BANCA
MEDIOLANUM S.p.A.

ANNUAL REPORT 2009

BANCA MEDIOLANUM
MEDIOLANUM BANKING GROUP

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

ANNUAL REPORT 2009

Registered office: Meucci Building Via F. Sforza – Basiglio – Milano Tre (Milan)
Share Capital: €450,000,000.00 fully paid up
Tax Registration and Milan Register of Companies No. 02124090164
VAT Registration No. 10698820155

BANCA MEDIOLANUM
MEDIOLANUM BANKING GROUP

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
Giovanni Pirovano	Director and Deputy General Manager
Luigi Del Fabbro	Director
Paolo Gualtieri	Director
Bruno Bianchi	Director
Maurizio Carfagna	Director
Angelo Renoldi	Director
Paolo Sciumè	Director
Carlos Javier Tusquets Trias de Bes	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
Damiano Zazzeron	Alternate Auditor

Board secretary

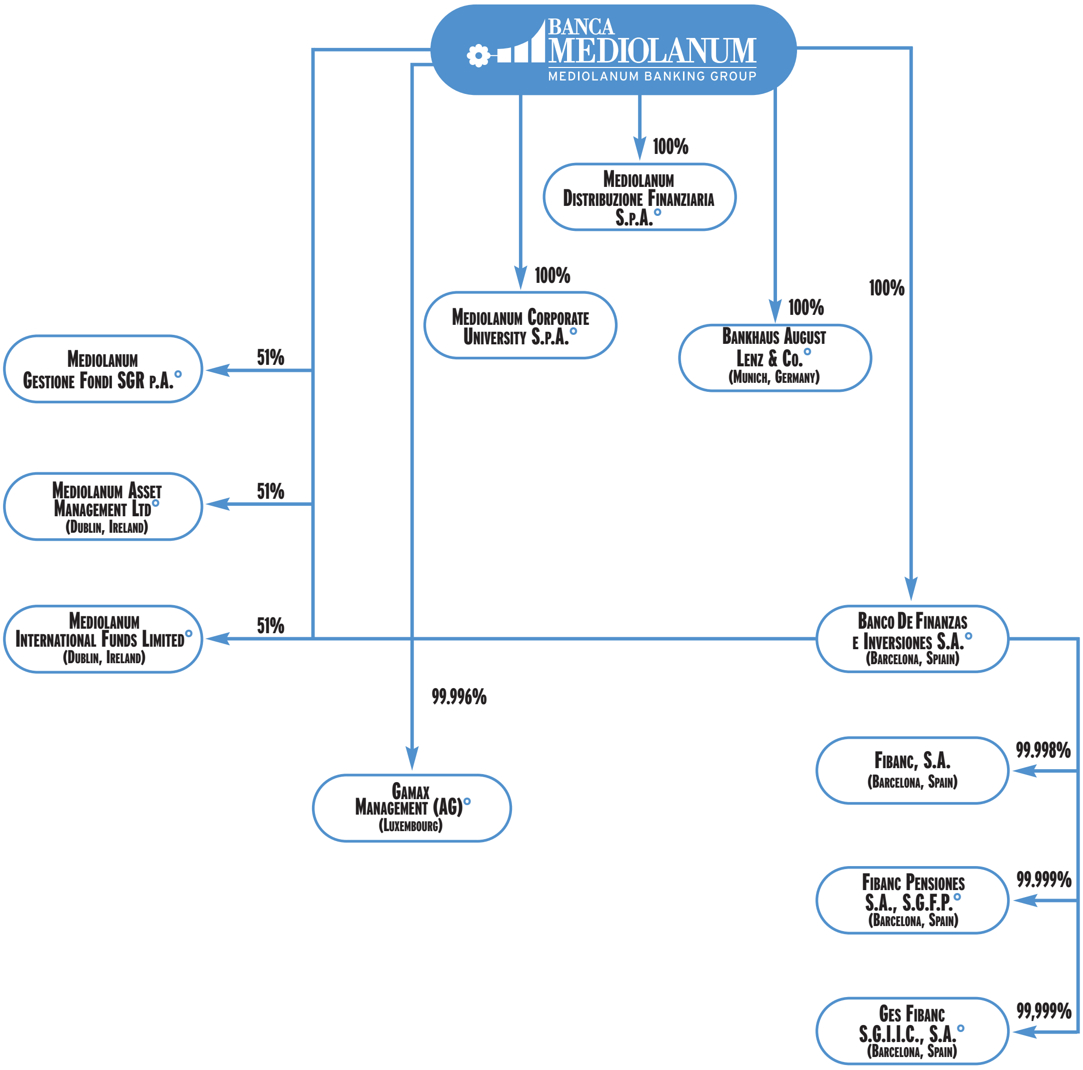
Luca Maria Rovere

Independent auditors

Reconta Ernst & Young S.p.A.

