions for risks and charges and other costs/revenues (+/-)	23,522,519	17,239,620
- unpaid taxes (+)	(8,686,654)	3,957,941
- net write-downs/write-backs of disposal groups after taxes (+/-)	-	-
- other adjustments (+/-)	9,605,248	10,202,475
2. Cash generated/used by financial assets	(820,517,137)	(1,540,260,437)
- financial assets held for trading	892,278,506	(306,983,628)
- financial assets at fair value	-	-
- available-for-sale financial assets	(570,504,192)	(152,322,704)
- loans to banks: on demand	(25,853,007)	242,232,093
- loans to banks: other loans	715,269,463	(782,730,988)
- loans to customers	(1,691,503,928)	(440,010,240)
- other assets	(140,203,979)	(100,444,970)
3. Cash generated/used by financial liabilities	1,426,160,221	1,465,524,828
- due to banks: on demand	-	-
- due to banks: other amounts due	790,379,347	3,369,550
- due to customers	536,954,270	898,668,849
- securities issued	13,536,756	-
- financial liabilities held for trading	24,970,762	594,564,742
- financial liabilities at fair value	20,178,434	-
- other liabilities	40,140,652	(31,078,313)
Net cash generated by/used in operating activities	690,989,610	34,707,779
B. INVESTING ACTIVITIES		
1. Cash from	189,871,275	110,261,504
- sale of equity investments	-	-
- dividends received from equity investments	79,735,345	90,154,801
- sale of held-to-maturity investments	107,500,000	20,000,000
- sale of tangible assets	2,141,462	106,703
- sale of intangible assets	494,468	-
- sale of business lines	-	-
2. Cash used for	(899,603,380)	(95,208,765)
- purchase of equity investments (including contributions to cover losses)	(40,000,000)	(20,000,000)
- purchase of held-to-maturity investments	(841,523,734)	(60,111,598)
- purchase of tangible assets	(6,409,335)	(7,009,548)
- purchase of intangible assets	(11,670,311)	(8,087,619)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	(709,732,105)	15,052,739
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	59,000,000	-
- issue/purchase of equity instruments	-	-
- dividend distribution and other	(40,000,000)	(50,000,000)
Net cash generated by/used in financing activities	19,000,000	(50,000,000)
NET CASH GENERATED/USED IN THE YEAR	257,505	(239,482)

RECONCILIATION

€	Dec. 31, 2008	Dec. 31, 2007
Financial item		
Cash and cash equivalents at beginning of the year	1,403,129	1,642,611
Total net cash generated/used in the year	257,505	(239,482)
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at end of the year	1,660,634	1,403,129

Statement of Changes in Equity

At December 31, 2007

€	Balance at Jan. 1, 2007	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	371,000,000	-	-
b) other shares	-	-	-
Share premium account	-	-	-
Reserves:			
a) retained earnings	42,777,691	19,627,999	-
b) others	3,185,042	-	-
Valuation reserves:			
a) AFS financial assets	1,816,554	-	-
b) Cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	69,627,999	(19,627,999)	(50,000,000)
Shareholders' equity	488,407,286	-	(50,000,000)

At December 31, 2008

€	Balance at Jan. 1, 2008	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	371,000,000	-	-
b) other shares	-	-	-
Share premium account	-	-	-
Reserves:			
a) retained earnings	64,529,458	11,059,818	-
b) others	3,185,042	-	-
Valuation reserves:			
a) AFS financial assets	(1,112,539)	-	-
b) Cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	51,059,818	(11,059,818)	(40,000,000)
Shareholders' equity	488,661,779	-	(40,000,000)

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec 31, 2007	Shareholders' equity at Dec 31, 2007
-	-	-	-	-	-	-	-	371,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,123,768	-	64,529,458
-	-	-	-	-	-	-	-	3,185,042
(2,929,093)	-	-	-	-	-	-	-	(1,112,539)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	51,059,818	51,059,818
(2,929,093)	-	-	-	-	-	2,123,768	51,059,818	488,661,779

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec 31, 2008	Shareholders' equity at Dec 31, 2008
-	59,000,000	-	-	-	-	-	-	430,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,083,862	-	77,673,138
-	-	-	-	-	-	-	-	3,185,042
(23,740,786)	-	-	-	-	-	-	-	(24,853,325)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	32,926,770	32,926,770
(23,740,786)	59,000,000	-	-	-	-	2,083,862	32,926,770	518,931,625

BANCA MEDIOLANUM S.p.A.

Notes to the Separate Annual Financial Statements 2008

Notes to the Separate Annual Financial Statements

These notes are structured as follows:

PART A – ACCOUNTING POLICIES

A.1 - GENERAL

Section 1 – Compliance with the international accounting and reporting standards

Pursuant to Legislative Decree No. 38 of February 28, 2005 the separate financial statements for the year ended December 31, 2008 were prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.
The financial statements for the year ended December 31, 2008 were prepared following the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy, in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005, through the Circular Letter No. 262 of December 22, 2005, as supplemented by Bank of Italy's Communication No. 5003 of January 2, 2009.
In the preparation of these separate financial statements the Company applied the international accounting and financial reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2008, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In that respect, it should be noted that by Regulation (EC) 108/2006 the European Commission adopted IFRS 7 Financial Instruments: Disclosures.

Section 2 – Accounting basis

These separate financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report. In accordance with art. 5 of Legislative Decree 38/2005 the financial statements were prepared using the euro as reporting currency.

The amounts set out in the Accounts are presented in units of euro, while the amounts set out in the Notes and the Directors' Report are presented in thousands of euro except where otherwise stated.

The accounts and the notes also include comparative information for the year ended December 31, 2007.

These financial statements were prepared in compliance with the general requirements of IAS 1 and the specific accounting standards adopted by the European Commission, as presented in Section A.2 ("Significant Accounting Policies") herein, as well as in compliance with the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.

The separate financial statements were prepared applying historical cost except for financial derivatives, financial assets and financial liabilities at fair value and available-for-sale financial assets which were carried at fair value.

The most significant change in 2008 was Commission Regulation (EC) No. 1004/2008 whereby the European Commission adopted the IASB document 'Reclassification of financial assets' which introduced certain amendments to International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7 allowing for reclassification of certain financial instruments in certain circumstances.

The impact of the application of said Regulation on the 2008 annual financial statements is commented in Part B of these Notes.

Readers are advised that for the sake of clarity and transparency Commission Regulation (EC) No. 1126/2008 incorporated in a single text the standards contained in Regulation (EC) No. 1725/2003 and the acts amending it. Regulation (EC) No. 1725/2003 was therefore repealed.

For completeness of information, readers are also advised of the adoption of the revised IAS 23 "Borrowing costs" (Regulation (EC) No. 1260/2008) and the revised IAS 1 "Presentation of Financial Statements" (Regulation (EC) No. 1260/2008), as well as of certain amendments to IFRS 2 (Regulation (EC) No. 1261/2008); said amendments apply for annual periods beginning on or after January 1, 2009.

During the year also new IFRIC interpretations were adopted, namely IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 - The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" (Regulation (EC) No. 1262 and Regulation (EC) No. 1263/2008). These IFRIC interpretations did not entail any impact on the financial statements for the year under review.

In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency. Except where otherwise stated the amounts set out in the Accounts, the Notes and the Directors' Report are presented in thousands of euro. In applying IAS/IFRS no departure was made from requirements therein.

Accounts

Balance Sheet and Income Statement

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

Statement of changes in shareholders' equity

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

Statement of Cash Flows

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

Content of the Notes

The Notes set out the information required under the Bank of Italy's Circular Letter 262/2005 and the international accounting and financial reporting standards.
No explanatory note is provided for items with a nil balance for both the year under review and the prior year.

Section 3 – Post Balance Sheet Date Events

In the period between the end of financial year 2008 and the date on which these financial statements were approved no event took place which could materially affect the Bank's results of operation or business.

Section 4 – Other information

Information on the business and the results of operation for the year 2008 of the main subsidiaries is set out in the Directors' Report.
The financial statements of Banca Mediolanum S.p.A. were audited by Reconta Ernst & Young S.p.A., as per the resolution passed at the General Meeting of April 18, 2007 whereby Reconta Ernst & Young S.p.A. were appointed as independent auditors for the three-year period 2008-2010.

Tax consolidation regime

In June 2007, the "tax consolidation regime" option was renewed. The tax consolidation regime is regulated by articles 117-129 of the Consolidated Income Tax Act introduced into Italy's tax legislation by Legislative Decree 344/2003. Under said regime the taxable profits or tax losses, including any withholding taxes, tax deductions and tax credits, of all participating Group companies are consolidated into the Parent Company. The Parent Company, as reporting entity, calculates the consolidated taxable profit by adding the taxable profits/losses of all participating Group companies to its own taxable profit/tax loss.
By choosing the "tax consolidation" option, participating Group companies calculate their own tax expense, while their taxable profit is consolidated into the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company.

A.2 - SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING POLICIES

This section sets out the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2008.
The changes in the accounting policies over the prior year relate exclusively to the amendments to IAS 39 and IFRS 7 adopted by Commission Regulation (EC) No. 1004/2008. The amendments to IAS 39 allow the reclassification of financial instruments while amendments to IFRS 7 apply to related disclosures. Specifically, the amendments allow to reclassify non-derivative financial assets that are no longer held for the purpose of selling or repurchasing them in the near term (held for trading) out of the 'financial assets at fair value through profit or loss' category to other categories set out in IAS 39 (held-to-maturity investments, available-for-sale financial assets, loans and receivables).
The amendments also allow to reclassify financial assets out of the 'available-for-sale' category to the 'loans and receivables' category. These reclassifications are allowed in rare circumstances when a financial asset is no longer held for the purpose of selling or repurchasing it in the near term and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
The current financial crisis was considered by the IASB to be such a rare circumstance which would justify the use of this possibility by companies. Due to the exceptional circumstances, the reclassification were allowed as from July 1, 2008 if made within November 1, 2008.
The Mediolanum Group elected to reclassify certain financial assets, largely bonds not quoted in an active market, originally recognised as held-for-trading, which at present do not show any objective evidence of impairment, are no longer held for the purpose of selling or repurchasing them in the near term due to market conditions and which it intends to hold in the foreseeable future.
Those financial assets were therefore reclassified to the 'Loans and Receivables' and the 'Available-for-Sale financial assets' categories.
Specifically, the reclassification largely related to Italian Government treasuries and certain bonds issued by Italian banks, or notes issued under securitisations.

In accordance with the transitional provision under the Regulation cited above, you are advised that the reclassifications made within November 1, 2008 amounted to a nominal value of €415 million, considering the value of assets at September 1, 2008. Based on fair value at year end, reclassifications for a nominal amount of €119 million were made upon the preparation of the 2008 annual financial statements.

€/'000 Type of instrument	Previous classification	Reclassified to	Nominal Value	Carrying amount after the reclassification	Fair value at Dec. 31, 2008	(*) Impact on profit or loss	(*) Impact on equity reserves
Debt instruments	Financial assets at fair value through profit or loss	Loans and Receivables	119.00	96.98	96.98	0.00	0.00
Debt instruments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	415.00	411.38	399.43	(11.95)	11.95
Total reclassifications			534.00	508.36	496.41	(11.95)	11.95

(*) Before taxations

Had Banca Mediolanum elected not to avail itself of the option to reclassify the financial assets above, the impact on the accounts, before related taxation, would have been a negative balance of €11.95 million on the income statement and an increase in equity reserves of €11.95 million.

No significant gains or profits were realised on repayments or disposals after said reclassifications.

In compliance with Bank of Italy's Letter 5003 of January 2, 2009, the compensation paid in 2008 to statutory auditors was reclassified to 'administrative expenses' (Caption 150, staff costs). The 2007 comparative figure was reclassified accordingly.

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets held for trading are initially recognised on the settlement date if they are debt securities and equities, and on the trade date if they are derivatives.
On initial recognition *financial assets held for trading* are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.
After initial recognition *financial assets held for trading* are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation (bid/ask or average price). If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

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

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial Assets Held for Trading or Held-to-Maturity Investments.

In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.

Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on trade date if they are loans or receivables.

On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the 'Held-to-Maturity Investments' category, available-for-sale financial assets are re-measured at their fair value on such reclassification.

After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.

At each interim and annual balance sheet date the company assesses whether there is objective evidence of any impairment loss.

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

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

Held-to-Maturity Investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the company intends or has the ability to hold to maturity.

Held-to-maturity investments are initially recognised on settlement date.

Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.

After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses of held-to-maturity investments are recognised in the income statement when the financial assets is derecognised or impaired, and through the amortisation process.

At each interim and annual reporting date the company assesses whether there is objective evidence of any impairment loss.

If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

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

Hedging

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

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

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

Hedging derivatives are measured at fair value. As they are accounted for as fair value hedges, the changes in the fair value of the hedged item are offset by the changes in the fair value of the hedging instrument. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item (in relation to changes generated by the underlying risk). Any resulting difference, which represents the partial ineffectiveness of the hedge, is the net effect on profit or loss.

Fair value is determined on the basis of quoted prices in an active market, prices quoted by market participants or internal valuation models commonly used in financial practice, which take into account all risk factors associated with the instruments and based on market information.

Derivatives are recognised as hedging derivatives if there is formal documentation of the hedging relationship between the hedging instrument and the hedged item and if, at the inception of the hedge and prospectively, the hedge is expected to be effective during the period for which the hedge is designated.

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

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

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

- prospective tests which support hedge accounting in terms of expected effectiveness;
- retrospective tests which show the degree of hedge effectiveness in the relevant past periods.

In other words, they measure how much actual results differed from perfect hedging.

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

Loans and receivables

This category includes loans to customers and to banks with fixed or determinable payments, that are not quoted in an active market and that, upon initial recognition, were not classified as available-for-sale.

Loans and receivables also include trade receivables, repurchase agreements and securities purchased under a public offering or private placement, with fixed or determinable payments, that are not quoted in an active market.

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

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

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

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

At each interim and annual reporting date the company assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan is classified as "non-performing", "watch-list" or "past due" more than 180 days, in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements. Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortised cost) at the time of assessment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

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

If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed and the reversal recognised in the income statement.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

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

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

Equity investments

This account relates to investments in subsidiaries and associates which are measured at cost.

If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the subsidiary or associate, including the proceeds on the ultimate disposal of the investment.

If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the income statement.

If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

Equity investments are derecognised when the contractual rights to the cash flows from the investment expire or the investment and substantially all the risks and rewards of ownership thereof are transferred.

Tangible assets

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

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

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

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

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

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

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

At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the lower of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognised as impairment loss in the income statement.

If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount of the asset that exceeds what the carrying amount less accumulated depreciation would have been had the impairment loss not been recognised at the date the impairment is reversed.

A tangible asset is derecognised from the balance sheet on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets primarily relate to software applications.

Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.

Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably, otherwise it is recognised as an expense in the income statement in the year in which it was incurred.

Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.

At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.

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

Other assets

Other assets include expenditure on the renovation of leasehold property.

Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.

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

Financial liabilities held for trading

Financial liabilities held for trading include:

- trading derivatives with negative fair value;
- short positions on securities trading.

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

Other financial liabilities and securities issued

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

Provisions for risk and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. Provisions for risk and charges are recognised in the income statement.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques in accordance with the rules governing 'defined benefit plans'. Future disbursements are estimated on the basis of past data (such as employee turnover and retirement) and demographic patterns, including assumptions for pay hikes pursuant to section 2120 of the Italian Civil Code (application of a fixed rate of 1.5 percent and a rate equal to 75 percent of ISTAT inflation rate). To determine the present value of benefit obligations the Projected Unit Credit Method is used, applying a discount rate, which is determined on the basis of market yields and reflects the estimated timing of benefit payments. The resulting values are recognised under staff costs as the net total of current service costs, past service costs, interest and expected return on any plan assets and actuarial gains or losses. Actuarial gains or losses are fully recognised under staff costs.
Entitlements accrued from January 1, 2007 allocated to either INPS or private pension plans are defined contribution payment obligations, since the company's obligation is limited to the amount it agrees to contribute to the fund. The defined contribution obligations for each period are the amounts to be contributed for that period.

Employee pension plan

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

Assets and liabilities denominated in foreign currencies

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

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

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

Tax assets and liabilities

Income taxes are recognised in the income statement except for items which are credited/charged directly to equity. Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company – or the Parent Company under Italy's tax consolidation regime – is expected to continue to generate sufficient taxable income against which temporary differences can be utilised.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.
The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Income Statement

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

OTHER INFORMATION

Use of estimates

The application of International Accounting and Financial Reporting Standards (IAS/IFRS) in the preparation of financial statements entails the use of complex valuations and estimates which have an impact on assets, liabilities, revenues and costs recognised in the financial statements as well as on the identification of potential assets and liabilities. These estimates primarily relate to:
- Assets and liabilities carried at fair value;
- Tests for any objective evidence of impairment losses on intangible assets recognised in the balance sheet;
- Provisions for risks and charges;
- Deferred taxation;
- Stock option plan related costs.

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

For information about the methods used to determine the financial items above and main risk factors readers are referred to the previous sections of these notes for information on accounting policies and to Part E for information on financial risk.

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible asset is tested for impairment in accordance with IAS 36.
An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of its fair value less cost to sell (the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties) and its value in use (i.e. the present value of the future cash flows expected to be derived from the permanent use of the assets and its disposal at the end of its useful life).
If an asset is impaired, the relevant impairment loss is recognised in profit or loss and the depreciation (amortisation) charge for the asset shall be adjusted accordingly in future periods.
If, in a subsequent period, there is any indication that the impairment loss recognised in prior periods no longer exists, the previously recognised impairment loss is reversed.

If there is objective evidence that a financial asset is impaired, the company applies the provisions of IAS 39, except for financial assets carried at fair value through profit or loss.
Indications of possible impairment include events such as significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the possibility that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for that financial asset.
A significant or prolonged decline in the market value of an investment in an equity instrument below its cost is also objective evidence of impairment.
Specifically, for equities, there is evidence of impairment where the decline in the original fair value exceeds one-third or is prolonged for over 36 months. However, before recognising any impairment loss through profit or loss, the entity shall proceed to assess each investment taking account of any particularly high volatility or erratic moves of the market as well as any other qualitative factor.

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

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

Share-based payments

Stock options are share-based payments. Stock options granted, and the corresponding increase in equity, are measured by reference to the fair value of the stock option at Grant Date, and accounted for during the Vesting Period. The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.

The cumulative expense recognised at each annual reporting date up until the vesting date takes account of the vesting period and is based on the best available estimate of options that are going to be exercised on the vesting date. The expense or the reversal recognised in the income statement for each year represents the change in the cumulative expense over the amount recognised in the prior year. No expense is recognised for options that do not vest.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

1.1 Analysis of cash and cash equivalents

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Cash	1,661	1,403
b) Demand deposits with Central Banks	-	-
Total	1,661	1,403

Cash and cash equivalents amount to €1,661 thousand, of which €64 thousand in foreign currencies. Cash and cash equivalents consist of cash balances in euro and foreign currencies held at the Milano 3 branch as well as banknotes at ATMs located at the Head Office and at the offices of Banca Mediolanum financial advisors.

Section 2 – Financial assets held for trading – Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted
A. Non-derivatives				
1. Debt securities	893,524	123	1,171,993	92
1.1 structured notes	1	-	-	-
1.2 other debt securities	893,523	123	1,171,993	92
2. Equities	7	9	73	10
3. Holdings in UCITS	-	-	-	-
4. Loans	-	-	-	-
4.1 repurchase agreements	-	-	-	-
4.2 others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	398,051	-	1,023,968	-
Total A	1,291,582	132	2,196,034	102
B. Derivatives				
1. Financial derivatives:	9	7,865	3	3,841
1.1 held for trading	9	7,865	3	3,841
1.2 measured at fair value	-	-	-	-
1.3 others	-	-	-	-
2. Credit derivatives:	-	-	-	-
2.1 held for trading	-	-	-	-
2.2 measured at fair value	-	-	-	-
2.3 others	-	-	-	-
Total B	9	7,865	3	3,841
Total (A+B)	1,291,591	7,997	2,196,037	3,943

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. NON-DERIVATIVES		
1. Debt securities	893,647	1,172,086
a) Governments and Central Banks	502,375	577,535
b) Government agencies	5	-
c) Banks	293,699	323,755
d) Other issuers	97,568	270,796
2. Equities	16	83
a) Banks	-	-
b) Other issuers:	16	83
- insurance companies	-	-
- financial companies	1	1
- non financial companies	15	82
- others	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
6. Assets sold but not derecognised	398,051	1,023,967
a) Governments and Central Banks	199,354	907,004
b) Government agencies	-	-
c) Banks	178,541	-
d) Other issuers	20,156	116,963
Total A	1,291,714	2,196,136
B. DERIVATIVES		
a) Banks	5,990	3,366
b) Customers	1,884	478
Total B	7,874	3,844
Total (A+B)	1,299,588	2,199,980

2.3 Analysis of financial assets held for trading: derivatives

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Dec. 31, 2008	Dec. 31, 2007
A) Listed derivatives							
1. *Financial derivatives:*							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	9	-	-	-	-	9	3
• Without exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. *Credit derivatives:*							
• Whit exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total A	9	-	-	-	-	9	3
B) Unlisted derivatives							
1. *Financial derivatives:*							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	2,265	-	-	-	2,265	1,452
• Without exchange of principal							
- Options purchased	1,182	-	-	-	-	1,182	936
- Other derivatives	4,418	-	-	-	-	4,418	1,453
2. *Credit derivatives:*							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total B	5,600	2,265	-	-	-	7,865	3,841
Total (A+B)	5,609	2,265	-	-	-	7,874	3,844

2.4 Year's movements in financial assets held for trading other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	1,172,086	83	-	-	1,172,169
B. Increases	7,061,037	3,730	88	-	7,064,855
B1. Additions	6,135,264	3,650	84	-	6,138,998
B2. Increases in fair value	34,167	-	-	-	34,167
B3. Other	891,606	80	4	-	891,690
C. Decreases	7,339,476	3,797	88	-	7,343,361
C1. Disposals	6,217,980	3,685	84	-	6,221,749
C2. Redemptions	743,123	-	-	-	743,123
C3. Decreases in fair value	43,721	35	-	-	43,756
C4. Other	334,652	77	4	-	334,733
D. Closing balance	893,647	16	-	-	893,663

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted
1. Debt securities	284,629	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	284,629	-	-	-
2. Equities	82	9,194	496	9,194
2.1 Measured at fair value	82	-	496	-
2.2 Measured at cost	-	9,194	-	9,194
3. Holdings in UCITS	-	169,737	-	204,662
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	398,290	-	100,816	-
Total	683,001	178,931	101,312	213,856

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Debt securities	284,629	-
a) Governments and Central Banks	174,627	-
b) Government agencies	-	-
c) Banks	99,980	-
d) Other issuers	10,022	-
2. Equities	9,276	9,690
a) Banks	-	-
b) Other issuers:	9,276	9,690
- insurance companies	-	-
- financial companies	1,534	1,943
- non financial companies	7,742	7,747
- others	-	-
3. Holdings in UCITS	169,737	204,662
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognised	398,290	100,816
a) Governments and Central Banks	398,290	100,816
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	861,932	315,168

4.5 Year's movements in available-for-sale financial assets other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	-	9,690	204,662	-	214,352
B. Increases	1,264,332	-	13,442	-	1,277,774
B1. Additions	772,811	-	11,830	-	784,641
B2. Increases in fair value	4,203	-	1,610	-	5,813
B3. Reversal of impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
B4. Reclassified from other portfolios	464,575	-	-	-	464,575
B5. Other	22,743	-	2	-	22,745
C. Decreases	979,703	414	48,367	-	1 ,028,484
C1. Disposals	196,941	-	24,892	-	221,833
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	18,562	395	22,054	-	41,011
C4. Impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
C5. Reclassified to other portfolios	453,249	-	-	-	453,249
C6. Other	310,951	19	1,421	-	312,391
D. Closing balance	284,629	9,276	169,737	-	463,642

On October 13, 2008 the International Accounting Standard Board (IASB) approved and issued amendments to IAS 39 and IFRS 7, allowing the reclassification of financial instruments with retrospective application as of July 1, 2008. Specifically, the amendments above introduced the option for the entity to reclassify, in rare circumstances, financial instruments out of the 'Hel-for-Trading' category to 'Available-For-Sale' and 'Held-to-Maturity' categories.

In light of the amendments introduced to IAS 39 e IFRS 7 and the market turbulence in 2008 which can be rightly considered to be a 'rare circumstance', at two different meetings, the Board of Directors of the Bank resolved to avail itself of the option above. By resolution carried at its meeting held on October 28, 2008 the Board approved the reclassification of part of the financial instruments in the *Held-for-Trading portfolio* to the *Available-for-Sale* category. That resolution related to securities traded in repurchase agreements with Bank customers, effective from September 1, 2008. By a second resolution carried at its meeting held on November 11, 2008, the Board approved the reclassification of three securities in the *Available-for-Sale portfolio* to the *Held-to-Maturity category*. The impact of the reclassification on the income statement and on equity is presented in section A.2. – Accounting Policies herein, to which readers are referred.

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

5.1 Analysis of held-to-maturity investments

€/'000	Dec. 31, 2008		Dec. 31, 2007	
	Book Value	Fair value	Book Value	Fair value
1. Debt securities	381,745	381,159	79,242	79,054
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	381,745	381,159	79,242	79,054
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognised	725,303	726,918	293,782	293,411
Total	1,107,048	1,108,077	373,024	372,465

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Debt securities	381,745	79,242
a) Governments and Central Banks	85,724	68,985
b) Government agencies	-	-
c) Banks	296,021	10,257
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
3. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
4. Assets sold but not derecognised	725,303	293,782
a) Governments and Central Banks	188,294	293,782
b) Government agencies	-	-
c) Banks	537,009	-
d) Others	-	-
Total	1,107,048	373,024

5.4 Year's movements in held-to-maturity investments other than those sold but not derecognised and other than impaired investments

€/'000	Debt securities	Loans	Total
A. Opening balance	79,242	-	79,242
B. Increases	857,939	-	857,939
B1. Additions	385,247	-	385,247
B2. Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	453,249	-	453,249
B4. Other	19,443	-	19,443
C. Decreases	555,436	-	555,436
C1. Disposals	-	-	-
C2. Redemptions	107,500	-	107,500
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	447,936	-	447,936
D. Closing balance	381,745	-	381,745

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Central Banks	101,838	21,438
1. Time deposits	-	-
2. Reserve requirements	101,838	21,438
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks	1,853,850	2,623,666
1. Current accounts and demand deposits	49,054	23,201
2. Time deposits	1,423,520	2,111,560
3. Others:	381,276	488,905
3.1 Repurchase agreements	316,463	441,165
3.2 Finance leases	-	-
3.3 Other	64,813	47,740
4. Debt securities	-	-
4.1 Structured notes	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold but not derecognised	-	-
Total (book value)	1,955,688	2,645,104
Total (fair value)	1,955,680	2,644,709

Section 7 – Loans to customers – Caption 70

7.1 Analysis of loans to customers

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Current accounts	307,766	258,406
2. Repurchase agreements	514,184	362,293
3. Mortgage loans	1,213,172	514,519
4. Credit cards, personal loans and salary-guaranteed loans	64,502	51,668
5. Finance leases	-	-
6. Factoring	-	-
7. Other	984,173	322,369
8. Debt securities	96,161	-
8.1 Structured notes	-	-
8.2 Other debt securities	96,161	-
9. Impaired assets	25,567	13,981
10. Assets sold but not derecognised	823	-
Total (book value)	3,206,348	1,523,236
Total (fair value)	3,216,798	1,548,978

At December 31, 2008, certain ABS not quoted in an active market were reclassified out of the 'financial assets held-for-trading' category to 'Loans to Customers'. These financial assets at present do not show any objective evidence of impairment, are not held for the purpose of selling or repurchasing them in the near term due to market conditions and the bank intends to hold them.

The securities above with nominal value of €119 million were reclassified at their fair value at year end.

The reclassification was made in accordance with the amendments to IAS 39 which allow the reclassification out of HFT category in rare circumstances when a financial asset is no longer held for the purpose of selling or repurchasing it in the near term and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Considering the purpose of the investments above and the exceptional circumstances of the 2008 financial crisis, the Bank deemed appropriate to proceed to the reclassification above at balance sheet date.

7.2 Analysis of customer loans by borrower category

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Debt securities	96,161	-
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers	96,161	-
- non financial companies	-	-
- financial companies	96,161	-
- insurance companies	-	-
- others	-	-
2. Loans:	3,083,797	1,509,255
a) Governments	-	-
b) Government agencies	-	-
c) Others	3,083,797	1,509,255
- non financial companies	40,635	44,159
- financial companies	1,461,343	568,989
- insurance companies	5,460	82,076
- other	1,576,359	814,031
3. Impaired assets:	25,567	13,981
a) Governments	-	-
b) Government agencies	-	-
c) Others	25,567	13,981
- non financial companies	1,318	88
- financial companies	-	-
- insurance companies	-	-
- other	24,249	13,893
4. Assets sold but not derecognised:	823	-
a) Governments	-	-
b) Government agencies	-	-
c) Others	823	-
- non financial companies	-	-
- financial companies	823	-
- insurance companies	-	-
- other	-	-
Total	3,206,348	1,523,236

At December 31, 2008, "Impaired Assets" amounted to €25,567 thousand, of which €12,389 thousand (2007: €9,618 thousand) related to debtors that were past due more than 180 days. Positions that are past due more than 180 days began to be classified as impaired in financial year 2005 following the entry into effect of Bank of Italy's new requirements and the adoption of international accounting and financial reporting standards. At December 31, 2008 non-performing loans amounted to €5,373 thousand and accounted for 0.17% of total exposure versus 0.06% at December 31, 2007.

7.3 Loans to customers: micro-hedging

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Fair value hedges		
a) interest rate risk	318,967	-
b) currency risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Cash flow hedges		
a) interest rate risk	-	-
b) currency risk	-	-
c) other	-	-
Total	318,967	-

Section 10 – Equity investments – Caption 100

10.1 Subsidiaries, joint ventures and companies over which significant influence is exercised

€/'000	Registered Office	% holding	% voting rights
A. Subsidiaries			
Banco de Finanzas e Inversiones S.A. (Fibanc)	Barcelona	100.00	100.00
Bankhaus August Lenz & Co. AG	Munich	100.00	100.00
Mediolanum Distribuzione Finanziaria S.p.A.	Basiglio	100.00	100.00
Mediolanum Corporate University S.p.A.	Basiglio	100.00	100.00
Mediolanum International S.A.	Luxembourg	100.00	99.997
Mediolanum Asset Management Ltd	Dublin	51.00	51.00
Mediolanum Gestione Fondi SGR p.A.	Basiglio	51.00	51.00
Mediolanum International Funds Ltd	Dublin	51.00	51.00
B. Joint ventures			
C. Companies under significant influence			

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

€/'000	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Book value	Fair value
A. Subsidiaries						
Mediolanum International S.A.	47,752	441	218	47,629	46,620	X
Bankhaus August Lenz & Co. AG	85,084	23,755	(7,402)	44,807	48,514	X
Banco de Finanzas e Inversiones S.A. (Fibanc)	516,684	51,305	(1,275)	134,225	272,617	X
Mediolanum Gestione Fondi SGR p.A.	27,592	46,722	4,244	20,423	2,610	X
Mediolanum International Funds Ltd	45,032	299,192	125,480	29,752	1,346	X
Mediolanum Asset Management Ltd	11,428	32,652	9,695	6,669	459	X
Mediolanum Distribuzione Finanziaria S.p.A.	1,915	3,050	207	1,295	1,000	X
Mediolanum Corporate University S.p.A.	21,307	1,561	(735)	19,273	20,000	X
Total subsidiaries	-	-	-	-	393,166	
B. Joint ventures	-	-	-	-	-	
C. Companies under significant influence	-	-	-	-	-	

In compliance with the document jointly issued by the Bank of Italy, CONSOB and ISVAP last February 6, information about the impairment test conducted as per IAS 36 on foreign equity investments held at December 31, 2008 is set out below. Information relates to the following entities:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Banco de Finanzas e Inversiones S.A.	272,617	252,617
Mediolanum International S.A.	46,620	46,620
Bankhaus August Lenz & Co. AG	48,514	55,916
Total	367,751	355,153

The purpose of the impairment test was to ascertain that the carrying amount of the equity investments/cash generating units (CGU) Banco de Finanzas e Inversiones SA (Fibanc), Gamax Management AG (Gamax) and Bankhaus (BAL) did not exceed their recoverable amount, i.e. the higher of fair value less cost to sell and value in use.

For the Luxembourg-based holding Mediolanum International S.A., the test was carried out on the only equity investment, i.e. the asset management company Gamax Management A.G..

The impairment test was conducted with the assistance of an independent advisor applying the methods and assumptions set out below.

Under IAS 36 value in use can be calculated applying the Discounted Cash Flow (DCF) method. The DCF method determines the value in use of a CGU, or an entity, by computing the present value of future cash flows (from operations) the entity expects to derive from the CGU over time.

This method, however, cannot be used for lenders, and more generally for financial firms, in the same way it is applied to industrial companies. In fact, the latter raise debt to fund their business, while lenders issue debt (e.g. securities, bonds) as a large, integral part of their banking business. Thus, it is a common practice for lenders to apply the Dividend Discount Model (DDM) in the Excess Capital variant which determines the value of the entity on the basis of the future dividend flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific capital risk.

The value in use of CGUs was therefore estimated by applying the Dividend Discount Model (DDM) in the Excess Capital variant.

Future cash flows were estimated on the basis of the 2009-2013 five-year business plans approved by the Board of Directors of Banca Mediolanum, that represent the best management estimates of future performance of the relevant CGUs.

Specifically, the assumptions on which said plans are based are as follows:

- for Fibanc, the development of the Banca Mediolanum business model in Spain through the reorganisation and future sustained growth of the sales network associated with growing net inflows and an increase in assets under management and administration;
- for Gamax, core business growth focused on mutual funds management, continued good performance as in 2008 and development of the Luxembourg-based SICAV '*Mediolanum Specialities*'.

The discount rate applied to the estimated future cash flows is the rate of return on equity which shareholders expects to obtain from investments with a similar risk/return profile. Said rate was estimated using the Capital Asset Pricing Model based on observable market data for individual companies. Specifically, cost of capital was estimated at 10.3% for Fibanc and at 11.8% for Gamax.

The growth rate beyond the explicit time horizon of the plans was estimated to be steady at 2.5%, i.e. not in excess of the long-term growth in the respective industries or projected inflation.

To determine the recoverable amount simulations were made to estimate the fair value of CGUs on the basis of market multiples of comparable companies. The persisting subdued performance of stock markets, brought the estimated market value of CGUs Gamax and Fibanc below their value in use. The recoverable amount of CGUs Gamax and Fibanc was therefore determined to be equal to their value in use.

The impairment test included also the sensitivity analysis of key elements used to determine the value in use of the CGUs.

The elements whose variability has the greatest impact the determination of value in use are:

- rate of earnings growth over the plan time horizon;
- long-term rate of growth beyond the plan time horizon;
- cost of capital.

The test did not reveal any objective evidence of impairment and the value of CGUs was above, yet close to, their respective carrying amount.

10.3 Year's movements in equity investments

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Opening balance	360,568	348,647
B. Increases	40,000	20,000
B1. Aquisitions	40,000	20,000
B2. Reversal of impairment	-	-
B3. Revaluations	-	-
B4. Other increases	-	-
C. Decreases	(7,402)	(8,079)
C1. Sales	-	-
C2. Impairment	(7,402)	(8,079)
C4. Other decreases	-	-
D. Closing balance	393,166	360,568
E. Total revaluations	-	-
F. Total adjustments	120,765	113,363

Section 11 – Tangible assets – Caption 110

11.1 Analysis of tangible assets carried at cost

Asset/Value €/'000	Dec. 31, 2008	Dec. 31, 2007
A. Occupied/used		
1.1 owned	25,028	25,763
a) land	5,440	5,440
b) buildings	5,726	5,754
c) furnishings	2,387	1,744
d) electronic equipment	9,123	10,533
e) other	2,352	2,292
1.2 under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	25,028	25,763
B. held for investment purposes		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	25,028	25,763

11.3 Year's movements in occupied/used tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	5,440	8,231	5,429	34,119	4,918	58,137
A.1 Total net write-downs	-	(2,477)	(3,685)	(23,586)	(2,626)	(32,374)
A.2 Net opening balance	5,440	5,754	1,744	10,533	2,292	25,763
B. Increases:	-	220	1,361	2,412	3,492	7,485
B.1 Additions	-	145	802	1,970	3,492	6,409
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increase in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property	-	-	-	-	-	-
B.7 Other increases	-	75	559	442	-	1,076
C. Decreases:	-	(248)	(718)	(3,822)	(3,433)	(8,221)
C.1 Disposals (*net value*)	-	-	-	(4)	(2,138)	(2,142)
C.2 Depreciation	-	(248)	(718)	(3,818)	(244)	(5,028)
C.3 Impairment						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Decreases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:						
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets helf for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	(1,051)	(1,051)
D. Net closing balance	5,440	5,726	2,387	9,123	2,352	25,028
D.1 Total net write-downs	-	(2,725)	(4,392)	(27,063)	(2,828)	(37,008)
D.2 Gross closing balance	5,440	8,451	6,779	36,186	5,180	62,036
E. Measured at cost	-	-	-	-	-	-

Tangible assets with unit value lower than €516.46 were fully depreciated in the year and amounted to €256 thousand. For higher value assets acquired during the financial year, the depreciation rate was reduced by 50% to reflect partial use during the year.

Section 12 – Intangible assets – Caption 120

12.1 Analysis of intangible assets

€/'000	Dec. 31, 2008 Finite life	Dec. 31, 2008 Indefinite life	Dec. 31, 2007 Finite life	Dec. 31, 2007 Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	12,455	-	9,620	-
A.2.1 Measured at cost	12,455	-	9,620	-
a) internally generated assets	-	-	-	-
b) other assets	12,455	-	9,620	-
A.2.2 Measured at fair value:	-	-	-	-
a) internally generated assets	-	-	-	-
b) other assets	-	-	-	-
Total	12,455	-	9.620	-

12.2 Year's movements in intangible assets

€/'000	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening balance	-	-	-	107,537	-	107,537
A.1 Total net write-downs	-	-	-	(97,917)	-	(97,917)
A.2 Net opening balance	-	-	-	9,620	-	9,620
B. Increases	-	-	-	11,670	-	11,670
B.1 Additions	-	-	-	11,670	-	11,670
B.2 Increases in internal assets	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increase in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases:	-	-	-	(8,835)	-	(8,835)
C.1 Disposals	-	-	-	(491)	-	(491)
C.2 Amortisation and impairment	-	-	-	(8,200)	-	(8,200)
- Amortisation	-	-	-	(8,197)	-	(8,197)
- Impairment	-	-	-	(3)	-	(3)
+ in equity	-	-	-	-	-	-
+ through profit or loss	-	-	-	(3)	-	(3)
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(144)	-	(144)
D. Net closing balance	-	-	-	12,455	-	12,455
D.1 Total net write-downs	-	-	-	(105,694)	-	(105,694)
E. Gross closing balance	-	-	-	118,149	-	118,149
F. Measured at cost	-	-	-	-	-	-

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

"*Current tax assets*" include tax advances amounting to €2,098 thousand and withholding taxes of €10,876 thousand paid during 2008. Since the Bank opted for the tax consolidation regime, IRES corporate income tax debits/credits will be consolidated into the parent company Mediolanum S.p.A. for the purpose of consolidated tax reporting.

13.1/13.2 Analysis of deferred tax assets - Analysis of deferred tax liabilities

	FY 2008		FY 2007	
€/'000	Temporary differences	Tax rate %	Temporary differences	Tax rate %
Deferred tax assets				
Valuation reserve relating to AFS securities	44,549	32.32%	4,477	32.32%
Valuation reserve relating to AFS securities	350	4.82%	-	-
Provisions for risks and charges	61,227	32.32%	50,876	32.32%
Provisions for risks and charges	37,290	27.50%	27,897	27.50%
Expenses deductible in future years	13,471	27.50%	808	27.50%
Expenses deductible in future years	-	32.32%	660	32.32%
Expenses deductible in future years	362	32.32%	14,378	32.32%
Other	-	27.50%	-	27.50%
Total	157,249	-	99,096	-
Deferred tax liabilities:				
Valuation reserve relating to AFS securities	8,321	32.32%	2,833	32.32%
Income taxable in future years	9,873	27.50%	3,044	32.32%
Future expenses deductible in the year	-	32.32%	3,023	32.32%
Future expenses deductible in the year	311	27.50%	1,588	27.50%
Commission income taxable in future years	-	32.32%	-	32.32%
Total	18,505	-	10,488	-
Net deferred tax liabilities (assets)	-	42,788	-	27,330
Deferred tax arisen on tax losses for the year	7,377	-	-	-
Deferred tax arisen or tax losses for the prior year	-	-	-	-
Temporary differences excluded from the calculation of deferred tax liabilities (assets)	-	-	-	-
Tax losses to carry forward	-	-	-	-

€/'000	Dec. 31, 2008	Dec. 31, 2007
Deferred tax assets		
Charge to the income statement	41,241	29,196
Charge to equity	14,414	1,447
Total deferred tax assets	55,655	30,643
Deferred tax liabilities		
Charge to the income statement	2,800	2,397
Charge to equity	2,689	916
Total deferred tax liabilities	5,489	3,313

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	29,196	34,152
2. Increases	18,805	15,284
2.1 Deferred tax assets arisen in the year	11,427	15,284
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) write-backs	-	-
d) other	11,427	15,284
2.2 New taxes or increased tax rates	1	-
2.3 Other increases	7,377	-
3. Decreases	(6,760)	(20,240)
3.1 Deferred tax assets cancelled in the year	-	-
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	-	(5,276)
3.3 Other decreases	(6,760)	(14,964)
4. Closing balance	41,241	29,196

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	2,397	1,419
2. Increases	1,878	2,442
2.1 Deferred tax liabilities arisen in the year	1,878	2,442
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	1,878	2,442
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(1,475)	(1,464)
3.1 Deferred tax liabilities cancelled in the year	(1,475)	(1,016)
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	(1,475)	(1,016)
3.2 Reduced tax rates	-	(448)
3.3 Other decreases	-	-
4. Closing balance	2,800	2,397

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	1,447	-
2. Increases	13,143	1,447
2.1 Deferred tax assets arisen in the year	13,143	1,447
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	13,143	1,447
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(176)	-
3.1 Deferred tax assets cancelled in the year	-	-
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	(176)	-
4. Closing balance	14,414	1,447

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	916	1,125
2. Increases	1,879	1,057
2.1 Deferred tax liabilities arisen in the year	1,879	1,057
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	1,879	1,057
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(106)	(1,266)
3.1 Deferred tax liabilities cancelled in the year	(106)	(1,098)
a) reversals	-	-
b) changes in the accounting policies	-	-
c) other	(106)	(1,098)
3.2 Reduced tax rates	-	(168)
3.3 Other decreases	-	-
4. Closing balance	2,689	916

Section 15 – Other assets – Caption 150

15.1 Analysis of other assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Items in transit	119,179	93,521
Commissions Oustanding	29,706	38,578
TBN sales commission bonus advances	30,378	9,597
Receivables from financial advisors	17,776	16,389
Receivables from tax authorities	12,663	8,761
Receivables from the parent company, subsidiaries and associates	6,577	4,777
Accruals	9,873	3,044
Prepayments	3,231	2,949
Advances to suppliers	4,418	2,598
Deposits	-	1,875
Receivables from companies of the Fininvest & the Doris Group	116	170
Other receivables from former financial advisors	3,211	2,995
Commissions and expenses to be recovered from customers	2,528	5,906
Other receivables	13,575	8,169
Total	253,231	199,329

In order to promote customer loyalty and at the same time incentivise the sales network, a different commission structure was established for Mediolanum Vita's new pension plan *Tax Benefit New* (TBN) in consideration of its long-term investment nature. The different commission structure entails the payment of an upfront fee and the recognition of a sales commission bonus from the third to the tenth year after initial subscription, provided that regular payments are made into the plan and/or the customer assets are not moved to other plans and the Family Banker does not resign or is revoked for cause.

As a further incentive, the commission bonus is paid in advance upon the payment of the upfront fee.

If any of the conditions above occurs, the commission bonus will be reversed. At year end "*TBN sales commission bonus advances*" amounted to €30,378 thousand.

"*Items in transit*" primarily relate to utilities payments not yet due to be debited to customers (€31,323 thousand), checks debited to customers in the first days of 2009 (€55,860 thousand) and miscellaneous items settled in January 2009 (€31,996 thousand).

"*Commissions outstanding*" essentially relate to commissions receivable for the distribution of products and services on behalf of the companies below:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Mediolanum Vita S.p.A.	20,840	17,315
Mediolanum International Life Ltd	3,879	14,157
Mediolanum International Funds Ltd	3,907	5,331
Mediolanum Gestione Fondi SGR p.A.	679	1,334
Mediolanum Assicurazioni S.p.A.	371	391
Duemme Hedge SGR p.A.	30	50
Total	29,706	38,578

"*Receivables from the parent company, subsidiaries and associates*" and "*Receivables from companies of the Fininvest Group and the Doris Group*" relate to the following companies:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Mediolanum Group companies	6,577	4,777
parent company		
- Mediolanum S.p.A.	452	269
subsidiaries		
- Mediolanum International Funds Ltd	225	268
- Mediolanum Gestione Fondi SGR p.A.	1,514	1,209
- Banco de Finanzas e Inversiones (Fibanc) S.A.	161	-
- Mediolanum Distribuzione Finanziara	82	117
- Mediolanum Corporate University	635	-
- Bankhaus August Lenz	37	-
associates		
- Mediolanum Vita S.p.A.	2,316	2,070
- Partner Time S.p.A.	316	156
- Mediolanum Comunicazione S.p.A.	601	514
- Mediolanum International Life Ltd	217	162
- PI Distribuzione S.p.A.	21	12
Fininvest Group and Doris Group	116	170
- Mediolanum Assicurazioni S.p.A.	116	169
- AC Milan S.p.A.	-	1

An analysis of "*receivables from tax authorities*", including prior year's comparative information, is set out in the table below.

€/'000	Dec. 31, 2008	Dec. 31, 2007
Prepaid stamp duties	12,534	8,749
Miscellaneous taxes/other receivables	129	9
VAT	-	3
Total	12,663	8,761

"*Prepaid stamp duties*" relate to 2009 stamp duties paid in November 2008 amounting to €14,461 thousand net of 2008 stamp duties amounting to €1,927 thousand.

"*Receivables from financial advisors*" primarily relate to commission advances for a total of €19,790 thousand which were written-down by €2,014 thousand.

"*Prepayments*" relate to the portion of payments made for miscellaneous services pertaining to future years.

"*Accruals*" relates to commissions on *Tax Benefit New* relating to future years.

"*Receivables from former financial advisors*" relate to the expenses borne to compensate customers who were damaged as a result of the misconduct of former financial advisors against whom legal actions are underway. The amount receivable carried at the nominal value of €10,531 thousand written down by €7,320 thousand represents the estimated realisable value calculated taking into account the insurance coverage for those risks.

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

"*Other receivables*" include outstanding fees (€2,827 thousand), expenses relating to different years for improvements to leasehold assets (€3,566 thousand), advances to employees and contract workers (€195 thousand), receivables from Directors (€163 thousand), items pending billing (€2,930 thousand) and other sundry items (€3,894 thousand).

LIABILITIES

Section 1 – Amounts due to banks – Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Central banks	400,116	290,465
2. Banks	1,524,304	843,576
2.1 Current accounts and demand deposits	602,593	576,880
2.2 Time deposits	435,119	100,097
2.3 Loans	-	-
2.3.1 Finance leases	-	-
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Liabilities in connection with assets sold but not derecognised	486,592	166,599
2.5.1 Repurchase agreements	486,592	166,599
2.5.2 Other	-	-
2.6 Other amounts due	-	-
Total	1,924,420	1,134,041
Fair value	1,952,298	1,134,041

Section 2 – Amounts due to customers – Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Current accounts and demand deposits	4,500,559	3,970,675
2. Time deposits	183,474	100,000
3. Third party assets under administration	-	-
4. Loans	-	-
4.1 Finance leases	-	-
4.2 Other	-	-
5. Commitments to buy back own equity instruments	-	-
6. Liabilities in connection with assets sold but not derecognised	888,677	965,517
6.1 Repurchase agreements	888,677	965,517
6.2 Other	-	-
7. Other amounts due	8,282	7,846
Total	5,580,992	5,044,038
Fair value	5,576,240	5,037,645

Section 3 – Securities issued – Caption 30

3.1 Analysis of securities issued

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Book Value	Fair value	Book Value	Fair value
A. Listed				
1. Bonds	-	-	-	-
1.1. structured	-	-	-	-
1.2. other	-	-	-	-
2. Other securities	-	-	-	-
2.1. structured	-	-	-	-
2.2. other	-	-	-	-
B. Unlisted	13,537	13,537		
1. Bonds	13,537	13,537	-	-
1.1. structured	-	-	-	-
1.2. other	13,537	13,537	-	-
2. Other securities	-	-	-	-
2.1. structured	-	-	-	-
2.2. other	-	-	-	-
Total	13,537	13,537	-	-

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

	Dec. 31, 2008				Dec. 31, 2007			
	VN	FV		FV*	VN	FV		FV*
€/'000		Q	NQ			Q	NQ	
A. Non-derivatives								
1. Due to banks	8,833	8,697	-	-	37,327	37,695	-	-
2. Due to customers	675,290	721,363	-	-	666,649	677,046	-	-
3. Debt securities	-	-	-	-	-	30	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	-	-	-	-
3.1.2 others	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	30	-	-
3.2.1 structured	-	-	-	-	-	-	-	-
3.2.2 others	-	-	-	-	-	30	-	-
Total A	684,123	730,060	-	-	703,976	714,771	-	-
B. Derivatives								
1. Financial derivatives	11,099	30	11,069	-	-	8	1,410	-
1.1 held for trading	11,099	30	11,069	-	-	-	1,410	-
1.2 measured at fair value	-	-	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-	-	-
Total B	11,099	30	11,069	-	-	8	1,410	-
Total (A+B)	695,222	730,090	11,069	-	703,976	714,779	1,410	-

FV = Fair Value

*FV** = Fair Value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue

NV = nominal value or notional amount

L = listed

U = unlisted

"A2 Due to customers" include short positions in "repurchase agreements".

4.4 Analysis of financial liabilities held for trading: derivatives

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Dec. 31, 2008	Dec. 31, 2007
A) Listed derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	30	-	-	-	-	30	8
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total A	30	-	-	-	-	30	8
B) Unlisted derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	7,459	-	-	-	7,459	579
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	3,610	-	-	-	-	3,610	831
2. Credit derivatives:							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total B	3,610	7,459	-	-	-	11,069	1,410
Total (A+B)	3,640	7,459	-	-	-	11,099	1,418

4.5 Year's movements in financial liabilities (ex. "short positions") held for trading

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

Section 6 – Hedging derivatives – Caption 60

6.1 Analysis of hedging derivatives by type of contract and underlying

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of principal						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of principal						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of principal	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted derivatives	18,428	-	-	-	-	18,428
1. Financial derivatives:	18,428	-	-	-	-	18,428
With exchange of principal						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of principal						
- Options issued	-	-	-	-	-	-
- Other derivatives	18,428	-	-	-	-	18,428
2. Credit derivatives:						
With exchange of principal	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-
Total B	18,428	-	-	-	-	18,428
Total (A+B) Dec. 31, 2008	18,428	-	-	-	-	18,428
Total (A+B) Dec. 31, 2007	-	-	-	-	-	-

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

	Fair Value						Cash flow	
	micro-hedging							
€/'000	interest rate risk	currency risk	credit risk	pricing risk	multiple risks	macro-hedging	micro-hedging	macro-hedging
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Loans and receivables	18,428	-	-	-	-	-	-	-
3. Held-to-maturity investments	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
5. Investments in foreign operations	-	-	-	-	-	-	-	-
Total assets	18,428	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
1. Forecast transactions	-	-	-	-	-	-	-	-

Section 8 – Tax liabilities – Caption 80

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

€/'000	Dec. 31, 2007	Amounts set aside in the year	Other changes	Funds used	Dec. 31, 2008
Corporate Income Tax (IRES)	-	-	-	-	-
Regional Business Tax (IRAP)	3,465	3,741	(847)	(2,618)	3,741
Total	3,465	3,741	(847)	(2,618)	3,741

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

Section 10 – Other liabilities – Caption 100

10.1 Analysis of other liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Items in transit	85,438	98,888
Payables to financial advisors	51,010	58,896
Payables to suppliers, consultants and other professionals	36,794	33,264
Payables to Mediolanum Group companies	73,965	12,047
Payables to tax authorities	9,571	10,223
Payables to employees	4,392	5,454
Payables to social security agencies	4,554	4,120
Agents' severance benefits	2,994	3,240
Accrued expenses	65	2,322
Payables to companies of the Fininvest Group and Doris Group	2,643	1,371
Other sundry liabilities	7,484	3,453
Total	278,910	233,278

"*Payables to financial advisors*" relate to commissions accrued at the balance sheet date and payable to financial advisors in 2009.

"*Items in transit*" include customer transfer orders settled through the Interbank Network in the first days of 2009 (€13,838 thousand), pre-authorised payments (RID) (€32,144 thousand), ATM transactions (€3,903 thousand), Banco Posta transactions (€2,867 thousand) and other items settled in the first days of the new year (€32,686 thousand).

"*Payables to Mediolanum Group companies*" and "*Payables to companies of the Fininvest Group and the Doris Group*" largely relate to services rendered by the following companies:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Mediolanum Group companies		
parent company		
- Mediolanum S.p.A.	460	442
subsidiaries		
- Mediolanum Gestione Fondi SGR p.A.	67	141
- Mediolanum Distribuzione Finanziaria S.p.A.	522	682
- Banco de Finanzas e Inversiones S.A. (Fibanc)	11	90
- Gamax Holding AG	-	28
- Bankhaus August Lenz & Co.	18	21
- Mediolanum Corporate University S.p.A.	838	-
- Mediolanum International S.A.	19	-
associates		
- Mediolanum Comunicazione S.p.A.	2,096	1,034
- Mediolanum Vita S.p.A.	69,936	9,357
- Mediolanum International Life Ltd	-	-
- Partner Time S.p.A.	5	27
- PI Distribuzione S.p.A.	-	225
Total	73,965	12,047
Fininvest Group/Doris Group companies:		
- Publitalia '80 S.p.A.	1,087	216
- Mediolanum Assicurazioni S.p.A.	1,480	1.044
- AC Milan S.p.A.	-	1
- Mondadori Pubblicità S.p.A.	33	43
- Sperling & Kupfer Editori S.p.A.	-	15
- Promoservice Italia S.r.l.	4	51
- Vacanze Italia S.p.A.	39	-
- Alba Servizi Aerotrasporti S.p.A.	-	1
Total	2,643	1,371

"*Payables to suppliers, consultants and professionals*" relate to fees paid in 2009. The account also includes €241 thousand due to Directors and Statutory Auditors for their service which was not paid within the balance sheet date.

"*Payables to tax authorities*" relate to the following accounts:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Substitute and withholding taxes	8,731	10,187
Other	840	36
Total	9,571	10,223

"*Payables to social security agencies*" relate to social security contributions of employees (€3,469 thousand) and financial advisors (€1,085 thousand).

"*Payables to employees*" relate to overtime payments, reimbursement of expenses, statutory leaves and vacations unused at December 31, 2008.

"*Agents' severance benefits*" represent the severance entitlements of financial advisors as accrued at the balance sheet date. That amount will be paid into the related Mediolanum Vita S.p.A. policy account within March 31, 2009 in accordance with the terms of the collective agreement.

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

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Opening balance	8,925	10,722
B. Increases	5,652	1,980
B.1 Amounts set aside in the year	5,454	1,924
B.2 Other increases	198	56
C. Decreases	(4,812)	(3,777)
C.1 Funds used in the year	(623)	(872)
C.2 Other decreases	(4,189)	(2,905)
D. Closing balance	9,765	8,925
Total	9,765	8,925

Section 12 – Provisions for risks and charges – Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Severance entitlements	-	-
2. Other provisions for risks and charges	89,525	74,787
2.1 legal proceedings	7,253	5,847
2.2 staff costs	-	-
2.3 other	82,272	68,940
Total	89,525	74,787

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other	Total
A. Opening balance	-	74,787	74,787
B. Increases	-	22,658	22,658
B.1 Amounts set aside in the year	-	22,658	22,658
B.2 Time-related increases	-	-	-
B.3 Increased discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	(7,920)	(7,920)
C.1 Funds used in the year	-	(3,331)	(3,331)
C.2 Decreased discount rate	-	-	-
C.3 Other decreases	-	(4,589)	(4,589)
D. Closing balance	-	89,525	89,525

12.4 Provisions for risks and charges – "other"

The analysis of provisions for risks and charges "other" is set out in the table below.

€/'000	Balance at Dec. 31, 2007	Amount set aside in the year	Other changes	Funds used	Balance at Dec. 31, 2008
- Legal proceedings	5,847	2,088	(164)	(518)	7,253
- Staff costs:	-	-	-	-	-
- Other:	-	-	-	-	-
Benefits to Top Managers	19,109	3,185	(2,201)	-	20,093
Risks related to FA illegal actions	18,042	9,239	(905)	(792)	25,584
FA customer base entitlements	13,489	3,712	-	(656)	16,545
FA portfolio entitlements	10,619	554	-	(838)	10,335
Product distribution	7,059	2,836	(1,319)	(489)	8,087
Miscellaneous	622	1,044	-	-	1,628
Total	74,787	22,658	(4,589)	(3,331)	89,525

"*Benefits to Top Managers*" relate to the provision raised to cover benefits payable to the Sales Network's Top Managers when they leave the company. The payment of these benefits is conditional upon compliance with their contractual non-competition obligations.

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

The provision for "*customer base entitlements*" covers supplementary benefits payable to financial advisors. The provision was calculated on the basis of the number of financial advisors who will reach retirement age in the next five years and future liabilities estimated on the basis of the Bank's historical data in accordance with the requirements of IAS 37.

The provision for "*Portfolio entitlements*" covers the contractual obligation to pay benefits to financial advisors when they leave the sales network. The payment of those benefits is conditional upon compliance with their non-competition obligations in the two years following the date they leave the network. The provision was calculated on the basis of historical data and considering the number of financial advisors who had resigned at the balance sheet data, in accordance with the requirements of IAS 37.

The provision for "*product distribution*" relates to amounts set aside to cover expected future liabilities in connection with commissions payable to the sales force on sales of "home loans" in the years following the first year, and possible commission reversals due to early redemption.
The balances reported under "other changes" relate to adjustments made to amounts set aside in prior years.

Section 14 Shareholders' equity

14.1 Analysis of shareholders' equity

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Share capital	430,000	371,000
2. Share premium account	-	-
3. Reserves	80,858	67,715
- retained earnings	77,673	64,530
- other reserves	3,185	3,185
4. (Treasury shares)	-	-
5. Valuation reserves	(24,853)	(1,113)
6. Equity intruments	-	-
7. Net profit (loss) for the year	32,927	51,060
Total	518,932	488,662

14.2 Analysis of "Share Capital" and "Treasury Shares"

At December 31, 2008, share capital amounted to €430,000 thousand, divided into 430,000,000 ordinary shares, fully subscribed and paid up.

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

€/'000	Ordinary	Other
A. Opening balance	371,000	-
- fully paid up	371,000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	371,000	-
B. Increases	59,000	-
B.1 New issues	59,000	-
- for a consideration	59,000	
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	-	-
- bonus issues:		
- employees	-	-
- directors	-	-
- others	-	-
B.2 Sale of tresury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellations	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of businesses	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	430,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at year end	430,000	-
- fully paid up	430,000	-
- not fully paid up	-	-

14.4 Share capital: other information

The company does not hold any treasury shares.

14.5 Retained earnings: other information

Retained earnings amount to €77,673 thousand and include the legal reserve, the extraordinary reserve, the FTA reserve and other earnings reserves.

An analysis of shareholders' equity by account and utilisation is set out below.

€/'000	Amount	Possible utilisation (A, B, C)	Usable amount	Utilisation in the prior three years	loss coverage	other
Share capital:	430,00	-	-	-	-	-
Equity reserves, of which:						
Retained earnings, of which:						
- legal reserve	19,462	B	19,462	-	-	-
- extraordinary reserve	115,523	A B C	115,523	-	-	-
- FTA reserve	(65,524)	A B C	(65,524)	-	-	-
- other reserves	8,212	A B C	8,212	-	-	-
Other Reserves of which:						
- merger reserve	3,185	A B C	3,185	-	-	-
Valuation reserves	(24,853)		(24,853)	-	-	-
Total	486,005		56,005	-	-	-
of which undistributable	-	-	19,462	-	-	-
of which distributable	-	-	36,543	-	-	-

Legend:

A: capital increase

B: loss coverage

C: distribution to shareholders

14.7 Analysis of valuation reserves

Item/Value €/'000	Dec. 31, 2008	Dec. 31, 2007
1. Available-for-sale financial assets	(24,853)	(1,113)
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	(24,853)	(1,113)

14.8 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation statutes
A. Opening balance	(1,113)	-	-	-	-	-	-	-
B. Increases	19,066	-	-	-	-	-	-	-
B1. Increase in fair value	4,472	-	-	-	-	-	-	-
B2. Other increases	14,594	-	-	-	-	-	-	-
C. Decreases	(42,806)	-	-	-	-	-	-	-
C1. Decreases in fair value	(41,011)	-	-	-	-	-	-	-
C2. Other decreases	(1,795)	-	-	-	-	-	-	-
D. Closing balance	(24,853)	-	-	-	-	-	-	-

14.9 Analysis of revaluation reserves relating to available-for-sale financial assets

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,845	(12,563)	-	(924)
2. Equities	-	(333)	44	-
3. Holdings in UCITS	2,787	(17,589)	1,874	(2,107)
4. Loans	-	-	-	-
Total	5,632	(30,485)	1,918	(3,031)

14.10 Year's movements in revaluation reserves relating to available-for-sale financial assets

€/'000	Debt securities Negative reserve	Equities Positive reserve	Holdings in UCITS Negative reserve	Loans Negative reserve
1 Opening balance	(924)	44	(233)	-
2. Increases	11,126	18	7,921	-
2.1 Increases in fair value	4,203	-	269	-
2.2 Reversal of negative reserves through profit or loss	1,365	-	260	-
- impairment	-	-	-	-
- disposals	1,365	-	260	-
2.3 Other increases	5,558	18	7,392	-
3. Decreases	(19,920)	(395)	(22,490)	-
3.1 Decreases in fair value	(18,562)	(395)	(22,054)	-
3.2 Reversal of positive reserves through profit or loss	-	-	-	-
3.3 Other decreases	(1,358)	-	(436)	-
4. Closing balance	(9,718)	(333)	(14,802)	-

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2008	Dec. 31, 2007
1) Financial guarantees		
a) Banks	-	3,500
b) Customers	-	-
2) Commercial guarantees		
a) Banks	10,731	10,722
b) Customers	11,797	9,483
3) Commitments to disburse funds		
a) Banks		
i) with certain drawdown	6,970	336,132
ii) with possible drawdown	16,022	13,269
b) Customers		
i) with certain drawdown	420	-
ii) with possible drawdown	206,886	97,328
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	-	-
Total	252,826	470,434

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Financial assets held for trading	398,051	1,023,967
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	398,290	100,816
4. Held-to-maturity investments	725,303	293,782
5. Loans to banks	-	-
6. Loans to customers	823	-
7. Tangible assets	-	-

4. Brokerage and asset management on behalf of customers

€/'000	Dec. 31, 2008
1. Securities brokerage	
a) Purchases	-
1. settled	
2. not settled	
b) Sales	-
1. settled	
2. non settled	
2. Asset management	
a) individual portfolio management	82,485
b) collective portfolio management	-
3. Securities in custody and under administration	
a) custodian bank services (other than managed assets)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) custodian bank services (other than managed assets), other	3,583,310
1. securities issued by the reporting entity	13,514
2. other securities	3,569,796
c) third-party securities held by other custodians	2,793,981
d) own securities held by other custodians	4,238,115
4. Other services	-

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Captions 10 and 20

1.1 Analysis of interest income and similar income

€/'000	Performing financial assets		Impaired financial assets	Other assets	Dec. 31, 2008	Dec. 31, 2007
	Debt securities	Loans				
1. Financial assets held for trading	73,281	-	-	-	73,281	78,007
2. Available-for-sale financial assets	17,340	-	-	-	17,340	1,952
3. Held-to-maturity investments	18,927	-	-	-	18,927	13,924
4. Loans to banks	-	80,988	-	-	80,988	75,464
5. Loans to customers	-	105,597	-	-	105,597	57,626
6. Financial assets at fair value	-	-	-	-	-	-
7. Hedging derivatives	-	-	-	52	52	-
8. Financial assets sold but not derecognised	37,048	-	-	-	37,048	36,873
9. Other assets	-	-	-	316	316	179
Total	146,596	186,585	-	368	333,549	264,025

1.2 Interest income and similar income: analysis of hedging balances

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Positive differences arising on:		
A.1 fair value micro-hedging of assets	4,790	-
A.2 fair value micro-hedging of liabilities	-	-
A.3 macro-hedging of interest rate risk	-	-
A.4 cash-flow micro-hedging of assets	-	-
A.5 cash-flow micro-hedging of liabilities	-	-
A.6 cash-flow macro-hedging	-	-
Total positive differences (A)	4,790	-
B. Negative differences arising on:		
B.1 fair value micro-hedging of assets	4,738	-
B.2 fair value micro-hedging of liabilities	-	-
B.3 macro-hedging of interest rate risk	-	-
B.4 cash-flow micro-hedging of assets	-	-
B.5 cash-flow micro-hedging of liabilities	-	-
B.6 cash-flow macro-hedging	-	-
Total negative differences (B)	4,738	-
C. Balance (A - B)	52	-

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

At December 31, 2008 interest income on financial assets denominated in foreign currencies amounted to €6,063 thousand.

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other liabilities	Dec. 31, 2008	Dec. 31, 2007
1. Due to banks	45,692	-	-	45,692	31,986
2. Due to customers	72,863	-	-	72,863	57,645
3. Securities issued	-	20	-	20	-
4. Financial liabilities held for trading	-	16,483	-	16,483	18,544
5. Financial liabilities in connection with assets sold but not derecognised	-	65,375	-	65,375	52,002
7. Other liabilities	-	-	201	201	3
8. Hedging derivatives	-	-	-	-	-
Total	118,555	81,878	201	200,634	160,180

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currencies

For the year under review interest expense on liabilities denominated in foreign currencies amounted to €20,144 thousand.

Section 2 – Commissions – Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Garantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	259,646	320,769
1. brokerage of financial instruments	570	1,077
2. currency brokerage	-	-
3. asset management	1,432	6,075
3.1 individual portfolio management	1,432	6,075
3.2 collective portfolio management	-	-
4. securities in custody and under administration	3,145	3,072
5. custodian bank	-	-
6. sale of securities	79	189
7. order taking	6,311	8,576
8. consultancy	-	-
9. services to third parties	248,109	301,780
9.1 asset management	105,022	113,841
9.1.1 individual portfolio management	-	-
9.1.2 collective portfolio management	105,022	113,841
9.2 insurance products	132,461	181,942
9.3 other products	10,626	5,997
d) Payments and collections	8,280	8,408
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Other services	22,717	17,224
Total	290,643	346,401

2.2 Commission income: distribution channels of products and services

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Through the company's own branches	79	189
1. asset management	-	-
2. sale of securities	79	189
3. services and products of third parties	-	-
b) Off-premises sales	249,541	307,855
1. asset management	1,432	6,075
2. sale of securities	-	-
3. services and products of third parties	248,109	301,780
c) Other distribution channels	-	-
1. asset management	-	-
2. sale of securities	-	-
3. services and products of third parties	-	-

2.3 Analysis of commission expense

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	205,120	231,994
1. brokerage of financial instruments	-	-
2. currency brokerage	-	-
3. asset management	809	4,024
3.1 own portfolio	-	-
3.2 third-party portfolios	809	4,024
4. securities in custody and under administration	483	616
5. sale of financial instruments	-	-
6. off-premises sale of financial instruments, products & services	203,828	227,354
d) Payments and collections	11,629	10,345
e) Other services	8,270	9,605
Total	225,019	251,944

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Dividends	Income from holdings in UCITS	Dividends	Income from holdings in UCITS
A. Financial assets held for trading	-	-	4	-
B. Available-for-sale financial assets	143	796	114	2,724
C. Financial assets at fair value	-	-	-	-
D. Equity investments	78,796	-	87,313	-
Total	78,939	796	87,431	2,724

This account almost entirely relates to dividends received from the subsidiaries Mediolanum International Funds Ltd, Mediolanum Asset Management Ltd., Mediolanum Gestione Fondi S.G.R.p.A. and Mediolanum Distribuzione Finanziaria S.p.A. Dividends include the 2007 dividends, amounting to €25,501 thousand, whose distribution to shareholders was resolved and took place in 2008, as well as the 2008 interim dividends amounting to €53,295 thousand paid out by the subsidiaries Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd. in November 2008.

Section 4 - Net income from trading - Caption 80

4.1 Analysis of net income from trading

€/'000	Unrealised gains (A)	Realised profit (B)	Unrealised losses (C)	Realised losses (D)	Net income (A+B)-(C+D)
1. Financial assets held for trading	31,226	23,946	(14,518)	(15,597)	25,057
1.1 Debt securities	31,226	23,862	(14,487)	(15,552)	25,049
1.2 Equities	-	80	(31)	(41)	8
1.3 Holdings in UCITS	-	4	-	(4)	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	2,945	2,825	(29,257)	(5,859)	(29,346)
2.1 Debt securities	2,945	2,825	(29,257)	(5,859)	(29,346)
2.2 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	34
4. Derivatives	227,894	37,796	(226,403)	(31,343)	7,944
4.1 Financial derivatives	227,894	37,796	(226,403)	(31,343)	7,944
- debt securities and interest rates	4,172	37,791	(3,647)	(31,343)	- 6,973
- equities and stock indices	-	5	-	-	5
- currencies and gold	-	-	-	-	-
- other	223,722	-	(222,756)	-	966
4.2 Credit derivatives	-	-	-	-	-
Total	262,065	64,567	(270,178)	(52,799)	3,689

Section 5 - Net income from hedging – Caption 90

5.1 Analysis of net income from hedging

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Income from:		
A.1 Fair value hedging derivatives	-	-
A.2 Hedged financial assets (fair value)	20,178	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedging financial derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	20,178	-
B. Expense from:		
B.1 Fair value hedging derivatives	18,428	-
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedging financial derivatives	-	-
B.5 Assets and liabilities financial derivatves	-	-
Total expense from hedging (B)	18,428	-
C. Net income from hedging (A - B)	1,750	-

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

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2008			Dec. 31, 2007		
€/'000	Gains	Losses	Net gains (losses)	Gains	Losses	Net gains (losses)
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale	-	-	-	-	-	-
financial assets:	5 ,021	(2,399)	2,622	8,950	(20)	8,930
3.1 Debt securities	5,018	(2,059)	2,959	1,885	-	1,885
3.2 Equities	-	-	-	-	(20)	(20)
3.3 Holdings in UCITS	3	(340)	(337)	7,065	-	7,065
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	5,021	(2,399)	2,622	8,950	(20)	8,930
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Section 8 - Net impairment - Caption 130

8.1 Analysis of net impairment of loans

	Impairment			Reversal of impairment					
	Individual			Individual		Collective			
				A	B	A	B		
€/'000	Cancellations	Others	Collective	(interest)	(others)	(interest)	(others)	Dec. 31, 2008	Dec. 31, 2007
A. Loans to banks	-	-	-	-	-	-	-	-	-
B. Loans to customers	(1,300)	(7,488)	(3,324)	-	2,984	-	759	(8,369)	(7,001)
C. Total	(1,300)	(7,488)	(3,324)	-	2,984	-	759	(8,369)	(7,001)

8.4 Analysis of net impairment of other financial items

	Impairment			Reversal of impairment					
	Individual			Individual		Collective			
				A	B	A	B		
€/'000	Cancellations	Others	Collective					Dec. 31, 2008	Dec. 31, 2007
A. Guarantees issued	-	(1)	(22)	-	-	-	-	(23)	(9)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Others	-	-	-	-	-	-	-	-	-
E. Total	-	(1)	(22)	-	-	-	-	(23)	(9)

Section 9 - Administrative expenses - Caption 150

9.1 Analysis of staff costs

€/'000	Dec. 31, 2008	Dec. 31, 2007
1) Employees		
a) wages and salaries	55,565	50,237
b) social security contributions	17,395	15,220
c) employee completion of service entitlements	-	-
d) pensions	-	-
e) provision for completion of service entitlements	5,454	1,924
f) provision for severance benefits and similar obligations		
- defined contribution plan	-	-
- defined benefit plan	-	-
g) external supplementary pension funds:		
- defined contribution plan	704	557
- defined benefit plan	-	-
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	1,009	1,045
2) Other personnel	2,936	4,968
3) Directors and Statutory Auditors	998	1,087
Total	84,061	75,038

In compliance with the Bank of Italy's Letter of January 2, 2009, the compensation paid in 2008 to statutory auditors amounting to €192 thousand was reclassified out of 'other administrative expenses' to 'administrative expenses'. The 2007 figure of €131 thousand was also reclassified to enable meaningful comparison.

9.2 Average number of personnel by category

Number	Dec. 31, 2008	Dec. 31, 2007
Employees		
a) Senior management	60	61
b) total managers	164	153
of whom:		
middle management	82	81
c) other employees	1,136	1,016
Other personnel		
project-based staff	9	6
temporary staff	33	11

9.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2008	Dec. 31, 2007
IT services	33,432	31,651
Advertising and promotions	15,356	19,974
Television and Internet communication services	15,350	14,491
Consultancy, education and training of the sales force	10,857	12,154
Rentals	9,551	8,945
Other advisory services	10,140	8,355
Postal and telephone	9,712	8,324
Business Conventions	3,872	4,511
Consumables	3,966	3,821
Infoprovider services	3,526	3,242
Financial services fees and other expenses	2,628	3,126
Insurance	3,932	2,771
Canteen	2,501	2,235
Business expenses, gifts and donations	2,938	2,128
Contributions to "Family Banker" offices	1,734	1,788
Travel expenses	1,879	1,417
Repairs and maintenence	934	1,123
Utilities	1,237	1,051
Personnel recruitment	895	987
Market research	870	904
Other miscellanueous services	10,893	9,033
Other administrative expenses	1,545	1,037
Total	147,748	143,068

Section 10 – Provisions for risks and charges – Caption 160

10.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2008	Dec. 31, 2007
Provision for risk and charges - other		
FA portfolio entitlements	554	2,984
FA customer base entitlements	3,712	2,562
Risks related to FA illegal actions	8,334	2,024
Product distribution	1,517	1,343
Legal proceedings	1,924	5,847
Benefits to Top Managers	984	452
Other	1,044	103
Total	18,069	15,315

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

11.1 Analysis of depreciation and net impairment of tangible assets

€/'000	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Depreciation & net impairment (A+B-C)
A. Tangible assets				
A.1 owned	5,028	-	-	5,028
- held for use	5,028	-	-	5,028
- held for investment purposes	-	-	-	-
A.2 under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	5,028	-	-	5,028

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

12.1 Analysis of amortisation and net impairment of intangible assets

€/'000	Amortisation (A)	Impairment (B)	Reversal of impairment (C)	Amortisation & net impairment (A+B-C)
A. Intangible assets				
A.1 owned	8,197	3	-	8,200
- internally generated	-	-	-	-
- other	8,197	3	-	8,200
A.2 under finance leases	-	-	-	-
Total	8,197	3	-	8,200

Section 13 - Other operating income - Caption 190

13.1 / 13.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2008	Dec. 31, 2007
Other operating expenses:		
Compensations and Settlements	(1,760)	(1,872)
Loan losses	(465)	(652)
Amortisation of expenses for improvements of leasehold assets	(357)	(600)
Other expenses	(947)	(860)
Total other operating expenses	(3,529)	(3,984)
Other operating income:		
Recoveries of expenses for services rendered to Group companies	13,820	13,284
Recoveries of expenses from employees	156	142
Recoveries of expenses from customers	3,117	2,299
Rentals on property	976	616
Recoveries of expenses from financial advisors	548	1,073
Other income	1,719	2,483
Total other operating income	20,336	19,987
Total other operating income (net)	16,807	15,913

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

14.1 Analysis of profit (loss) on equity investments

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Gains	-	-
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversal of impairment	-	-
4. Other	-	-
B. Losses	(7,042)	(8,079)
1. Decrease in value	(7,042)	(8,079)
2. Impairment	-	-
3. Losses on sale	-	-
4. Other	-	-
Profit (loss)	(7,042)	(8,079)

At year end 2008, the value of the investment in the subsidiary Bankhaus August Lenz & Co. A.G. was written down by €7,402 thousand (€8,079 thousand in 2007). The write-down was made to align the carrying amount of that investment with the amount at which it is recognised in the consolidated financial statements. That carrying amount is considered to reflect the fair value of the German company.

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

17.1 Analysis of profit (loss) on disposal of investments

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	(4)	(10)
- Gains on sale	1	20
- Losses on sale	(5)	(30)
Profit (loss)	(4)	(10)

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

18.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Current tax (-)	3,398	1,787
2. Change in current tax for prior years (+/-)	1,024	190
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	4,668	(4,956)
5. Change in deferred tax liabilities (+/-)	(403)	(979)
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	8,687	(3,958)

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

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

€/'000	rate	taxable amout	tax expense
Calculation of taxable income (IRES)			
Pre-tax profit	-	24,240	-
Theoretical tax	27.50	-	6,666
Temporary differences taxable in future years	-	(6,829)	-
Temporary differences deductible in future years	-	35,545	-
Prior years' temporary differences	-	(21,039)	-
Permanent differences	-	(58,743)	-
Total taxable income	-	(26,826)	-
Current tax expense for the year	-	-	(7,377)
Adjustments due to application of tax consolidation regime	-	-	(125)
Net IRES income tax expense	-	-	(7,252)
Average rate on pre-tax profit	-	-	-
Calculation of taxable income (IRAP)			
Value of production	-	101,590	-
Income/Costs not significant for the purpose of IRAP calculation	-	(27,894)	-
Gross production value	-	73,696	-
Theoretical tax expense (tax rate: 5.25%)	4.82	-	3,552
Prior years' temporary differences	-	(2,212)	-
Permanent differences	-	6,130	-
Net production value	-	77,614	-
Net IRAP tax expense	-	-	3,741
Average rate on value added	5.08	-	-

PART D – SEGMENTAL INFORMATION

As parent company of the Mediolanum Banking Group, Banca Mediolanum S.p.A. prepared the consolidated financial statements for the year ended December 31, 2008. Segmental information is provided in the relevant section of the notes to the consolidated financial statements.

PART E – INFORMATION ON RISKS AND RISK MANAGEMENT

The internal control system of Banca Mediolanum entails defence at different levels in accordance with the Group's organisational structure.
Specifically, for financial risk and credit risk, line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. Risk controls (second level) are controls performed by units other than operating units. They contribute to the definition of risk measurement methods, control of operating limits of officers to whom authorities are delegated, and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of responsibility.
The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for identifying, measuring, assessing and managing the financial risk and credit risk associated with all assets and liabilities managed by Banca Mediolanum.

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General information

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

2. Credit risk management

2.1 Organisational aspects

As part of its responsibilities for organising and directing the Group's affairs, Banca Mediolanum issued specific Lending Guidelines. The guidelines set out general principles and instructions on lending and on monitoring of the loan portfolio quality. The Parent Company is responsible for assessing overall exposure to credit risk and defining risk measurement policies for the whole Group.