Group structure

As at December 31, 2009



° Mediolanum Banking Group

Financial highlights

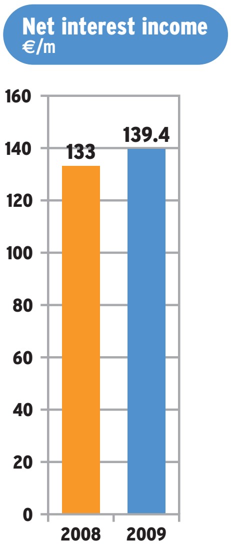
€/m	Dec. 31, 2009	Dec. 31, 2008	Change %
Assets under management & administration	32,938.6	23,941.1	+38%
Gross Inflows	9,327.6	6,505.2	+43%
Net inflows	5,795.2	2,610.2	+122%
Total Assets	8,392.2	9,184.9	-9%
Loans to customers (lending)	3,065.8	3,187.9	-4%
Amounts due to customers/Securities issued (funding)	6,058.5	5,720.0	+6%
Profit before tax	0.4	24.2	-98%
Tax	18.6	8.7	114%
Net Profit	19.0	32.9	-42%
Number			
Licensed Financial Advisors	4,945	5,077	-3%
Non Licensed Financial Advisors	358	774	-54%
Employees	1,560	1,489	+5%
Bank accounts	581,722	565,476	+3%

Separate Annual Financial Statements 2009

Directors' Report

Dear Shareholder,

For the year ended December 31, 2009, Your Bank reported net profit of €19,021 thousand (after €18,660 thousand tax) versus €32,927 thousand at December 31, 2008 (after €8,687 thousand tax).
In the year 2009, net financial income grew remarkably (€28.8 million). Conversely, net commission income declined (- €20.2 million) due to greater commissions paid out to the sales network on the net inflows they brought in, and to the write-downs (- €26.5 million) especially for impairment of hedge funds classified as 'Available-for-sale financial assets' (- €20.4 million).
Dividends from subsidiaries increased (€20.4 million), and administrative expenses increased too (€17.4 million).
In 2009, gross inflows into mutual funds and managed accounts totalled €3,197.5 million versus €2,203.2 million in 2008, while gross inflows into insurance and pension products amounted to €6,877.4 million versus €2,666.6 million in 2008.
At year end 2009, your Bank had over one million customers.
At December 31, 2009, total balance sheet assets were down 8.6% to €8,392 million from €9,185 million in the prior year.
Inflows of customer assets into bank accounts, repurchase agreements and bonds grew to €6,058 million from €5,720 million at the end of the prior year. Loans to customers amounted to €3,066 million, down 3.8% from €3,188 million in the prior year.



Net interest income increased 4.8% to €139.4 million from €133 million at year end 2008. Adding trading profits, gains on hedging transactions and gains from the sale of available-for-sale financial assets that, in the aggregate, amounted to €30.5 million, net financial income came in at €169.8 million growing 20.3% from €141.0 million in the prior year.
Total income for the year increased 10.2% from €285.6 million in 2008 to €314.6 million.
Operating expenses were up 10.6% to €270.9 million from €245.1 million at year end 2008, owing to greater advertising spending (€5.6 million), the sizeable growth in the banking business and the ensuing further adjustments in organisational and operational structures. Staff costs increased from €84.0 million in 2008 to €91.6 million at the end of the year under review, and the Bank's headcount grew to 1,560 employees from 1,489 at the end of the prior year.

MEDIOLANUM BANKING GROUP

At December 31, 2009, the organisational structure of the Mediolanum Banking Group, of which your Bank is the Parent Company, was essentially unchanged over the prior year except for Mediolanum International S.A. (Luxembourg) whose liquidation was completed on December 21, 2009. As a result of the liquidation, Gamax Management AG (Luxembourg) is now directly controlled by Banca Mediolanum.
In addition, effective on July 24, 2009, Fibanc S.A., a direct subsidiary of Banco de Finanzas e Inversiones S.A., became part of the Mediolanum Banking Group.

The macroeconomic environment

In the year 2009 the economy went through the final phase of a deep, protracted recession and eventually turned around. The fiscal and monetary policy actions put in place by governments and central banks were key to ensure gradual improvements in the world economies. The continuation of these measures in the coming months will be crucial to shore-up growth and make it sustainable over time.
In the US, GDP growth of 2.2% in the third quarter and 5.9% in the fourth quarter (annualised, quarterly measurement) confirmed the end of the recession that had marked the previous four consecutive quarters (Q2 2009: down 0.7%; Q1 2009: down 6.4%; Q4 2008: down 5.4%; Q3 2008: down 2.7%).
In the Euro zone, too, the economy reversed trend in the third quarter 2009 (up 0.4% in the quarter, non-annualised) after five consecutive quarters of negative growth (Q2 2009: down 0.1%; Q1 2009: down 2.5%; Q4 2008: down 1.9%; Q3 2008: down 0.4%; Q2 2008: down 0.3%). Specifically, GDP growth was 0.6% in Italy, 0.7% in Germany and 0.3% in France.
Japan, too, benefitted from the improved economic climate in 2009, while the UK recorded the sixth consecutive quarter of negative growth at the end of September and only marginal growth (0.1%) in the last quarter of 2009.
Unlike developed economies, emerging markets displayed faster growth and many of them reported no slowdown at all.
In the second half of 2009, industrial production and business sentiment showed signs of gradual progress, both in the US and in Europe.
However, there are still uncertainties surrounding employment and consumer spending. In the US, unemployment hit 10% and consumer sentiment improved only slightly. In the Euro zone, too, unemployment reached 10% and consumer surveys reveal persisting concerns about the economy.
The US housing market, whose collapse had been one of the causes of the financial crisis, showed signs of stabilisation in the second half of the year.
The uncertainties surrounding the sustainability of growth, rising unemployment and limited use of plant capacity contributed to dampen inflationary pressures. In December, the CPI rose 0.9% in the Euro zone and 2.7% in the US, on an annual basis. Excluding food and energy, the CPI grew 1.1% and 1.8%, respectively.
Subdued inflation enabled the European Central Bank to cut the main refinancing rate from 2.5% to 1% while the Federal Reserve kept rates on hold at 0-0.25%.