Within its areas of responsibility, Banca Mediolanum also assesses credit risk exposure at the level of individual companies, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with capital requirements and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of Banca Mediolanum.
Banca Mediolanum has its own "Lending Policy", which was approved by its Board of Directors and sets out, *inter alia*, the authorities delegated to the various functions involved in the lending process, the type of collateral that can be accepted and the frequency of reports to Senior Management and the Board of Directors.

2.2 Risk measurement and management

The Banca Mediolanum's credit risk management system consists of the set of models and measurement tools as well as controls geared to ensure optimal management of the credit risk associated with the loan portfolio.
The credit risk management system ensures Banca Mediolanum is always current with its risk exposure in relation to each customer or group of customers, and takes prompt corrective actions, when needed, in accordance with related policies.
The credit risk management system pursues the following objectives:
- develop adequate processes for identifying, measuring and monitoring credit risk in relation to each counterparty and portfolio;
- ensure a steady flow of timely information to effectively monitor the composition and quality of the loan portfolio and promptly adjust loss estimates and capital charges;
- ensure compliance with the prudential requirements of domestic and international supervisory authorities;
- promote the adoption of policies and procedures for credit risk prudent management;
- support operational decisions of lending officers by providing the information needed to properly assess the borrower creditworthiness and type of financing;
- provide an adequate flow of information on credit risk exposures and mitigation techniques to senior management.

The credit risk management system reflects the specific characteristics of the banking lending business and any changes thereof in addition to any regulatory or statutory changes.
Credit quality is monitored by regularly assessing whether there is evidence of risk, in each stage of the lending process, through the application of specific operating procedures.
In the lending process, it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, as part of its loan application analysis, Banca Mediolanum gathers all information needed to assess the consistency of the loan amount with the type and purpose of financing. In that examination, Banca Mediolanum uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. Special attention is paid to the assessment of any security taken.
All loans are subject to regular review by the competent units within the Company. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors.

2.3 Credit risk mitigation techniques

Loans extended by Banca Mediolanum are secured by collaterals received from borrowers. Collaterals primarily consists of mortgages over property and pledge over financial instruments, plus conditional sale, and other forms of security, e.g. surety bonds and endorsements. Given the importance of the collateral received from the obligor in the assessment of credit risk, appropriate prudential adjustments are applied to the collateral whose value is subject to regular review.

2.4 Impaired financial assets

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

- the bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held);
- the obligor is past due more than 180 days under Italian law.

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

€/'000	Non performing	Watch list	Restructured	Past due	Country risk	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	1,299,588	1,299,588
2. Available-for-sale financial assets	-	-	-	-	-	861,932	861,932
3. Held-to-maturity investments	-	-	-	-	-	1,107,048	1,107,048
4. Loans to banks	-					1,955,688	1,955,688
5. Loans to customers	5,373	7,804	-	12,390	-	3,180,781	3,206,348
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at Dec. 31, 2008	5,373	7,804	-	12,390	-	8,405,038	8,430,605
Total at Dec. 31, 2007	843	3,520	-	9,618	-	7,042,531	7,056,512

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

	Impaired assets				Other assets			
€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Collective impairment	Net exposure	Total net exposure
1. Financial assets held for trading	-	-	-	-	1,299,781	203	1,299,588	1,299,588
2. Available-for-sale financial assets	-	-	-	-	861,932	-	861,932	861,932
3. Held-to-maturity investments	-	-	-	-	1,107,048	-	1,107,048	1,107,048
4. Loans to banks	-	-	-	-	1,955,688	-	1,955,688	1,955,688
5. Loans to customers	38,335	(12,768)	-	25,567	3,185,113	(4,332)	3,180,781	3,206,348
6. Financial assets at fair value	-	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total at Dec. 31, 2008	38,335	(12,768)	-	25,567	8,409,370	(4,332)	8,405,038	8,430,605
Total at Dec. 31, 2007	21,420	(7,439)	-	13,981	7,044,158	(1,627)	7,042,531	7,056,512

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

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On-balance sheet				
a) Non performing	-	-	-	-
b) Watch list	-	-	-	-
c) Restructured	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	-	-	-	-
f) Other	3,384,257	-	-	3,384,257
Total A	3,384,257	-	-	3,384,257
B. Off-balance sheet				
a) Impaired	-	-	-	-
b) Other	34,286	-	(198)	34,088
Total B	34,286	-	(198)	34,088

A.1.4 Loans to banks: development of impaired loans and loans exposed to country risk (on-balance sheet gross exposures)

At the balance sheet date there were no impaired bank loans or bank loans exposed to country risk.

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

At the balance sheet date there was no impairment of bank loans.

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

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On-balance sheet				
a) Non performing	10,506	(5,133)	-	5,373
b) Watch list	12,683	(4,879)	-	7,804
c) Restructured	-	-	-	-
d) Past due	15,146	(2,756)	-	12,390
e) Country risk	-	-	-	-
f) Other	5,017,238	-	(4,332)	5,012,906
Total A	5,055,573	(12,768)	(4,332)	5,038,473
B. Off-balance sheet				
a) Impaired	825	(1)	-	824
b) Other	219,777	-	(35)	219,742
Total B	220,602	(1)	(35)	220,566

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

A.1.7 Loans to customers: development of impaired loans and loans exposed to country risk (on-balance sheet gross exposures)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Opening gross balance	3,339	6,423	-	11,658	-
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases	7,991	12,130	-	21,218	-
B.1 reclassified from performing loans	95	5,550	-	16,631	-
B.2 reclassified from other impaired loan categories	4,026	3,042	-	5	-
B.3 other increases	3,870	3,538	-	4,582	-
C. Decreases	(824)	(5,870)	-	(17,730)	-
C.1 reclassified to performing loans	-	(150)	-	(5,669)	-
C.2 cancellations	(592)	-	-	-	-
C.3 receipts	(232)	(1,756)	-	(8,953)	-
C.4 proceeds from sale	-	-	-	-	-
C.5 reclassified to other impaired loan categories	-	(3,964)	-	(3,108)	-
C.6 other decreases	-	-	-	-	-
D. Closing gross balance	10,506	12,683	-	15,146	-
- of which: loans sold but not derecognised	-	-	-	-	-

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

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

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Net impairment at beginning of the year	2,496	2,903	-	2,040	-
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases	3,582	3,667	-	911	-
B.1 impairment	2,322	3,615	-	911	-
B.2 reclassified from other impaired loan categories	1,260	40	-	-	-
B.3 other increases	-	12	-	-	-
C. Decreases	(945)	(1,691)	-	(195)	-
C.1 revaluations	(221)	(82)	-	(62)	-
C.2 repayments	(132)	(378)	-	(64)	-
C.3 cancellations	(592)	-	-	-	-
C.4 reclassified to other impaired loan categories	-	(1,231)	-	(69)	-
C.5 other decreases	-	-	-	-	-
D. Net impairement at end of the year	5,133	4,879	-	2,756	-
- of which: loans sold but not derecognised	-	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

€/'000	External rating AAA AA-	A+ A-	BBB+ BBB-	BB+ BB-	B+ B-	worse than B-	Unrated	Total
A. On balance sheet exposures	1,669,513	3,953,071	94,901	7,081	-	-	2,698,164	8,422,730
B. Derivatives	2,004	5,773	-	-		-	-	7,874
B.1 Financial derivatives	2,004	5,773	-	-	-	-	97	7,874
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	5,653	-	-	-	16,875	22,528
D. Commitments to disburse funds	-	1,543	-	-	-	-	222,908	224,451
Total	1,671,517	3,960,387	100,554	7,081	-	-	2,938,044	8,677,583

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

At the balance sheet date this information was not available.

A.3 Analysis of secured loans by type of collateral

A.3.1 Secured loans to banks and to customers (on balance sheet positions)

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Governments	Gov. agencies	Banks	Others	Governments	Gov. agencies	Banks	Others	Total (1 + 2)
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	1,319,350	1,193,162	-	3,751	-	-	-	-	-	-	-	119,821	1,316,734
2.1 entirely secured	1,301,675	1,192,598	-	3,485	-	-	-	-	-	-	-	104,642	1,300,725
2.2 partly secured	17,675	564	-	266	-	-	-	-	-	-	-	15,179	16,009

A.3.2 Analysis of off-balance sheet secured exposures to banks and customers

€/'000	Exposure	Real guarantees (1)			Personal guarantees (2)								Total (1 + 2)
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Gov. agencies	Banks	Others	Governments	Gov. agencies	Banks	Others	
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	22	-	-	-	-	-	-	-	-	-	-	13	13
2.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly secured	22	-	-	-	-	-	-	-	-	-	-	13	13

A.3.3 Analysis of on-balance sheet secured impaired exposures to banks and customers

€/'000	Exposure	Secured amount	Guarantees (fair value)																	Total	Guarantee fair value excess
			Real guarantee			Personal guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments & Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Governments & Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others		
1. Exposures to banks secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposures to customers secured:	7,957	7,957	7,806	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151	7,957	-
2.1 over 150%	7,462	7,462	7,311	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151	7,462	-
2.2 100% to 150%	393	393	393	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	393	-
2.3 50% to 100%	102	102	102	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102	-
2.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

€/'000	Governments & Central Banks				Government agencies				Financial companies			
	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet												
A.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Others	1,540,282	-	-	1,540,282	-	-	-	-	1,807,701	-	(73)	1,807,628
Total	1,540,282	-	-	1,540,282	-	-	-	-	1,807,701	-	(73)	1,807,628
B. Off balance sheet												
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Restructured	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Others	-	-	-	-	-	-	-	-	1,880	-	(4)	1,876
Total	-	-	-	-	-	-	-	-	1,880	-	(4)	1,876
Total at Dec. 31, 2008	1,540,282	-	-	1,540,282	-	-	-	-	1,809,581	-	(77)	1,809,504
Total at Dec. 31, 2007	1,911,361	-	-	1,911,361	-	-	-	-	1,081,929	-	(88)	1,081,841

Insurance companies				Non financial companies				Others			
Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure
-	-	-	-	5	(4)	-	1	10,501	(5,128)	-	5,373
-	-	-	-	1,709	(530)	-	1,179	10,973	(4,348)	-	6,625
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	169	(30)	-	139	14,977	(2,726)	-	12,251
5,460	-	-	5,460	83,225	-	(47)	83,178	1,580,570	-	(4,212)	1,576,358
5,460	-	-	5,460	85,108	(564)	(47)	84,497	1,617,021	(12,202)	(4,212)	1,600,607
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2	(1)	-	1
-	-	-	-	-	-	-	-	823	-	-	823
6	-	-	6	6,263	-	(2)	6,261	211,628	-	(29)	211,599
6	-	-	6	6,263	-	(2)	6,261	212,453	(1)	(29)	212,423
5,466	-	-	5,466	91,371	(564)	(49)	90,758	1,829,474	(12,203)	(4,241)	1,813,030
86,510	-	(21)	86,489	174,559	(42)	(35)	174,482	590,015	(7,397)	(1,492)	911,901

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

€/'000	Italy Gross exposure	Italy Net exposure	Other European Countries Gross exposure	Other European Countries Net exposure	America Gross exposure	America Net exposure	Asia Gross exposure	Asia Net exposure	Rest of the World Gross exposure	Rest of the World Net exposure
A. On balance sheet										
A.1 Non performing	10,497	5,372	9	1	-	-	-	-	-	-
A.2 Watch list	12,683	7,804	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	15,145	12,389	1	1	-	-	-	-	-	-
A.5 Others	4,216,950	4,212,626	787,454	787,447	12,833	12,832	1	1	-	-
Total	4,255,275	4,238,191	787,464	787,449	12,833	12,832	1	1	-	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	2	1	-	-	-	-	-	-	-	-
B.3 Other impaired assets	823	823	-	-	-	-	-	-	-	-
B.4 Others	217,546	217,517	338	336	1,793	1,789	100	100	-	-
Total	218,371	218,341	338	336	1,793	1,789	100	100	-	-
Total at Dec. 31, 2008	4,473,646	4,456,532	787,802	787,785	14,626	14,621	101	101	-	-
Total at Dec. 31, 2007	3,014,356	3,005,305	1,144,142	1,144,118	16,649	16,649	-	-	-	-

B.4 Geographical distribution of on-balance sheet and off-balance sheet bank loans (book value)

€/'000	Italy Gross exposure	Italy Net exposure	Other European Countries Gross exposure	Other European Countries Net exposure	America Gross exposure	America Net exposure	Asia Gross exposure	Asia Net exposure	Rest of the World Gross exposure	Rest of the World Net exposure
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	2,772,139	2,772,139	587,543	587,543	24,443	24,443	126	126	6	6
Total	2,772,139	2,772,139	587,543	587,543	24,443	24,443	126	126	6	6
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	23,611	23,597	10,872	10,688	1	1	-	-	-	-
Total	23,611	23,597	10,872	10,688	1	1	-	-	-	-
Total at Dec. 31, 2008	2,795,750	2,795,736	598,415	598,231	24,444	24,444	126	126	6	6
Total at Dec. 31, 2007	1,653,430	1,653,430	879,942	879,942	11,358	11,358	47	47	-	-

B.5 Large exposures

a) amount:	€ 1,185,524	thousand
b) number:	8	

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

Qualitative information

During the year Banca Mediolanum traded exclusively in securitised notes.

At December 31, 2008 isecurities notes were reclassified to loans to customers.

Quantitative information

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

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Own underlying assets:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets:	95,723	96,984	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	95,723	96,984	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

		On-balance sheet exposures						Guarantees issued						Credit lines					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000		Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment
A.1	SCCI/TV 20190730 S10 SEN	20,292	(70)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables from National Social Security & Pension Agency	-	-																
A.2	SCCI/TV 20160731 S8	5,101	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables from National Social Security & Pension Agency	-	-																
A.3	SCCI/TV 20180730 S9 SEN	20,402	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables from National Social Security & Pension Agency	-	-																
A.4	F-E MORTGAGES/TV 20431030 CL A	3,843	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.5	CORDUSIO RMBS/TV 20330630 CL A2	10,414	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.6	BPM SEC 2/TV 20430715 CL A2	10,574	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.7	VELA HOME/TV 20400730 CL A S3	6,721	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.8	TRICOLORE FUND/TV 20200715 CL A	2,608	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under equipment, machinery and property leases	-	-																
A.9	LOCAT SV3/TV 20261212 CL A2	10,044	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under leases	-	-																
A.10	SUNRISE/TV 20300827 CL A SEN	6,985	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables, consumer credit																		

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

€/'000	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans & receivables	Dec. 31, 2008	Dec. 31, 2007
1. On balance sheet exposures							
- "Senior"	-	-	-	-	96,984	96,984	177,750
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-
2. Off balance sheet exposures	-	-	-	-	-	-	-
- "Senior"	-	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-

C.2 Sale of assets

C.2.1 Analysis of financial assets sold but not derecognised

	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Total	
€/'000	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 08	Dec. 31,07
A. On-balance sheet assets																			1,522,467	1,418,565
1. Debt securities	398,051	-	-	-	-	-	398,290	-	-	725,303	-	-	-	-	-	823	-	-	1,522,467	1,418,565
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2008	398,051	-	-	-	-	-	398,290	-	-	725,303	-	-	-	-	-	823	-	-	1,522,467	-
Total at Dec. 31, 2007	1,023,967	-	-	-	-	-	100,816	-	-	293,782	-	-	-	-	-	-	-	-	-	1,418,565

Legend:

A: Financial assets sold, fully recognised on the balance sheet (book value)

B: Financial assets sold, partly recognised on the balance sheet (book value)

C: Financial assets sold, partly recognised on the balance sheet (full value)

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

Liabilities/Category of financial assets €/'000	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Due to customers	190,932	-	193,444	504,301	-	-	888,677
a) against assets fully recognised on the balance sheet	190,932	-	193,444	504,301	-	-	888,677
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
2. Due to banks	63,854	-	201,671	221,067	-	-	486,592
a) against assets fully recognised on the balance sheet	63,854	-	201,671	221,067	-	-	486,592
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2008	254,786	-	395,115	725,368	-	-	1,375,269
Total at Dec. 31, 2007	1,027,620	-	101,486	293,475	-	-	1,422,581

SECTION 2 - MARKET RISK

2.1 Interest rate risk – Trading book

Qualitative information

A. General

The trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk. Specifically, the trading book consists of positions held by those Banca Mediolanum functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Board of Directors. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.

B. Interest Rate Risk - Measurement and Management

Banca Mediolanum's Risk Management and Compliance function is responsible for ensuring that the various entities use consistent methods in assessing financial risk exposure. It also contributes to the definition of lending and operating limits. However, each entity within the Group is directly responsible for the control of the risks assumed. Risks are to be in accordance with the policies approved by the respective Board of Directors and consistent with the complexity of managed assets.
Exposure to interest rate risk and pricing risk is measured by applying portfolio analyses (e.g. exposure limits, characteristics of the instruments and of the issuers) as well as by estimating the risk of maximum loss on the portfolio (Value at risk) over a defined time horizon.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	21,012	455,088	87,161	67,324	355,095	272,574	33,445	16
1.1 Debt securities	21,012	455,088	87,161	67,324	355,095	272,574	33,445	16
- with early redemption option	-	-	-	-	-	-	-	-
- others	21,012	455,088	87,161	67,324	355,095	272,574	33,445	16
EUR	21,012	455,081	87,157	67,304	355,095	272,574	33,390	16
USD	-	7	4	-	-	-	55	-
GBP	-	-	-	20	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	16,483	256,050	46,936	53,223	249,264	329,952	32,937	-
2.1 Reports	-	254,786	-	-	-	-	-	-
2.2 Other liabilities	16,483	1,264	46,936	53,223	249,264	329,952	32,937	-
EUR	16,483	1,264	46,936	53,223	249,264	329,952	32,937	-
OTHER CURRENCIES	-	-	2	-	-	-	-	-
3. Financial derivatives	1,064,254	687,390	338,916	240,559	4,740	568	10,175	-
3.1 with underlying securities	87,600	224,016	101	358	1,247	568	154	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	87,600	224,016	101	358	1,247	568	154	-
+ Long positions	4,162	149,462	51	358	605	284	77	-
EUR	4,162	82,160	51	358	590	284	77	-
USD	-	66,175	-	-	15	-	-	-
GBP	-	1,118	-	-	16	-	-	-
OTHER CURRENCIES	-	9	-	-	10	-	-	-
+ Short positions	83,438	74,554	50	-	616	284	77	-
EUR	-	74,004	50	-	575	284	77	-
USD	83,438	-	-	-	15	-	-	-
GBP	-	541	-	-	16	-	-	-
OTHER CURRENCIES	-	9	-	-	10	-	-	-
3.2 without underlying securities	976,654	463,374	338,815	240,201	3,493	-	10,021	-
- Options	10,071	-	-	50	-	-	10,021	-
+ Long positions	10,063	-	-	8	-	-	-	-
+ Short positions	8	-	-	42	-	-	10,021	-
- Others	966,583	463,374	338,815	240,151	3,493	-	-	-
+ Long positions	507,782	251,366	152,888	90,151	3,493	-	-	-
EUR	507,782	250,992	152,888	90,151	3,493	-	-	-
USD	-	146	-	-	-	-	-	-
GBP	-	15	-	-	-	-	-	-
CHF	-	152	-	-	-	-	-	-
OTHER CURRENCIES	-	61	-	-	-	-	-	-
+ Short positions	458,801	212,008	185,927	150,000	-	-	-	-
EUR	458,801	172,224	185,927	150,000	-	-	-	-
USD	-	5,352	-	-	-	-	-	-
GBP	-	649	-	-	-	-	-	-
CHF	-	33,671	-	-	-	-	-	-
OTHER CURRENCIES	-	112	-	-	-	-	-	-

2.2 Interest rate risk – Banking book

Qualitative information

A. Interest Rate Risk - General information, Measurement and Management

Banca Mediolanum's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, held-to-maturity investments and available-for-sale financial instruments. The Bank measures the interest rate risk exposure of the banking book using a simplified static ALM model. That exercise entails, inter alia, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors.

B. Fair Value Hedges

There are no fair value hedges as defined under IAS.

C. Cash Flow Hedges

There are no cash flow hedges as defined under IAS.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Financial assets	1,815,560	2,888,088	885,775	614,195	291,253	93,546	236,199	107,211
1.1 Debt securities	173,620	513,611	732,959	203,418	242,954	20,389	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	173,620	513,611	732,959	203,418	242,954	20,389	-	-
1.2 Loans to banks	113,868	1,184,386	150,186	405,411	-	-	-	101,838
EUR	109,993	1,095,362	150,186	405,411	-	-	-	101,838
USD	2,404	55,346	-	-	-	-	-	-
GBP	724	-	-	-	-	-	-	-
YEN	128	-	-	-	-	-	-	-
CHF	20	33,678	-	-	-	-	-	-
OTHER CURRENCIES	599	-	-	-	-	-	-	-
1.3 Loans to customers	1,528,072	1,190,091	2,630	5,366	48,299	73,157	236,199	5,373
- current accounts	323,032	-	-	-	-	-	-	-
EUR	323,004	-	-	-	-	-	-	-
USD	28	-	-	-	-	-	-	-
- other loans	1,205,040	1,190,091	2,630	5,366	48,299	73,157	236,199	5,373
- with early redemption option	1,129,010	675,907	2,630	5,366	48,299	73,157	236,199	-
EUR	1,129,010	675,907	2,630	5,366	48,299	73,157	236,199	-
- other	76,030	514,184	-	-	-	-	-	5,373
EUR	76,030	514,184	-	-	-	-	-	5,373
2. Financial liabilities	5,159,973	2,119,578	239,398	-	-	-	-	-
2.1 Due to customers	4,557,380	784,214	239,398	-	-	-	-	-
- current accounts	4,500,559	-	-	-	-	-	-	-
EUR	4,480,550	-	-	-	-	-	-	-
USD	19,922	-	-	-	-	-	-	-
GBP	87	-	-	-	-	-	-	-
- other payables	56,821	784,214	239,398	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	56,821	784,214	239,398	-	-	-	-	-
EUR	56,821	769,830	239,398	-	-	-	-	-
USD	-	14,384	-	-	-	-	-	-
2.2 Due to banks	602,593	1,321,827	-	-	-	-	-	-
- current accounts	89,593	-	-	-	-	-	-	-
EUR	89,389	-	-	-	-	-	-	-
CHF	165	-	-	-	-	-	-	-
OTHER CURRENCIES	39	-	-	-	-	-	-	-
- other	513,000	1,321,827	-	-	-	-	-	-
EUR	513,000	1,321,221	-	-	-	-	-	-
GBP	-	606	-	-	-	-	-	-
YEN	-	-	-	-	-	-	-	-
2.3 Debt securities	-	13,537	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	13,537	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-

2.3 Pricing risk – Trading book

Qualitative information

A. General

Banca Mediolanum's Trading Book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.
Specifically, the trading book consists of positions held by the Bank's functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors.
The trading book primarily consists of positions in equities and mutual funds.

B. Pricing risk - Measurement and management

The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for measuring and monitoring exposure to market risk, counterparty and credit risks, and for continuously monitoring capital adequacy vis-à-vis the Bank's activities in particular solvency and market risk associated with the positions directly held by Banca Mediolanum.
Exposure to pricing risk is measured using:

- Daily Var
- Portfolio analysis in terms of:
  - Characteristics of the instrument;
  - Sensitivity Analysis.

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the price of traded financial instruments as a result of adverse market movements.
Information on VaR at December 31, 2008 is set out below together with 2007 comparative figures.

HFT Portfolio - Market Risk

As of December 31, 2008

€/'000	2008	2007	Change
Nominal Value	595,148	1,508,484	-61%
Market Value	597,909	1,533,950	-61%
Modified Duration	0.32	0.59	-46%
VaR99% 1d	230	353	-35%
VaR99% 1yr	3,707	5,692	-35%
Sensitivity + 100bps	(1,543)	(7,631)	-80%
Sensitivity - 100bps	1,697	7,943	-79%

Market value is calculated by adding up the positions held. At year end 2008, short positions amounted to about €730 million.

Quantitative information

1.Trading Book: on balance sheet exposures in equity instruments and holdings in UCITS

€/'000	Book Value Listed	Book Value Unlisted
A. Equity instruments		
A.1 Shares	7	9
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 registered in Italy	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	-	-
- reserved funds	-	-
- hedge funds	-	-
B.2 registered in other EU countries		
- harmonised funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	-
B.3 registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	7	9

2. Trading Book: analysis of exposures in equity instruments and stock indices by major market

€/'000	Listed Italy	Listed USA	Listed Other countries	Unlisted
A. Equity instruments				
- long positions	-	-	7	9
- short positions	-	-	-	-
B. Not yet settled purchases and sales of equity instruments				
- long positions	13	-	-	-
- short positions	-	-	-	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-

2.4 Pricing risk - Banking book

Qualitative information

A. Pricing Risk - General information, Measurement and Management

The pricing risk exposure of the banking book is measured by applying the same methods used for interest rate risk. Banca Mediolanum's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, available-for-sale financial assets and held-to-maturity investments.

Banking book interest rate risk exposures are measured and managed using an ALM model. Those risk management activities include, *inter alia*, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors.

The pricing risk exposure of the banking book is measured by applying the same methods used for interest rate risk.

B. Pricing Risk - Hedges

There are no hedges as defined under IAS.

Quantitative information

1. Banking book: on balance sheet exposures in equity instruments and holdings in UCITS

	Book Value	
€/'000	Listed	Unlisted
A. Equity instruments	82	402,360
A.1 Shares	82	402,360
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 registered in Italy	690	47,133
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	690	42,469
- reserved funds	-	-
- hedge funds	-	4,664
B.2 registered in other EU countries	-	121,914
- harmonised funds	-	10,174
- non harmonised open-end funds	-	111,740
- non harmonised closed-end funds	-	-
B.3 registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	772	571,407

2.5 Currency risk

Qualitative information

A. Currency Risk - General information, Measurement and Management

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

B. Currency Risk - Hedges

There are no hedges as defined under IAS.

Quantitative information

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

	Currency					
€/'000	US dollar	Sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets						
A.1 Debt securities	66	20	-	-	-	-
A.2 Equities	-	77	1	-	-	-
A.3 Loans to banks	57,749	724	127	1	33,698	598
A.4 Loans to customers	28	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	627	10	-	8	21	11
C. Financial liabilities						
C.1 Due to banks	-	(606)	-	-	(165)	(40)
C.2 Due to customers	(34,306)	(87)	-	-	-	(2)
C.3 Securities issued	-	-	-	-	-	-
D. Other liabilities	(418)	(1)	-	-	-	(9)
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Others						
+ Long positions	66,306	1,117	-	-	152	61
+ Short positions	(88,774)	(1,174)	-	(4)	(33,671)	(108)
Total assets	124,776	1,948	128	9	33,871	670
Total liabilities	(123,498)	(1,868)	-	(4)	(33,836)	(159)
Net position (+/-)	1,278	80	128	5	35	511

2. Internal models and other sensitivity analysis methods

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

2.6 Derivative financial instruments

A. Financial derivatives

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

€/'000	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2008		Total at Dec. 31, 2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	715,092	-	-	-	-	-	-	-	715,092	-	541,129
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	150,055	-	-	-	150,056	-	106,141
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Commodity swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	11,289
9. Caps	-	29,280	-	-	-	-	-	-	-	29,280	-	30,056
- purchased	-	29,280	-	-	-	-	-	-	-	29,280	-	30,056
- issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	1,000	-	-	-	-	-	-	-	1,000	-	-
- purchased	-	1,000	-	-	-	-	-	-	-	1,000	-	-
- issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	4,635	4,413	13	-	-	40,156	-	-	4,648	44,569	3,157	28,272
- Purchases	1,542	4,292	13	-	-	373	-	-	1,555	4,665	2,160	934
- Sales	3,093	121	-	-	-	39,783	-	-	3,093	39,904	997	8,318
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	19,020
13. Other derivative contracts	-	251,491	-	-	-	-	-	-	-	251,491	-	168,825
Total	4,635	1,001,276	13	-	-	190,211	-	-	4,648	1,191,488	3,157	886,712

A.3 Financial derivatives: purchase and sale of underlying

	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2008		Total at Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book	-	-	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	4,635	4,413	13	-	-	190,212	-	-	4,648	194,625	3,157	134,413
- purchases	1,542	4,292	13	-	-	66,537	-	-	1,555	70,829	2,160	20,420
- sales	3,093	121	-	-		122,577	-	-	3,093	122,698	997	90,201
- cross-currency contracts	-	-	-	-	-	1,098	-	-	-	1,098	-	23,792
2. Without exchange of principal	-	996,862	-	-	-	-	-	-	-	996,862	-	752,300
- purchases	-	423,873	-	-	-	-	-	-	-	423,873	-	276,620
- sales	-	572,989	-	-	-	-	-	-	-	572,989	-	475,680
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book	-	-	-	-	-	-	-	-	-	-	-	-
B1. Hedges	-	-	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
2. Without exchange of principal	-	298,201	-	-	-	-	-	-	-	298,201	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	298,201	-	-	-	-	-	-	-	298,201	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
B2. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
2. Without exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- Vendite	-	-	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Over-the-counter financial derivatives: positive fair value - counterparty risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	3,814	-	457	-	-	-	2,174		330	-	-	-	-	-	-
A.4 Financial companies	1,792	-	-	-	-	-	87	-	6	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	7	-	3	-	-	-	-	-	-	-	-	-	-	-	-
Total A (Dec. 31, 2008)	5,613	-	460	-	-	-	2,261		336	-	-	-	-	-	-
Total (Dec. 31, 2007)	2,392	-	927	-	-	-	1,446	-	935	-	-	-	-	-	-
B. Banking book															
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2008)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Dec. 31, 2007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.5 Over-the-counter financial derivatives: negative fair value - financial risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	3,027	-	4	-	-	-	7,164	-	1,548	-	-	-	-	-	-
A.4 Financial companies	605	-	-	-	-	-	293	-	11	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A (Dec. 31, 2008)	3,635	-	4	-	-	-	7,457	-	1,559	-	-	-	-	-	-
Total (Dec. 31, 2007)	832	-	573	-	-	5	560	-	378	-	-	-	-	-	-
B. Banking book															
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	18,428	-	4,095	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2008)	18,428	-	4,095	-	-	-	-	-	-	-	-	-	-	-	-
Total (Dec. 31, 2007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.6 Time-to-maturity of Over-the-Counter financial derivatives: notional amount

€/'000	Within 1 year	1 to 5 years	Over 5 years	Total
A. Trading book				
A.1 Debt securities and interest rates	973,637	3,494	28,740	1,005,911
A.2 Equities and stock indices	-	-	-	-
A.3 Forex and gold	190,212	-	-	190,212
A.4 Others	-	-	-	-
B. Banking book				
B.1 Debt securities and interest rates	6,263	29,200	262,738	298,201
B.2 Equities and stock indices	-	-	-	-
B.3 Forex and gold	-	-	-	-
B.4 Others	-	-	-	-
Total (Dec. 31, 2008)	1,170,112	32,694	291,518	1,494,324
Total (Dec. 31, 2007)	707,996	105,690	64,353	878,039

B. Credit derivatives

During the year the Bank did not trade in credit derivatives and at December 31, 2008 it did not hold any positions in those instruments.

SECTION 3 – LIQUIDITY RISK

Qualitative information

A. Pricing Risk - General information, Measurement and Management

Given the types of assets held, their duration as well as the type of funding, Banca Mediolanum is not materially exposed to liquidity risk.

Liquidity risk is monitored applying dedicated policies and procedures, including operating limits, a maturity ladder and a contingency funding plan under the Banking Group's Asset Liability Management framework.

In 2008, in compliance with Basel II Second Pillar requirements, liquidity risk management procedures were reviewed. Specifically, in 2008, the Risk Management and Compliance unit implemented stress testing procedures for all relevant risks, including liquidity risk.

Quantitative information

1. Time-to-maturity of financial assets and liabilities (part 1)

€/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
On balance sheet assets										
A.1 Government securities	-	-	3,537	-	61,901	75,430	234,334	667,851	497,230	-
- EUR	-	-	3,537	-	61,901	75,430	234,334	667,851	497,230	-
- USD	-	-	-	-	-	-	-	-	-	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	17,005	9,114	43,602	781,079	146,489	-
- EUR	-	-	-	-	17,005	9,114	43,582	781,072	146,434	-
- USD	-	-	-	-	-	-	-	7	55	-
- GBP	-	-	-	-	-	-	20	-	-	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	8	-	-	-	509	6,058	3,027	500,312	131,164	-
- EUR	8	-	-	-	509	6,054	3,027	500,312	131,164	-
- USD	-	-	-	-	-	4	-	-	-	-
A.4 Holdings in UCITS	169,737	-	-	-	-	-	-	-	-	-
A.5 Loans to	402,227	537,192	415,046	363,077	836,256	654,641	510,219	185,926	1,012,897	127,403
- Banks	49,055	62,087	139,176	245,005	802,931	150,186	405,411	-	-	101,837
- EUR	45,180	62,087	139,176	211,327	747,585	150,186	405,411	-	-	101,837
- USD	2,404	-	-	-	55,346	-	-	-	-	-
- GBP	724	-	-	-	-	-	-	-	-	-
- YEN	128	-	-	-	-	-	-	-	-	-
- CAD	1	-	-	-	-	-	-	-	-	-
- CHF	20	-	-	33,678	-	-	-	-	-	-
- Other currencies	598	-	-	-	-	-	-	-	-	-
- Customers	353,172	475,105	275,870	118,072	33,325	504,455	104,808	185,926	1,012,897	25,566
- EUR	353,152	475,105	275,870	118,072	33,325	504,455	104,808	185,926	1,012,897	25,558
- USD	20	-	-	-	-	-	-	-	-	8

Time-to-maturity of financial assets and liabilities (part 2)

€/'000	On demand	1 to 7 days	7 to 15 days	15 day to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
On balance sheet assets										
B.1 Deposits	5,104,830	99,507	70,461	220,722	227,902	-	-	-	-	-
- Banks	602,593	49,367	36,050	126,114	223,587	-	-	-	-	-
- EUR	602,389	48,857	36,050	126,114	223,492	-	-	-	-	-
- USD	-	-	-	-	-	-	-	-	-	-
- GBP	-	510	-	-	95	-	-	-	-	-
- YEN	-	-	-	-	-	-	-	-	-	-
- CHF	165	-	-	-	-	-	-	-	-	-
- Other currencies	39	-	-	-	-	-	-	-	-	-
- Customers	4,502,237	50,140	34,411	94,608	4,315	-	-	-	-	-
- EUR	4,482,228	50,140	20,026	94,608	4,315	-	-	-	-	-
- USD	19,922	-	14,385	-	-	-	-	-	-	-
- GBP	87	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	13,537	-	-
B.3 Other liabilities	6,604	518,628	284,049	282,048	451,262	259,438	49,175	276,316	384,530	-
- EUR	6,604	518,628	284,049	282,048	451,262	259,436	49,175	276,316	384,530	-
- USD	-	-	-	-	-	-	-	-	-	-
- GBP	-	-	-	-	-	-	-	-	-	-
- CHF	-	-	-	-	-	-	-	-	-	-
- Other currencies	-	-	-	-	-	2	-	-	-	-
Off balance sheet items										
C.1 Financial derivatives with exchange of capital	4,162	10,412	69,301	70,261	236,455	101	184	1,257	1,161	-
- Long positions	4,162	3,897	33,672	34,669	116,214	51	92	636	729	-
- EUR	4,162	3,482	-	33,414	83,879	51	92	595	729	-
- USD	-	162	33,200	625	32,335	-	-	15	-	-
- GBP	-	31	472	630	-	-	-	16	-	-
- CHF	-	152	-	-	-	-	-	-	-	-
- Other currencies	-	70	-	-	-	-	-	10	-	-
- Short positions	-	6,515	35,629	35,592	120,241	50	92	621	432	-
- EUR	-	6,163	35,000	767	32,276	50	92	580	432	-
- USD	-	195	629	-	87,965	-	-	15	-	-
- GBP	-	35	-	1,155	-	-	-	16	-	-
- CAD	-	4	-	-	-	-	-	-	-	-
- CHF	-	1	-	33,670	-	-	-	-	-	-
- Other currencies	-	117	-	-	-	-	-	10	-	-
C.2 Deposits and financing to be received	-	280,000	-	-	-	-	-	-	-	-
- Long positions (EUR)	-	140,000	-	-	-	-	-	-	-	-
- Short positions (EUR)	-	140,000	-	-	-	-	-	-	-	-
C.3 Firm commitments to disburse funds	-	-	3,086	-	-	-	-	-	-	-
- Long positions (EUR)	-	-	1,543	-	-	-	-	-	-	-
- Short positions (EUR)	-	-	1,543	-	-	-	-	-	-	-

2. Analysis of financial liabilities by counterparty

€/'000	Governments & Central Banks	Governments agencies	Financial companies	Insurance companies	Non financial companies	Others
1. Due to customers	2,287	5,329	565,977	325,017	186,259	4,496,123
2. Securities issued	-	-	-	-	410	13,127
3. Financial liabilities held for trading	637,892	-	38,783	-	29,889	4
4. Financial liabilities at fair value	-	-	-	-	-	-
Total at Dec. 31, 2008	640,179	5,329	604,760	325,017	216,558	4,509,254
Total at Dec. 31, 2007	563,156	201,684	672,778	478,197	223,860	3,619,134

3. Geographical analysis of financial liabilities

€/'000	Italy	Other European Countries	America	Asia	Rest of the World
1. Due to customers	5,431,807	148,841	195	113	35
2. Due to banks	1,269,030	655,390	-	-	-
3. Securities issued	13,537	-	-	-	-
4. Financial liabilities held for trading	114,872	598,813	27,473	-	2
5. Financial liabilities at fair value	-	-	-	-	-
Total at Dec. 31, 2008	6,829,247	1,403,044	27,668	113	37
Total at Dec. 31, 122007	5,994,597	869,254	28,985	13	-

SECTION 4 - OPERATIONAL RISK

Qualitative information

A. General aspects, operational risk measurement and management

Regulations and statutes place increasing emphasis on the identification and management of financial, credit and operational risks. In particular, the new Basel Capital Accord (International Convergence of Capital Measurements and Capital Standards) and the EU Capital Requirement Directive (CRD) placed greater importance on operational risk classifying it as a separate risk category which requires a specific capital charge as well as the adoption of specific risk measurement and mitigation techniques.
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
Banca Mediolanum defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events".
The internal control system of Banca Mediolanum S.p.A. entails defence at different levels in accordance with the Group organisational structure.
Specifically, for operational risk line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit

or function. Risk controls (second level) are controls performed by units other than operating units; they contribute to the definition of operating limits and risk measurement methods and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of remit.