Financial markets

The recently ended year recorded very good overall performance both in the equity and the bond markets. The world's major governments and central banks managed to cushion the impact of the financial crisis on the economy via historic interest rate cuts, significant liquidity injections, quantitative easing measures, the recapitalisation of the banking system and the adoption of stimulus packages. Central Banks promptly understood the risk posed to price stability by the expansionary monetary policy would soon be offset by the deflationary effects generated by shrinking global demand.

In January and February 2009, financial markets were characterised by increased risk aversion and high volatility, while in the following months the upturn of stock indices discounted the economic recovery eventually reflected in third quarter data. As risk appetite increased, volatility declined.

In the year 2009, global stock markets progressed around 24% (MS World in euro). In the US, the S&P500 soared 23.5% and the NASDAQ Composite 43.9%. In Europe, stock market growth averaged 28% (DJ Stoxx 600). In Italy, the FTSE MIB was up 19.5%, in Germany, the DAX rose 23.9% and in France, the CAC increased 22.3%. In Japan, the Nikkei 225 gained over 19%, while emerging economies posted an average stock market growth in local currencies of over 58% (MSCI EM Local Index). Stock market growth was driven by financials and economically sensitive stocks (industrials, technologies, commodities).

In 2009, the ECB easing monetary stance entailed lower yields on shorter maturities, while fears of a future resurgence in inflation drove up yields on longer maturities. Specifically, in the Euro zone yields on 2-year and 10-year treasuries were 1.33% and 3.39% at year end 2009 versus 1.76% and 2.95% at December 31, 2008, respectively, with subsequent steepening of the yield curve. In the US, treasuries yields increased across all main maturities: specifically, yields on 2-year and 10-year treasuries rose from 0.7643% and 2.2123% at the start of the year to 1.1354% and 3.8368% at year end 2009, respectively.

The progressive improvement in the economic environment and the increased risk appetite contributed to narrow the yield spread between Italian and German treasuries and more generally between lower-rated corporate or sovereign debt and higher-rated treasuries. The ITRAXX Europe Crossover Index (Bloomberg ID ITRXEXE) declined from 1,027.5 at the start of the year to 431.8 at December 31, 2009, and the ITRAXX Europe Investment Grade Index (Bloomberg ID ITRXEBE) dropped from 177 at the beginning of the year to 73.5 at December 31, 2009.

Bond issues in the primary market were generally well subscribed.

The refinancing rate cuts made by central bankers and the guarantees provided by governments to support interbank lending and the entire financial system brought about steady declines in interbank rates. 3-month EURIBOR declined from 2.892% at the beginning of the year to 0.7% at year end 2009, while the 3-month US LIBOR dropped from 1.425% at the start of the year to 0.25063% at December 31, 2009.

In 2009, the foreign exchange value of the US dollar against the euro moved from 1.3971 at the beginning of the year to 1.4321 at year end. The performance of the US dollar appeared to be strongly correlated to stock markets and commodity prices. As stock markets bottomed in March the dollar hit its high at 1.2457, then, as stock markets recovered, it weakened to 1.5144. Only in December, when the markets substantially moved sideways, that correlation ceased to play out and the dollar strengthened up to 1.4321.

The sterling depreciated against the Euro from 0.95483 at the start of the year to 0.88689 at December 31, 2009, in a context of high volatility and notable weakness of the British economy.

The yen strengthen from 126.7 at the beginning of the year to 133.20 at year end 2009.

Reflecting the improved global economic landscape, main commodity prices were on the rise. In 2009 oil prices grew more than 70% from $45.6 per barrel at year end 2008 to $77.93 at year end 2009.

Funding, lending and securities portfolio

At year end 2009, the financial assets of households amounted to about €3,500 billion, up 3% year on year. Specifically: bank accounts and deposits grew 4% accounting for 30.6% of total financial assets of households; holdings in life insurance, pension funds and severance funds increased 4.8%, with a weight of 16.7%; holdings in equities rose 6.7% accounting for 21.9% of total financial assets of households. Conversely, holdings in corporate bonds and treasuries were down 1% (with a weight of 21.4%) and in mutual funds down 3.6% (accounting for only 5.2% of total financial assets of households).