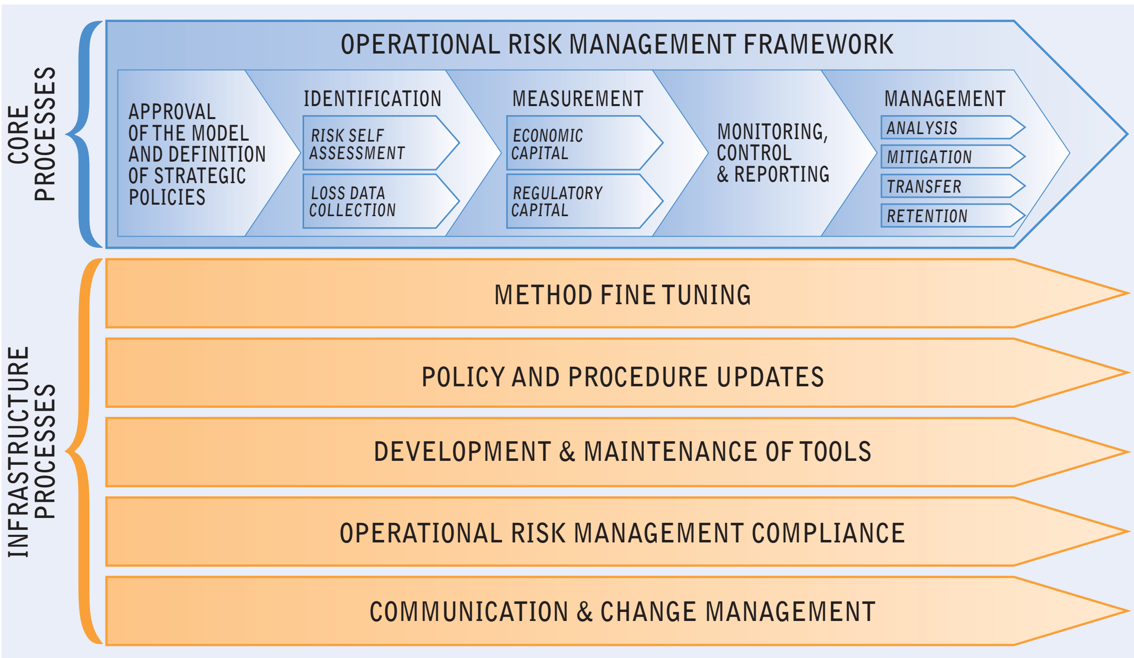
The Operational Risk Management Unit, within the Risk Management and Compliance function, is responsible for identifying, measuring and assessing operational risk. The unit's staff work together with the sales network inspectors for the control and management of operational risk associated with the activities carried out by the sales network, and with the Finance and Accounting Department to verify capital adequacy vis-à-vis operational risk capital requirements.
The Operational Risk Control unit iswill be separate and independent of operating unitsons and reports directly to the Parent Company's Senior Management.

In consideration of the characteristics and the type of business conducted by Banca Mediolanum, special attention is given to risks arising in connection with the operation of the Sales Network and the multiple channels, i.e. also those channels which enable access and transactions from a remote location. These risks are managed, *inter alia*, through local controls and procedures for risk assessment, management, prevention and mitigation.
The operational risk management framework entails a central control unit, i.e. Banca Mediolanum's operational risk unit, and local control units, especially for those operations that are more exposed to operational risk, i.e. the direct channels, the sales network inspectors, Group Information Systems and Organisation, also to facilitate coordination in relation to Business Continuity & Disaster Recovery Plans.
There is also Cclose coordination with the Compliance function.
The identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the Company.
The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the company's administrative activities.

The operational risk assessment and measurement method developed in 2006 includes qualitative measurement of exposure to operational risk of each organisational unit within the Company via an internal rating system.
The qualitative metrics differentiate between exposure to risk that is inherent in business management and exposure to risk that is anomalous or at critical levels.
The system uses four ratings, which identify a different level of risk and related response, i.e.:
- **A, negligible risk**: risk is consistent with the risk appetite as established by top management;
- **B, moderate risk**: the risk of loss is not negligible; first red flag;
- **C, significant risk**: it indicates a critical condition; more in-depth analysis is recommended to assess the opportunity of mitigating actions;
- **D, untenable risk**: the situation is severe and mitigating actions need to be taken immediately.

The operational risk management framework was approved by the Board of Directors in December 2006 and periodically reviewed and updated thereafter. The latest review and update were conducted in December 2008. The company conducts Risk Self Assessment of organisational units and collection of operational loss data on an annual basis. This is groundwork for assessment of the level of risk to which organisational processes are exposed as well as the basis for preparing the interim reports to supervisory authorities required of companies applying the standardised approach.

The operational risk management framework is summarised in the diagram below.



"**Identification**" consists of the following:

- "Risk Self Assessment": ex-ante assessment of exposure to operational risk of an organisational unit or process based on subjective estimates and self-assessment models applied by the risk officer. One of the main outcomes of the Risk Self Assessment exercise is rating, which is the concise indication of the level of operational risk the organisational unit/process is exposed to;

- "Loss Data Collection": ex-post collection of internal data on actual losses including any information that is relevant to risk measurement and management (including insurance and direct recoveries). This exercise is conducted applying both an "account driven" approach and an "event driven" approach.

"**Measurement**" relates to the calculation of risk capital, specifically:

- Economic capital: internal risk measurement through a rating system that enables to steer and calibrate risk management and mitigation according to the potential economic impact and the current risk management framework. This exercise is based on the outcome of risk identification analyses and applies an actuarial statistical model;
- Regulatory capital: calculated in accordance with capital requirements indicated by supervisory authorities (Bank of Italy's Circular Letter 263 of December 27, 2006 on new capital requirements for Banks). Based on self-assessment results examined on November 7, 2007, and on March 23, 2008, the Board of Directors resolved to apply the standardised approach to operational risk capital measurements on an individual basis. The resolution was taken considering that Banca Mediolanum meets both quantitative and qualitative requirements for the adoption of said approach. Notice thereof was duly given to the Bank of Italy.

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

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

"**Management**" is composed of the following:

- "Management analysis";
- "Risk mitigation";
- "Management of risk transfer techniques";
- "Risk retention management".

The Operational Risk Management framework is complemented by the following processes that cut across business lines:

- "Policies & procedures";
- "Fine-tuning of methods";
- "Development and maintenance of tools and applications";
- "Operational Risk Management Compliance";
- "Internal Communications/Change Management".

In 2008, over 70 organisational units of the Company were examined, identifying over 1,000 operational risk checkpoints and taking over 60 risk mitigation actions in relation to risk controls that were judged to be unsatisfactory or to be improved.

COMPLIANCE RISK

A single compliance risk management framework is applied across the Mediolanum Banking Group. Banca Mediolanum's Compliance unit is responsible for ensuring compliance within the parent company as well as for supervision, guidance and control of Group companies within its remit.

The compliance risk management framework was approved by resolution of the Board of Directors carried on April 2008.

The scope of work of the Compliance unit has been defined taking account of the responsibilities given to other functions within the organisation in relation to specific regulatory areas.

The responsibilities of the Compliance unit are summarised below:

Interpretation of regulations

- Identification of applicable regulations vis-à-vis the regulatory environment;
- Assistance in assessing the impact of the introduction/application of new regulations on business strategies;
- Assessment of the impact of new regulations on business processes/procedures, and preparation of any necessary amendments.

Preparation of policies and guidelines

Preparation of notices, policies and guidelines in relation to regulatory changes.

Establishment and review of processes/structures/procedures

Working together with the Organisation department, establishment of processes/structtures/procedures that are consistent with guidelines including actions to remedy any shortcomings.

Validation

Prior compliance assessment of processes, procedures, innovative projects, product development.

Verification of the effectiveness of adjustments suggested upon the implementation of processes.

Advice and assistance to relevant managers

Preparation of opinions.

Assistance in the organisation of education sessions.

Assessment of effectiveness of business procedures

Continuous assessment of the adequacy and effectiveness of business procedures.

Compliance Assessment Mapping ande Activity Planning

Identification of business units most exposed to regulatory compliance risk in order to plan risk mitigation actions.

Conflicts of Interest

Identification and assessment, as well as preparation of proposals for effective management ective management of any conflicts of any conflict of interest, maintenance of the 'Register of Conflicts'.

Reports to Senior Management, the Board of Directors, Statutory Auditors and Supervisory Board

Reports on compliance matters to Senior Management, the Board of Directors, Statutory Auditors and Supervisory Board.

REPUTATIONAL RISK

The Basel Committee expressly excluded reputational risk from the scope of Operational Risk.

Reputational risk is considered to be a "second-tier" risk compared to Operational Risk and Legal Risk, since it arises from an event connected to these risks.

The Mediolanum Banking Group defines reputational risk as "*the current or prospective risk of impact on earnings or capital arising from a negative perception of the Group's image by customers, counterparties, shareholders, investors or supervisory authorities*".

In December 2008, Banca Mediolanum distributed the "Group policy for reputational risk management" to subsidiaries to inform them about the principles underlying management and control for this type of risk, as well as the units responsible for managing and monitoring it. Each company will implement said policy in accordance with its organisational model.

The Group policy sets forth general guidelines for the management of reputational risk that apply to all Mediolanum Banking Group companies, as well as specific guidance for the companies that manage the assets underlying customer investments. These companies are required to be extremely conservative and disciplined in their in assessing and formalising the choices they made.

Reputation and brand value are key to the survival of the company in the medium term. Thus, reputational risk management and control involves many actors, each one of them being responsible for managing possible sources of said risk.

The events which may be a source of reputational risk are subject to the examination of the Chief Executive Officer and General Manager of Banca Mediolanum, assisted by the Head of the department involved from time to time. Risk prevention and mitigation measures are submitted to the Board of Directors for assessment in accordance with their relevance in terms of Group's business continuation.

The "Regulatory Compliance Policy Document" approved by the Board of Directors of Banca Mediolanum on April 18, 2008, clearly distinguishes between reputational risk arising from the Bank's failure to comply with internal and external rules and regulations and reputational risk arising from events such as ineffective external communication. In the latter instances, the Board of Directors works closely with the external communication officers to ensure adequate, timely response. External communication is regulated by Group policies and guidelines as well as specific operating procedures, in consideration of the specific traits of this type of risks and the different circumstances which may arise. Responsibility for external communication rests with the Chief Executive Officer and General Manager.

PART F – INFORMATION ON CAPITAL

SECTION 1 – CAPITAL

A. Qualitative information

B. Quantitative information

Readers are referred to Section 14 (Balance Sheet - Shareholders' Equity) of these notes for quantitative information on capital.

SECTION 2 – CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

In its Circular Letter No. 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular Letter incorporates the international capital requirements that were introduced following the adoption of the international accounting and financial reporting standards (IAS/IFRS).
To safeguard the quality of regulatory capital and reduce the potential volatility arising from the adoption of the international accounting and financial reporting standards, certain "prudential filters" are applied to financial data.

A. Qualitative information

The capital base is the sum of core capital (Tier 1 capital), included in the calculation without restrictions, supplementary capital (Tier 2), which cannot exceed the amount of Tier 1 capital before deductions, and Tier 3 capital.
Tier 3 capital can be used only to cover market risk (net of counterparty risk and settlement risk in the banking book) and up until 71.4% of minimum capital requirements for market risk. Shareholdings, non-innovative, innovative, hybrid capital instruments and subordinated assets held in other banks and financial companies, shareholdings in and subordinated instruments issued by insurance companies are deducted from said aggregates.
At December 31, 2008, Tier 1 capital consisted of share capital, equity reserves, net profit for the period (after dividend) less any intangible assets and negative valuation reserves. Tier 1 prudential filters are equal to the negative balance of valuation reserves (after tax) relating to equities, holdings in UCITS and debt instruments classified as "available-for-sale financial assets".
At December 31, 2008, Banca Mediolanum's capital did not include any instruments falling within Tier 2 nor Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Tier 1 before solvency filters	506,331	440,155
B. Tier 1 solvency filters:	(24,854)	(1,113)
B.1 Positive IAS/IFRS solvency filters	-	-
B.2 Negative IAS/IFRS solvency filters	(24,854)	(1,113)
C. Tier 1 after solvency filters (A+B)	481,477	439,042
D. Deductions from tier 1	-	-
E. Total TIER 1 (C+D)	481,477	439,042
F. Tier 2 before solvency filters	-	-
G. Tier 2 solvency filters:	-	-
G.1 Positive IAS/IFRS solvency filters	-	-
G.2 Negative IAS/IFRS solvency filters	-	-
H. Tier 2 after solvency filters (F+G)	-	-
I. Deductions from tier 2	-	-
L. Total TIER 2 (H+I)	-	-
M. Deductions from tier 1 and tier 2	-	-
N. Total capital (E+L+M)	481,477	439,042
O. TIER 3	-	-
P. Total capital + TIER 3 (N+O)	481,477	439,042

2.2 Capital adequacy

A. Qualitative Information

At December 31, 2008 Banca Mediolanum's Tier 1 capital ratio was 13.77% and Total capital ratio was 13.77%, above the minimum requirement of 7%.

B. Quantitative Information

€/'000	Not weighted		Weighted/requirements	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
A. Risk assets				
A.1 Credit risk & counterparty risk	9,955,072	5,115,932	2,561,767	2,264,859
1. Standardised approach	9,955,072	5,115,932	2,561,767	2,264,859
2. Internal ratings based approach	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk & counterparty risk	-	-	204,941	158,540
B.2 Market risk	-	-	27,547	52,968
1. Standardised approach	-	-	27,547	52,968
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	47,194	-
1. Foundation approach	-	-	47,194	-
2. Standardised approach	-	-	-	-
3. Advanced approach	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Total prudential requirements	-	-	209,762	211,508
C.1 Risk weighted assets (RWA)*	-	-	3,496,030	3,021,543
C.2 Tier 1 (core) capital/RWA (Tier 1 capital ratio)	-	-	13.77%	14.53%
C.3 Regulatory capital /RWA (Total capital ratio)	-	-	13.77%	14.53%

(*) Total prudential requirements multiplied by the reciprocal of the mandatory minimum coefficient for credit risk (6%).
(8% reduced by 25% for banks that are part of banking groups with consolidated regulatory capital above total capital requirement) at December 31, 2008 and 7% at December 31, 2007.

PART G – BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2008 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

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

PART H – RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/General Managers	Other key managers
Emoluments & social security contributions	735	1,139
Other pension benefits and insurance	-	31
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	221	237

2. Information on related party transactions

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

- the subsidiaries Mediolanum Gestione Fondi S.G.R.p.A. and Mediolanum International Funds Ltd. for the sale of mutual funds;
- the fellow subsidiaries Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A. for the sale of insurance products;
- the associate Mediolanum Life Ltd. for the distribution of index linked insurance contracts;
- the associate Duemme Hedge S.G.R.p.A. for the sale of holdings in hedge funds managed by the company that is part of the Banca Esperia Banking Group.;
- Mediolanum Group companies for the provision of IT, administrative and logistics services;
- the parent company Mediolanum S.p.A. in connection with central Group management of tax and corporate affairs.

In addition personnel was seconded to and from other companies within the Mediolanum Group.
All transactions are made on an arm's length basis at market conditions, except for personnel seconded from Banca Mediolanum to other Group companies and vice versa, that is charged on the basis of actual costs incurred.
An analysis of related party balances at December 31, 2008 by related party category is set out in the table below.

€/'000	AFS financial assets	HTM investment	Loans to customers	Due to banks	Due to customers	Due to banks	Guarantees issued
(a) Parent company	-	-	-	-	106,958	-	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-	-
(c) Subsidiaries	-	-	3	-	44,094	78,522	5,000
(d) Associates	-	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-	-
(f) Key managers	-	-	-	-	1,246	-	-
(g) Other related parties	-	-	11,336	-	278,551	34,190	275

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

€/'000	Income
Interest income and similar income:	
Mediolanum International Life Ltd	48
Mediolanum International Funds Ltd	34
Mediolanum Comunicazione S.p.A.	24
Mediolanum Vita S.p.A.	12
Commission income on the sale of insurance products:	
Mediolanum Vita S.p.A.	97,617
Mediolanum International Life Ltd	31,042
Mediolanum Assicurazioni S.p.A.	3,778
Commission income on the sale of mutual funds:	
Mediolanum International Funds Ltd	80,029
Mediolanum Gestione Fondi SGR p.A.	24,771
Duemme Hedge S.p.A.	69
Commission income on the sale of pension funds:	
Mediolanum Vita S.p.A.	62
Commission income on collection, payment and other services:	
Mediolanum Vita S.p.A.	697
Mediolanum International Life Ltd	24
Mediolanum Assicurazioni S.p.A.	16
Dividends from Group companies:	
Mediolanum International Funds Ltd	69,921
Mediolanum Asset Management	4,590
Mediolanum Gestione Fondi SGR p.A.	4,015
Mediolanum Distribuzione Finanziaria S.p.A.	270
Income on key personnel:	
Banco de Finanzas e Inversiones (Fibanc) S.A.	1,284
Mediolanum Vita S.p.A.	937
Mediolanum Gestione Fondi SGR p.A.	916
Mediolanum International Funds Ltd	830
Mediolanum Comunicazione S.p.A.	595
Mediolanum Corporate University S.p.A.	203
Mediolanum International Life Ltd	201
Partner Time S.p.A.	129
Bankhaus August Lenz AG	42
Mediolanum Distribuzione Finanziaria S.p.A.	13
Recoveries of expenses from Group companies for centrally provided services:	
Mediolanum Vita S.p.A.	5,690
Mediolanum Gestione Fondi SGR p.A.	4,498
Mediolanum Comunicazione S.p.A.	1,142
Mediolanum S.p.A.	932
Partner Time S.p.A.	566
Mediolanum International Life Ltd	519
Mediolanum Distribuzione Finanziaria S.p.A.	313
Mediolanum Assicurazioni S.p.A.	121
PI Distribuzione S.p.A.	35

€/'000	Income
Other income from rentals and miscellaneous recoveries:	
Mediolanum Corporate University S.p.A.	345
Mediolanum S.p.A.	187
Mediolanum Gestione Fondi SGR p.A.	168
Mediolanum Assicurazioni S.p.A.	131
Partner Time S.p.A.	130
Mediolanum Vita S.p.A.	38
Mediolanum International Life Ltd	10

€/'000	Expense
Interest expense and similar charges	
Mediolanum Vita S.p.A.	12,834
Banca Esperia S.p.A.	5,656
Banco de Finanzas e Inversiones (Fibanc) S.A.	3,141
Bankhaus August Lenz AG	2,515
Mediolanum International Life Ltd	2,111
Mediolanum S.p.A.	1,814
Gamax Management AG	720
Mediolanum Corporate University S.p.A.	393
Mediolanum Gestione Fondi SGR p.A.	310
Mediolanum Assicurazioni S.p.A.	306
Mediolanum International Life Ltd	181
Partner Time S.p.A.	69
Mediolanum Distribuzione Finanziaria S.p.A.	26
PI Distribuzione S.p.A.	22
Mediolanum Comunicazione S.p.A.	17
Mediolanum Asset Management	10
Commissions payable for third-party asset management:	
Mediolanum Gestione Fondi SGR p.A.	78
Commissions payable on off-premises sale of financial instruments:	
Mediolanum Distribuzione Finanziaria S.p.A.	2,505
Net expense for key personnel:	
Mediolanum S.p.A.	940
Mediolanum Assicurazioni S.p.A.	688
Vacanze Italia S.p.A.	3
Television and internet communications - expenses for technical services:	
Mediolanum Comunicazione S.p.A.	11,479
Digitalia S.r.l.	380
Publitalia S.p.A.	177
Rentals:	
Mediolanum Vita S.p.A.	870
Mediolanum Gestione Fondi SGR p.A.	409
Mediolanum Corporate University S.p.A.	20
Miscellaneous insurance expenses:	
Mediolanum Assicurazioni S.p.A.	1,970
Audiovisual advertising and promotions:	
Publitalia S.p.A.	3,695
Mondadori Pubblicità S.p.A.	239
Mediolanum Comunicazione S.p.A.	180
Servizi Milan S.r.l.	30
Digitalia S.r.l.	17

€/'000	Expense
Organisation of exhibitions and conventions:	
Mediolanum Comunicazione S.p.A.	2,842
Sales force training:	
Mediolanum Corporate University S.p.A.	801
Mediolanum Comunicazione S.p.A.	188
Vacanze Italia S.p.A.	144
Business expenses, gifts and other services:	
Mediolanum Comunicazione S.p.A.	955
Mediolanum S.p.A.	260
Servizi Milan S.r.l.	60
Mediolanum Gestione Fondi SGR p.A.	56
Vacanze Italia S.p.A.	47
AC Milan S.p.A.	15
Personnel training	
Mediolanum Comunicazione S.p.A.	44

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

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

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

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

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2008, 161,180 stock options granted in 2004-2006 were exercised for a total of 161,180 Mediolanum S.p.A. shares.
The table below shows movements in option holdings in the year as per Bank of Italy's Circular Letter 262/2005.

€/'000	Total Dec. 31, 2008 Number of options	Average exercise price	Average expiration	Total Dec. 31, 2007 Number of options	Average exercise price	Average expiration
A. Opening balance	3,414,855	3.50379	Feb-13	2,778,916	4.21163	Giu-2011
B. Increase	1,600,171	-	x	1,394,951	-	
B.1. New issued	1,456,612	1.80842	Apr-15	1,394,951	2.92249	Dic-2013
B.2 Other	143,559	1.26670	x	-	-	x
C. Decreases	(265,340)	-		(759,012)	-	
C.1. Cancelled	(55,500)	6.03596	x	-	-	x
C.2. Exercised (*)	(158,780)	1.17892	x	(314,012)	1.66149	x
C.3 Lapsed	(6,060)	0.53900	x	(445,000)	7.33700	x
C.4 Other	(45,000)	5.36800	x	-	-	x
D. Closign balance	4,749,688	2.95050	Nov-13	3,414,855	3.50379	Feb-13
E. Options exercisable at year end	1,224,963	5.37928	x	878,403	4.83280	x

(*) Average unit market price at exercise date is €3.52.

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €2,084 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 23, 2009

For the Board of Directors
The Chairman
Ennio Doris

SCHEDULES

Fees paid to the independent auditors pursuant to section 160 paragraph 1 bis of Legislative Decree 58/98

The fees paid to the independent auditors Reconta Ernst & Young S.p.A. and entities that are part of their network are set out in the table below.

Consolidated financial statements for the year ended December 31, 2008

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Reconta Ernst & Young S.p.A. and other entities that are part of their network	181
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	-
Other	Entities in the Ernst & Young network	3
Total		184

Consolidated financial statements for the year ended December 31, 2008

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Reconta Ernst & Young S.p.A. and other entities that are part of their network	718
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	259
Other	Entities in the Ernst & Young network	3
Total		980

In addition to the amounts above, entities that are part of the Ernst & Young's network also invoiced an additional total amount of €1,088 thousand, of which €215 thousand in relation to Italian funds and €873 thousand in relation to international funds.

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the general meeting convened to approve the financial statements for the year ended december 31, 2008

Dear Shareholder,

In accordance with article 153 of Legislative Decree No. 58 of February 24, 1998 and article 2429, paragraph 3 of the Italian Civil Code, at the meeting convened to approve the financial statements for the year ended December 31, 2008, we report to you on our supervisory activities pursuant to article 149 of the Legislative Decree above.

Supervision and control

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

- we saw to compliance with the law and the bylaws as well as adherence to principles of proper management; we gathered information and saw to the adequacy of the company's organisational structure, accounting and reporting system. We also saw that the Bank complied with all specific requirements issued by supervisory authorities.
  In relation to the company's accounting and reporting system, we also held regular meetings with the independent auditors during which we gathered information and satisfied ourselves that these systems reliably and accurately reflect the Bank's affairs;
- we attended General Meetings and Board of Directors Meetings. We did not become aware of any violations of the law or the bylaws, nor of any transactions which could represent a conflict of interest, were manifestly imprudent or risky or put the company's equity at risk;
- we regularly obtained information from Directors on the company's operations, outlook and main transactions;
- we assessed the effectiveness and efficiency of the internal control system, especially in relation to risk management. Assisted by internal audit staff and the independent auditors we satisfied ourselves of the effective operation of the main operational and management units;
- we also ascertained compliance with anti-money laundering regulations, the regular update of the security policy document, the regular update of the "Safety Health & Environment Policy Document" to improve safety and health in the workplace, that intercompany transactions were made at an arm's length and examined reports on complaints lodged by customers;

- we noted the activities conducted by the Supervisory Board including those relating to the introduction of amendments and supplements to the "Organisation, Management and Control Model" pursuant to Legislative Decree 231 of June 8, 2001;

Following our examination, we did not become aware of any material aspects requiring disclosure herein or reporting to the supervisory authorities.

We were regularly advised by the heads of the various functions of any resolutions taken by the respective committees with regard to actions taken to remedy any irregularities found in the conduct of the company's affairs.

We continued the mutual exchange of information on our respective supervisory and control activities with the independent auditors Reconta Ernst & Young S.p.A, that are responsible for auditing the accounting records and the financial statements in accordance with art. 155 et seq. of Legislative Decree No. 58 of February 24, 1998.

The independent auditors reported to us on their audit work in accordance with art. 155, paragraph 1, letter a) of Legislative Decree 58/1998 and advised us that they did not become aware of any irregularities or events which required reporting to the control functions or to the supervisory authorities.

The financial statements and their approval

In relation to the separate financial statements for the year ended December 31, 2008, and the schedules attached thereto, which are presented to you for approval, we advise you that:

- the Directors' Report sets out information on the company's operations including subsidiaries, with details on actions, transactions and projects involving the parent company and the entire banking group;
- we oversaw the preparation of the financial statements, their compliance with the law, in terms of both form and structure; in that respect we assure you that the financial statements for the year ended December 31, 2008 were prepared in accordance with the international accounting and financial reporting standards (IAS/IFRS);
- the accounts and the notes are compliant with the requirements set out in the Bank of Italy's Circular 262 of December 22, 2005. The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report. They also include comparative information for the prior year;
- the independent auditors are completing their audit of the financial statements, including the consistency of information set out in the Directors' Report, and are expected to issue their report with no remark.

In consideration of the foregoing, we express our favourable opinion on the approval of the financial statements for the year ended December 31, 2008, which show net profit of €32,926,770.04 and the appropriation of net profit for the year as proposed by the Board of Directors.

In concluding our report we remind you that our term in office, as well as the term of the Board of Directors, expires upon the approval of the financial statements for the year ended December 31, 2008. We thank you for the trust you have bestowed upon us and invite you to elect the new members of the Board of Statutory Auditors and of the Board of Directors.

Finally, we would like to express our sincere appreciation to the directors, the general management, senior and middle management, all employees and other staff of the Bank and of Group companies and thank them for the commitment, collaboration and professionalism they showed to us in the performance of our duties.

Milan, April 3, 2009

THE BOARD OF STATUTORY AUDITORS
Arnaldo Mauri, Chairman
Adriano Alberto Angeli, Standing Auditor
Marco Giuliani, Standing Auditor

Independent Auditors' Report

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

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Independent auditors' report
Pursuant to Articles 156 and 165 of Legislative decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholder of
Banca Mediolanum S.p.A.

1. We have audited the financial statements of Banca Mediolanum S.p.A. as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree No. 38/2005 is the responsibility of the Banca Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2008.

3. In our opinion, the financial statements of Banca Mediolanum S.p.A. as of December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of Banca Mediolanum S.p.A. for the year then ended.

Reconta Ernst & Young S.p.A.
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4. The management of Banca Mediolanum S.p.A. is responsible for the preparation of the Directors' Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree No. 58/1998. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Directors' Report is consistent with the financial statements of Banca Mediolanum S.p.A. as of December 31, 2008.

Milan, Italy, April 3, 2009

Reconta Ernst & Young S.p.A.
signed by: Daniele Zamboni, partner

BANCA MEDIOLANUM S.p.A.

Ordinary General Meeting of April 20, 2009

RESOLUTIONS ABSTRACT

Ordinary General Meeting of April 20, 2009

RESOLUTIONS ABSTRACT

Attended by the proxy holder of the sole shareholder Mediolanum S.p.A., that owns the entire share capital, by unanimous voting the Ordinary General Meeting resolved:

- to approve the Directors' Report;
- to approve the financial statements for the year ended December 31, 2008;
- to appropriate the net profit for the year amounting to €32,926,770.04 as follows:
  - €25,000,000.00 to the shareholders;
  - €1,647,000.00 to the legal reserve;
  - €6,279,770.04 to the Extraordinary Reserve;
- to assign the management of the company to a Board of Directors composed of 11 members;
- to confirm the directors listed below in office for the current year and the next two years, and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2011:
  - Luigi Del Fabbro;
  - Ennio Doris;
  - Massimo Antonio Doris;
  - Edoardo Lombardi;
  - Paolo Gualtieri;
  - Giovanni Pirovano;
  - Angelo Renoldi;
  - Paolo Sciumè;
  - Carlos Javier Tusquets Trias de Bes;
- to elect the directors listed below to serve in the current year and the next two years, and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2011:
  - Bruno Bianchi;
  - Maurizio Carfagna;
- to confirm Ennio Doris as Chairman of the Board of Directors;
- to fix the aggregate annual gross compensation of the members of the Board of Directors at €965,000.00, until a new resolution is passed in relation to that matter. The Board of Directors shall be responsible for distributing said compensation among its members. Said compensation can be withdrawn during the year, also on different occasions;
- to confirm the following members of the Board of Statutory Auditors for the current year and the next two years, and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2011:
  - Arnaldo Mauri, Chairman;
  - Adriano Angeli, Standing Auditor;
  - Marco Giuliani, Standing Auditor;
  - Francesca Meneghel, Alternate Auditor;

- to elect Damiano Zazzeron as alternate auditor for the current year and the next two years, and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2011;
- to fix the aggregate annual gross compensation of the members of the Board of Statutory Auditors for the performance of their duties as follows:
  - €75,000.00 to the Chairman of the Board of Statutory Auditors;
  - €50,000.00 to each standing auditor;
- plus an all-inclusive fee of €165.00 to each member of the Board of Statutory Auditors for their participation in each Board of Directors or other meetings at the headquarters or at the offices of any operating units.

The Board of Directors at its Meeting held on the same date confirmed the following officers:
Edoardo Lombardi – Deputy Chairman
Massimo Antonio Doris – Chief Executive Officer and General Manager.

BANCA MEDIOLANUM S.p.A.

Consolidated Annual Financial Statements 2008

Directors' report

Dear Shareholder,

The Mediolanum Banking Group consolidated financial statements for the year ended December 31, 2008 show net profit from ordinary activities before minority interests of €88.5 million versus €131.3 million in the prior year.
The year-on-year decline in net profit is largely in connection with the decrease in net commission income (down €62.5 million), especially on life products and mutual funds, due to the different mix of insurance products sold in the year as well as the decline in the value of assets under management owing to the financial market downturn.
Net financial income (net interest income and profits on financial instruments), instead, rose €20.6 million thanks to the profitable management of the Banking Group's interest-earning assets.
At December 31, 2008, net profit attributable to the Parent Company amounted to €26.4 million versus €55.7 million in the prior year.
The consolidated financial statements for the year ended December 31, 2008 include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with art. 64 of the Consolidated Banking Act.
The methods and scope of consolidation are detailed in the notes to the consolidated financial statements.
The financial statements for the year ended December 31, 2008 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

THE MACROECONOMIC ENVIRONMENT

The recently ended year will be remembered by businesses and investors as the worst year since the post-WWII period. In fact, the subprime mortgage crisis that started in 2007 in the US rapidly propagated across the world bringing about a global, severe financial and economic crisis. In the US the height of the crisis was marked by the default of the fourth largest investment bank, Lehman Brothers, and the bailout of the government-sponsored enterprises Fannie Mae and Freddie Mac. Lehman Brothers was not bailed out, and thus had to file for bankruptcy protection. The decision to let Lehman Brothers default sent an immediate shockwave across global financial markets which had been already struggling against a widespread confidence crisis. Due to the steep climb in interbank rates and risk premiums, lending tightened; global equity markets plunged.
In the final months of 2008, macroeconomic data confirmed that the world's major economies were slowing down and sliding into recession, unemployment was on the rise, investor and consumer confidence was deteriorating.
In the fourth quarter 2008, economic growth in the US, Germany and Japan shrank by 0.96%, 2.11% and 3.3%, respectively. In Italy, GDP fell 1.8% in the fourth quarter, after declining by 0.6% in the second and third quarters.
In December, in the US, retail sales were down for the sixth month in a row, unemployment rose to 7.2%, the high-

est level since February 1993. Reflecting dismal expectations, the Conference Board Consumer Confidence Index was at the lowest level since the related survey was first launched in 1967.
In Germany, the erosion of consumer confidence and the gloomy economic outlook were reflected in falling retail sales and worsened businesses sentiment.
In the US, the Government and the Fed tried to ring-fence the financial crisis and prevent its spill-over into the real economy by bringing Federal Funds rates down to almost zero, frequently pumping significant amounts of liquidity into the system, recapitalising the banking system and passing various stimulus packages, as well as through quantitative easing. Faced with slumping stock markets, lack of trust on the interbank market, especially after the failure of Lehman Brothers, the US Federal Reserve promptly understood the risk posed to price stability by the expansionary monetary policy would soon be offset by the deflationary effects generated by a shrinking global demand.
In Europe, the ECB hiked interest rates by 25 basis points in the summer to curb any inflationary pressures resulting from rising commodity prices, but then it had to forego its strict control over price stability. In fact, the Governing Council of the European Central Bank had decided to raise interest rates before the default of Lehman Brothers and the bailout of other major financial institutions (AIG, Merrill Lynch, Fannie Mae, Freddie Mac, HBOS), but when the ECB realised that these events would undoubtedly affect the confidence of market participants and economic growth in the Eurozone, it responsibly agreed to a coordinated move with other world's major central banks slashing the main refinancing rate to 2.50%. Also the Bank of England took strong action and cut the key interest rate to 2%, in light of the dramatically changed economic scenario, declining commodity, energy and food prices, but especially due to the heavy impact of the global recession on the British economy.
Japan was relatively unaffected by the financial crisis up until September, when the effects of further credit tightening and the global turmoil began to make a dent in Japan's economic outlook, especially in terms of falling exports. Increased tension on financial markets and the expected worsening of economic growth pushed the Bank of Japan to further reduce the key policy rate to 0.10%.

In 2008, global stock markets fell by over 40% on average (Morgan Stanley World Index down 42% in local currency). In the US, the S&P500 and the NASDAQ Composite shed 38.5% and 40.5%, respectively. In Europe, the Dow Jones Stoxx600 dropped 45.6%. The SPMIB fell 49.5%, the DAX was down 40.4% and the CAC40 off 42.7%. Thanks to greater stock diversification the FTSE contained its descent to 31.3%, while the defensive position of the Swiss SMI did not spare it a 34.8% correction. In emerging markets, stock indices fell 47% on average. Cyclical stocks (manufacturing, automotive, technology, commodity processing) underperformed compared to defensive stocks (healthcare, households non-durable goods, utilities and telecoms). The underperformance of banking and insurance stocks was a consequence of the credit crisis.
The extreme downward movements on stock markets led investors to turn to treasuries in their flight to safety. European and US treasury yields declined, especially on short and medium term maturities. At year end 2008, 2-year and 10-year yields on US treasuries stood at 0.76% and 2.21%, respectively, while 2-year and 10-year yields on European treasuries were 1.75% and 2.95%, respectively.
In October, the credit crisis pushed 3-month interbank lending rates on the European and the US markets up to 5.39% and 4.81%, respectively. Central Banks' interventions and government guarantees eased tensions and at year end 2008 interbank lending rates were down to 2.89% and 1.42%, respectively.
The market turmoil and the prolonged liquidity problems drove the risk premium on corporate and emerging market bond issues, i.e. their yield spread over treasuries, to all-time highs. Italian treasuries were impacted too, and their yield spread over German treasuries hit 143 basis points on 10-year maturities.

In 2008, the Euro was about 4% off the US dollar, rising from 1.46 at the beginning of the year to about 1.60 in July, but then closing the year at 1.39.
The deteriorated outlook for the domestic economy and the Bank of England's aggressive interest rate cuts to 2% weakened the Sterling from 0.73 at the beginning of the year to 0.95 at December 31, 2008.
The strengthening of the yen was due more to global market conditions (end of carry trades) than Japan's macroeconomic fundamentals. In fact, under normal circumstances, the current recession in Japan would instead have determined the weakening of the currency.

MEDIOLANUM BANKING GROUP

During 2008, the Group continued the reorganisation of non-strategic operations which entailed the sale of the distribution company Gamax Austria AG and the liquidation of the Barcelona-based company Fibanc FAIF S.A..
The Luxembourg-based company Gamax Holding S.A. was merged into the parent Mediolanum International S.A..
During the year the subsidiary Banco de Finanzas e Inversiones S.A. increased its shareholding in Mediolanum International Funds Ltd by acquiring an additional 2.5% interest in the parent company Mediolanum S.p.A. for €25,272 thousand.
In March 2008, Mediolanum Corporate University S.p.A. was incorporated. The company is a direct subsidiary of Banca Mediolanum and was established to provide education and training to the Mediolanum Banking Group employees and sales network. The Bank of Italy has already registered Mediolanum Corporate University as a Mediolanum Banking Group company.

REVIEW OF OPERATIONS

For the year ended December 31, 2008, the Banking Group reported profit before tax of €101.3 million versus €163.5 million in the prior year.
Commission income declined from €708.0 million in 2007 to €589.8 million in 2008. This was primarily in connection with the lower level of management fees earned in the year (down €48.3 million) as well as the lower fees earned on the sale of third-party products (down €61.3 million), especially life insurance products whose commission structure changed materially, following the introduction of the new supplementary pension legislation in Italy.
Commission income was largely affected by the decline in the value of assets under management owing to the financial market downturn in the year under review.
Also commission expense declined from €383.1 million in the prior year to €327.5 million at year end 2008.

Consolidated net interest income grew 23.6% to €150.1 million from €121.4 million at year end 2007 thanks to the profitable management of the bank's interest-earning assets that largely consist of euro-denominated inter-bank loans, especially to Italian banks, treasuries and bonds issued by primary Italian and European banks. In spite of the market turmoil, profits on financial transactions, gains from hedging transactions and gains from the sale of 'available-for-sale financial assets' amounted to €8.5 million versus €14.7 million in the prior year.

Total income for the year was €421.9 million versus €463.8 million in 2007.

Operating expenses were up 5.9% to €311.9 million from €294.5 million at year end 2007 due to the significant increase in mortgage loans and required adjustments of Banca Mediolanum's organisational and operational structures.
Specifically, staff costs increased from €103.1 million in 2007 to €116.6 million at the end of the year under review, and the Banking Group's headcount grew to 1,759 employees from 1,629 at the end of the prior year.
The economic benefits of these efforts will unfold in the coming years.
The year's tax expense amounted to €12.8 million versus €32.3 million in the prior year.
At December 31, 2008, total consolidated assets amounted to €9,559.3 million versus €8,246.2 million at December 31, 2007.
Loans to customers notably increased from €1,708.8 million at the end of the prior year to €3,373.4 million, of which €984 million to financial firms under section 107 of the Consolidated Banking Act. Conversely, loans to banks declined to €2,099.0 million from €2,980.9 million at year end 2007.
Inflows of customer assets into bank accounts, repurchase agreements and bonds rose 7.7% from €5,498.6 million at year end 2007 to €5,920.1 million at December 31, 2008.

The securities portfolio grew significantly to €3,413.7 million from €2,985.4 million at year end 2007.
The analysis of the securities portfolio is set out in the table below.

€/m	2008	2007
Held-To-Maturity Investments	1,107.0	373.0
Available-For-Sale Financial Assets	1,003.9	408.3
Financial Assets Held For Trading	1,300.5	2,201.1
Financial Assets at Fair Value	2.3	3.0
Total	3,413.7	2,985.4

Held-to-Maturity Investments relate exclusively to assets held in the Banca Mediolanum's portfolio. They consist of Italian treasuries and plain vanilla, fixed or floating-rate bonds issued by primary Italian banks with duration of no more than 3 years. *Available-for-sale financial assets* notably increased from €408.3 million in 2007. They largely consist of bonds issued by primary Italian banks. Preference was given to medium term investments over trading, as also confirmed by the decline *in Financial Assets held for trading* to €1,300.5 million from €2,201.1 million at year end 2007.

Consolidated Inflows, Assets under Management and Assets under Administration

Gross Inflows

€/m	Dec. 31, 2008	Dec. 31, 2007	Change
ITALY			
- Life Insurance products	2,666.6	3,388.8	-21.3%
- Mutual funds and managed accounts	2,203.2	3,110.8	-29.2%
- Bank accounts and securities in custody	1,619.5	974.8	66.1%
- Other products	15.9	18.7	-15.0%
SPAIN			
- Life Insurance products	84.3	160.6	-47.5%
- Mutual funds and managed accounts	192.6	359.8	-46.5%
- Bank accounts and securities in custody	-149.8	-267.5	-44.0%
GERMANY			
- Life Insurance products	10.0	8.6	16.3%
- Mutual funds and managed accounts	43.2	51.4	-16.0%
- Bank accounts and securities in custody	-7.3	19.6	n/a
TOTAL	6,678.2	7,825.6	-14.7%

Net Inflows

€/m	Dec. 31, 2008	Dec. 31, 2007	Change
ITALY			
- Life Insurance products	894.9	1,266.6	-29.3%
- Mutual funds and managed accounts	95.8	-552.3	n/a
- Bank accounts and securities in custody	1,619.5	974.8	66.1%
SPAIN			
- Life Insurance products	25.3	67.1	-62.3%
- Mutual funds and managed accounts	-133.5	-14.6	814.4%
- Bank accounts and securities in custody	-182.9	-275.6	-33.6%
GERMANY			
- Life Insurance products	6.6	4.4	50.0%
- Mutual funds and managed accounts	-22.1	-75.0	-70.5%
- Bank accounts and securities in custody	-7.3	19.6	-137.2%
TOTAL	2,296.3	1,415.0	-62.3%

Consolidated Assets under Management and Assets under Administration(*)

€/m	Dec. 31, 2008	Dec. 31, 2007	Change
- Life products	12,313.4	14,682.8	-16.1%
- Mutual funds and managed accounts	11,704.7	15,231.5	-23.2%
- Banking Products	6,385.2	5,596.6	14.1%
- Consolidation adjustments	-6,462.2	-8,140.4	-20.6%
DOMESTIC MARKET	23,941.1	27,370.5	-12.5%
- Life products	305.0	399.7	-23.7%
- Mutual funds and managed accounts	768.8	1,084.6	-29.1%
- Banking Products	796.8	1,474.4	-46.0%
- Other Products	0.6	1.3	-53.8%
- Consolidation adjustments	-165.2	-268.1	-38.4%
FOREIGN MARKETS	1,706.0	2,691.9	-36.6%
MEDIOLANUM GROUP	25,647.1	30,062.4	-14.7%

(*) Consolidated assets under management and administration relate exclusively to retail customers.

The Sales Networks

Number	Dec. 31, 2008	Dec. 31, 2007	Change
Italy			
- Licensed Financial Advisor	5,077	5,040	0.7%
- Non-licensed advisors/agents (*)	774	1,342	-42.3%
Spain	486	638	-23.8%
Germany	30	48	-37.5%
Total	6,367	7,068	-9.9%

(*) Banca Mediolanum S.p.A. non-licensed advisors work also as financial agents under a mandate from Mediolanum Distribuzione Finanziaria S.p.A.

Performance of group companies

For information on the performance of Mediolanum Banking Group companies in the year under review, readers are referred to the section "Equity Investments" in the Directors' Report contained in the 2008 separate financial statements prepared by the Parent Company.

Intercompany and related party transactions

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

Post balance sheet date events

After December 31, 2008, there was no event which could have a significant impact on the financial position, result of operations and cash flows of the Mediolanum Banking Group.

Outlook

The policy response of governments and central banks over the past months has been aimed at mitigating the effects of the current recession. Discount rate cuts by the world's main central banks and government guarantees brought about the decline of interbank rates to more contained levels, facilitating a partial return of confidence among market participants and marginally increased liquidity on credit markets. The interbank rate decline entails lower mortgage payments and lower cost of borrowing for businesses and thus encourages consumer spending and promotes business profitability.

Lower commodity prices – especially oil prices – mitigate the risk of inflation and facilitate new discount rate cuts by central banks.

All this paves the way for the recovery of financial markets whose first signs were already visible in the first months of 2009.

The current market conditions do not warrant any possible increase in the value of assets under management in the short term. Thus, commission income may decline, while interest income should remain in line with the prior year.

Based on current reasonable estimates, we expect to achieve positive financial results in the year 2009.

Basiglio, March 23, 2009

For the Board of Directors
The Chairman
Ennio Doris

BANCA MEDIOLANUM S.p.A.

Consolidated Accounts 2008

Balance Sheet

Assets

€/'000		Dec. 31, 2008	Dec. 31, 2007
10.	Cash and cash equivalents	35,082	40,007
20.	Financial assets held for trading	1,300,517	2,201,072
30.	Financial assets at fair value	2,276	2,974
40.	Available-for-sale financial assets	1,003,903	408,287
50.	Held-to-maturity investments	1,107,048	373,024
60.	Loans to banks	2,099,003	2,980,895
70.	Loans to customers	3,373,396	1,708,751
80.	Hedging derivatives	-	-
90.	Changes in value of macro-hedged financial assets (+/-)	-	-
100.	Equity investments	-	-
110.	Reinsurers' share of technical reserves	-	-
120.	Tangible assets	65,113	54,760
130.	Intangible assets	220,441	192,581
	of which:		
	- goodwill	205,714	181,597
140.	Tax assets		
	a) current	24,293	29,145
	b) deferred	53,089	32,062
150.	Non-current assets and disposal groups	-	1,042
160.	Other assets	275,140	221,609
Total assets		9,559,301	8,246,209

Liabilities and Shareholders' Equity

€/'000		Dec. 31, 2008	Dec. 31, 2007
10.	Due to banks	1,865,780	1,071,444
20.	Due to customers	5,906,583	5,498,556
30.	Securities issued	13,537	-
40.	Financial liabilities held for trading	741,830	716,698
50.	Financial liabilities at fair value	2,276	2,974
60.	Hedging derivatives	18,428	-
70.	Changes in value of macro-hedged financial liabilities (+/-)	-	-
80.	Tax liabilities		
	a) current	6,889	11,581
	b) deferred	8,937	7,504
90.	Liabilities associated with disposals group	-	905
100.	Other liabilities	315,973	287,937
110.	Employee completion-of-service entitlements	10,238	9,514
120.	Provisions for risks and charges:		
	a) severance benefits and similar obligations	1,134	1,265
	b) other provisions	90,976	76,320
130.	Technical reserves	-	-
140.	Valuation reserves	(26,616)	(2,004)
150.	Redeemable shares	-	-
160.	Equity instruments	-	-
170.	Reserves	120,550	102,847
180.	Share premium account	-	-
190.	Share capital	430,000	371,000
200.	Treasury shares (-)	-	-
210.	Minority interests (+/-)	26,367	33,989
220.	Net profit (loss) for the year (+/-)	26,419	55,679
Total liabilities and shareholders' equity		9,559,301	8,246,209

Income Statement

€/'000		Dec. 31, 2008	Dec. 31, 2007
10.	Interest income and similar income	356,874	287,050
20.	Interest expense and similar charges	(206,816)	(165,680)
30.	**Net interest income**	150,058	121,370
40.	Commission income	589,825	707,989
50.	Commission expense	(327,462)	(383,086)
60.	**Net commission income**	262,363	324,903
70.	Dividends and similar income	950	2,847
80.	Net income from trading	3,601	4,434
90.	Net income from hedging	1,750	-
100.	Gains (losses) on sale or buyback of:		
	a) loans and receivables	-	-
	b) available-for-sale financial assets	3,177	10.253
	c) held-to-maturity investments	-	-
	d) financial liabilities	-	-
110.	Net income from financial assets and financial liabilities at fair value	-	-
120.	**Total income**	421,899	463,807
130.	**Impairment losses on:**		
	a) loans	(7,746)	(5,819)
	b) available-for-sale financial assets	(916)	(6)
	c) held-to-maturity investments	-	-
	d) other financial instruments	(23)	-
140.	**Net income from financial operations**	413,214	457,982
150.	Net premiums written	-	-
160.	Other income from insurance operations	-	-
170.	**Net income from financial and insurance operations**	413,214	457,982
180.	Administrative expenses		
	a) staff costs	(116,614)	(103,144)
	b) other administrative expenses	(174,305)	(170,646)
190.	Provisions for risks and charges	(18,381)	(16,052)
200.	Depreciation and net impairment of tangible assets	(7,231)	(6,437)
210.	Amortisation and net impairment of intangible assets	(8,942)	(10,773)
220.	Other operating income	13,568	12,564
230.	**Operating expenses**	(311,905)	(294,488)
240.	Profit (Loss) on equity investments	-	-
250.	Gains (Losses) on fair value measurement of tangible and intangible assets	-	-
260.	Impairment losses on goodwill	-	-
270.	Profit (Loss) on disposal of investments	-	-
280.	**Profit (Loss) before tax on continuing operations**	101,309	163,494
290.	Income tax expense on continuing operations	(12,848)	(32,278)
300.	**Profit (Loss) after tax on continuing operations**	88,461	131,216
310.	Profit (Loss) after tax of non current assets pending disposal	-	101
320.	**Net Profit (Loss) for the year**	88,461	131,317
330.	Net Profit (Loss) for the year pertaining to minority interests	62,042	75,638
340.	**Net Profit (Loss) for the year pertaining to the parent company**	26,419	55,679
	Earnings per share	0.061	0.150

Consolidated cash flow statement

Indirect Method

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. OPERATING ACTIVITIES		
1. Operating activities	41,947	79,189
- net profit (loss) for the year	26,419	55,679
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	(8,254)	(5,723)
- gains/losses on hedges (+/-)	-	-
- impairment losses/reversals (+/-)	8,662	5,825
- net write-downs/write-backs of tangible and intangible assets (+/-)	16,173	17,210
- provisions for risks and charges and other costs/revenues (+/-)	18,381	16,052
- unpaid taxes (+)	(19,434)	(9,854)
- net write-downs/write-backs of disposal groups after taxes (+/-)	-	-
- other adjustments (+/-)	-	-
2. Cash generated/used by financial assets	(529,828)	(1,553,980)
- financial assets held for trading	900,555	(299,528)
- financial assets at fair value	698	(1,821)
- available-for-sale financial assets	(595,616)	(202,319)
- loans to banks: on demand	881,892	(661,605)
- loans to banks: other loans	-	-
- loans to customers	(1,664,645)	(383,795)
- other assets	(52,712)	(4,912)
3. Cash generated/used by financial liabilities	1,282,761	1,589,705
- due to banks: other amounts due	794,336	185,342
- due to customers	408,027	835,775
- securities issued	13,537	-
- financial liabilities held for trading	25,132	593,190
- financial liabilities at fair value	(698)	1,821
- other liabilities	42,427	(26,423)
Net cash generated by/used in operating activities	794,880	114,914
B. INVESTING ACTIVITIES		
1. Cash from	(731,228)	(39,094)
- sale of equity investments	-	-
- dividends received from equity investments	-	-
- sale of held-to-maturity investments	(734,024)	(40,112)
- sale of tangible assets	2,184	106
- sale of intangible assets	612	912
- sale of business lines	-	-
2. Cash used for	(57,367)	(17,286)
- purchase of equity investments (including contributions to cover losses)	-	-
- purchase of held-to-maturity investments	-	-
- purchase of tangible assets	(19,810)	(8,656)
- purchase of intangible assets	(37,557)	(8,630)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	(788,595)	(56,380)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	59,000	-
- issue/purchase of equity instruments	(30,210)	(5,380)
- dividend distribution and other	(40,000)	(50,000)
Net cash generated by/used in financing activities	(11,210)	(55,380)
NET CASH GENERATED/USED IN THE YEAR	(4,925)	3,154

RECONCILIATION

€/'000	Dec. 31, 2008	Dec. 31, 2007
Financial item		
Cash and cash equivalents at beginning of the year	40,007	36,853
Total net cash generated/used in the year	(4,925)	3,154
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at end of the year	35,082	40,007

Statement of changes in equity

€/'000	Balance at Jan. 1, 2007	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	371,000	-	-
b) other shares	-	-	-
Share premium account	-	-	-
Reserves:			
a) retained earnings	83,418	13,922	-
b) others	3,185	-	-
Valuation reserves:			
a) AFS financial assets	1,251	-	-
b) cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	63,922	(13,922)	(50,000)
Shareholders' equity	522,776	-	(50,000)

€/'000	Balance at Jan. 1, 2008	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	371,000	-	-
b) other shares	-	-	-
Share premium account	-	-	-
Reserves:			
a) retained earnings	99,662	15,679	-
b) others	3,185	-	-
Valuation reserves:			
a) AFS financial assets	(2,004)	-	-
b) cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	55,679	(15,679)	(40,000)
Shareholders' equity	527,522	-	(40,000)

Change in reserves	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec. 31, 2007	Shareholders' equity at Dec. 31, 2007
	Movements in the year							
	Equity							
-	-	-	-	-	-	-	-	371,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	2,320	-	99,662
-	-	-	-	-	-	-	-	3,185
(3,255)	-	-	-	-	-	-	-	(2,004)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	55,679	55,679
3,253	-	-	-	-	-	2,320	55,679	527,522

Change in reserves	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec. 31, 2008	Shareholders' equity at Dec. 31, 2008
	Movements in the year							
	Equity							
-	59,000	-	-	-	-	-	-	430,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,239	-	117,580
(215)	-	-	-	-	-	-	-	2,970
(24,612)	-	-	-	-	-	-	-	(26,616)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	26,419	26,419
(24,827)	59,000	-	-	-	-	2,239	26,419	550,353

BANCA MEDIOLANUM S.p.A.

Notes to the Consolidated Annual Financial Statements 2008

Notes to the Consolidated Annual Financial Statements

These notes are structured as follows:

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

PART A – ACCOUNTING POLICIES

A.1 - GENERAL

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

Pursuant to Legislative Decree No. 38 of February 28, 2005 the consolidated financial statements for the year ended December 31, 2008 were prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

The financial statements for the year ended December 31, 2008 were prepared following the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular Letter No. 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

Section 2 - Accounting basis

In the preparation of the financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2008, as adopted by the European Commission.
The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
The accounts and the notes also include comparative information for the year ended December 31, 2007.

These financial statements were prepared in compliance with the general requirements of IAS 1 and the specific accounting standards adopted by the European Commission, as presented in Section A.2 ("Significant Accounting Policies") herein, as well as in compliance with the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
The consolidated financial statements were prepared applying historical cost except for financial derivatives, financial assets and financial liabilities at fair value and available-for-sale financial assets which were carried at fair value.
The most significant change in 2008 was Commission Regulation (EC) No. 1004/2008 whereby the European Commission adopted the IASB document 'Reclassification of financial assets' which introduced certain amendments to International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7 allowing for reclassification of certain financial instruments in certain circumstances.
The impact of the application of said Regulation on the 2008 annual financial statements is commented in Part B of these Notes.
Readers are advised that for the sake of clarity and transparency Commission Regulation (EC) No. 1126/2008 incorporated in a single text the standards contained in Regulation (EC) No. 1725/2003 and the acts amending it. Regulation (EC) No. 1725/2003 was therefore repealed.
For completeness of information, readers are also advised of the adoption of the revised IAS 23 "Borrowing costs" (Regulation (EC) No. 1260/2008) and the revised IAS 1 "Presentation of Financial Statements" (Regulation (EC) No. 1260/2008), as well as of certain amendments to IFRS 2 (Regulation (EC) No. 1261/2008); said amendments apply for annual periods beginning on or after January 1, 2009.
During the year also new IFRIC interpretations were adopted, namely IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 - The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" (Regulation (EC) No. 1262 and Regulation (EC) No. 1263/2008). These IFRIC interpretations did not entail any impact on the financial statements for the year under review.
In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency. Except where otherwise stated the amounts set out in the Accounts, the Notes and the Directors' Report are presented in thousands of euro.
In applying IAS/IFRS no departure was made from requirements therein.

Accounts

Balance Sheet and Income Statement

The Balance Sheet and Income Statement set out items, sub-items and further details ("of which" under the various items and sub-items). In the income statement, revenues are indicated with no sign, while costs are preceded by a minus.

Statement of Changes in Shareholders' Equity

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

Statement of Cash Flows

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

Content of the Notes

The Notes set out the information required under the Bank of Italy's Circular Letter 262/2005 and the international accounting and financial reporting standards.

No explanatory note is provided for items with a nil balance for both the year under review and the prior year.
In the income statement notes, revenues are indicated with no sign, while costs are preceded by a minus.

Section 3 - Scope and methods of consolidation

The consolidated financial statements include the accounts of Banca Mediolanum S.p.A. and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the Parent Company, as expressly required by the international accounting standards. The subsidiaries which are consolidated on a line-by-line basis in accordance with the international accounting standards are set out in the table below.

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

€/'000	Share Capital	% holding	Registered Office	Business
Mediolanum Distribuzione Finanziaria S.p.A.	1,000	100.00	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00	Basiglio	Fund management
Mediolanum International Funds Ltd	150	51.00	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.00	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	86,032	100.00	Barcelona	Banking
Mediolanum International S.A.	71,500	99.997	Luxembourg	Sub-holding company
Bankhaus August Lenz & Co. AG	20,000	100.00	Munich	Banking
Mediolanum Corp. University S.p.A.	20,000	100.00	Basiglio	Education and Training

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

€/'000	Share Capital	% holding	Registered Office	Business
Ges Fibanc SGIIC S.A.	2,506	100.00	Barcelona	Fund management
Fibanc S.A.	301	100.00	Barcelona	Financial Advice
Fibanc Pensiones S.G.F.P. S.A.	902	100.00	Barcelona	Pension Fund management
Mediolanum International Funds Ltd	150	5.00	Dublin	Asset management and advice

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

€/'000	Share Capital	% holding	Registered Office	Business
Gamax Management AG	7,161	100.00	Luxembourg	Asset management and advice

After December 31, 2007 the companies Gamax Austria GmbH and Fibanc Faif S.A, both liquidated, were excluded from consolidation, while the newly formed entity Mediolanum Corporate University S.p.A. was included into the consolidated accounts.

Methods of consolidation

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

Consolidation on a line-by-line basis

Consolidation is the combination of the accounts of the parent company and those of its subsidiary line by line by adding together like items of the balance sheet and the income statement. After minority interests in the net assets and minority interests in the profit or loss of subsidiaries are separately identified, the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

Any resulting difference, if positive, after recognition of the assets or liabilities of the subsidiary, is recognised as goodwill under "Intangible Assets" on first-time consolidation, and under "Other Reserves" thereafter. Negative differences are recognised in the income statement.
Intercompany assets, liabilities, income and expenses are eliminated in full.
Business combinations are accounted for by applying the purchase method. Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's (acquirer's) interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's (acquirer's) cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.
If goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and the Group dispos-

es of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.
The income and expenses of a subsidiary acquired during the reporting period are included in the consolidated financial statements from the date of acquisition. Accordingly, the income and expenses of a subsidiary disposed of in the reporting period are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary.
Any difference between the consideration for the disposal of the subsidiary and its carrying amount as of the date of disposal is recognised in the income statement.
The financial statements of the Parent Company and those of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date.
When a company within the Group uses different accounting policies, in preparing the consolidated financial statements adjustments are made to make them uniform with the accounting policies adopted by the Group.

Equity Method

Under the equity method an investment in an associate is initially recognised at cost and its carrying amount is increased or decreased to reflect the value of the investor's share of the investee's equity thereafter.
Any differences between the carrying amount and the equity of the investee are treated like differences arising on line-by-line consolidation.
The investor's share of the profit or loss of the investee is recognised under the relevant item in the consolidated income statement.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resulting difference is recognised in the income statement.
In applying the equity method to the accounts of associates, their approved annual financial statements were used.
For those associates that have not adopted the international accounting standards yet, the equity method was applied to the financial statements prepared under the national GAAP, after ascertaining that the estimated differences between national accounting standards and IAS/IFRS were immaterial.

Section 4 – Post Balance Sheet Date Events

In the period between the end of financial year 2008 and the date on which these financial statements were approved, there was no event which could materially impact the business or result of operations of the Mediolanum Banking Group, other than those presented in the Directors' Report to which readers are referred for details.

Section 5 – Other information

Information on the business and the results of operation for the year 2008 of the main subsidiaries is set out in the Directors' Report.

The financial statements of Banca Mediolanum S.p.A. were audited by Reconta Ernst & Young S.p.A..

A.2 - SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

This section presents the accounting policies applied in the preparation of the consolidated financial statements for the year ended December 31, 2008.
The changes in the accounting policies over the prior year relate exclusively to the amendments to IAS 39 and IFRS 7 adopted by Commission Regulation (EC) No. 1004/2008. The amendments to IAS 39 allow the reclassification of financial instruments while amendments to IFRS 7 apply to related disclosures. Specifically, the amendments allow to reclassify non-derivative financial assets that are no longer held for the purpose of selling or repurchasing them in the near term (held for trading) out of the 'financial assets at fair value through profit or loss' category to other categories set out in IAS 39 (held-to-maturity investments, available-for-sale financial assets, loans and receivables).
The amendments also allow to reclassify financial assets out of the 'available-for-sale' category to the 'loans and receivables' category. These reclassifications are allowed in rare circumstances when a financial asset is no longer held for the purpose of selling or repurchasing it in the near term and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The current financial crisis was considered by the IASB to be such a rare circumstance which would justify the use of this possibility by companies. Due to the exceptional circumstances, the reclassification were allowed as from July 1, 2008 if made within November 1, 2008.
The Mediolanum Banking Group elected to reclassify certain financial assets, largely bonds not quoted in an active market, originally recognised as held-for-trading, which at present do not show any objective evidence of impairment, are no longer held for the purpose of selling or repurchasing them in the near term due to market conditions and which it intends to hold in the foreseeable future.
Those financial assets were therefore reclassified to the 'Loans and Receivables' and the 'Available-for-Sale financial assets' categories.
Specifically, the reclassification largely related to Italian Government treasuries and certain bonds issued by Italian banks, or notes issued under securitisations.
In accordance with the transitional provision under the Regulation cited above, you are advised that the reclassifications made within November 1, 2008 amounted to a nominal value of €415 million, considering the value of assets at September 1, 2008. Based on fair value at year end, reclassifications for a nominal amount of €119 million were made upon the preparation of the 2008 annual financial statements.

	Carrying amount	Fair value	(*) Impact

€'000 Type of instrument	Previous classification	Reclassified to	Nominal Value	after the reclassification	at Dec. 31, 2008	(*) Impact on profit or loss	on equity reserves
Debt instruments	Financial assets at fair value through profit or loss	Loans and Receivables	119.00	96.98	96.98	0.00	0.00
Debt instruments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	415.00	411.38	399.43	(11.95)	11.95
Total reclassifications		534.00	508.36	496.41	(11.95)	11.95	

(*) Before taxation

Had the Group elected not to avail itself of the option to reclassify the financial assets above, the impact on the accounts, before related taxation, would have been a negative balance of €11.95 million on the income statement and an increase in equity reserves of €11.95 million.

No significant gains or profits were realised on repayments or disposals after said reclassifications.

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets held for trading are initially recognised on the settlement date if they are debt securities and equities, and on the trade date if they are derivatives.
On initial recognition *financial assets held for trading* are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.
After initial recognition *financial assets held for trading* are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation (bid/ask or average price). If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial Assets Held for Trading or Held-to-Maturity Investments.
In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.

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

Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on trade date if they are loans or receivables.

On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the Held-to-Maturity Investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.

After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.

At each interim and annual balance sheet date the Group assesses whether there is objective evidence of any impairment loss.

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

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

Held-to-Maturity Investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Group intends or has the ability to hold to maturity.

Held-to-maturity investments are initially recognised on settlement date.

Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.

After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses of held-to-maturity investments are recognised in the income statement when the financial assets is derecognised or impaired, and through the amortisation process.

At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.

If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

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

Hedging

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

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

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

Loans and receivables

This category includes loans to customers and to banks with fixed or determinable payments, that are not quoted in an active market and that, upon initial recognition, were not classified as available-for-sale.
Loans and receivables also include trade receivables, repurchase agreements and securities purchased under a public offering or private placement, with fixed or determinable payments, that are not quoted in an active market.
A loan or receivable is initially recognised at fair value on the trade date or, in the case of a debt instrument, on the settlement date. The fair value of a loan or receivable is the loaned amount, or the transaction price, including any directly attributable costs or income determinable on the trade date, even if settled at a later date, except for those costs that are reimbursed by the borrower/debtor or are internal administrative costs.

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

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

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

At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan is classified as "non-performing", "watch-list" or "past due" in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements. Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortised cost) at the time of assessment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

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

If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

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

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

Tangible assets

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

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

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

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

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

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

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

At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the lower of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognised as impairment loss in the income statement.

If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount of the asset that exceeds what the carrying amount less accumulated depreciation would have been had the impairment loss not been recognised at the date the impairment is reversed.

A tangible asset is derecognised from the balance sheet on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets include goodwill and the costs of software used over more than one year.

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired.

Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.

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

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

Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably, otherwise it is recognised as an expense in the income statement in the year in which it was incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.
At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Other assets

Other assets include expenditure on the renovation of leasehold property.

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

Financial liabilities held for trading

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

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

Other financial liabilities

Other financial liabilities include the various forms of funding from banks and customers as well as bonds issued net of any buybacks.
These financial liabilities are initially recognised when amounts are received or bonds are issued.
They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.

The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.
A financial liability is derecognised when it expires or is extinguished. A financial liability is derecognised also when it is bought back. The difference between the carrying amount of the liability and amount paid to buy it back is recognised in the income statement.

Provisions for risks and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. Provisions for risk and charges are recognised in the income statement.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques in accordance with the rules governing 'defined benefit plans'. Future disbursements are estimated on the basis of past data (such as employee turnover and retirement) and demographic patterns, including assumptions for pay hikes pursuant to section 2120 of the Italian Civil Code (application of a fixed rate of 1.5 percent and a rate equal to 75 percent of ISTAT inflation rate). To determine the present value of benefit obligations the Projected Unit Credit Method is used, applying a discount rate, which is determined on the basis of market yields and reflects the estimated timing of benefit payments. The resulting values are recognised under staff costs as the net total of current service costs, past service costs, interest and expected return on any plan assets and actuarial gains or losses. Actuarial gains or losses are fully recognised under staff costs.
Entitlements accrued from January 1, 2007 allocated to either INPS or private pension plans are defined contribution payment obligations, since the company's obligation is limited to the amount it agrees to contribute to the fund. The defined contribution obligations for each period are the amounts to be contributed for that period.

Employee pension plan

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

Assets and liabilities denominated in foreign currencies

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

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

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

Tax assets and liabilities

The Italian companies that are part of the Mediolanum Group adhere to the so-called 'tax consolidation regime' regulated by articles 117-129 of the Consolidated Income Tax Act introduced into Italy's tax legislation by Legislative Decree 344/2003. Under said regime each participating subsidiary may elect to calculate its own tax base separately, taking into account inter alia any withholding taxes, tax deductions and tax credits. The resulting taxable income or loss of all participating subsidiaries is aggregated and transferred to the parent company. The parent company adds its taxable income or loss and calculates the consolidated tax expense or income as a single tax reporting entity. The Mediolanum Group companies that elected to apply the "tax consolidation regime" calculated their tax base and transferred the resulting taxable income to the Parent Company. Any tax losses of one or more subsidiaries are transferred to the Parent Company if the Group generated taxable income in the year or is expected to generate taxable income in the future.

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

Income taxes are recognised in the income statement except for items which are credited/charged directly to equity.

Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company – or the Parent Company under Italy's tax consolidation regime – is expected to continue to generate sufficient taxable income against which temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are not netted, and are separately recognised in the Balance Sheet under "Tax assets" and "Tax liabilities" respectively.

Deferred taxes are accounted for using the liability method on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet.
A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
A deferred tax liability is also recognised for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except to the extent that both the following conditions are satisfied:

- the parent, investor or venturer, is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.
The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Income Statement

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

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

OTHER INFORMATION

Use of estimates

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

- Assets and liabilities carried at fair value;
- Tests for any objective evidence of impairment losses on intangible assets recognised in the balance sheet;
- Provisions for risks and charges;
- Deferred taxation;
- Stock option plan related costs.

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

For information about the methods used to determine the financial items above and main risk factors readers are referred to the previous sections of these notes for information on accounting policies and to Part E for information on financial risk.

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible asset is tested for impairment in accordance with IAS 36.
An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of its fair value less cost to sell (the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties) and its value in use (i.e. the present value of the future cash flows expected to be derived from the permanent use of the assets and its disposal at the end of its useful life).
If an asset is impaired, the relevant impairment loss is recognised in profit or loss and the depreciation (amortisation) charge for the asset shall be adjusted accordingly in future periods.
If, in a subsequent period, there is any indication that the impairment loss recognised in prior periods no longer exists, the previously recognised impairment loss is reversed.

If there is objective evidence that a financial asset is impaired, the Group applies the provisions of IAS 39, except for financial assets carried at fair value through profit or loss.
Indications of possible impairment include events such as significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the possibility that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for that financial asset.
A significant or prolonged decline in the market value of an investment in an equity instrument below its cost is also objective evidence of impairment.

Specifically, for equities, there is evidence of impairment where the decline in the original fair value exceeds one-third or is prolonged for over 36 months. However, before recognising any impairment loss through profit or loss, the entity shall proceed to assess each investment taking account of any particularly high volatility or erratic moves of the market as well as any other qualitative factor.

If there is objective evidence of impairment, the amount of the impairment loss is measured:

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

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

Goodwill is tested for impairment annually (or any time there is evidence of impairment). To that end goodwill is allocated to the cash-generating unit (CGU). If the recoverable amount of the unit is less than its carrying amount an impairment loss is recognised. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use. The impairment loss is recognised in the income statement.

Share-based payments

Stock options are share-based payments.

Stock options granted, and the corresponding increase in equity, are measured by reference to the fair value of the stock option at Grant Date, and accounted for during the Vesting Period.

The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.

The cumulative expense recognised at each annual reporting date up until the vesting date takes account of the vesting period and is based on the best available estimate of options that are going to be exercised on the vesting date. The expense or the reversal recognised in the income statement for each year represents the change in the cumulative expense over the amount recognised in the prior year. No expense is recognised for options that do not vest.

PART B – INFORMATION ON CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

1.1 Analysis of cash and cash equivalents

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Cash	34,791	37,389
b) Demand deposits with Central Banks	291	2,618
Total	35,082	40,007

Section 2 – Financial assets held for trading – Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted
A. Non-derivatives				
1. Debt securities				
1.1 structured notes	-	-	-	-
1.2 other debt securities	894,009	123	1,172,505	92
2. Equities	7	10	73	10
3. Holdings in UCITS	183	-	228	-
4. Loans				
4.1 repurchase agreements	-	-	-	-
4.2 others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	398,051	-	1,023,968	-
Total (A)	1,292,250	133	2,196,774	102
B. Derivatives				
1. Financial derivatives:				
1.1 held for trading	9	8,125	3	4,193
1.2 measured at fair value	-	-	-	-
1.3 others	-	-	-	-
2. Derivati creditizi:				
2.1 held for trading	-	-	-	-
2.2 measured at fair value	-	-	-	-
2.3 others	-	-	-	-
Total (B)	9	8,125	3	4,193
Total (A+B)	1,292,259	8,258	2,196,777	4,295

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Non-derivatives		
1. Debt securities		
a) Governments and Central Banks	502,859	578,046
b) Government agencies	6	-
c) Banks	293,699	323,755
d) Other issuers	97,568	270,796
2. Equities		
a) Banks	-	-
b) Other issuers:		
- insurance companies	-	-
- financial companies	1	1
- non financial companies	16	82
- others	-	-
3. Holdings in UCITS	183	228
4. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
5. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
6. Assets sold but not derecognised		
a) Governments and Central Banks	199,354	907,005
b) Government agencies	-	-
c) Banks	178,541	-
d) Others	20,156	116,963
Total (A)	1,292,383	2,196,876
B. Derivatives		
a) Banks	6,246	3,718
b) Customers	1,888	478
Total (B) 8,134	4,196	
Total (A+B)	1,300,517	2,201,072

2.3 Analysis of financial assets held for trading: derivatives

€/'000	Interest rates	Currencies & gold	Equities	Loans	Other	Dec. 31, 2008	Dec. 31, 2007
A) Listed derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	9	-	-	-	-	9	3
• Without exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total (A)	9	-	-	-	-	9	3
B) Unlisted derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	2,340	-	-	-	2,340	1,451
• Without exchange of principal							
- Options purchased	1,182	-	-	-	185	1,367	1,289
- Other derivatives	4,418	-	-	-	-	4,418	1,453
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total (B)	5,600	2,340	-	-	185	8,125	4,193
Total (A+B)	5,609	2,340	-	-	185	8,134	4,196

2.4 Year's movements in financial assets held for trading other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balances	1,172,597	83	228	-	1,172,908
B. Increases					
B1. Additions	6,135,264	3,650	84	-	6,138,998
B2. Increases in fair value	34,167	-	-	-	34,167
B3. Other	891,616	80	4	-	891,700
C. Decreases					
C1. Disposals	(6,217,981)	(3,684)	(84)	-	(6,221,749)
C2. Redemptions	(743,132)	-	-	-	(743,132)
C3. Decreases in fair value	(43,721)	(35)	(45)	-	(43,801)
C4. Other	(334,678)	(77)	(4)	-	(334,759)
D. Closing balance	894,132	17	183	-	894,332

Section 3 Financial assets at fair value - Caption 30

3.1 Analysis of financial assets at fair value

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	2,276	-	2,974
2. Equities	-	-	-	-
3. Holdings in UCITS	-	-	-	-
4. Loans				
4.1 Structured loans	-	-	-	-
4.2 Others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	-	-	-	-
Total	-	2,276	-	2,974
Costs	-	-	-	-

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Debt securities		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	2,276	2,974
d) Other issuers	-	-
2. Equities		
a) Banks	-	-
b) Other issuers:		
- insurance companies	-	-
- financial companies	-	-
- non financial companies	-	-
- others	-	-
3. Holdings in UCITS	-	-
4. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
5. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
6. Assets sold but not derecognised		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	2,276	2,974

3.3 Year's movements in financial assets at fair value

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	2,974	-	-	-	2,974
B. Increases					
B1. Additions	197	-	-	-	197
B2. Increases in fair value	-	-	-	-	-
B3. Other	-	-	-	-	-
C. Decreases					
C1. Disposals	(539)	-	-	-	(539)
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	(356)	-	-	-	(356)
C4. Other	-	-	-	-	-
D. Closing balance	2,276	-	-	-	2,276

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
1.1 Structured notes	-	4,146	-	3,993
1.2 Other debt securities	412,477	-	79,350	-
2. Equities				
2.1 Measured at fair value	192	254	737	259
2.2 Measured at cost	-	9,194	-	9,194
3. Holdings in UCITS	-	179,350	-	213,938
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	398,290	-	100,816	-
Total	810,959	192,944	180,903	227,384

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Debt securities		
a) Governments and Central Banks	213,526	40,421
b) Government agencies	-	-
c) Banks	192,237	42,070
d) Other issuers	10,860	852
2. Equities		
a) Banks	-	-
b) Other issuers:	9,640	10,190
- insurance companies	-	-
- financial companies	1,534	1,943
- non financial companies	7,744	7,754
- others	362	493
3. Holdings in UCITS	179,350	213,938
4. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
5. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
6. Assets sold but not derecognised		
a) Governments and Central Banks	398,290	100,816
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	1,003,903	408,287

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	83,343	10,190	213,938	-	307,471
B. Increases					
B1. Additions	1,318,078	2,126	12,357	-	1,332,561
B2. Increases in fair value	6,218	-	1,611	-	7,829
B3. Reversal of impairment					
- through profit or loss	460	-	-	-	460
- in equity	756	12	-	-	768
B4. Reclassified from other portfolios	464,575	-	-	-	464,575
B5. Other	22,743	-	2	-	22,745
C. Decreases					
C1. Disposals	(695,447)	(2,114)	(24,893)	-	(722,454)
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	(18,562)	(395)	(22,244)	-	(41,201)
C4. Impairment					
- through profit or loss	(1,140)	-	-	-	1,140
- in equity	(199)	(161)	-	-	360
C5. Reclassified to other portfolios	(453,249)	-	-	-	453,249
C6. Other	(310,952)	(18)	(1.421)	-	(312,392)
D. Closing balance	416,624	9,640	179,350	-	605,613

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

5.1 Analysis of held-to-maturity investments

€/'000	Dec. 31, .2008		Dec. 31, 2007	
	Book value	Fair value	Book value	Fair value
1. Debt securities				
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	381,745	381,159	79,242	79,054
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognised	725,303	726,918	293,782	293,411
Total	1,107,048	1,108,077	373,024	372,465

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Debt securities		
a) Governments and Central Banks	85,724	68,985
b) Government agencies	-	-
c) Banks	296,021	10,257
d) Other issuers	-	-
2. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
3. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
4. Assets sold but not derecognised		
a) Governments and Central Banks	188,293	293,782
b) Government agencies	-	-
c) Banks	537,010	-
d) Others	-	-
Total	1,107,048	373,024

5.4 Year's movements in held-to-maturity investments other than those sold but not derecognised and other than impaired investments

€/'000	Debt securities	Loans	Total
A. Opening balance	79,242	-	79,242
B. Increases			
B1. Additions	385,248	-	385,248
B2. Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	453,248	-	453,248
B4. Other	19,443	-	19,443
C. Decreases			
C1. Disposals	-	-	-
C2. Redemptions	(107,500)	-	(107,500)
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	(447,936)	-	(447,936)
D. Closing balance	381,745	-	381,745

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Central Banks	107,387	28,116
1. Time deposits	-	-
2. Reserve requirements	107,387	28,116
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks	1,991,616	2,952,779
1. Current accounts and demand deposits	87,608	98,818
2. Time deposits	1,426,315	2,241,765
3. Others:	-	-
3.1 Repurchase agreements	409,741	559,690
3.2 Finance leases	-	-
3.3 Other	67,952	52,506
4. Debt securities		
4.1 Structured notes	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold but not derecognised	-	-
Total (book value)	2,099,003	2,980,895
Total (fair value)	*2,099,003*	*2,980,895*

Section 7 – Loans to customers – Caption 70

7.1 Analysis of loans to customers

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Current accounts	326,328	285,126
2. Repurchase agreements	514,184	362,293
3. Mortgage loans	1,269,733	573,801
4. Credit cards, personal loans and salary-guaranteed loans	73,994	63,290
5. Finance leases	813	1,274
6. Factoring	-	-
7. Other	1,062,637	408,316
8. Debt securities	96,161	-
8.1 Structured notes	-	-
8.2 Other debt securities	96,161	-
9. Impaired assets	28,723	14,651
10. Assets sold but not derecognised	823	-
Total (book value)	3,373,396	1,708,751
Total (fair value)	*3,383,836*	*1,734,493*

7.2 Analysis of customer loans by borrower category

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Debt securities		
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers		
- non financial companies	96,161	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
2. Loans:		
a) Governments	-	-
b) Government agencies	-	-
c) Others		
- non financial companies	82,982	86,535
- financial companies	1,488,012	602,421
- insurance companies	6,568	84,013
- other	1,670,127	921,130
3. Impaired assets:		
a) Governments	-	-
b) Government agencies	-	-
c) Others		
- non financial companies	3,598	262
- financial companies	-	26
- insurance companies	-	-
- other	25,125	14,364
4. Assets sold but not derecognised:		
a) Governments	-	-
b) Government agencies	-	-
c) Others		
- non financial companies	-	-
- financial companies	823	-
- insurance companies	-	-
- other	-	-
Total	3,373,396	1,708,751

7.3 Loans to customers: micro-hedging

€/'000	Total Dec. 31, 2008	Total Dec. 31, 2007
1. Fair value hedges:		
a) interest rate risk	318,967	-
b) currency risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Cash flow hedges		
a) interest rate risk	-	-
b) currency risk	-	-
d) other	-	-
Total	319,076	-

Section 12 – Tangible assets – Caption 120

12.1 Analysis of tangible assets carried at cost

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Occupied/used		
1.1 owned		
a) land	9,290	9,290
b) buildings	34,792	27,401
c) furnishings	5,229	2,716
d) electronic equipment	10,905	11,661
e) other	4,897	3,692
1.2 under finance leases		
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	65,113	54,760
B. held for investment purposes		
2.1 owned		
a) land	-	-
b) buildings	-	-
2.2 under finance leases		
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	65,113	54,760

12.3 Year's movements in occupied/used tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	9,290	33,078	8,692	41,529	10,319	102,908
A.1 Total net write-downs	-	(5,677)	(5,976)	(29,868)	(6,627)	(48,148)
A.2 Net opening balance	9,290	27,401	2,716	11,661	3,692	54,760
B. Increases:	-	8,237	3,761	3,775	5,311	21,084
B.1 Additions	-	8,162	3,194	3,143	5,311	19,810
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property	-	-	-	-	-	-
B.7 Other increases	-	75	567	632	-	1,274
C. Decreases:	-	(846)	(1,248)	(4,531)	(4,106)	(10,731)
C.1 Disposals (*net value*)	-	-	-	(4)	(2,180)	(2,184)
C.2 Depreciation	-	(846)	(1,248)	(4,337)	(800)	(7,230)
C.3 Impairment						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Decreases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:						-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	(190)	(1,126)	(1,316)
D. Net closing balance	9,290	34,792	5,229	10,905	4,897	65,113
D.1 Total net write-downs	-	(6,523)	(7,213)	(33,864)	(7,469)	(55,069)
D.2 Gross closing balance	9,290	34,792	5,229	10,905	4,897	65,113
E. Measured at cost	-	-	-	-	-	-

Section 13 – Intangible assets – Caption 120

13.1 Analysis of intangible assets

Assets/Value €/'000	Dec 31, 2008 Finite life	Dec 31, 2008 Indefinite life	Dec 31, 2007 Finite life	Dec 31, 2007 Indefinite life
A.1 Goodwill				
A.1.1 Group	-	205,714	-	181,597
A.1.2 Minorities	-	-	-	-
A.2 Other intangible assets				
A.2.1 Measured at cost				
a) internally generated assets	-	-	-	-
b) other assets	14,727	-	10,984	-
A.2.2 Measured at fair value:				
a) internally generated assets	-	-	-	-
b) other assets	-	-	-	-
Total	14,727	205,714	10,984	181,597

In the year there were the following movements:

- €24,237 thousand increase in goodwill following Fibanc's acquisition of a 2.5% interest in Mediolanum International Funds Ltd from the parent Mediolanum S.p.A.;
- €120 thousand decline in goodwill following the sale of the investment in the Gamax Holding AG's wholly-owned subsidiary Gamax Austria GmbH.