In 2009, in Italy, bank funding remained buoyant. At year end, funding (bank accounts, fixed-term and other time deposits, repurchase agreements and bonds) amounted to €1,982 billion, up 9.3% (vs. 12.4% in December 2008). The analysis of the various components shows customer deposits (€1,171 billion) grew 8% and bank bonds (€811 billion) rose 11.2% on an annual basis. The analysis of deposits shows growth in bank accounts (11.7%), fixed-term (36.2%) and other time deposits (8.2%) while repurchase agreements declined (down 23.9%).
In the period under review, interest rates on deposits fell sharply from 1.99% at year end 2008 to 0.68% at year end 2009.

In 2009, bank loans shrank reflecting the dramatic deceleration of Italy's growth in the current cycle. At year end, loans to companies and individuals domiciled in Italy grew 1.7% (4.9% at year end 2008). At the end of December 2009, loans to companies and individuals amounted to €1,552.2 billion. Specifically, loans to households and non-financial firms amounted to €1,345.2 billion, up 0.5% (4.7% at year end 2008). Maturity analysis shows that medium/long-term loans grew 4%, while short-term loans declined 7.5%.
In 2009, residential loans had a marked acceleration posting 6.1% growth at year end versus 0.5% at year end 2008. Consumer credit accelerated too, especially in the final part of the year, posting about 5% growth versus 3.9% at year end 2008.
The average weighted rate on total loans declined from 6.09% at year end 2008 to 3.76% at December 31, 2009.

At year end 2009 gross non-performing loans amounted to €59 billion, up €17.7 billion (42.8%) over 2008. The ratio of gross non-performing loans to total loans was 3.28% versus 2.35% at year end 2008. Net non-performing loans amounted to €35.9 billion at the end of December 2009. The ratio of net non-performing loans to total loans was 2.02% (vs. 1.24% at December 2008), while the ratio of net non-performing loans to regulatory capital was 11.23% at December 2009 (vs. 7.84% at year end 2008).

At year end 2009, securities in custody with Italian banks (either actively managed or held by customers) amounted to €1,546 billion and consisted of treasuries (about 36%), other debt securities (29.3%), equities (18%) and holdings in UCITS (16.4%). About 45% was held directly by consumer households.

At December 2009, the securities portfolio of Italian banks had grown significantly to €439 billion from €339 billion at year 2008, an increase of some €100 billion (up 29.4%).

REVIEW OF OPERATIONS

The Group's performance was affected in the first quarter when the financial crisis hit its peak, but as the crisis subsided and global equity and bond markets recovered, the Group's business was buoyant for the rest of the year 2009.
The key highlight of the recently ended year was the enormous success in terms of net inflows of the new bank account '*Mediolanum Freedom*' launched last March.
This product combines all traditional bank account features with the opportunity to earn high interest on any account balances above a set threshold. This opportunity can be seized by signing to a service called '*Mediolanum Freedom Plus*' whereby any balances in excess of the threshold are invested in the new Mediolanum Vita policy '*Mediolanum Plus*'.
'*Mediolanum Plus*' is a 1-year endowment life insurance policy which is tacitly renewed year after year and invests in the segregated fund '*Mediolanum Freedom Fund*' with revaluation according to the return established under that policy. With the '*Mediolanum Freedom Plus*' service, any bank account balances in excess of the preset threshold are automatically invested in the policy described above, while anytime the bank account balance goes below the threshold, predetermined amounts are automatically surrendered.
The net interest paid to customers on that policy was 3% for the first two quarters, then reduced to 2.50% in the last quarter of 2009.
This new bank account was extremely well received by customers. At the end of December 2009, inflows hit about €5,823.7 million, of which €4,570.8 million into the new Mediolanum Plus policy.

Another positive note relates to the inflows resulting from the commercial initiatives put in place in connection with the 'third tax shield' (tax amnesty). Funds held with our bank as a result of the tax amnesty amounted to €713 million, of which €709 million repatriated funds – in part completed in early 2010 – and another 4 million funds under the disclosure program.

Customers

At year end 2009, the number of customers – either bank account holders or investors in financial/insurance products sold by Banca Mediolanum – grew from 1,084,740 at year end 2008 to 1,097,795. 921,332 of these customers were primary account holders.
At December 31, 2009, the number of bank accounts grew 3% from 565,476 at year end 2008 to 581,722, corresponding to 816,780 account holders. The number of credit cards increased to 167,475, and the number of debit cards to 412,133.
At year end 2009, bank account holders accounted for 74.4% of total bank customers, a percentage which confirms customer satisfaction with the quality, breadth and depth of the banking product offering.
Considering the challenging macroeconomic environment in 2009, these achievements are even more notable and were made possible largely thanks to the new Freedom bank account.
Freedom delivered excellent results in terms of new customer assets coming in: the new Freedom account holders, amounting to 30,079, brought in about €2,451 million, i.e. €81,492 each, an amount which is almost double the average assets of Group customers and more than 8 times higher than the average deposits made by customers upon opening an account before the launch of Freedom.