In accordance with IAS 36 goodwill is tested for impairment at least annually.
The purpose of the impairment test is to ascertain that the carrying amount of a cash generating unit (CGU) does not exceed its recoverable amount, i.e. the higher of its fair value less cost to sell and its value in use.
To that end goodwill is allocated to a cash-generating unit (CGU) which is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IAS 14.
Considering Mediolanum Banking Group segment reporting, the business segments to which goodwill can be reasonably allocated and the lowest level within the Mediolanum Banking Group at which management monitors the returns on investment in assets that include the goodwill, the Group identified the CGUs set out in the table below, which are the same as in prior years.

€/'000	Dec. 31, 2008	Dec. 31, 2007
CGU Fibanc	171,389	147,152
CGU Gamax	30,464	30,584
CGU Bankhaus August Lenz	3,861	3,861
Total	205,714	181,597

As already noted, the recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. By comparing the carrying amount of an asset or CGU with its recoverable amount the entity determines whether the asset or CGU is impaired.
The recoverable amount was estimated with the assistance of an independent advisor applying the methods and assumptions set out below.

Under IAS 36 value in use can be calculated applying the Discounted Cash Flow (DCF) method. The DCF method determines the value in use of a CGU, or an entity, by computing the present value of future cash flows (from operations) the entity expects to derive from the CGU over time.

This method, however, cannot be used for lenders, and more generally for financial firms, in the same way it is applied to industrial companies. In fact, the latter raise debt to fund their business, while lenders issue debt (e.g. securities, bonds) as a large, integral part of their banking business. Thus, it is a common practice for lenders to apply the Dividend Discount Model (DDM) in the Excess Capital variant which determines the value of the entity on the basis of the future dividend flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific capital risk.

The value in use of CGUs was therefore estimated by applying the Dividend Discount Model (DDM) in the Excess Capital variant.

Future cash flows were estimated on the basis of the 2009-2013 five-year business plans approved by the Board of Directors of Banca Mediolanum, that represent the best management estimates of future performance of the relevant CGUs.

Specifically, the assumptions on which said plans are based are as follows:

- for Fibanc, the development of the Banca Mediolanum business model in Spain through the reorganisation and future sustained growth of the sales network associated with growing net inflows and an increase in assets under management and administration;
- for Gamax, core business growth focused on mutual funds management, continued good performance as in 2008 and development of the Luxembourg-based SICAV 'Mediolanum Specialities'.

The discount rate applied to the estimated future cash flows is the rate of return on equity which shareholders expects to obtain from investments with a similar risk/return profile. Said rate was estimated using the Capital Asset Pricing Model based on observable market data for individual companies. Specifically, cost of capital was estimated at 10.3% for Fibanc and at 11.8% for Gamax.

The growth rate beyond the explicit time horizon of the plans was estimated to be steady at 2.5%, i.e. not in excess of the long-term growth in the respective industries or projected inflation.

To determine the recoverable amount simulations were made to estimate the fair value of CGUs on the basis of market multiples of comparable companies. The persisting subdued performance of stock markets, brought the estimated market value of CGUs Gamax and Fibanc below their value in use. The recoverable amount of CGUs Gamax and Fibanc was therefore determined to be equal to their value in use.

The impairment test included also the sensitivity analysis of key elements used to determine the value in use of the CGUs. The elements whose variability has the greatest impact the determination of value in use are:

- rate of earnings growth over the plan time horizon;
- long-term rate of growth beyond the plan time horizon;
- cost of capital.

The test did not reveal any objective evidence of impairment and the value of CGUs was above, yet close to, their respective carrying amount.

13.2 Year's movements in intangible assets

€/'000	Goodwill	Other intangible assets: internally generated Finite	Other intangible assets: internally generated Indefinite	Other intangible assets: other Finite	Other intangible assets: other Indefinite	Total
A. Opening balance	181,597	-	-	114,512	-	296,109
A.1 Total net write-downs	-	-	-	(103,528)	-	(103,528)
A.2 Net opening balance	181,597	-	-	10,984	-	192,581
B. Increases						
B.1 Additions	24,237	-	-	13,320	-	37,557
B.2 Increases in internal assets	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value						
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases:						
C.1 Disposals	(120)	-	-	(492)	-	(612)
C.2 Amortisation and impairment						
- Amortisation	-	-	-	(8,939)	-	(8,939)
- Impairment						
+ in equity	-	-	-	-	-	-
+ through profit or loss	-	-	-	(3)	-	(3)
C.3 Decreases in fair value						
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(143)	-	(143)
D. Net closing balance	205,714	-	-	14,727	-	220,441
D.1 Total net write-downs	-	-	-	(112,047)	-	(112,047)
E. Gross closing balance	205,714	-	-	126,774	-	332,488
F. Measured at cost	-	-	-	-	-	-

The decline in goodwill over the prior year is in relation to the sale of Gamax Austria GmbH.

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

14.1/14.2 Analysis of tax assets and tax liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Deferred tax assets		
Charge to the income statement	37,795	30,148
Charge to equity	15,294	1,914
Total deferred tax assets	53,089	32,062
Deferred tax liabilities		
Charge to the income statement	(5,984)	(6,485)
Charge to equity	(2,953)	(1,019)
Total deferred tax liabilities	(8,937)	(7,504)

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	30,148	38,444
2. Increases		
2.1 Deferred tax assets arisen in the year		
a) relating to prior years	92	(1,613)
b) due to changes in the accounting policies	5,085	-
c) write-backs	-	-
d) other	11,458	15,325
2.2 New taxes or increased tax rates	1	-
2.3 Other increases	1	39
3. Decreases		
3.1 Deferred tax assets cancelled in the year		
a) reversals	(2,188)	(1,482)
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	-	(5,461)
3.3 Other decreases	(6,802)	(15,104)
4. Closing balance	37,795	30,148

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	(6,485)	(8,044)
2. Increases		
2.1 Deferred tax liabilities arisen in the year		
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(1,812)	(6,386)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	(1,240)
3. Decreases		
3.1 Deferred tax liabilities cancelled in the year		
a) reversals	120	16
b) changes in the accounting policies	-	-
c) other	1,510	1,016
3.2 Reduced tax rates	-	463
3.3 Other decreases	683	7,690
4. Closing balance	(5,984)	(6,485)

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	1,914	366
2. Increases		
2.1 Deferred tax assets arisen in the year	13,644	1,595
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	13,644	1,595
2.2 New taxes or increased tax rates	-	-
2.3 Other increases		
a) input exchange differences	-	-
b) calculated exchange differences	-	-
c) other	-	-
3. Decreases		
3.1 Deferred tax assets cancelled in the year		
a) reversals	(88)	-
b) write-offs of non-recoverable amounts	(88)	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	-	(39)
3.3 Other decreases	(176)	(8)
a) input exchange differences	-	-
b) calculated exchange differences	-	-
c) other	(176)	(8)
4. Closing balance	15,294	1,914

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Opening balance	(1,019)	(1,242)
2. Increases		
2.1 Deferred tax liabilities arisen in the year		
a) relating to prior years	(82)	-
b) due to changes in the accounting policies	-	-
c) other	(2,059)	(1,125)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax liabilities cancelled in the year		
a) reversals	54	-
b) changes in the accounting policies	-	-
c) other	153	1,169
3.2 Reduced tax rates	-	179
3.3 Other decreases	-	-
4. Closing balance	(2,953)	(1,019)

14.7 Other information

Analysis of deferred tax assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Charge to the income statement	37,795	30,148
Provision for risks and charges	26,251	25,373
Loan losses	2,733	293
Expenses deductible in future years	4,962	4,482
Future years' taxed income	28	-
Other	3,821	-
Charge to equity	15,294	1,914
Fair value measurement of AFS securities	15,294	1,914
Total	53,089	32,062

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Charge to the income statement	(5,984)	(6,485)
Income deductible in future years	(5,829)	(4,983)
Future expenses deductible in the year	(155)	(1,502)
Charge to equity	(2,953)	(1,019)
Fair value measurement of AFS securities	(2,953)	(1,019)
Total	(8,937)	(7,504)

Section 15 - Non-current assets and disposal groups and associated liabilities - Caption 150 (assets) and Caption 90 (liabilities)

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Individual assets		
A.1 Equity investments	-	-
A.2 Tangible assets	-	7
A.3 Intangible assets	-	-
A.4 Other non-current assets	-	-
Total A	-	7
B. Disposal groups		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity investments	-	-
B.5 Loans to banks	-	990
B.6 Loans to customers	-	36
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	9
Total B	-	1,035
C. Commissions associated with non-current assets held for sale		
C.1 Amounts due	-	(778)
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	(778)
D. Liabilities associated with disposal groups held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	(127)
Total D	-	(127)

Section 16 – Other assets – Caption 160

16.1 Analysis of other assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Commissions outstanding	23,730	31,523
Receivables from tax authorities	13,913	8,874
Receivables from financial advisors	51,374	28,994
Advances to suppliers and professionals	4,692	3,007
Security deposits	7,762	11,372
Receivables from companies within the Fininvest Group and the Doris Group	205	561
Receivables from subsidiaries and associates	3,983	3,238
Receivables from employees	198	152
Items in transit	135,442	113,922
Accrued income	10,024	3,141
Prepayments	3,605	3,051
Other	20,212	13,774
Total	275,140	221,609

LIABILITIES

Section 1 – Amounts due to banks – Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Central banks	400,116	290,465
2. Banks		
2.1 Current accounts and demand deposits	524,992	494,807
2.2 Time deposits	434,513	99,464
2.3 Loans		
2.3.1 Finance leases	-	-
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Liabilities in connection with assets sold but not derecognised		
2.5.1 Repurchase agreements	506,159	186,708
2.5.2 Other	-	-
2.6 Other amounts due	-	-
Total	1,865,780	1,071,444
Fair value	*1,865,780*	*1,071,444*

Section 2 – Amounts due to customers – Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Current accounts and demand deposits	4,692,156	4,237,826
2. Time deposits	214,879	149,675
3. Third party assets under administration	-	-
4. Loans		
4.1 Finance leases	-	-
4.2 Other	-	200
5. Commitments to buy back own equity instruments	-	-
6. Liabilities in connection with assets sold but not derecognised		
6.1 Repurchase agreements	989,720	1,101,794
6.2 Other	-	-
7. Other amounts due	9,828	9,061
Total	5,906,583	5,498,556
Fair value	*5,901,831*	*5,498,556*

Section 3 – Securities issued – Caption 30

3.1 Analysis of securities issued

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Listed		
1. Bonds	-	-
1.1 structured	-	-
1.2 other	-	-
2. Other securities		
2.1 structured	-	-
2.2 other	-	-
B. Unlisted		
1. Bonds		
1.1 structured	-	-
1.2 other	13,537	-
2. Other securities		
2.1 structured	-	-
2.2 other	-	-
Total	13,537	-

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

€/'000	Dec. 31, 2008 NV	Dec. 31, 2008 FV L	Dec. 31, 2008 FV U	Dec. 31, 2008 FV*	Dec. 31, 2007 NV	Dec. 31, 2007 FV L	Dec. 31, 2007 FV U	Dec. 31, 2007 FV*
A. Non-derivatives								
1. Due to banks	8,833	8,697	-	-	37,327	37,696	-	-
2. Due to customers	675,701	721,364	410	-	666,931	677,045	282	-
3. Debt securities								
3.1 Bonds								
3.1.1 structured	-	-	-	-	-	-	-	-
3.1.2 others	-	-	-	-	-	-	-	-
3.2 Other securities								
3.2.1 structured	-	-	-	-	-	-	-	-
3.2.2 others	-	-	-	-	-	30	-	-
Total A	684,534	730,061	410	-	704,258	714,771	282	-
B. Derivatives								
1. Financial derivatives								
1.1 held for trading	11,359	30	11,329	-	1,645	8	1,637	-
1.2 measured at fair value	-	-	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-	-	-
2. Credit derivatives								
2.1 held for trading	-	-	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-	-	-
Total B	11,359	30	11,329	-	1,645	8	1,637	-
Total (A+B)	695,893	730,091	11,739	-	705,903	714,779	1,919	-

Legend:

FV = Fair Value

*FV** = Fair Value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue

NV = nominal value or notional amount

L = listed

U = unlisted

4.4 Analysis of financial liabilities held for trading: derivatives

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Dec. 31, 2008	Dec. 31, 2007
A) Listed derivatives							
1. *Financial derivatives:*							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	30	-	-	-	-	30	-
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	8
2. *Credit derivatives:*							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total A	30	-	-	-	-	30	8
B) Unlisted derivatives							
1. *Financial derivatives:*							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	7,534	-	-	-	7,534	579
Without exchange of principal							
- Options issued	-	-	-	-	185	185	227
- Other derivatives	3,610	-	-	-	-	3,610	831
2. *Credit derivatives:*							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total B	3,610	7,534	-	-	185	11,329	1,637
Total (A+B)	3,640	7,534	-	-	185	11,359	1,645

Section 5 - Financial liabilities at fair value through profit or loss - Caption 50

5.1 Analysis of financial liabilities at fair value through profit or loss

	Dec. 31, 2008				Dec. 31, 2007			
	NV	FV		FV*	NV	FV		FV*
€/'000		L	U			L	U	
1. Due to banks								
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-	-	-
2. Due to customers								
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
3. Securities issued								
3.1 Structured	-	-	-	-	-	-	-	-
3.2 Other	2,276	-	2,276	-	2,974	-	2,974	-
Total	2,276	-	2,276	-	2,974	-	2,974	-

Legend

FV = Fair Value

*FV** = Fair Value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue

NV = nominal value or notional amount

L = listed

U = unlisted

5.3 Year's movements in financial liabilities at fair value through profit or loss other than those sold and not derecognised and other than impaired assets

€/'000	Due to banks	Due to customers	Securities issued	Total
A. Opening balances	-	-	2.974	2.974
B. Increases				
B1. Additions	-	-	197	197
B2. Disposals	-	-	-	-
B3. Increases in fair value	-	-	-	-
B4. Other	-	-	-	-
C. Decreases				
C1. Disposals	-	-	(539)	(539)
C2. Redemptions	-	-	-	-
C3. Decreases in fair value	-	-	(356)	(356)
C4. Other	-	-	-	-
D. Closing balance	-	-	2,276	2,276

Section 6 – Hedging derivatives – Caption 60

6.1 Analysis of hedging derivatives by type of contract and underlying

€/'000	Interest rates	Currencies & gold	Equities	Loans	Other	Dec. 31, 2008	Dec. 31, 2007
A) Listed derivatives							
1. *Financial derivatives:*							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
Without exchange of principal							
- Option purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. *Credit derivatives:*							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-
B) Unlisted derivatives							
1. *Financial derivatives:*							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	18,428	-	-	-	-	18,428	-
2. *Credit derivatives:*							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total B	18,428	-	-	-	-	18,428	-
Total (A+B)	18,428	-	-	-	-	18,428	-

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

€/'000	Fair value						Cash Flow	
	Micro-hedging							
Category/type of hedge	interest rate risk	currency risk	credit risk	pricing risk	nulti risks	macro	micro	macro
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Loans & Receivables	18,428	-	-	-	-	-	-	-
3. Held-to-Maturity investments	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
5. Investments in foreign operations	-	-	-	-	-	-	-	-
Total Assets	18,428	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-
1. Forecast transactions	-	-	-	-	-	-	-	-

Section 10 – Other liabilities – Caption 100

10.1 Analysis of other liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Payables to suppliers	51,010	58,896
Payables to associates	73,965	12,047
Payables to tax authorities	9,571	10,223
Payables to companies of the Fininvest Group and Doris Group	2,643	1,371
Agents' severance benefits	3,105	3,336
Security deposits	3,894	3,431
Provision for staff costs (vacation pay, additional months, etc.)	6,320	6,249
Items in transit	85,437	98,888
Deferred income	63	2,320
Other sundry liabilities	79,965	91,176
Total	315,973	287,937

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

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Opening balance	9,514	11,438
B. Increases		
B.1 Amounts set aside in the year	5,750	2,077
B.2 Other increases	243	56
C. Decreases		
C.1 Funds used in the year	(781)	(971)
C.2 Other decreases	(4,488)	(3,086)
D. Closing balance	10,238	9,514

Section 12 – Provisions for risks and charges – Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Severance entitlements	1,134	1,265
2. Other provisions for risks and charges	90,976	76,320
Total	92,110	77,585

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other	Total
A. Opening balance	1,265	76,320	77,585
B. Increases			
B.1 Amounts set aside in the year	221	22,997	23,218
B.2 Time-related increases	-	-	-
B.3 Increased discount rate	-	-	-
B.4 Other increases	28	-	28
C. Decreases			
C.1 Funds used in the year	(367)	(3,725)	(4,092)
C.2 Decreased discount rate	-	-	-
C.3 Other decreases	(13)	(4,616)	(4,629)
D. Closing balance	1,134	90,976	92,110

12.4 Provisions for risks and charges –"other"

€'000	Balance at Dec 31, 2007	Amount set aside in the year	Other changes	Funds used	Balance at Dec 31, 2008
Benefits to Top Managers	19,109	3,185	(2,201)	-	20,093
Risks related to FA illegal actions	18,042	9,239	(905)	(792)	25,584
FA customer base entitlements	13,489	3,712	-	(656)	16,545
FA portfolio entitlements	10,619	554	-	(838)	10,335
Legal proceedings	5,847	2,088	(164)	(518)	7,253
Product distribution	7,059	2,836	(1,319)	(489)	8,087
Other	2,155	1,383	(27)	(432)	3,079
Total	76,320	22,997	(4,616)	(3,725)	90,976

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

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

€/'000	Capital & reserves	Net Profit	Net Equity
FY 2008 - Parent company accounts	486,005	32,927	518,932
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	(52,276)	77,680	25,404
Intragroup dividends	84,724	(84,724)	-
Elimination of intercompany transactions effects	-	-	-
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	7,512	(154)	7,358
Other	(2,032)	690	(1,342)
FY 2008 - Consolidated accounts	523,934	26,419	550,353

15.1 Analysis of shareholders' equity attributable to the Group

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Share capital	430,000	371,000
2. Share premium account	-	-
3. Reserves	120,550	102,847
4. (Treasury shares)	-	-
5. Valuation reserves	(26,616)	(2,004)
6. Equity instruments	-	-
7. Net profit (loss) for the year	26,419	55,679
Total	550,353	527,522

15.2 Analysis of "Share Capital" and "Treasury Shares"

	Share Capital		Treasury Shares	
€/'000	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Ordinary shares	-	-	-	-
Other shares	430,000	371,000	-	-
Total	430,000	371,000	-	-

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

€/'000	Ordinary	Other
A. Opening balance	371,000	-
- fully paid up	371,000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	
B.2 Shares outstanding: opening balance	-	-
B. Increases	-	-
B.1 New issues		
- for a consideration		
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	59,000	-
- bonus issues:		
- employees	-	-
- directors	-	-
- others	-	-
B.2 Sale of tresury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellations	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of businesses	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	430,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at year end	-	-
- fully paid up	430,000	-
- not fully paid up	-	-

15.6 Analysis of valuation reserves

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Available-for-sale financial assets	(26,616)	(2,004)
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	(26,616)	(2,004)

15.7 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation statutes
A. Opening balance	(2,004)	-	-	-	-	-	-	-
B. Increases	-	-	-	-	-	-	-	-
B1. Increases in fair value	7,748	-	-	-	-	-	-	-
B2. Other increases	14,594	-	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-	-	-
C1. Decreases in fair value	(45,159)	-	-	-	-	-	-	-
C2. Other decreases	(1,795)	-	-	-	-	-	-	-
D. Closing balance	(26,616)	-	-	-	-	-	-	-

15.8 Analysis of revaluation reserves relating to available-for-sale financial assets

	Dec 31, 2008		Dec 31, 2007	
€/'000	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,845	(14,185)	-	(1,959)
2. Equities	172	(333)	331	-
3. Holdings in UCITS	2,791	(17,906)	1,938	(2,314)
4. Loans	-	-	-	-
Total	5,808	(32,424)	2,269	(4,273)

15.9 Year's movements in revaluation reserves relating to available-for-sale financial assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans
1. Opening balance	(1,959)	331	(376)	-
2. Increases				
2.1 Increases in fair value	7,451	28	269	-
2.2 Reversal of negative reserves through profit or loss	-	-	-	-
- impairment	-	-	-	-
- disposals	1,364	-	260	-
2.3 Other increases	5,558	18	7,392	-
3. Decreases				
3.1 Decreases in fair value	(22,397)	(538)	(22,223)	-
3.2 Reversal of positive reserves through profit or loss	-	-	-	-
3.3 Other decreases	(1,358)	-	(436)	-
4. Closing balance	(11,341)	(161)	(15,114)	-

Section 16 - Minority interests - Caption 210

16.1 Analysis of shareholders' equity attributable to minority interests

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Share capital	2,673	2,677
2. Share premium account	-	-
3. Reserves	(38,351)	(44,388)
4. (Treasury shares)		
a) Parent company	-	-
b) Subsidiaries	-	-
5. Valuation reserves	3	62
6. Equity instruments	-	-
7. Profit (loss) for the year attributable to minority interests	62,042	75,638
Total	26,367	33,989

16.2 Analysis of valuation reserves

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Available-for-sale financial assets	3	62
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	3	62

16.4 Analysis of revaluation reserves relating to available-for-sale financial assets

€/'000	Total Positive reserve	Total Negative reserve
1. Debt securities	-	-
2. Equities	-	-
3. Holdings in UCITS	3	-
4. Loans	-	-
Total	3	-

16.5 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation statutes
A. Opening balance	62	-	-	-	-	-	-	-
B. Increases	-	-	-	-	-	-	-	-
B1. Increases in fair value	-	-	-	-	-	-	-	-
B2. Other increases	-	-	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-	-	-
C1. Decreases in fair value	(59)	-	-	-	-	-	-	-
C2. Other decreases	-	-	-	-	-	-	-	-
D. Closing balance	3	-	-	-	-	-	-	-

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2008	Dec. 31, 2007
1) Financial guarantees		
a) Banks	-	3,500
b) Customers	19,615	23,211
2) Commercial guarantees		
a) Banks	10,731	10,722
b) Customers	11,797	9,483
3) Commitments to disburse funds		
a) Banks		
i) with certain drawdown	6,970	336,132
ii) with possible drawdown	16,022	13,269
b) Customers		
i) with certain drawdown	420	-
ii) with possible drawdown	244,592	151,971
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	3,775	2,940
Total	313,922	551,228

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Financial assets held for trading	398,051	1,023,968
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	398,290	100,816
4. Held-to-maturity investments	725,302	293,782
5. Loans to banks	-	-
6. Loans to customers	-	-
7. Tangible assets	-	-
Total	1,521,643	1,418,566

5. Brokerage and asset management on behalf of customers

€/'000	Dec. 31, 2008
1. Securities brokerage	
a) Purchases	
1. settled	-
2. not settled	-
b) Sales	
1. settled	-
2. not settled	-
2. Asset management	
a) individual portfolio management	357,503
b) collective portfolio management	540,197
3. Securities in custody and under administration	
a) Custodian bank services (other than managed assets)	
1. securities issued by the reporting entity	-
2. other securities	479,374
b) Custodian bank services (other than managed assets), other	
1. securities issued by the reporting entity	13,514
2. other securities	3,569,796
c) Third-party securities held by other custodians	3,131,530
d) Own securities held by other custodians	4,447,876
4. Other services	-

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/'000	Performing financial assets		Impaired financial assets	Other assets	Dec. 31, 2008	Dec. 31, 2007
	Debt securities	Loans				
1. Financial assets held for trading	73,303	-	-	-	73,303	78,018
2. Financial assets at fair value	283	-	-	-	283	-
3. Available-for-sale financial assets	22,418	-	-	220	22,638	5,476
4. Held-to-maturity investments	18,927	-	-	-	18,927	13,924
5. Loans to banks	-	90,300	-	3	90,303	83,382
6. Loans to customers	-	113,320	-	-	113,320	68,969
7. Hedging derivatives	-	-	-	52	52	-
8. Financial assets sold but not derecognised	-	-	-	37,048	37,048	36,873
9. Other assets	-	-	-	1,000	1,000	408
Total	114,931	203,620	-	38,323	356,874	287,050

1.2 Interest income and similar income: analysis of hedging balances

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Positive differences arising on:		
A.1 fair value micro-hedging of assets	4,790	-
A.2 fair value micro-hedging of liabilities	-	-
A.3 macro-hedging of interest rate risk	-	-
A.4 cash-flow micro-hedging of assets	-	-
A.5 cash-flow micro-hedging of liabilities	-	-
A.6 cash-flow macro-hedging	-	-
Total positive differences (A)	4,790	-
B. Negative differences arising on:		
B.1 fair value micro-hedging of assets	(4,738)	-
B.2 fair value micro-hedging of liabilities	-	-
B.3 macro-hedging of interest rate risk	-	-
B.4 cash-flow micro-hedging of assets	-	--
B.5 cash-flow micro-hedging of liabilities	-	-
B.6 cash-flow macro-hedging	-	-
Total negative differences (B)	(4,738)	-
BALANCE (A - B)	52	-

1.3 Interest income and similar income: other information

€/'000	Dec. 31, 2008	Dec. 31, 2007
Interest income and similar income on:		
a) financial assets denominated in foreign currencies	25,506	5,223
b) finance leases	61	73
c) third party assets under administration	-	-

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other liabilities	Dec. 31, 2008	Dec. 31, 2007
1. Due to banks	40,846	-	-	40,846	26,840
2. Due to customers	79,138	-	-	79,138	70,126
3. Securities issued	-	20	-	20	-
4. Financial liabilities held for trading	-	16,483	-	16,483	18,544
5. Financial liabilities in connection with assets sold but not derecognised	4,699	65,375	-	70,074	50,054
7. Other liabilities	-	-	255	255	116
8. Hedging derivatives	-	-	-	-	-
Total	124,683	81,858	255	206,816	165,680

1.6 Interest expense and similar charges: other information

€/'000	Dec. 31, 2008	Dec. 31, 2007
Interest expense and similar charges on:		
a) financial liabilities denominated in foreign currencies	31,640	13,125
b) finance leases	-	-
c) third party assets under administration	-	-

Section 2 – Commissions – Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Guarantees issued	249	356
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	538,500	660,420
1. brokerage of financial instruments	4,542	10,199
2. currency brokerage	2	3
3. asset management	370,173	430,168
3.1 individual portfolio management	2,510	7,496
3.2 collective portfolio management	367,663	422,672
4. securities in custody and under administration	3,752	3,877
5. custodian bank	685	848
6. sale of securities	81	902
7. order taking	6,311	8,575
8. consultancy	-	-
9. services to third parties	152,954	205,848
9.1 asset management	596	1,170
9.1.1 individual portfolio management	17	83
9.1.2 collective portfolio management	579	1,087
9.2 insurance products	140,924	198,291
9.3 other products	11,434	6,387
d) Payments and collections	27,735	29,296
e) Servicing for securitization transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Other services	23,341	17,917
Total	589,825	707,989

2.2 Commission income: distribution channels of products and services

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Through the Group's own branches:		
1. Asset management	-	-
2. Sale of securities	79	189
3. Services and products of third parties	-	-
b) Off-premises sales:		
1. Asset management	351,404	413,444
2. Sale of securities	2	713
3. Services and products of third parties	152,937	205,765
c) Other distribution channels:		
1. Asset management	18,769	16,724
2. Sale of securities	-	-
3. Services and products of third parties	17	83

2.3 Analysis of commission expense

€/'000	Dec. 31, 2008	Dec. 31, 2007
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	272,010	324,781
1. brokerage of financial instruments	2,083	5,139
2. currency brokerage	-	-
3. asset management:	55,927	74,187
3.1 own portfolio	54,267	69,219
3.2 third-party portfolios	1,660	4,968
4. securities in custody and under administration	1,176	976
5. sale of financial instruments	-	-
6. off-premises sale of financial instruments, products & services	212,824	244,479
d) Payments and collections	27,970	26,539
e) Other services	27,482	31,766
Total	327,462	383,086

For the sake of greater accuracy in financial reporting, in relation to 2007 figures, an amount of €1,234 thousand was reclassified out of 'other services' to 'asset management - own portfolio'.

Section 3 – Dividends and similar income – Caption 70

3.1 Analysis of dividends and similar income

€/'000	Dec. 31, 2008 Dividends	Dec. 31, 2008 Income from holdings in UCITS	Dec. 31, 2007 Dividends	Dec. 31, 2007 Income from holdings in UCITS
A. Financial assets held for trading	-	-	4	-
B. Available-for-sale financial assets	154	796	119	2,724
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-	-	-	-
Total	154	796	123	2,724

Section 4 – Net income from trading – Caption 80

4.1 Analysis of net income from trading

€/'000	Unrealised gains (A)	Realised profits (B)	Unrealised losses (C)	Realised losses (D)	Net income (A+B)-(C+D)
1. Financial assets held for trading					
1.1 Debt securities	31,227	23,862	(14,513)	(15,552)	25,024
1.2 Equities	-	80	(31)	(41)	8
1.3 Holdings in UCITS	-	4	-	(4)	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	(45)	(45)
2. Financial liabilities held for trading					
2.1 Debt securities	2,946	2,824	(29,257)	(5,858)	(29,345)
2.2 Amounts due	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	156
4. Derivatives					
4.1 Financial derivatives:					
- debt securities	-	-	-	-	-
and interest rates	4,171	37,789	(3,647)	(31,342)	6,971
- equities					
and stock indices	-	5	-	-	5
- currencies and gold	-	-	-	-	-
- other	223,764	-	(222,924)	(13)	827
4.2 Credit derivatives	-	-	-	-	-
Total	262,108	64,564	(270,372)	(52,855)	3,601

Section 5 - Net income from hedging – Caption 90

5.1 Analysis of net income from hedging

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Income from:		
A.1 Fair value hedging derivatives	-	-
A.2 Hedged financial assets (fair value)	20,178	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedging financial derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	20,178	-
B. Expense from:		
B.1 Fair value hedging derivatives	(18,428)	-
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedging financial derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total expense from hedging (B)	(18,428)	-
C. Net income from hedging (A - B)	1,750	-

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

6.1 Analysis of gains (losses) on sale/buyback

€/'000	Dec. 31, 2008			Dec. 31, 2007		
	Gains	Losses	Net gains (losses)	Gains	Losses	Net gains (losses)
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets:						
3.1 Debt securities	5,775	(2,245)	3,530	2,242	(91)	2,151
3.2 Equities	23	(39)	(16)	71	(131)	(60)
3.3 Holdings in UCITS	3	(340)	(337)	8,162	-	8,162
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	5,801	(2,624)	3,177	10,475	(222)	10,253
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Section 8 – Net impairment – Caption 130

8.1 Analysis of net impairment of loans

	Impairment			Reversal of impairment					
	Individual		Collective	Individual		Collective			
				A	B	A	B		
€/'000	Cancellations	Others		(interest)	(others)	(interest)	(others)	Dec. 31, 2008	Dec. 31, 2007
A. Loans to banks	-	-	-	-	-	-	-	-	-
B. Loans to customers	(1,300)	(8,318)	(3,799)	-	4,017	-	1,654	(7,746)	(5,819)
C. Total	(1,300)	(8,318)	(3,799)	-	4,017	-	1,654	(7,746)	(5,819)

8.2 Analysis of net impairment of available for sale financial assets

	Impairment		Reversal of impairment			
	Individual		Individual			
			A	B		
€/'000	Cancellations	Others	(interest)	(others)	Dec. 31, 2008	Dec. 31, 2007
A. Debt securities	-	(916)	-	-	(916)	(6)
B. Equities	-	-	-	-	-	-
C. Holdings in UCITS	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(916)	-	-	(916)	(6)

8.4 Analysis of net impairment of other financial items

	Impairment			Reversal of impairment					
	Individual		Collective	Individual		Collective			
				A	B	A	B		
€/'000	Cancellations	Others		(interest)	(others)	(interest)	(others)	Dec. 31, 2008	Dec. 31, 2007
A. Guarantees issued	-	(1)	(22)	-	-	-	-	(23)	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-	-
E. Total	-	(1)	(22)	-	-	-	-	(23)	-

Section 11 – Administrative expenses – Caption 180

11.1 Analysis of staff costs

€/'000	Dec. 31, 2008	Dec. 31, 2007
1) Employees		
a) Wages and salaries	75,597	68,810
b) Social security contributions	21,171	19,045
c) Employee completion of service entitlements	3,835	-
d) Pensions	155	16
e) Provision for completion of service entitlements	5,750	2,077
f) Provision for severance benefits and similar obligations:		
- defined contribution plan	221	155
- defined benefit plan	-	-
g) External supplementary pension funds:		
- defined contribution plan	704	558
- defined benefit plan	167	146
h) Expenses in connection with equity-settled share-based payment transactions	-	-
i) Other employee benefits	1,424	1,594
2) Other personnel	3,954	5,545
3) Directors and Statutory Auditors	3,636	5,198
Total	116,614	103,144

In compliance with the Bank of Italy's Letter of January 2, 2009, the compensation paid in 2008 to statutory auditors was reclassified out of 'other administrative expenses' to 'administrative expenses'. The 2007 figure amounting to €195 thousand was also reclassified to enable meaningful comparison.

11.2 Average number of personnel by category

Number	Dec. 31, 2008	Dec. 31, 2007
Employees		
a) Senior management	87	96
b) Middle management	207	213
c) Other employees	1,423	1,303
Total employees	1,717	1,612
Other personnel	42	17
Total	1,759	1,629

11.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2008	Dec. 31, 2007
IT services	35,846	34,268
Infoprovider services	4,868	4,731
Other miscellaneous services	14,504	12,441
Taxes and duties	793	697
Television and Internet communication services	15,582	14,950
Consultancy and network advisory services	7,503	10,521
Rentals	12,002	11,059
Maintenance and repairs	1,364	1,554
Postal and telephone	12,163	10,621
Miscellaneous advisory services	12,819	11,442
Key personnel seconded from subsidiaries	-	-
Consumables	5,046	5,080
Insurance	4,395	3,117
Directors and Statutory Auditors compensation	585	285
Membership fees	934	822
Advertising and promotions	16,513	21,833
Conventions	5,020	5,555
Training provided to financial advisors	6,655	6,525
Canteen	2,579	2,321
Business expenses, gifts and donations	3,245	2,447
Market research	1,281	1,419
Recruitment/Training of employees	1,045	1,077
Travel expenses	2,410	2,051
Recruitment of financial advisors	297	188
Other administrative expenses	6,856	5,642
Total	174,305	170,646

Section 12 – Provisions for risks and charges – Caption 190

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2008	Dec. 31, 2007
Provision for risks and charges - other		
Benefits to Top Managers	984	452
Risks related to FA illegal actions	8,334	2,024
FA customer base entitlements	3,712	2,562
FA portfolio entitlements	554	2,984
Legal proceedings	1,924	5,847
Product distribution	1,517	1,343
Other	1,356	840
Total	18,381	16,052

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

13.1 Analysis of depreciation and net impairment of tangible assets

€/'000	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Depreciation & net impairment (A+B-C)
A. Tangible assets				
A.1 Owned				
- held for use	(7,231)	-	-	(7,231)
- held for investment purposes	-	-	-	-
A.2 Under finance leases				
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(7,231)	-	-	(7,231)

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

14.1 Analysis of amortisation and net impairment of intangible assets

€/'000	Amortisation (A)	Impairment (B)	Reversal of impairment (C)	Amortisation and net impairment of (A+B-C)
A. Intangible assets				
A.1 Owned				
- internally generated	-	-	-	-
- other	(8,939)	(3)	-	(8,942)
A.2 Under finance leases	-	-	-	-
Total	(8,939)	(3)	-	(8,942)

Section 15 – Other operating income – Caption 220

15.1 / 15.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2008	Dec. 31, 2007
Assets under finance lease		
Lease installments	-	-
Losses on sale	-	-
Insurance	-	-
Transfer of title	-	-
Other operating expenses	4,535	4,925
Compensations and Settlements	1,760	1,872
Loan losses	465	652
Amortisation of expenses for improvements of leasehold assets	357	600
Other expenses	1,953	1,801
Total other operating expenses	4,535	4,925
Recoveries of direct taxes	3	203
Cost recoveries relating to seconded personnel	-	-
Recoveries of expenses on contracts and services rendered	13,042	12,737
Recoveries of property rental and real estate expenses	110	-
Miscellaneous income	4,948	4,549
Rentals on owned property	757	489
Recoveries of expenses from customers	3,117	2,299
Recoveries of expenses from financial advisors	548	1,073
Other	526	688
Total other operating income	18,103	17,489

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

20.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Current tax (-)	(18,875)	(26,070)
2. Change in current tax for prior years (+/-)	(2,121)	529
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	7,647	(8,296)
5. Change in deferred tax liabilities (+/-)	501	1,559
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(12,848)	(32,278)

PART D - SEGMENT REPORTING

This section presents consolidated financial data reported by segment.

Segment reporting entailed the reclassification of certain income and expense items with respect to the Consolidated Income Statement included in the Consolidated Accounts at December 31, 2008.

In compliance with IAS 14, segment reporting reflects the management reporting system of the Mediolanum Banking Group, and is consistent with the information disclosed to the market and to the various stakeholders.

For the purpose of segment reporting of balance sheet information the various companies were allocated to their respective business segment. That entailed, on the one hand, the elimination of inter-company balances within the same segment and, on the other hand, the inclusion of inter-segment transaction balances.

Consolidated financial results are reported by business segment (primary format), i.e. Banking and Asset Management, and then by geographic segment (secondary segment) by reference to the Group markets, i.e. Domestic and Foreign markets.

BALANCE SHEET AS AT DECEMBER 31, 2008

Segment Reporting by geographical area

	ITALY			ABROAD		
€/'000	2008	2007	delta	2008	2007	delta
ASSETS						
Intangible assets	12,803	9,942	2,861	207,638	182,639	24,999
Property	26,602	18,847	7,755	17,480	17,844	(364)
Securities and derivatives	3,372,243	2,894,763	477,480	138,485	90,594	47,891
Financial assets - Banks	1,812,197	2,613,136	(800,939)	120,972	135,620	(14,648)
Financial assets - Customers	3,133,210	1,558,063	1,575,147	143,669	151,070	(7,401)
Other assets	509,504	336,218	173,286	170,594	334,878	(164,284)
Total ASSETS	8,866,559	7,430,969	1,435,590	798,838	912,645	(113,807)
LIABILITIES AND EQUITY						
Financial liabilities - Banks	1,924,420	1,134,041	790,379	19,882	20,360	(478)
Financial liabilities - Customers	5,563,739	5,032,853	530,886	370,057	480,000	(109,943)
Other financial liabilities	773,125	716,189	56,936	2,946	3,483	(537)
Provision for risks and charges	89,525	74,787	14,738	2,585	2,798	(213)
Other liabilities	315,753	276,363	39,390	26,645	41,229	(14,584)
Total LIABILITIES	8,666,562	7,234,233	1,432,329	422,115	547,870	(125,755)
Minority interests	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	-	-	-	-	-	-

	Consolidation adjustments		GRANDTOTAL		
	2008	2007	2008	2007	delta
	-	-	220,441	192,581	27,860
	-	-	44,082	36,691	7,391
	-	-	3,510,728	2,985,357	525,371
	(105,350)	(96,909)	1,827,819	2,651,847	(824,028)
	(467)	(382)	3,276,412	1,708,751	1,567,661
	(279)	(114)	679,819	670,982	8,837
	(106,096)	(97,405)	9,559,301	8,246,209	1,313,092
	(78,522)	(82,957)	1,865,780	1,071,444	794,336
	(27,213)	(14,297)	5,906,583	5,498,556	408,027
	-	-	776,071	719,672	56,399
	-	-	92,110	77,585	14,525
	(361)	(151)	342,037	317,441	24,596
	(106,096)	(97,405)	8,982,581	7,684,698	1,297,883
	-	-	26,367	33,989	(7,622)
	-	-	523,934	471,843	52,091
	-	-	26,419	55,679	(29,260)
	-	-	9,559,301	8,246,209	1,313,092

INCOME STATEMENT AS AT DECEMBER 31, 2008

Segment Reporting by geographical area

	ITALY			ABROAD		
€/'000	2008	2007	delta	2008	2007	delta
Entry fees	52,798	47,010	5,788	4,288	7,357	(3,069)
Management fees	225,005	269,318	(44,313)	13,794	17,607	(3,813)
Performance fees	49,457	58,872	(9,415)	915	2,803	(1,888)
Fees and other income from banking services	52,102	44,401	7,701	25,099	32,818	(7,719)
Other fees	157,889	210,989	(53,100)	8,621	16,820	(8,199)
Total Commission Income	537,251	630,590	(93,339)	52,717	77,405	(24,688)
Interest income and similar income	336,539	267,388	69,151	26,898	27,314	(416)
Interest expense and similar charges	(199,739)	(159,791)	(39,948)	(13,641)	(13,542)	(99)
Income / loss on investments at fair value	5,404	4,347	1,057	(53)	83	(136)
Net financial income	142,204	111,944	30,260	13,204	13,855	(651)
Income from other investments	4,163	11,806	(7,643)	252	1,429	(1,177)
Other revenues	15,850	15,764	86	2,030	1,744	286
TOTAL REVENUES	699,468	770,104	(70,636)	68,203	94,433	(26,230)
Commission expense and acquisition costs	(293,981)	(335,266)	41,285	(33,626)	(47,825)	14,199
Net impairment	(8,398)	(7,116)	(1,282)	(290)	1,188	(1,478)
General and administrative expenses	(251,898)	(236,106)	(15,792)	(43,618)	(42,659)	(959)
Depreciation and amortisation	(14,030)	(14,512)	482	(2,140)	(2,594)	454
Provisions for risks and charges	(18,069)	(15,315)	(2,754)	(312)	(737)	425
PROFIT BEFORE TAX	113,092	161,789	(48,697)	(11,783)	1,806	(13,589)
Income tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
NET / (LOSS)	113,092	161,789	(48,697)	(11,783)	1,806	(13,589)

Consolidation adjustments			GRANDTOTAL		
2008	2007	delta	2008	2007	delta
-	-	-	57,086	54,367	2,719
(137)	-	(137)	238,662	286,925	(48,263)
-	-	-	50,372	61,675	(11,303)
(6)	(6)	-	77,195	77,213	(18)
-	-	-	166,510	227,809	(61,299)
(143)	(6)	(137)	589,825	707,989	(118,164)
(6,563)	(7,652)	1,089	356,874	287,050	69,824
6,564	7,653	(1,089)	(206,816)	(165,680)	(41,136)
-	4	(4)	5,351	4,434	917
1	5	(4)	155,409	125,804	29,605
-	-	-	4,415	13,235	(8,820)
(64)	(53)	(11)	17,816	17,455	361
(206)	(54)	(152)	767,465	864,483	(97,018)
145	5	140	(327,462)	(383,086)	55,624
-	-	-	(8,688)	(5,928)	(2,760)
61	49	12	(295,455)	(278,716)	(16,739)
-	-	-	(16,170)	(17,106)	936
-	-	-	(18,381)	(16,052)	(2,329)
-	-	-	101,309	163,595	(62,286)
-	-	-	(12,848)	(32,278)	19,430
-	-	-	(62,042)	(75,638)	13,596
-	-	-	26,419	55,679	(29,260)

BALANCE SHEET AS AT DECEMBER 31, 2008

Segment Reporting by business area

	BANKING			ASSET MANAGEMENT		
€/'000	2008	2007	delta	2008	2007	delta
ASSETS						
Intangible assets	189,876	161,699	28,177	30,565	30,882	(317)
Property	36,593	29,036	7,557	7,489	7,655	(166)
Securities and derivatives	3,501,201	2,975,853	525,348	9,527	9,504	23
Financial assets - Banks	1,796,578	2,595,782	(799,204)	65,274	80,594	(15,320)
Financial assets - Customers	3,252,203	1,673,330	1,578,873	24,287	35,462	(11,175)
Other assets	678,142	665,937	12,205	3,993	7,720	(3,727)
Total ASSETS	9,454,593	8,101,637	1,352,956	141,135	171,817	(30,682)
LIABILITIES AND EQUITY						
Financial liabilities - Banks	1,865,777	1,071,444	794,333	3	-	3
Financial liabilities - Customers	5,939,897	5,522,393	417,504	657	626	31
Other financial liabilities	776,071	719,672	56,399	-	-	-
Technical reserves	-	-	-	-	-	-
Provision for risks and charges	92,110	77,565	14,545	-	20	(20)
Other liabilities	319,759	277,919	41,840	24,734	42,304	(17,570)
Total LIABILITIES	8,993,614	7,668,993	1,324,621	25,394	42,950	(17,556)
Minority interests	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-
Total LIABILITIES AND EQUITY	-	-	-	-	-	-

Consolidation adjustments		GRANDTOTAL		
2008	2007	2008	2007	delta
-	-	220,441	192,581	27,860
-	-	44,082	36,691	7,391
-	-	3,510,728	2,985,357	525,371
(34,033)	(24,529)	1,827,819	2,651,847	(824,028)
(78)	(41)	3,276,412	1,708,751	1,567,661
(2,316)	(2,675)	679,819	670,982	8,837
(36,427)	(27,245)	9,559,301	8,246,209	1,313,092
-	-	1,865,780	1,071,444	794,336
(33,971)	(24,463)	5,906,583	5,498,556	408,027
-	-	776,071	719,672	56,399
-	-	-	-	-
-	-	92,110	77,585	14,525
(2,456)	(2,782)	342,037	317,441	24,596
(36,427)	(27,245)	8,982,581	7,684,698	1,297,883
-	-	26,367	33,989	(7,622)
-	-	523,934	471,843	52,091
-	-	26,419	55,679	(29,260)
-	-	9,559,301	8,246,209	1,313,092

INCOME STATEMENT AS AT DECEMBER 31, 2008

Segment Reporting by business area

	BANKING			ASSET MANAGEMENT		
€/'0000	2008	2007	delta	2008	2007	delta
Net premiums written	-	-	-	-	-	-
Entry fees	-	-	-	57,086	54,367	2,719
Management fees	-	-	-	238,799	286,925	(48,126)
Performance fees	-	-	-	50,372	61,675	(11,303)
Fees and other income from banking services	76,659	76,211	448	542	1,008	(466)
Other fees	228	362	(135)	166,282	227,448	(61,165)
Total Commission Income	76,887	76,574	313	513,082	631,422	(118,341)
Interest income and similar income	359,140	289,847	69,293	4,297	4,854	(557)
Interest expense and similar charges	(214,273)	(173,713)	(40,560)	893	381	512
Income / loss on investments at fair value	5,431	4,328	1,103	(80)	102	(182)
Net financial income	150,298	120,462	29,836	5,110	5,337	(227)
Income from other investments	3,812	12,306	(8,495)	604	929	(325)
Other revenues	7,762	7,958	(196)	10,118	9,550	568
TOTAL REVENUES	238,759	217,300	21,459	528,914	647,238	(118,324)
Commission expense and acquisition costs	(61,798)	(54,736)	(7,063)	(265,809)	(328,356)	62,547
Net impairment	(8,616)	(5,926)	(2,690)	(72)	(2)	(70)
DIRECT General and administrative expenses	(102,128)	(95,051)	(7,077)	(61,248)	(63,469)	2,222
INCOME BEFORE INDIRECT COSTS	66,216	61,587	4,629	201,786	255,410	(53,625)
INDIRECT General and administrative expenses/ Depreciation, Amortisation and Provisions	-	-	-	-	-	-
PROFIT BEFORE TAX	-	-	-	-	-	-
Income tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
NET / LOSS	66,216	61,587	4,629	201,786	255,410	(53,625)

Consolidation adjustments			GRANDTOTAL		
2008	2007	delta	2008	2007	delta
-	-	-	-	-	-
-	-	-	57,086	54,367	2,719
(137)	-	(137)	238,662	286,925	(48,263)
-	-	-	50,372	61,675	(11,303)
(6)	(6)	-	77,195	77,213	(18)
-	-	-	166,510	227,809	(61,299)
(143)	(6)	(137)	589,825	707,989	(118,163)
(6,563)	(7,652)	1,089	356,874	287,050	69,824
6,564	7,653	(1,089)	(206,816)	(165,680)	(41,136)
-	4	(4)	5,351	4,434	917
1	5	(4)	155,409	125,804	29,605
-	-	-	4,416	13,235	(8,819)
(64)	(53)	(11)	17,816	17,455	362
(206)	(54)	(152)	767,465	864,483	(97,018)
145	5	140	(327,462)	(383,086)	55,624
-	-	-	(8,688)	(5,928)	(2,760)
61	49	12	(163,315)	(158,472)	(4,843)
-	-	-	268,000	316,997	(48,998)
-	-	-	(166,691)	(153,402)	(13,289)
-	-	-	101,309	163,595	(62,286)
-	-	-	(12,848)	(32,278)	19,430
-	-	-	(62,042)	(75,638)	13,596
-	-	-	26,419	55,679	(29,260)

INCOME STATEMENT AS AT DECEMBER 31, 2008

Segment Reporting by business line/Italy

	BANKING		
€/'000	2008	2007	delta
Net premiums written	-	-	-
Entry fees	-	-	-
Management fees	-	-	-
Performance fees	-	-	-
Fees and other income from banking services	52,104	44,404	7,700
Other fees	23	33	(10)
Total Commission Income	52,127	44,437	7,690
Interest income and similar income	333,548	264,026	69,522
Interest expense and similar charges	(200,633)	(160,180)	(40,453)
Income / loss on investments at fair value	5,439	4,338	1,101
Net financial income	138,354	108,184	30,170
Income from other investments	3,561	11,772	(8,212)
Other revenues	5,746	6,227	(481)
TOTAL REVENUES	199,787	170,620	29,168
Commission expense and acquisition costs	(40,054)	(28,993)	(11,061)
Net impairment	(8,326)	(7,114)	(1,212)
DIRECT General and administrative expenses	(80,820)	(73,947)	(6,873)
INCOME BEFORE INDIRECT COSTS	70,587	60,566	10,021
INDIRECT General and administrative expenses/ Depreciation, Amortisation and Provisions	-	-	-
PROFIT BEFORE TAX	-	-	-

	ASSET MANAGEMENT			GRANDTOTAL		
	2008	2007	delta	2008	2007	delta
	-	-	-	-	-	-
	52,798	47,010	5,788	52,798	47,010	5,788
	225,005	269,318	(44,313)	225,005	269,318	(44,313)
	49,457	58,872	(9,415)	49,457	58,872	(9,415)
	(2)	(3)	1	52,102	44,401	7,701
	157,866	210,956	(53,090)	157,889	210,989	(53,100)
	485,124	586,153	(101,029)	537,251	630,590	(93,339)
	2,991	3,362	(371)	336,539	267,388	69,151
	894	389	505	(199,739)	(159,791)	(39,948)
	(35)	9	(44)	5,404	4,347	1,057
	3,850	3,760	90	142,204	111,944	30,260
	602	34	569	4,163	11,806	(7,643)
	10,104	9,537	567	15,850	15,764	86
	499,681	599,484	(99,804)	699,468	770,104	(70,636)
	(253,927)	(306,273)	52,346	(293,981)	(335,266)	41,285
	(72)	(2)	(70)	(8,398)	(7,116)	(1,282)
	(45,923)	(47,827)	1,905	(126,743)	(121,774)	(4,969)
	199,759	245,382	(45,623)	270,346	305,948	(35,602)
	-	-	-	(157,254)	(144,159)	(13,095)
	-	-	-	(113,092)	(161,789)	(48,697)

INCOME STATEMENT AS AT DECEMBER 31, 2008

Segment Reporting by business line/Abroad

	BANKING		
€/'000	2008	2007	delta
Entry fees	-	-	-
Management fees	-	-	-
Performance fees	-	-	-
Fees and other income from banking services	24,555	31,807	(7,252)
Other fees	205	330	(125)
Total Commission Income	24,760	32,137	(7,377)
Interest income and similar income	25,592	25,821	(229)
Interest expense and similar charges	(13,640)	(13,533)	(107)
Income / loss on investments at fair value	(8)	(10)	2
Net financial income	11,944	12,278	(334)
Income from other investments	251	534	(283)
Other revenues	2,016	1,731	285
TOTAL REVENUES	38,970	46,680	(7,710)
Commission expense and acquisiition costs	(21,744)	(25,743)	3,998
Net impairment	(290)	1,188	(1,478)
DIRECT General and administrative expenses	(21,308)	(21,105)	(204)
INCOME BEFORE INDIRECT COSTS	(4,372)	1,021	(5,393)
INDIRECT General and administrative expenses / Depreciation, Amortisation and Provisions	-	-	-
PROFIT BEFORE TAX	-	-	-

ASSET MANAGEMENT			GRANDTOTAL		
2008	2007	delta	2008	2007	delta
4,288	7,357	(3,069)	4,288	7,357	(3,069)
13,794	17,607	(3,813)	13,794	17,607	(3,813)
915	2,803	(1,888)	915	2,803	(1,888)
544	1,011	(467)	25,099	32,818	(7,719)
8,416	16,491	(8,075)	8,621	16,820	(8,199)
27,957	45,269	(17,312)	52,717	77,405	(24,687)
1,306	1,492	(186)	26,898	27,314	(416)
(1)	(8)	7	(13,641)	(13,542)	(99)
(45)	93	(138)	(53)	83	(136)
1,260	1,577	(317)	13,204	13,855	(651)
2	895	(893)	253	1,429	(1,176)
14	12	2	2,030	1,744	287
29,232	47,753	(18,521)	68,203	94,433	(26,231)
(11,882)	(22,083)	10,201	(33,626)	(47,825)	14,199
-	-	-	(290)	1,188	(1,478)
(15,325)	(15,642)	317	(36,633)	(36,746)	114
2,026	10,028	(8,003)	(2,346)	11,049	(13,396)
-	-	-	(9,437)	(9,243)	(194)
-	-	-	(11,783)	1,806	(13,590)

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

The internal control system of the Mediolanum Banking Group entails defence at different levels in accordance with the Group's organisational structure.
Specifically, for financial risk and credit risk, line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. Risk controls (second level) are controls performed by units other than operating units. They contribute to the definition of risk measurement methods, control of operating limits of officers to whom authorities are delegated, and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of responsibility.
The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for identifying, measuring, assessing and managing the financial risk and credit risk associated with all assets and liabilities managed by the Mediolanum Banking Group.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General information

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

2. Credit risk management

2.1 Organisational Aspects

As part of its responsibilities for organising and directing the Group's affairs, the Parent Company issued specific Lending Guidelines for all subsidiaries within the Banking Group. The guidelines set out general principles and instructions on lending and on monitoring of the loan portfolio quality. The Parent Company is responsible for assessing overall exposure to credit risk and defining risk measurement policies for the whole Group. Credit risk exposure is also assessed at the level of individual companies in their respective areas of remit, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with solvency ratios and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of the respective companies. Each lender within the Banking Group has its own "Lending Policy", which is approved by its Board of Directors and sets out, inter alia, the authorities delegated to the various functions involved in the lending process, the type of collateral that can be accepted and the frequency of reports to Senior Management and the Board of Directors.

2.2 Risk measurement and management

The Mediolanum Banking Group's credit risk management system consists of the set of models and measurement tools as well as controls geared to ensure optimal management of the credit risk associated with the loan portfolio. The credit risk management system ensures the Mediolanum Banking Group is always current with its risk exposure in relation to each customer or group of customers, and takes prompt corrective actions, when needed, in accordance with related policies.

The credit risk management system pursues the following objectives:

- develop adequate processes for identifying, measuring and monitoring credit risk in relation to each counterparty and portfolio;
- ensure a steady flow of timely information to effectively monitor the composition and quality of the loan portfolio and promptly adjust loss estimates and capital charges;
- ensure compliance with the prudential requirements of domestic and international supervisory authorities;
- promote the adoption of policies and procedures for credit risk prudent management;
- support operational decisions of lending officers by providing the information needed to properly assess the borrower creditworthiness and type of financing;
- provide an adequate flow of information on credit risk exposures and mitigation techniques to senior management.

The credit risk management system reflects the specific characteristics of the banking lending business and any changes thereof in addition to any regulatory or statutory changes.

Credit quality is monitored by regularly assessing whether there is evidence of risk, in each stage of the lending process, through the application of specific operating procedures.

In the lending process, it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, as part of its loan application analysis, each company within the Mediolanum Banking Group gathers all information needed to assess the consistency of the loan amount with the type and purpose of financing. In that examination, each company of the Mediolanum Banking Group uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. Special attention is paid to the assessment of any security taken.

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

2.3 Credit risk mitigation techniques

Loans extended by Group entities are secured by collaterals received from borrowers. Collaterals primarily consists of mortgage over property and pledge over financial instruments, plus conditional sale, and other forms of security, e.g. surety bonds and endorsements. Given the importance of the collateral received from the obligor in the assessment of credit risk, appropriate prudential adjustments are applied to the collateral whose value is subject to regular review.

2.4 Impaired financial assets

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

- the bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held);
- the obligor is past due more than 180 days under Italian law and more than 90 days in other jurisdictions on any material credit obligation to the banking group.

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

€/'000	Non performing	Watch list	Restructured	Past due	Country Risk	Other Assets	Total
1. Financial assets held for trading	-	-	-	-	-	1,300,517	1,300,517
2. Available-for sale financial assets	-	102	-	-	-	1,003,801	1,003,903
3. Held-to-maturity investments	-	-	-	-	-	1,107,048	1,107,048
4. Loans to banks	-	-	-	-	-	2,099,003	2,099,003
5. Loans to customers	5,945	9,866	522	12,390	-	3,344,673	3,373,396
6. Financial assets at fair value	-	-	-	-	-	2,276	2,276
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at Dec. 31, 2008	5 ,945	9,968	522	12,390	-	8,857,318	8,886,143
Total at Dec. 31, 2007	842	6,720	546	13,511	-	7,654,426	7,676,045

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

	Impaired assets				Other assets				Total
€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Total net exposure
1. Financial asset held for trading	-	-	-	-	1,300,720	-	(203)	1,300,517	1,300,517
2. Available-for-sale financial asset	1,018	(916)	-	102	1,003,801	-	-	1,003,801	1,003,903
3. Held-to-maturity investments	-	-	-	-	1,107,048	-	-	1,107,048	1,107,048
4. Loans to banks	-	-	-	-	2,099,003	-	-	2,099,003	2,099,003
5. Loans to customers	46,245	(17,522)	-	28,723	3,351,104	-	(6,431)	3,344,673	3,373,396
6. Financial assets at fair value	-	-	-	-	2,276	-	-	2,276	2,276
7. Financial assets being disposed of	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2008	47,263	(18,438)	-	28,825	8,863,952	-	(6,634)	8,857,318	8,886,143
Total at Dec. 31, 2007	34,747	(13,128)	-	21,619	7,658,564	(6)	(4,132)	7,654,426	7,676,045

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

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet				
a) Non performing	-	-	-	-
b) Watch list	1,018	(916)	-	102
c) Restructured	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	-	-	-	-
f) Other	3,632,090	-	-	3,632,090
Total A	3,633,108	(916)	-	3,632,192
B. Off balance sheet				
a) Impaired	-	-	-	-
b) Other	34,286	-	(199)	34,087
Total B	34,286	-	(199)	34,087

A.1.4 Loans to banks: development of impaired loans and loans exposed to country risk (on-balance sheet gross exposures)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Opening gross balance					
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases					
B.1 reclassified from performing loans	-	1,018	-	-	-
B.2 reclassified from other impaired loan categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
C. Decreases					
C.1 reclassified to performing loans	-	-	-	-	-
C.2 cancellations	-	-	-	-	-
C.3 receipts	-	-	-	-	-
C.4 proceeds from sale	-	-	-	-	-
C.5 reclassified to other impaired loan categories	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Closing gross balance					
- of which: loans sold but not derecognised	-	1,018	-	-	-

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

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Impairment at beginning of the year					
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases					
B.1 impairment	-	(916)	-	-	-
B.2. reclassified from other impaired loan categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
C. Decreases					
C.1 revaluations	-	-	-	-	-
C.2 repayments	-	-	-	-	-
C.3 cancellations	-	-	-	-	-
C.4. reclassified to other impaired loan categories	-	-	-	-	-
C.5 other decreases	-	-	-	-	-
D. Impairment at end of the year					
- of which: loans sold but not derecognised	-	(916)	-	-	-

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

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet				
a) Non performing	13,995	(8,050)	-	5,945
b) Watch list	16,582	(6,716)	-	9,866
c) Restructured	522	-	-	522
d) Past due	15,146	(2,756)	-	12,390
e) Country risk	-	-	-	-
f) Other	5,229,772	-	(6,431)	5,223,341
Total A	5,276,017	(17,522)	(6,431)	5,252,064
B. Off balance sheet				
a) Impaired	1,234	(144)	-	1,090
b) Other	239,728	-	(147)	239,581
Total B	240,962	(144)	(147)	240,671

A.1.7 Loans to customers: development of impaired loans and loans exposed to country risk (on-balance sheet gross exposures)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Opening gross balance	6,796	11,855	546	15,551	-
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases	8,023	10,857	-	18,765	-
B.1 reclassified from performing loans	95	5,714	-	16,631	-
B.2 reclassified from other impaired loan categories	4,025	3,042	-	5	-
B.3 other increases	3,903	2,101	-	2,129	-
C. Decreases	(824)	(6,130)	(24)	(19,170)	-
C.1 reclassified to performing loans	-	(150)	-	(7,109)	-
C.2 cancellations	(592)	(260)	(24)	-	-
C.3 receipts	(232)	(1,756)	-	(8,953)	-
C.4 proceeds from sale	-	-	-	-	-
C.5 reclassified to other impaired loan categories	-	(3,964)	-	(3,108)	-
C.6 other decreases	-	-	-	-	-
D. Closing gross balance	13,995	16,582	522	15,146	-
- of which: loans sold but not derecognised	-	-	-	-	-

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

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Net impairment at beginning of the year	5,544	5,544	-	2,040	-
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases	3,827	4,497	-	912	-
B.1 impairment	2,567	4,446	-	911	-
B.2 reclassified from other impaired loan categories	1,260	39	-	1	-
B.3 other increases	-	12	-	-	-
C. Decreases	(1,321)	(3,325)	-	(196)	-
C.1 revaluations	(336)	(1,043)	-	(62)	-
C.2 repayments	(133)	(378)	-	(64)	-
C.3 cancellations	(852)	(673)	-	-	-
C.4 reclassified to other impaired loan categories	-	(1,231)	-	(70)	-
C.5 other decreases	-	-	-	-	-
D. Net impairment at end of the year	8,050	6,716	-	2,756	-
- of which: loans sold but not derecognised	-	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

	External rating							
€/'000	AAA AA-	A+ A-	BBB+ BBB-	BB+ BB-	B+ B-	worse than B-	Unrated	Total
A. On balance sheet exposures	1,185,933	13,846	828	-	-	-	7,677,660	8,878,267
B. Derivatives	260	-	-	-	-	-	7,874	8,134
B.1 Financial derivatives	260	-	-	-	-	-	7,874	8,134
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	42,374	42,374
D. Commitments to disburse funds	-	-	-	-	-	-	224,450	224,450
TOTAL	1,186,193	13,846	828	-	-	-	7,952,358	9,153,225

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

At the balance sheet date this information was not available.

A.3 Analysis of secured loans by type of collateral

A.3.1 Secured loans to banks and to customers (on balance sheet positions)

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Govern-ments	Govern. agencies	Banks	Others	Govern-ments	Govern. agencies	Banks	Others	Total (1+2)
1. Secured loans to banks:	204,005	-	-	-	-	-	-	-	-	-	204,005	-	204,005
1.1 entirely secured	204,005	-	-	-	-	-	-	-	-	-	204,005	-	204,005
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	1,429,695	1,249,722	53,679	3,751	-	-	-	-	-	-	-	119,883	1,427,035
2.1 entirely secured	1,412,020	1,249,158	53,679	3,485	-	-	-	-	-	-	-	104,704	1,411,026
2.2 partly secured	17,675	564	-	266	-	-	-	-	-	-	-	15,179	16,009

A.3.2 Analysis of off-balance sheet secured exposures to banks and customers

€/'000	Real guarantees (1)				Personal guarantees (2)								
					Credit derivatives				Endorsements				
	Exposure	Property	Securities	Other assets	Governments	Gov. agencies	Banks	Others	Governments	Gov. agencies	Banks	Others	Total (1+2)
1. Secured exposures to banks:													
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:	20,128	-	2,453	15,681	-	-	-	-	-	-		1,985	20,119
2.1 entirely secured	20,106	-	2,453	15,681	-	-	-	-	-	-	-	1,972	20,106
2.2 partly secured	22	-	-	-	-	-	-	-	-	-	-	13	13

A.3.3 Analysis of on-balance sheet secured impaired exposures to banks and customers

€/'000			Guarantees (fair value)																	
			Real guarantees			Personal guarantees															
						Credit derivatives							Endorsements								
	Exposure	Secured amount	Property	Securities	Other assets	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Total	Guarantee fair value excess
1. Exposures to banks secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposures to customers secured:	14,431	7,957	2,351	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,356	12,664	-
1.1 over 150%	7,462	7,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,462	-
1.2 100% to 150%	6,201	393	1,685	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,356	4,434	-
1.3 50% to 100%	768	102	666	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	768	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.4 Analysis of off-balance sheet secured impaired exposures to banks and customers

			Guarantees (fair value)																		
			Real guarantees			Personal guarantees															
						Credit derivatives							Endorsements								
€/'000	Exposure	Secured amount	Property	Securities	Other assets	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Total	Guarantee fair value excess
1. Exposures to banks																					
secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposures to customers																					
secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	266	266	-
2.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

	Gov. & Central Banks				Gov. Agencies				Financial companies				Insurance companies				Non financial companies				Others			
€/'000	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. On balance sheet																								
A.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	(4)	-	1	13,990	(8,046)	-	5,944
A.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,709	(530)	-	1,179	16,311	(6,186)	-	10,125
A.3 Restructured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	522	-	-	522
A.4 Past due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169	(30)	-	139	17,431	(2,726)	-	14,705
A.5 Others	1,579,179	-	-	1,579,179	-	-	-	-	1,869,032	-	(73)	1,868,959	8,144	-	-	8,144	133,041	-	(47)	132,994	1,636,487	-	(6,310)	1,630,177
Total	1,579,179	-	-	1,579,179	-	-	-	-	1,869,032	-	(73)	1,868,959	8,144	-	-	8,144	134,924	(564)	(47)	134,313	1,684,741	(16,958)	(6,310)	1,661,473
B. Off balance sheet																								
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	(1)	-	1
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,232	(143)	-	1,089
B.4 Others	-	-	-	-	-	-	-	-	1,880	-	(4)	1,876	6	-	-	6	6,263	-	(2)	6,261	231,580	-	(141)	231,439
Total	-	-	-	-	-	-	-	-	1,880	-	(4)	1,876	6	-	-	6	6,263	-	(2)	6,261	232,814	(144)	(141)	232,529
Total at Dec. 31, 2008	1,579,179	-	-	1,579,179	-	-	-	-	1,870,912	-	(77)	1,870,835	8,150	-	-	8,150	141,187	(564)	(49)	140,574	1,917,555	(17,102)	(6,451)	1,894,002
Total at Dec. 31, 2007	1,951,782	-	-	1,951,782	-	-	-	-	1,160,706	-	(88)	1,160,618	88,457	-	(21)	88,436	217,787	(42)	(35)	217,710	1,058,046	(13,229)	(4,116)	1,040,701

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

	Italy		Other European Countries		America		Asia		Rest of the World	
€/'000	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On balance sheet										
A.1 Non performing	10,497	5,372	3,498	573	-	-	-	-	-	-
A.2 Watch list	12,683	7,804	5,337	3,499	-	-	-	-	-	-
A.3 Restructured	-	-	522	522	-	-	-	-	-	-
A.4 Past due	15,145	12,388	2,454	2,454	-	-	-	-	-	-
A.5 Others	4,264,075	4,259,753	948,920	946,814	12,833	12,832	1	1	54	54
Total	4,302,400	4,285,317	960,731	953,862	12,833	12,832	1	1	54	54
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	2	1	-	-	-	-	-	-	-	-
B.3 Other impaired assets	823	823	409	266	-	-	-	-	-	-
B.4 Others	217,546	217,517	20,289	20,175	1,793	1,789	100	100	-	-
Total	218,371	218,341	20,698	20,441	1,793	1,789	100	100	-	-
Total at Dec. 31, 2008	4,520,771	4,503,658	981,429	974,303	14,626	14,621	101	101	54	54
Total at Dec. 31, 2007	3,044,457	3,035,407	1,415,670	1,407,190	16,650	16,649	1	1	-	-

B.4 Geographical distribution of on-balance sheet and off-balance sheet bank loans (book value)

	Italy		Other European Countries		America		Asia		Rest of the World	
€/'000	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	1,018	102	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	2,775,060	2,775,060	824,031	823,116	26,830	27,745	173	173	6	6
Total	2,775,060	2,775,060	824,031	823,116	27,848	27,847	173	173	6	6
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	23,611	23,597	10,872	10,688	1	1	-	-	-	-
Total	23,611	23,597	10,872	10,688	1	1	-	-	-	-
Total at Dec. 31, 2008	2,798,671	2,798,657	834,903	833,804	27,849	27,848	173	173	6	6
Total at Dec. 31, 2007	1,630,690	1,630,690	2,045,527	2,045,521	26,811	26,811	25	25	4,553	4,553

B.5 Large exposures

a) amount:	€ 1,417,292	thousand
b) number:	11	

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

Qualitative information

During the year, the Mediolanum Banking Group traded in securitised notes.

Quantitative information

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

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Own underlying assets -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
a) impaired -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets	95,723	96,984	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
b) others	95,723	96,984	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

€/'000	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment
A.1 S CCI/TV 20190730 S10 SEN	20,292	(70)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables from National Social Security & Pension Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 SCCI/TV 20160730 CL 7A SEN	5,101	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables from National Social Security & Pension Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 SCCI/TV 20180730 S9 SEN	20,402	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables from National Social Security & Pension Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 F-E MORTAGES/TV 20431030 CL A	3,843	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables under mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 CORDUSIO RMBS/TV 20330630 CL A2	10,414	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables under mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 BPM SEC 2/TV 20430715 CL A2	10,574	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables under mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 VELA HOME /TV 20400730 CL A S3	6,721	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables under mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.8 TRICOLORE FUND/TV 20200715 CL A	2,608	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables under equipment, machinery and property leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.9 LOCAT SV3/TV 20261212 CL A2	10,044	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables under leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.10 SUNRISE/TV 20300827 CL A SEN	6,985	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables, consumer credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Dec. 31, 2008	Dec. 31, 2007
1. On-balance sheet exposures							
- "Senior"	-	-	-	-	96,984	96,984	177,750
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
- "Senior"	-	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-

C.2 Sale of assets

C.2.1 Analysis of financial assets sold but not derecognised

€/'000	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 2008	Dec. 31, 2007
A. On-balance sheet assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,522,466	1,418,566
1. Debt securities	398,051	-	-	-	-	-	398,290	-	-	752,302	-	-	-	-	-	823	-	-	1,522,466	1,418,566
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2008	398,051	-	-	-	-	-	398,290	-	-	725,302	-	-	-	-	-	823	-	-	1,521,644	1,418,565
Total at Dec. 31, 2007	1,023,967	-	-	-	-	-	100,816	-	-	293,782	-	-	-	-	-	-	-	-	1,522,466	1,418,565

Legend:
A: Financial assets sold, fully recognised on the balance sheet (book value)
B: Financial assets sold, partly recognised on the balance sheet (book value)
C: Financial assets sold, partly recognised on the balance sheet (full value)

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

€/'000	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Due to customers	190,932	-	193,444	504,301	-	103,631	992,308
a) against assets fully recognised on the balance sheet	190,932	-	193,444	504,301	-	103,631	992,308
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
2. Due to banks	63,854	-	201,671	221,066	19,567	-	506,159
a) against assets fully recognised on the balance sheet	63,854	-	201,671	221,066	19,567	-	506,159
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2008	254,786	-	395,115	725,368	19,567	103,631	1,498,467
Total at Dec. 31, 2007	1,027,620	-	101,485	293,475	20,109	138,740	1,581,429

SECTION 2 – MARKET RISK

2.1 Interest rate risk – Trading book

Qualitative information

A. General aspects

The trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.
Specifically, the trading book consists of positions held by those Mediolanum Banking Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the Parent Company guidelines. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.

B. Interest Rate Risk - Measurement and Management

The **Financial Risk and Credit Risk Management** unit, within the Risk Management and Compliance function, is responsible for measuring and monitoring exposure to market risk, counterparty and credit risks, and for continuously monitoring capital adequacy vis-à-vis the companies' activities in particular solvency and market risk associated with positions held directly by the Mediolanum Banking Group.
Each company within the Group is directly responsible for controls over the risks it assumes in accordance with the policies approved by the respective Boards of Directors.
Exposure to interest rate risk and pricing risk is measured using:
- Daily Var
- Portfolio analysis in terms of:
  - Exposure limits;
  - Characteristics of the instrument;
  - Characteristics of the issuer;
  - Capital at Risk calculated under the rating-based Standardized Approach;
  - Gap Analysis;
  - Sensitivity Analysis.

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the price of traded financial instruments as a result of adverse market movements.
VaR corresponds to the maximum loss on a portfolio in the next business day (one-day holding period) at a 99% confidence level. Var is calculated using Riskmetrics for the following risks: interest rate, stock prices and indices, volatility.
The Gap Analysis measures the impact of pre-set shocks in the interest rate curve based on how closely the lending and funding exposure matches interest rates.
The Sensitivity Analysis quantifies the sensitivity of the financial portfolio to adverse interest rate movements.
These analyses are performed assuming as adverse movement a parallel uniform shift by 50, 100 and 200 bps in the interest rate curve.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	*21,195*	*455,088*	*87,161*	*67,324*	*355,095*	*273,059*	*33,446*	*16*
1.1 Debt securities	21,012	455,088	87,161	67,324	355,095	272,574	33,446	16
- with early redemption option	-	-	-	-	-	-	-	-
- others	21,012	455,088	87,161	67,324	355,095	272,574	33,446	16
USD	-	7	4	-	-	-	55	-
GBP	-	-	-	20	-	-	-	-
EUR	21,012	455,081	87,157	67,304	355,095	272,574	33,391	16
OTHER CURRENCIES	-	-	-	-	-	-	-	-
1.2 Other assets	183	-	-	-	-	485	-	-
2. Non-derivative liabilities	*16,483*	*1,674*	*46,938*	*53,222*	*249,264*	*329,952*	*32,937*	-
2.1 Securities issued	-	410	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	410	-	-	-	-	-	-
2.2 Other liabilities	16,483	1,264	46,938	53,222	249,264	329,952	32,937	-
EUR	16,483	1,264	46,936	53,222	249,264	329,952	32,937	-
USD	-	-	-	-	-	-	-	-
OTHER CURRENCIES	-	-	2	-	-	-	-	-
3. Financial derivatives	*1,986,309*	*770,828*	*338,916*	*240,560*	*4,741*	*568*	*10,175*	-
3.1 With underlying securities	4,162	307,454	101	358	1,247	568	154	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	4,162	307,454	101	358	1,247	568	154	-
+ Long positions	4,162	149,462	51	358	631	284	77	-
+ Short positions	-	157,992	50	-	616	284	77	-
3.2 Without underlying securities	1,982,147	463,374	338,815	240,202	3,494	-	10,021	-
- Options	1,015,564	-	-	51	-	-	10,021	-
+ Long positions	507,782	-	-	8	-	-	-	-
+ Short positions	507,782	-	-	43	-	-	10,021	-
- Others								
+ Long positions	507,782	251,366	152,888	90,151	3,494	-	-	-
EUR	507,782	250,992	152,888	90,151	3,494	-	-	-
USD	-	146	-	-	-	-	-	-
GBP	-	15	-	-	-	-	-	-
CHF	-	152	-	-	-	-	-	-
OTHER CURRENCIES	-	61	-	-	-	-	-	-
+ Short positions	458,801	212,008	185,927	150,000	-	-	-	-
EUR	458,801	172,224	185,927	150,000	-	-	-	-
USD	-	5,352	-	-	-	-	-	-
GBP	-	649	-	-	-	-	-	-
CHF	-	33,671	-	-	-	-	-	-
YEN	-	-	-	-	-	-	-	-
OTHER CURRENCIES	-	112	-	-	-	-	-	-

2.2 Interest rate risk - Banking book

Qualitative information

A. Interest Rate Risk – General information, Measurement and Management

Mediolanum Banking Group's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, held-to-maturity investments and available-for-sale financial instruments.
The Parent Company's central management of foreign subsidiaries' investments in liquid assets, as approved by the respective Boards of Directors and authorised by the competent national supervisory authorities, substantially reduced the overall exposure to risk of foreign subsidiaries.
The Parent Company measures interest rate risk exposure of the banking book using a simplified static ALM model. This entails controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of each entity within the Group in compliance with the Parent Company's guidelines.