Asset under Management and Administration

In spite of the market turbulence, inflows through Banca Mediolanum continued to grow. In 2009, net inflows amounted to about €5.8 billion jumping 122% over the already notable figure reported in the prior year.
Specifically, net inflows into managed assets climbed 101% from €990.7 million in the prior year to the outstanding figure of €1,992.6. 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 2.8% over the prior year. This represents a significant indicator of Mediolanum Banking Group's value growth and its ability to generate future value.
According to statistics published by Assoreti, in 2009, the industry reported total net inflows (assets under management + assets under administration) of €17,844 million and the contribution of Banca Mediolanum to that result was €5,870 million net inflows.
It should also be noted that, in 2009, Banca Mediolanum posted €1,971 million net inflows into mutual funds versus net outflows of €2,960 million recorded by the domestic asset management industry (source: Assogestioni).

Funding

In 2009, bank funding (bank accounts, repurchase agreements and bonds) remained buoyant. The analysis of the various components shows inflows into bank accounts and repurchase agreements amounted to €5,879.1 million at year end 2009, up 3.0% from €5,706.5 million in the prior year. Senior and subordinated notes issued by Banca Mediolanum amounted to €179.4 million versus €13.5 million in the prior year.

Beginning from the second half of 2009, under the Mediolanum Plus programme, the Bank regularly engaged in placements of bonds either issued by Banca Mediolanum, for total of €175 million of which €168.9 million with subordination clause, or third-party issuers for a total of €45.2 million.

Lending

At December 31, 2009, loans to customers – private individuals and financial institutions other than banks – amounted to €3,144.8 million, remaining essentially in line with the prior year's balance of €3,284.8 million.
The analysis of lending shows different trends. Specifically, in 2009, there was notable growth in retail lending owing to the marked increase in residential loans (up 64.2% over the prior year) and in personal loans (up 79.7%). Conversely, in the institutional segment there was a contraction, in particular in hot money transactions and syndicated loans.

At December 31, 2009, residential mortgage loans grew 64.2% to €1,991.9 million from €1.213.2 million in the prior year. This was mostly in connection with the successful commercial campaign launched in the second half of 2008 that had positive effects throughout the first half of 2009.
Please note that your Bank has no subprime mortgage loans in its portfolio and, once again in 2009, adopted a disciplined approach to lending thus not entering into any transactions carrying a high level of credit risk. Specifically, your Bank can count on key risk mitigation factors in its lending operations, namely: average LTV (Loan to Value) below 56%, average size of loans below €120 thousand, residual maturity just above 20 years and

customer base/properties largely in cities of northern/central Italy that have been less affected by the decline in housing prices.

The total balance on customer bank accounts grew 12.8% to €347 million from €307.8 million in the prior year.

Personal loans rose 79.7% over the prior year to €115.9 million at year end 2009.
These were small-sized, short-maturity loans with credit risk further mitigated by the authorisation given us by customers to sell the products they hold with the Mediolanum Group, if necessary.
Your Bank participated in lending syndicates granting 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. In the aggregate, these loans amounted to €458.4 million versus €957.9 million in 2008. The year-on-year decline was in connection with the different asset allocation policy adopted by the Bank's Treasury that preferred other forms of short-term lending at particularly advantageous conditions to carefully selected prime borrowers, largely financial companies supervised by the Bank of Italy and controlled by primary banks.

As to the quality of the loan portfolio, at year end 2009, the ratio of net impaired loans (after write-downs) to total customer loans remained low (1.12%) although higher than in the prior year (0.79%).
There were a number of reasons and trends underlying developments in (retail/institutional) lending. The most significant were:

1. recent regulatory changes requiring the classification of payments that are more than 270 days past due/overdrawn as 'watch list' which entailed the partial 'emptying' of the over 180 days past due category;
2. decline in loans to Institutional Customers;
3. consolidation of early collection procedures for positions that have been overdrawn or past due for a longer period of time, especially in relation to customers to whom no overdraft facility has been granted;
4. the aging of portfolios that are closer to peak riskiness for mortgage loans (3-5 years) and loans (18-24 months);
5. impact of the financial crisis in terms of deterioration of borrowers ability to meet their payment obligations.

It should be noted, however, that the ratio of nonperforming and watch list loans (gross or net of write-downs) to total loans extended by the Bank was at excellent levels if compared with developments in Italy's banking industry. Specifically, the comparison of the gross nonperforming loans to total loans ratios on a consistent basis – i.e. eliminating the effect of the differences in internal accounting policies adopted by the individual financial institution – shows that at December 31, 2009, the ratio for Banca Mediolanum was just above 0.5% versus 3.28% for the industry (source ABI - Italian Bankers Association: Monthly Outlook, February 2010). The gap is even wider for residential mortgage loans that account for over 60% of total loans extended by Banca Mediolanum: for payments that have been overdrawn/past due for 90 days or more, including watch list and nonperforming loans, at December 31, 2009 the ratio was 0.95% for Banca Mediolanum versus 4.64% for the industry (source Assofin: "Osservatorio Assofin sul credito Immobiliare erogato alle famiglie consumatrici – Rilevazione sulla rischiosità 9 mesi 2009 – Assofin Analysis of Residential Mortgage Loans – Measurement of Risk over 9 months in 2009").