B. Fair value Hedge

There are no fair value hedges as defined under IAS.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Financial assets	1,896,273	2,993,361	898,113	689,695	395,982	93,546	298,505	120,352
1.1 Debt securities	173,620	517,607	737,920	268,267	291,097	20,389	4,025	30
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	173,620	517,607	737,920	268,267	291,097	20,389	4,025	30
1.2 Loans to banks	166,347	1,277,663	150,882	405,411	6,020	-	-	103,935
EUR	159,250	1,188,639	150,291	405,411	6,020	-	-	103,935
USD	5,758	55,346	-	-	-	-	-	-
GBP	361	-	591	-	-	-	-	-
YEN	175	-	-	-	-	-	-	-
CHF	81	33,678	-	-	-	-	-	-
OTHER CURRENCIES	722	-	-	-	-	-	-	-
1.3 Loans to customers	1,556,306	1,198,091	9,311	16,017	98,865	73,157	294,480	16,387
- current accounts	328,767	5,163	5,814	10,651	50,337	-	58,281	4,238
EUR	328,737	5,163	5,814	10,651	50,337	-	58,281	4,238
USD	30	-	-	-	-	-	-	-
- other loans	1,227,539	1,192,928	3,497	5,366	48,528	73,157	236,199	12,149
- with early redemption option	1,129,010	675,907	2,630	5,366	48,299	73,157	236,199	-
- other	98,529	517,021	867	-	229	-	-	12,149
EUR	98,529	517,021	867	-	229	-	-	12,149
2. Financial liabilities	5,269,826	2,242,292	255,132	17,736	3,190	-	-	-
2.1 Due to customers	4,744,835	887,967	255,132	17,705	3,190	-	-	-
- current accounts	4,685,113	128,455	15,734	17,705	3,190	-	-	-
EUR	4,661,191	128,455	15,734	17,705	3,190	-	-	-
USD	23,027	-	-	-	-	-	-	-
YEN	5	-	-	-	-	-	-	-
CHF	40	-	-	-	-	-	-	-
GBP	835	-	-	-	-	-	-	-
OTHER CURRENCIES	15	-	-	-	-	-	-	-
- other payables	59,722	759,512	239,398	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	59,722	759,512	239,398	-	-	-	-	-
EUR	59,722	745,127	239,398	-	-	-	-	-
USD	-	14,385	-	-	-	-	-	-
2.2 Due to banks	524,991	1,340,788	-	31	-	-	-	-
- current accounts	11,991	19,567	-	-	-	-	-	-
EUR	11,826	19,567	-	-	-	-	-	-
CHF	165	-	-	-	-	-	-	-
OTHER CURRENCIES	-	-	-	-	-	-	-	-
- other payables	513,000	1,321,221	-	31	-	-	-	-
EUR	513,000	1,321,221	-	31	-	-	-	-
2.3 Debt securities	-	13,537	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other (EUR)	-	13,537	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-

2.3 Pricing risk – Trading book

Qualitative information

A. General

Mediolanum Banking Group's Trading Book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.

Specifically, the trading book consists of positions held by the Group's functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors, in accordance with the policies agreed upon with the Parent Company.

The trading book primarily consists of positions in equities and mutual funds.

B. Pricing Risk: Measurement and Management

The **Financial Risk and Credit Risk Management** unit, within the Risk Management and Compliance function, is responsible for measuring and monitoring exposure to market risk, counterparty and credit risks, and for continuously monitoring capital adequacy vis-à-vis the Group's activities in particular solvency and market risk associated with positions directly held by the Banking Group.

Each company within the Group is directly responsible for controls over risks it assumes in accordance with the policies approved by the respective Boards of Directors.

Exposure to pricing risk is measured using:

- Daily Var
- Portfolio analysis in terms of:
  - Characteristics of the instrument;
  - Sensitivity Analysis.

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

Quantitative information

1. Trading Book: on balance sheet exposures in equity instruments and holdings in UCITS

€/'000	Book Value Listed	Book Value Unlisted
A. Equity instruments		
A.1 Shares	1	16
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 registered in Italy	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	-	-
- reserved funds	-	-
- hedge funds	-	-
B.2 registered in other EU countries	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	-
B.3 registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	1	16

2. Trading Book: analysis of exposures in equity instruments and stock indices by major market

€/'000	Listed Italy	Listed USA	Listed Other Countries	Unlisted
A. Equity instruments				
- long positions	-	-	1	16
- short positions	-	-	-	-
B. Not yet settled purchases and sales of equity instruments				
- long positions	13	-	-	-
- short positions	-	-	-	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-

2.4 Pricing risk - Banking book

Qualitative information

A. Pricing Risk – General information, Measurement and Management

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

B. Hedges

There are no hedges as defined under IAS.

Quantitative information

1. Banking book: on balance sheet exposures in equity instruments and holdings in UCITS

	Book Value	
€/'000	Listed	Unlisted
A. Equity instruments	82	402,360
A.1 Shares	82	402,360
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	690	40,959
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	690	36,295
- reserved funds	-	-
- hedge funds	-	4,664
B.2 Registered in other EU countries	-	121,914
- harmonised open-end funds	-	10,174
- non harmonised open-end funds	-	111,740
- non harmonised closed-end funds	-	-
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	772	565,233

2.5 Currency risk

Qualitative information

A. Pricing Risk – General information, Measurement and Management

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

B. Currency Risk-Hedges

There are no hedges as defined under IAS.

Quantitative information

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

	Currency					
€/'000	Canadian dollar	US dollar	Sterling	Yen	Swiss franc	Other currencies
A. Financial assets						
A.1 Debt securities	-	66	20	-	-	-
A.2 Equities	-	-	77	1	-	-
A.3 Loans to banks	37	61,104	1,559	175	33,759	685
A.4 Loans to customers	-	30	-	-	-	409
A.5 Other financial assets	-	-	-	-	-	3,353
B. Other assets	11	626	9	-	21	15
C. Financial liabilities						
C.1 Due to banks	-	-	-	-	(165)	-
C.2 Due to customers	(6)	(37,411)	(835)	(5)	(40)	(637)
C.3 Debt securities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	
- Others						
+ Long positions	-	66,306	1,117	-	152	61
+ Short positions	(4)	(88,774)	(1,174)	-	(33,671)	(108)
Total assets	48	128,132	2,782	176	33,932	4,523
Total liabilities	(10)	(126,185)	(2,009)	(5)	(33,876)	(745)
Net position (+/-)	38	1,947	773	171	56	3,778

2. Internal models and other sensitivity analysis methods

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

2.6 Derivative financial instruments

A. Financial derivatives

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

	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2008	
€/'000	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	715,091	-	-	-	-	-	-	-	715,091
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	150,055	-	-	-	150,055
5. Basis swap	-	-	-	-	-	-	-	-	-	-
6. Equity swaps	-	-	-	-	-	-	-	-	-	-
7. Commodity swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-
9. Caps	-	29,280	-	-	-	-	-	-	-	29,280
- Purchased	-	29,280	-	-	-	-	-	-	-	29,280
- Issued	-	-	-	-	-	-	-	-	-	-
10. Floors	-	1,000	-	-	-	1,580	-	7,458	-	10,038
- Purchased	-	1,000	-	-	-	790	-	4,407	-	6,197
- Issued	-	-	-	-	-	790	-	3,051	-	3,841
11. Other options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	4,635	4,413	13	-	-	40,156	-	-	4,648	44,569
- Purchase	1,542	4,292	13	-	-	373	-	-	1,555	4,665
- Sale	3,093	121	-	-	-	39,783	-	-	3,093	39,904
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	251,492	-	-	-	-	-	-	-	251,492
Total	4,635	1,001,276	13	-	-	191,791	-	7,458	4,648	1,200,525

A.3 Financial derivatives: purchase and sale of underlying

€/'000	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2008	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book										
1. With exchange of principal	4,635	4,413	13	-	-	191,792	-	7,458	4,648	203,663
- Purchases	1,542	4,292	13	-	-	67,327	-	4,407	1,555	76,026
- Sales	3,093	121	-	-	-	123,367	-	3,051	3,093	126,539
- Cross-currency contracts	-	-	-	-	-	1,098	-	-	-	1,098
2. Without exchange of principal	-	996,862	-	-	-	-	-	-	-	996,862
- Purchases	-	423,873	-	-	-	-	-	-	-	423,873
- Sales	-	572,989	-	-	-	-	-	-	-	572,989
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B. Banking book										
B1. Hedges										
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency contracts	-	298,201	-	-	-	-	-	-	-	298,201
2. Without exchange of principal	-	298,201	-	-	-	-	-	-	-	298,201
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	298,201	-	-	-	-	-	-	-	298,201
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B2. Other derivatives										
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. Without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-

A.4 Over-the-counter financial derivatives: positive fair value – counterparty risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments & Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	3,814	-	457	-	-	-	2,174	75	330	-	185	-	-	260	787
A.4 Financial companies	1,792	-	-	-	-	-	87	-	6	-	-	-	-	-	6
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	7	-	3	-	-	-	-	-	-	-	-	-	-	-	3
Total A (Dec 31, 2008)	5,613	-	460	-	-	-	2,261	75	336	-	185	-	-	260	796
Total A (Dec 31, 2007)	2,393	-	927	-	353	-	1,446	-	935	-	18	-	-	-	-
B. Banking book															
B.1 Governments & Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec 31, 2008)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.5 Over-the-counter financial derivatives: negative fair value – counterparty risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments & Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	3,027	-	4	-	-	-	7,164	75	1,548	-	185	-	-	-	-
A.4 Financial companies	605	-	-	-	-	-	293	-	11	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	3	-	-	-	-	-		-	-	-	-	-	-	-	-
Total A (Dec 31, 2008)	3,635	-	4	-	-	-	7,457	75	1,559	-	185	-	-	-	-
Total A (Dec 31, 2007)	831	-	573	-	209	5	560	-	378	-	18	-	-	-	-
B. Banking book															
B.1 Governments & Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	18,428	-	4,095	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec 31, 2008)	18,428	-	4,095	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec 31, 2007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.6 Time-to-maturity of Over-the-Counter financial derivatives: notional amount

€'000	Less than 1 year	1 to 5 years	Over 5 years	Total
A. Trading book				
A.1 Debt securities and interest rates	973,637	3,494	28,780	1,005,911
A.2 Equities and stock indices	-	-	-	-
A.3 Exchange rates and gold	190,212	-	-	190,212
A.4 Other	-	-	-	-
B. Banking Book				
B.1 Debt securities and interest rates	6,263	29,200	262,738	298,201
B.2 Equities and stock indices	-	-	-	-
B.3 Exchange rates and gold	-	75	-	75
B.4 Other	-	185	-	185
Total B (Dec. 31, 2008)	1,170,112	32,954	291,518	1,494,584
Total B (Dec. 31, 2007)	707,996	105,690	64,353	878,039

B. Credit derivatives

During the year the Banking Group did not trade in credit derivatives and at December 31, 2008 it did not hold any positions in those instruments.

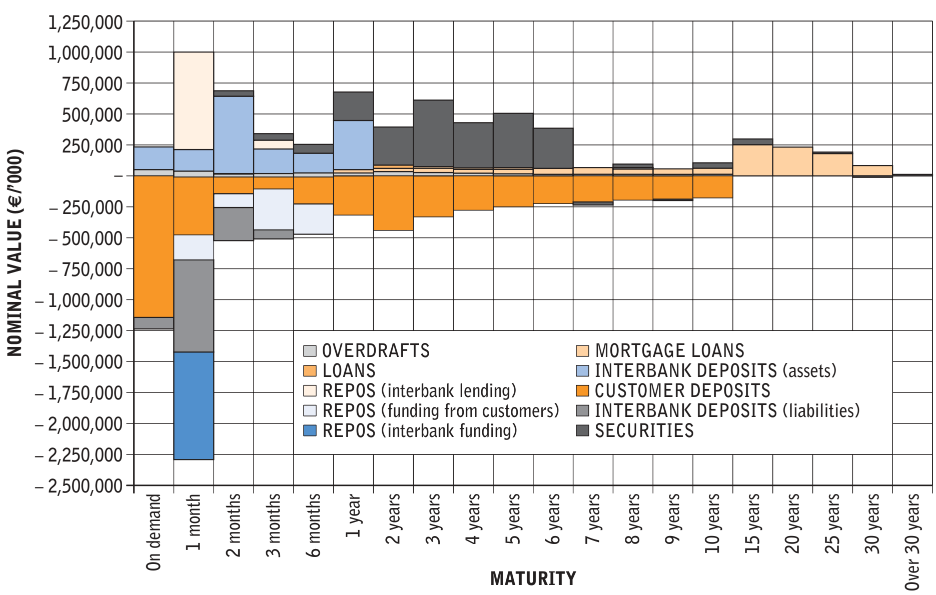
SECTION 3 – LIQUIDITY RISK

Qualitative information

A. Pricing Risk – General information, Measurement and Management

Given the types of assets held, their duration as well as the type of funding, the Mediolanum Banking Group is not materially exposed to liquidity risk.
Liquidity risk is monitored by the Parent Company applying dedicated policies and procedures, including operating limits, a maturity ladder and a contingency funding plan under the Banking Group's Asset Liability Management framework.
In 2008, in compliance with Basel II Second Pillar requirements, liquidity risk management procedures were reviewed. Specifically, in 2008, the Risk Management and Compliance unit implemented stress testing procedures for all relevant risks, including liquidity risk.

Mediolanum Banking Group Maturity Ladder - December 31, 2008



Quantitative information

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

€/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non derivative assets	659,317	537,192	419,174	453,501	929,197	756,018	866,682	2,240,488	1,850,086	192,242
A.1 Government securities	-	-	3,537	3,996	61,901	80,391	239,533	699,097	497,230	-
- EUR	-	-	3,537	3,996	61,901	80,391	239,533	699,097	497,230	-
A.2 Listed debt securities	-	-	-	-	17,005	9,114	103,232	800,336	150,514	-
- USD	-	-	-	-	-	-	-	7	55	-
- EUR	-	-	-	-	17,005	9,114	103,232	800,329	150,459	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	8	-	-	-	509	6,058	3,047	504,458	131,164	30
- USD	-	-	-	-	-	4	-	-	-	-
- GBP	-	-	-	-	-	-	20	-	-	-
- EUR	8	-	-	-	509	6,054	3,027	504,458	131,164	30
A.4 Holdings in UCITS	169,737	-	-	-	-	-	-	-	-	6,357
A.5 Loans to	489,572	537,192	415,637	449,505	849,782	660,455	520,870	236,597	1,071,178	185,855
- Banks	104,764	62,087	139,767	329,943	811,271	150,186	405,411	105	-	107,105
- EUR	97,060	62,087	139,176	296,265	755,925	150,186	405,411	105	-	107,105
- USD	5,758	-	-	-	55,346	-	-	-	-	-
- GBP	968	-	591	-	-	-	-	-	-	-
- YEN	175	-	-	-	-	-	-	-	-	-
- CHF	81	-	-	33,678	-	-	-	-	-	-
- Other currencies	722	-	-	-	-	-	-	-	-	-
- Customers (EUR)	384,808	475,105	275,870	119,562	38,511	510,269	115,459	236,492	1,071,178	78,750
- EUR	384,786	475,105	275,870	119,562	38,511	510,269	115,459	236,492	1,071,178	78,742
- USD	22	-	-	-	-	-	-	-	-	8
Non derivative liabilities	5,318,618	618,135	354,510	614,904	715,052	275,170	66,911	293,043	384,530	-
B.1 Deposits										
- Banks	602,930	49,367	36,050	126,114	243,154	-	-	-	-	-
- EUR	602,703	48,857	36,050	126,114	243,059	-	-	-	-	-
- USD	22	-	-	-	-	-	-	-	-	-
- GBP	-	510	-	-	95	-	-	-	-	-
- CHF	165	-	-	-	-	-	-	-	-	-
- Other currencies	40	-	-	-	-	-	-	-	-	-
- Customers	4,708,457	50,140	34,411	206,742	20,636	15,734	17,705	3,190	-	-
- EUR	4,684,535	50,140	20,026	206,742	20,636	15,734	17,705	3,190	-	-
- USD	23,835	-	14,385	-	-	-	-	-	-	-
- GBP	87	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	13,537	-	-
B.3 Other liabilities	7,231	518,628	284,049	282,048	451,262	259,436	49,206	276,316	384,530	-
- EUR	7,231	518,628	284,049	282,048	451,262	259,436	49,206	276,316	384,530	-
Off balance sheet items	4,506	290,068	106,057	36,591	236,455	101	184	1,237	1,161	-
C.1 Financial derivatives with exchange of capital										
- Long positions	4,384	3,675	33,672	34,669	116,214	51	92	626	729	-
- EUR	4,162	3,482	-	33,414	83,879	51	92	595	729	-
- USD	-	162	33,200	625	32,335	-	-	15	-	-
- GBP	-	31	472	630	-	-	-	16	-	-
- CHF	152	-	-	-	-	-	-	-	-	-
- Other currencies	70	-	-	-	-	-	-	-	-	-
- Short positions	122	6,393	69,299	1,922	120,241	50	92	611	432	-
- EUR	-	6,163	35,000	767	32,276	50	92	580	432	-
- USD	-	195	629	-	87,965	-	-	15	-	-
- GBP	-	35	-	1,155	-	-	-	16	-	-
- CHF	1	-	33,670	-	-	-	-	-	-	-
- Other currencies	121	-	-	-	-	-	-	-	-	-
C.2 Deposits and financing to be received	-	280,000	-	-	-	-	-	-	-	-
- Long positions	-	140,000	-	-	-	-	-	-	-	-
- Short positions	-	140,000	-	-	-	-	-	-	-	-
C.3 Firm commitments to disburse funds	-	-	3,088	-	-	-	-	-	-	-
- Long positions	-	-	1,543	-	-	-	-	-	-	-
- Short positions	-	-	1,543	-	-	-	-	-	-	-

2. Analysis of financial liabilities by counterparty

€/'000	Governments & Central Banks	Government agencies	Financial companies	Insurance companies	Non Financial companies	Others
1. Due to customers	2,492	5,329	651,907	334,890	213,105	4,698,860
2. Securities issued	-	-	-	-	410	13,127
3. Financial liabilities held for trading	637,892	-	38,783	-	29,889	414
4. Financial liabilities at fair value	-	-	-	-	-	2,276
Total at Dec. 31, 2008	640,384	5,329	690,690	334,890	243,404	4,714,677
Total at Dec. 31, 2007	565,727	201,684	792,360	479,943	258,147	3,918,721

3. Geographical analysis of financial liabilities

€/'000	Italy	Other European Countries	America	Asia	Rest of the World
1. Due to customers	5,423,364	481,727	1,094	238	160
2. Due to banks	1,269,030	596,750	-	-	-
3. Securities issued	13,537	-	-	-	-
4. Financial liabilities held for trading	114,872	599,483	27,473	-	2
5. Financial liabilities at fair value	-	2,276	-	-	-
Total at Dec 31, 2008	6,820,803	1,680,236	28,567	238	162
Total at Dec 31, 2007	5,945,379	1,312,918	28,986	13	730

SECTION 4 – OPERATIONAL RISK

Qualitative information

Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
The Mediolanum Banking Group defines operational risk as "the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events".

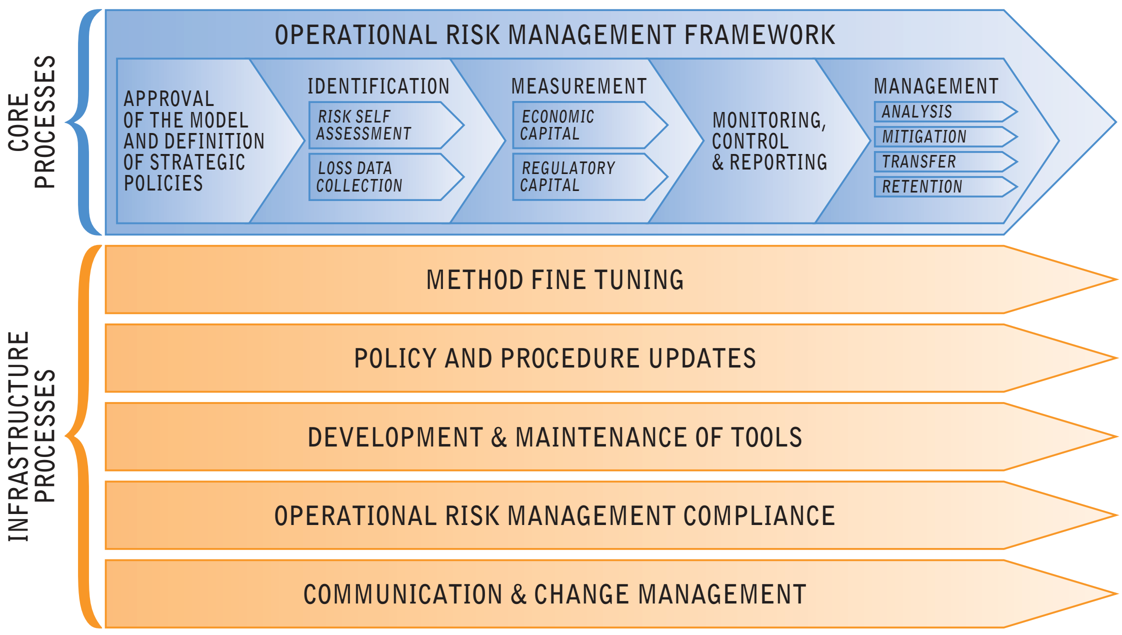
Therefore, the identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the various companies within the Group, in addition to the activities conducted by the Parent Company.
The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the company's administrative activities.

Beginning from 2006 the Risk Self Assessment exercise conducted in prior years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, inter alia, the introduction of a new qualitative measurement of exposure to operational risk of each organisational unit within the Group, i.e. an internal rating system.
The internal rating system has been fully operational since 2007, and throughout 2008 was applied to the most relevant Italian and foreign companies that are part of the Group.
The qualitative metrics differentiate between exposure to risk that is inherent in business management and exposure to risk that is anomalous or at critical levels.

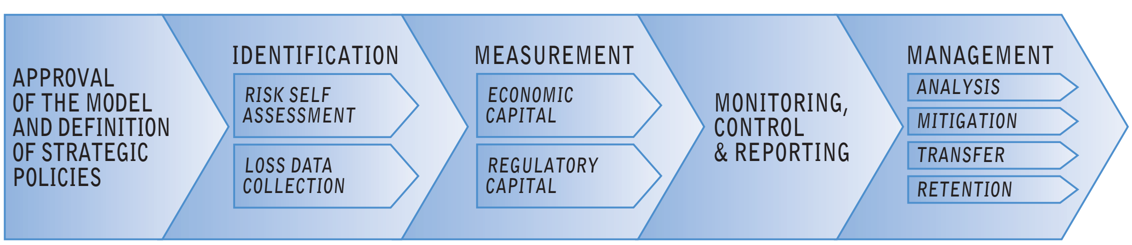
The system uses four ratings, which identify a different level of risk and related response, i.e.:

- **A, negligible risk**: minimum risk of operating loss;
- **B, moderate risk**: the risk of loss is not negligible; first red flag;
- **C, significant risk**: it indicates a critical condition; more in-depth analysis is recommended to assess the opportunity of mitigating actions;
- **D, untenable risk**: the situation is severe and mitigating actions need to be taken immediately.

Group Operational Risk Management is focused on the assessment of the adequacy of risk management and monitoring procedures applied by the individual entities within the Group, in accordance with statutory and regulatory requirements and deadlines, as well as on the assessment of the specific operational risk to which the Parent Company may be exposed. These activities are conducted under the operational risk management framework set out in the diagram below.



Each main element in the diagram above indicates a macro-process which is divided into one or more sub-processes. In turn, these sub-processes consist of a series of steps and actions. For the sake of completeness readers are referred to the specific separate documents for full details on said steps and actions.



"**Identification**" consists of the following:

- "Risk Self Assessment": ex-ante assessment of exposure to operational risk of an organisational unit or process based on subjective estimates and self-assessment models applied by the risk officer. One of the main outcomes of the Risk Self Assessment exercise is rating, which is the concise indication of the level of operational risk the organisational unit/process is exposed to;
- "Loss Data Collection": ex-post collection of internal data on actual losses including any information that is relevant to risk measurement and management (including both insurance and non-insurance recoveries). This exercise is conducted applying both an "account driven" approach and an "event driven" approach.

"**Measurement**" relates to the calculation of risk capital, specifically:

- Economic capital: internal risk measurement through a rating system that enables to steer and calibrate risk management and mitigation according to the potential economic impact and the current risk management framework. This exercise is based on the outcome of risk identification analyses and applies an actuarial statistical model developed with the assistance of a primary advisor;
- Regulatory capital: calculated in accordance with capital requirements indicated by supervisory authorities (Basel 2 for the Banking Group; ISVAP Circular 577/D, solvency margins and Solvency II for insurance businesses; changes in supplementary capital requirements for the Group).

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

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

"**Management**" is composed of the following:

- "Management analysis";
- "Risk mitigation";
- "Management of risk transfer techniques" (e.g. via insurance);
- "Risk Retention Management".

The Operational Risk Management framework is rounded off with the following **processes that cut across business lines**:

- "Policies & procedures";
- "Fine-tuning of methods";
- "Development and maintenance of tools and applications";
- "Operational Risk Management Compliance";
- "Internal Communication/Change Management".

Under the Operational Risk Management framework outlined above, in 2008 over 2,800 processes and about 270 organisational units within the Group were examined to assess their exposure to operational risk and the effectiveness of controls that are in place also in terms of related documentation.

Said work was conducted by the operational risk management unit of each consolidated entity also through the assistance of local officers of subsidiaries who are responsible for liaising with the correspondent unit of the Parent Company for guidance and control. In fulfilling said exercise, staff used an integrated database used across the Group for both operational risk management and assessment of statutory and regulatory compliance.
The activities carried out are subject to regular audit by an independent organisational structure.
The tests and analyses performed within the Mediolanum Group show the adequacy of the Group regulatory capital vis-à-vis operational risk, measured applying not only the standardised approach but also internal statistical analyses of processes and probability of adverse events.
As part of risk self assessment, the controls in place at Mediolanum Group companies are reviewed to assess their completeness and effectiveness also in relation to the tools used.
No material aspect emerged from controls carried out.
Over 2,260 checkpoints were identified. About 80% of checkpoints were judged to be adequate or required just to be better formalised.
Operational Risk Management activities were also focused on commencing and, in certain instances, conducting mitigation actions geared to enhance existing controls, improve their effectiveness or reduce exposure to potential sources of operational risk.

Legal Risk

The risk of non-compliance with statutory/regulatory requirements, such as the risk of legal penalties or fines, significant financial losses or reputational damage resulting from failed compliance with statutes, regulations, self-discipline or internal rules.
Legal risk cuts across the entire organisation and its effective management requires close collaboration with the Operational Risk Management unit, especially in relation to activities geared to improve corporate processes and mitigate the risk arising from procedures/processes that are not compliant with law provisions. The operational risk management framework includes the analysis of possible legal risk and the adoption of related mitigating actions.

Strategic Risk

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

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

Reputational risk

Reputational risk is considered to be a "second-tier" risk arising from the failure to properly manage other risks, e.g. operational risk or strategic risk, which may lead to reputational damage.
Reputational risk may arise from external events, negative news about the company, the behaviour of its employees or improper management of external communications.
The Mediolanum Group has in place processes geared to ensuring proper management of relationships with all stakeholders and continuously monitoring their satisfaction. These processes are reviewed annually and results are examined to develop actions and projects for improvement and ultimately ensure long-term sustainable growth. Information is set out also in the Group's Social Report.
Marketing staff monitors Mediolanum standing in terms of perception of the corporate image and brand and feeds from said monitoring activities are used to properly manage reputational risk.

PART F – INFORMATION ON CAPITAL

SECTION 1 – CAPITAL

A. Qualitative information

B. Quantitative information

€/'000	Amount
Share capital:	430,000
Capital reserves of which:	
Retained earnings of which:	
- legal reserve	19,462
- extraordinary reserve	115,523
- FTA reserve	(65,524)
- consolidation reserve	47,904
Other reserves of which:	
- other	-
- merger reserve	3,185
Valuation reserve	(26,616)
Net Profit for the year	26,419
Total	550,353

SECTION 2 – CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

In its Circular Letter No. 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular Letter incorporates the international capital requirements that were introduced following the adoption of the international accounting and financial reporting standards (IAS/IFRS).
To safeguard the quality of regulatory capital and reduce the potential volatility arising from the adoption of the international accounting and financial reporting standards, certain "prudential filters" (solvency filters) are applied to financial data.
Consolidated regulatory capital is made up of the regulatory capital of individual Group companies plus related items resulting from consolidation, specifically, core capital and supplementary capital include the share of the Group and the share of minority interests.

2.2 The regulatory capital of banks

A. Qualitative information

The capital base is the sum of core capital (Tier 1 capital), included in the calculation without restrictions, and supplementary capital (Tier 2), which cannot exceed the amount of Tier 1 capital, less any shareholdings, innovative or hybrid capital and subordinated assets held in other banks, financial and insurance companies.

1. TIER 1 Capital

Tier 1 capital includes paid up capital, reserves, net profit for the period after dividend distributed to companies that are not part of the Banking Group, and minority interests. Any intangible assets and goodwill are deducted from the items above.
Tier 1 prudential filters are the negative valuation reserves relating to debt securities classified as "available-for-sale financial assets".

2. TIER 2 Capital

Tier 2 capital includes positive valuation reserves after any doubtful loans for loans exposed to country risk. The Mediolanum Banking Group does not have any subordinated instruments included in the calculation of regulatory capital.
Tier 2 prudential filters are equal to 50% of the positive valuation reserve (after tax) relating to equities and holdings in UCITS classified as "available-for-sale financial assets".

3. TIER 3 Capital

At December 31, 2008 the Banca Mediolanum Banking Group's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2008	Dec. 31, 2007
A. Tier 1 before solvency filters	342,363	308,486
B. Tier 1 solvency filters	(26,614)	(1,959)
B.1 Positive IAS/IFRS solvency filters	-	-
B.2 Negative IAS/IFRS solvency filters	(26,614)	(1,959)
C. Tier 1 after solvency filters (A+B)	315,749	306,527
D. Deductions from tier 1	-	-
E. Total TIER 1 (C+D)	315,749	306,527
F. Tier 2 before solvency filters	-	17
G. Tier 2 solvency filters	-	(8)
G.1 Positive IAS/IFRS solvency filters	-	-
G.2 Negative IAS/IFRS solvency filters	-	(8)
H. Tier 2 after solvency filters (F+G)	-	9
I. Deductions from tier 2	-	-
L. Total TIER 2 (H+I)	-	9
M. Deductions from tier 1 and tier 2	-	-
N. Total capital (E+L+M)	315,749	306,536
O. TIER 3	-	-
P. Total capital + TIER 3 (N+O)	315,749	306,536

2.3 Capital adequacy

A. Qualitative Information

At December 31, 2008, Mediolanum Banking Group's Tier 1 capital ratio was 9% and Total capital ratio was 9%, above the minimum requirement of 8%.

B. Quantitative Information

€/'000	Not weighted Dec. 31, 2008	Not weighted Dec. 31, 2007	Weighted/requirements Dec. 31, 2008	Weighted/requirements Dec. 31, 2007
A. Risk assets				
A.1 Credit risk & counterparty risk	10,023,446	5,538,895	2,423,958	2,281,167
1. Standardised approach	10,023,446	5,538,895	2,423,958	2,281,167
2. Internal ratings based approach	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk & counterparty risk	-	-	193,917	182,493
B.2 Market risk	-	-	27,606	57,514
1. Standardised approach	-	-	27,606	57,514
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	61,576	-
1. Foundation approach	-	-	3,675	-
2. Standardised approach	-	-	57,901	-
3. Advanced approach	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Total prudential requirements	-	-	280,751	240,007
C. Risk assets and capital ratios				
C.1 Risk weighted assets (RWA)*			3,509,383	3,000,092
C.2 Tier 1 (core) capital/RWA (Tier 1 capital ratio)			9.00%	10.22%
C.3 Regulatory capital /RWA (Total capital ratio)			9.00%	10.22%

(*) Total prudential requirements multiplied by the reciprocal of the mandatory minimum coefficient for credit risk (6%)
(8% reduced by 25% for banks that are part of banking groups with consolidated regulatory capital above total capital requirement) at December 31, 2008 and 7% at December 31, 2007

PART G – BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2008 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

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

PART H – RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/General Managers	Other key managers
Emoluments & social security contributions	2,943	1,139
Other pension benefits and insurance	-	-
Non-cash benefits	-	31
Other post-employment benefits	-	-
Share-based awards (stock options)	120	237

2. Information on related party transactions

Balance Sheet

€/'000	Parent Company	Other related parties
Loans to customers	-	15,745
Due to customers	-	34,190
Due to banks	106,958	282,497
Guarantees issued	-	239

Income Statement

€/'000	Parent Company	Other related parties
Commission income/expenses	-	85,386
Interest income/expenses	(1,814)	(20,931)
Recoveries of expenses for centrally provided services	932	8,073
Key personnel	(940)	2,553
Other income	-	510
Services provided and other costs	(73)	(26,116)

PART I – EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

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

At the Extraordinary General Meeting held on April 12, 2001, the shareholders of Mediolanum S.p.A. resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 7,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which could be implemented on multiple occasions and in different years.
The exercise price of the stock options granted to employees would be the arithmetic mean of the MEDIOLANUM S.p.A. share prices in the 30 days preceding the date on which the Board of Directors resolves to implement the stock option plan.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.
The stock options granted to directors and contract workers would be exercisable upon the condition that the closing price of Mediolanum ordinary shares on the Exercise Date was not lower than the closing price of Mediolanum S.p.A. on the Grant Date. If that condition was met, the exercise price would be equal to the MEDIOLANUM S.p.A. equity value per share as reported in the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the thirty six calendar months after the Vesting Date.

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

The stock options granted to directors and contract workers would be exercisable upon the expiration of a vesting period of two years for Directors and of three years for Contract Workers, at a share price equal to weighted average of (i) the company's equity value per share as reported in the last financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six months preceding the Grant Date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period, respectively. The exercise of the Options granted to Directors and Contract Workers was subject to the satisfaction of at least one of the following conditions:

(i) that on the Vesting Date the closing price of Mediolanum S.p.A. ordinary shares be not lower than the closing price of Mediolanum S.p.A. ordinary shares on the Grant date; or

(ii) that the change in the closing price of Mediolanum S.p.A. ordinary shares in the period between the Grant Date and the Vesting Date (the "Vesting Period") be not lower than the arithmetic mean of the changes recorded in the Vesting Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the "Indices"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Vesting Period; the adjusted mean change in the Indices would be calculated by an independent third party appointed for that purpose by the Board of Directors of the Company; or

(iii) that the Embedded Value of the Mediolanum Group, as calculated by an independent third-party appointed for that purpose by the Board of Directors of the Company and reported in the last financial statements approved prior to the Vesting Date, be at least equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.

The exercise of the Options – subject to the satisfaction of Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers were allowed only upon the expiration of two years for Directors and of three years for Contract Workers from the Grant Date (Vesting Period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the sixty calendar months subsequent to the Vesting Date.

In addition, on May 13, 2008, the Mediolanum S.p.A Board of Directors resolved to increase share capital pursuant to art. 2443 of the Italian Civil Code to service the stock option plans for employees, contract workers and directors.

By the Board of Directors resolution above:

- 650,000 rights were granted to employees of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2011 up until the fifth trading day of May 2012 at a price of €3.909;
- 722,000 rights were granted to directors of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2010 up until the fifth trading day of May 2015 at a price of €1.067;
- 1,026,612 rights were granted to contract workers of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2011 up until the fifth trading day of May 2016 at a price of €1.067.

For the year 2008, the expenses connected with stock option plans amounted to €1,841.8 thousand (versus €1,688.2 at December 31, 2007).

2. Fair value measurement of stock options

Stock options granted to employees

Since these stock options are exercisable in the months after the expiration of the vesting period they are treated like American-style Options and priced using the Cox-Rubinstein & Ross model (CRR).
Under that model a two-step approach is used. In the first step a binomial tree is built. The tree represents all the possible paths that the share price could take. At the end of the tree (i.e. at expiration of the option) all the option prices for each of the final possible share prices are known. Then, working back from expiration, the option prices are calculated at each node of the tree to assess the option value in case of early exercise.
In the case under review, the stock option is an American-style Option only for the period between the vesting date and the expiration date, therefore the probability of early exercise was estimated only over that period. In the vesting period the option price was weighted and discounted at the risk-free rate.

Stock options granted to directors and contract workers

These stock options are exercisable after the expiration of the vesting period and subject to the satisfaction of the vesting conditions.
These options were priced by building a tree that represents all the possible paths that the share price could take from the grant date to the expiration date of the option. The value of the derivative at expiration is calculated regardless of whether the vesting condition are met or not. Next the option prices are calculated at each node of the tree to assess the option value in case of early exercise and vesting conditions. In the period between the grant date and the vesting date (vesting period) the option was priced treating it like an European-style Option.

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2008 , 161,180 stock options granted in 2004-2006 were exercised for a total of 161,180 shares.
The year's movements in option holdings are set out in the table below.
The table below shows movements in option holdings in the year as per Bank of Italy's Circular Letter 262/2005.

	Dec. 31, 2008			Dec. 31, 2007		
€/'000	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
A. Opening balance	4,007,454	3.80333	Nov-2012	3,263,916	4.46416	June-2011
B. Increases	1,829,172	-	-	1,616,551	-	-
B.1 New issues	1,685,612	0.82679	Jan-15	1,616,551	3.21886	Sept-2013
B.2 Other	143,560	1.26670	x	-	-	x
C. Decreases	(336,340)	-	-	(873,013)	-	-
C.1 Cancelled	(126,500)	5.53945	x	(40,000)	5.75905	x
C.2 Exercised (*)	(158,780)	1.17892	x	(328,013)	1.86962	x
C.3 Lapsed	(6,060)	0.53900	x	(505,000)	7.33700	x
C.4 Other	(45,000)	5.36800	x	-	-	x
D. Closing balance	5,500,286	3.195326	Aug-13	4,007,454	3.80333	Nov-2012
E. Options exercisable at year end	1,540,963	5.44849	x	1,103,403	4.95246	x

(*) Average unit market price at exercise date is €3.52

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €2,319 thousand and entailed a corresponding increase in the Group's equity reserves.

Basiglio, March 23, 2009

For the Board of Directors
The Chairman
Ennio Doris

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors on the Consolidated Financial Statements for the year ended December 31, 2008

Dear Shareholder,

In addition to the separate financial statements for the year ended December 31, 2008, also the consolidated financial statements of the Mediolanum Banking Group for the year ended December 31, 2008 are presented to you for approval.
The consolidated financial statements include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with art. 64 of the Consolidated Banking Act.

Basis of preparation

The financial statements were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular Letter No. 262 of December 22, 2005 pursuant to Legislative Decree No. 38 of February 28, 2005.

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.

The consolidated financial statements show net profit attributable to the Banking Group of €26,419 thousand and minority interests of €26,367 thousand.

Scope and methods of consolidation

The consolidated financial statements include the accounts of the parent company Banca Mediolanum and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the parent company.

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

Audit of the accounts, the notes and the Directors' Report

Reconta Ernst & Young S.p.A are the independent auditors responsible for auditing the Banca Mediolanum S.p.A consolidated financial statements for the year ended December 31, 2008. Upon completion of their audit work, the independent auditors will issue their report. On the basis of the information obtained during meetings and talks with the independent auditors, we have reasons to believe the auditors' report will not contain any remarks.

On the basis of the results of our work and in consideration of the foregoing, we express our favourable opinion on the approval of the financial statements and schedules attached thereto.

Milan, April 3, 2009

THE BOARD OF STATUTORY AUDITORS
Arnaldo Mauri, Chairman
Adriano Alberto Angeli, Standing Auditor
Marco Giuliani, Standing Auditor

Independent Auditors' Report

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Independent auditors' report
Pursuant to Articles 156 and 165 of Legislative decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholder of
Banca Mediolanum S.p.A.

1. We have audited the consolidated financial statements of Banca Mediolanum S.p.A. and its subsidiaries (the "Banca Mediolanum Group") as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree No. 38/2005 is the responsibility of the Banca Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2008.

3. In our opinion, the consolidated financial statements of the Banca Mediolanum Group as of December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the Banca Mediolanum Group for the year then ended.

Reconta Ernst & Young S.p.A.
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4. The management of Banca Mediolanum S.p.A. is responsible for the preparation of the Directors' Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree No. 58/1998. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Directors' Report is consistent with the consolidated financial statements of the Banca Mediolanum Group as of December 31, 2008.

Milan, Italy, April 3, 2009

Reconta Ernst & Young S.p.A.
signed by: Daniele Zamboni, partner