Securities brokerage

In 2009, volatility was extreme owing to the deepening of the financial crisis in the first months of the year and the market upturn thereafter. The measures taken by the world's major central banks that brought interest rates to their lowest level in 50 years led investors to prefer equities over bonds and repurchase agreements.
At year end 2009, bonds held by customers were down 8.8% to €997 million from €1,094 million in the prior year. The decline was largely due to customers not renewing their investments in treasuries upon maturity due to the low interest rate paid on these instruments. The stock of government treasuries declined from €602 million at year end 2008 to €345 million at year end 2009, eurobonds and bonds issued by Italian banks remained stable.

In 2009, total trading orders executed for retail clients on the Italian regulated stock market grew 10% from 486,824 in 2008 to 534,282 thanks to the recovery of financial markets in 2009. The total value of securities brokered on the Italian stock market amounted to €6,490 million versus €9,662 million in 2008. The 33% decline was in connection with the drop in volumes brokered via SuperPowerMyTrade, the trading system for professional investors that was discontinued at year end 2009. Instead, volumes brokered on behalf of retail customers climbed 60%.
Total orders executed for retail clients on foreign stock markets rose 44% to 33,540 from 23,268 in the prior year. The total value of securities brokered on foreign stock markets was €195.8 million, down 16% from €234.2 million in the prior year, again in connection with the gradual phasing out of the trading system SuperPowerMyTrade.

At year end 2009, the total value of securities held by retail customers remained essentially unchanged over the prior year at €1,567 million versus €1,586 million at year end 2008. Analysis shows that equity holdings increased while treasuries declined.

At December 31, 2009, discretionary accounts invested in mutual funds – no longer sold since the end of 2007 – amounted to €86 million versus €88 million in the prior year.

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

The use of Direct Channels by customers hit over 24 million accesses in 2009, up 8.3% over 2008. 69% of these accesses were made by bank account holders, up 2.1% 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 operate on their own, in fact 91% of accesses were made through the Bank's automatic systems: the Internet and the voice portal B.Med Voice.
Internet accesses were 72% of total accesses, up 12% over 2008. The number of text messages increased 3% over to the prior year to more than 37 million text messages sent to customers. Customers especially appreciated the use of text messaging services as a means to enhance security, e.g. alerts for ATM withdrawals and payments, website log-ins, bank transfers. As the use of direct channel increased in the year, customer orders through the direct channels grew too (about 4.4 million transactions, up 14.4%).
As to the Banking Services Center, in 2009, there was an about 15% decline in phone calls. This was due, on the one hand, to the greater use of 'self-banking' services for simpler, low-value added transactions, and on the other hand, to the introduction of a dedicated telephone service for Family Bankers that 'intercepted' part of the phone calls previously made by customers to the Banking Services Centre.

The level of service provided to customers continued to be excellent: over 95% of phone calls were answered in 20 seconds and customers were kept on hold for 2.6 seconds on average.
In addition to expanding the breadth and depth of services, major investments in Direct Channels were aimed at enhancing efficiency and rationalising costs.
As a result, the main Mediolanum Group websites were reviewed and reorganised. Now, customers can easily access all information and services provided by Group companies through a single portal www.mediolanum.it.
Internet banking services were expanded. The new services include direct account debiting (utilities bills) for a broader array of utilities and service companies thus satisfying the vast majority of customer requests, and the ability to transfer automatically direct debiting instructions set up with other banks to Banca Mediolanum accounts.
The B.Med Voice portal was enhanced too, expanding the services customers can use via mobile phone. Among these, the ability to make payments using blank and pre-printed postal slips, check account balances as well as Cartasì credit card and ATM card balances and movements, and receive text messaging alerts: all these services are available 24 hours a day, 7 days a week.
The main investments in Direct Channels included the review of the Group's presence on the Internet and the creation of a new website www.mediolanum.it that is the gateway to all Mediolanum websites.
A software application was released to support the introduction of a loyalty programme called "Mediolanum Freedom Rewarding". The application enables customers to use the Internet or the Banking Center services to check on the balance of points and select prizes directly from an online catalogue or via the Banking Services Center.
In addition new functions were added that are specifically designed for new customers, e.g.:
- receipt of their first personal identification code via text messaging for prompter access to the Bank's multiple channels;
- welcome services for new customers (dedicated team of Banking Services Center representatives, welcome text message, dedicated contest, audio/video tutorials to help them familiarise with the website) designed to help and assist them in using at best the 'self-service' options.

Technology innovation for Direct Channels entailed shifting from analogue to voice-over-IP technology, which enables future developments in voice and video contacts between customers using the Internet channel and the Banking Services Center representatives. It also entailed the upgrade of the recording platform for greater statutory and legal protection: all customers' phone calls either to our reps or to the IVR service can now be recorded. This was done to prevent any possible undocumented claims and to control the level of service provided to customers by checking random samples of recordings.

As to cost rationalisation, the Teletext service was reallocated to the Mediaset network and the professional trading service Power and SuperPowerMyTrade was discontinued.

The Sales Network

At December 31, 2009, the network of financial advisors, i.e., 'Family Bankers', consisted of 5,303 people versus 5,851 at year end 2008. Specifically, the number of Family Bankers (licensed financial advisors) decreased to 4,945 from 5,077 at year end 2008, while the number of junior Family Bankers (non-licensed advisors) declined to 358 from 774 at year end 2008. 335 non-licensed advisors work also as financial agents for Mediolanum Distribuzione Finanziaria S.p.A (vs. 747 at year end 2008).

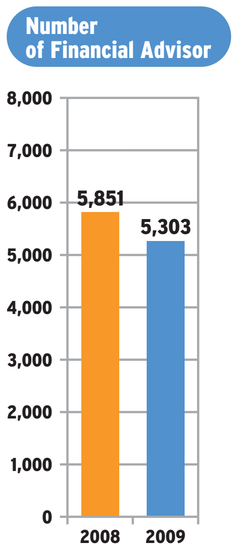
Sales Network offices and bank branches

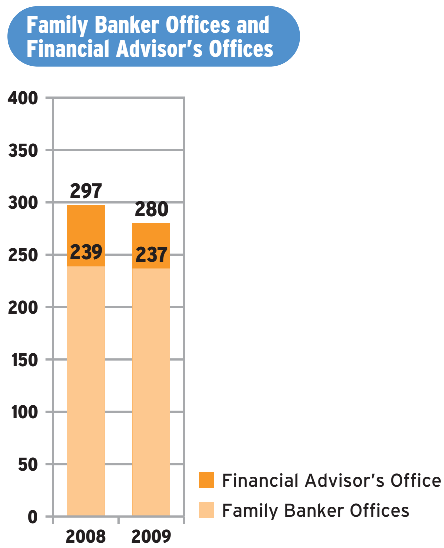
At year end 2009, owing to the rationalisation of local offices, the number of Sales Network Offices (Family Banker Offices and Traditional Offices) declined to 517 from 536 offices in the prior year (down 19 offices).
The analysis of Sales Network Offices is set out in the table below.

	2009	2008	2007
Family Banker Offices	237	239	244
Sales Network Traditional offices	280	297	286
Total offices	517	536	530

Family Banker Offices are evenly spread in all Italian regions reflecting the presence of Family Bankers across Italy. The regions with the largest number of Family Banker Offices are: Lombardy (38), Piedmont (18), Veneto (36), Sicily (24), Emilia Romagna (24), Latium (21), Tuscany (20), the Marches (14), Liguria (5), Campania (7).

In 2009, there were 4 Private Banking branches, namely in Milan, Rome, Padua and Bologna. 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.





A new branch was opened in 2009 at the Mediolanum Forum in Assago (Milan). Like the other branches it has no teller.

Including the bank branch at the Basiglio HQ, at December 31, 2009, there were six Banca Mediolanum bank branches.

There are 11 ATMs: 4 at the private banking branches and 7 at the sales network administrative offices.

Sales Network Training

After the launch of Mediolanum Corporate University (MCU), in 2009 preference was given to training activities at Headquarters in Milano 3. Compared to the prior year, the number of classroom training hours grew about 92% to a total of 84,604 hours (2008: 44,029 hours).

Training took on an increasingly important role. The number of courses offered and info-training events were significantly expanded.

No. of courses	2009	2008	Change %
Classroom	47	30	56.7%
Online	55	41	34.1%
Total	102	71	43.7%

Consequently, it was necessary to reclassify the macro-categories of training courses in greater detail as well as to realign the length of each training course with the adoption of the new MedBrain platform.

Therefore, data published in 2008 had to be reclassified in order to make them comparable with 2009.
The reclassification indicated that 545,675 training hours were given in 2009 versus 720,011 hours in 2008 (-24.2%).

	Man hours 2009	Man hours 2008	Change %
Courses offered			
Banking	135,540	207,836	(34.8%)
Finance	14,844	103,172	(85.6%)
Insurance	290,500	287,538	1.0%
Other subjects*	104,791	121,465	(13.7%)
Total	545,675	720,011	9.2%

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

The total number of participants dropped from 115,434 in 2008 to 88,178 in 2009 (-23.6%).
The decrease in the number of training hours in 2009 was mainly due to two reasons. Firstly, self-training was preferred over classroom training in the preparation for the exam to become a Licensed Financial Advisor and be included in the Register of Financial Advisors. Secondly, in 2008, there had been a greater number of updating courses focused on regulatory changes.

Training of employees

In 2009, various learning modules were renewed and new online training methods were introduced to enhance employees' professional and relational skills.
New hires followed programmes aimed at favouring the sharing of corporate values and strategies, while other employees participated in learning sessions on customer service effectiveness, teamwork, total quality and its continuous improvement.
Massive refresher courses on regulatory changes were carried out using, *inter alia*, modern IT tools.

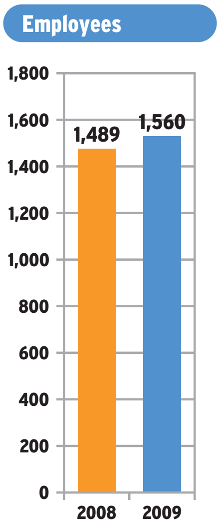
On July 1, 2009, HQ employee training became part of Mediolanum Corporate University in order to provide synergies with the learning contents offered to the Sales Network. In 2009, activities focused on analysing needs and designing the new programme dedicated to employees, entirely renewed in its content and classroom activities.
In 2009, total training hours stood at 31,879 man hours versus 39,988 man hours in the previous year, when training on regulatory changes had been massive. In 2008, 2,823 people had participated in the sessions dedicated to Legislative Decree 231 and the anti-money laundering regulation for a total number of 8,669 hours, i.e. 22% of total training hours given in that year. In 2009, refresher and specialist courses on the above-mentioned subjects were offered only to 853 people for a total number of 2,986 hours, i.e. 9% of total hours given in 2009. Furthermore, the transfer of training activities to Mediolanum Corporate University entailed the reorganisation of all courses, with the consequent increase in analysis and planning activities for the development of the new programme and the slowdown in classroom courses.
Lastly, new hires decreased from 183 in 2008 to 101 in 2009.

Employees

The analysis of the year’s movements in Banca Mediolanum’s employees in 2009 is set out in the table below.

	Dec. 31, 2009	% of total	Dec. 31, 2008	change	average age
Senior management	73	4.7%	64	9	46.8
Middle management	177	11.3%	181	(4)	41.9
Non-management	1,310	84.0%	1,244	66	33.2
Total	1,560	100.0%	1,489	71	34.8

Compared to 2008, employees grew by 71 people, mainly to enhance assistance to Customers and the Sales Network. In part, new recruits were hired under temporary employment contracts, pending the consolidation of steadily growing business volumes.
Managers increased in number mainly due to the reinforcement of internal career development programmes, always pursued by the Bank, whereby young managers were promoted to greater responsibility positions.
Women accounted for 53% of total employees and the average age of the employees was around 35.
New hires were recruited among people with specialist skills and high-potential, young university graduates.
The Bank’s internal personnel development programmes continued in 2009, with job rotation and internship experiences, including international assignments, that help high-potential individuals build up and round off their professional skills through practical on-the-job experiences.
Collaborations with prestigious universities increased in areas such as Marketing, Service Quality, Economics and Finance, Communication.



Students attending university or master's courses in Financial Markets, Marketing, Risk Management and Customer Satisfaction took internships across our organisation working on research and innovation projects.
Teams for Improvement are formed on a voluntary basis by employees and gave a considerable contribution to the enhancement of day-to-day operational processes.
With reference to the Quality System, tests were carried out in specific areas aimed at reviewing organisational flows through the definition of service quality and customer satisfaction indicators.
To improve the work-life balance numerous initiatives were organised. These were highly praised by employees. In addition, numerous services and facilities for various employee categories were also enhanced. The day care centre for employees' children was further enlarged, in order to host a larger number of children, and was greatly appreciated.
The Workplace Safety & Prevention system involved all employees through info-training courses and initiatives aimed at promoting a widespread safety culture, including via the use of technological tools, support and regular on-site checks.

Health and Safety in the workplace

In 2009, the "Safety" project was further developed to minimise accidents at work, while further spreading a safety culture.
It comprises those activities which the Bank carries out to protect people and the workplace, in compliance with the legislation in force, specifically Consolidated Finance Act – Legislative Decree 81, issued on April 8, 2008, that superseded Act 626/94.
Many activities were carried out in 2009 supporting the Prevention and Protection Service (PPS).
Two new workers' representatives for health and safety in the workplace (RHS) were appointed during the year, in addition to the six existing ones. At year end, there were 82 people with first-aid skills and 70 people trained for fire emergencies.
Furthermore, the training session on Supply Contracts and DUVRI (a document evaluating the so-called 'Interference Risks', or risks run by workers when operating in a place where multiple contractors are present) was held.

Other activities carried out included:
- regular hazard surveys consisting of inspections in the workplace to identify any situations that may not be in compliance and require remedial actions;
- monthly Safety Meetings;
- continuous updating of the section dedicated to Safety within the Innova portal;
- presentation of the Safety Status Report to the Supervisory Authority;
- definition of the Management Organisational Model;
- regular evacuation drills at the offices;

Other recurring annual activities were:
- sanitation of work stations and specific equipment;
- replacement of air filters;
- periodic and preventive disinfestations.

As part of the health care programme, 402 medical examinations of employees and 60 first-aid calls for indisposition of employees/external consultants were attended to.

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 Corporate University S.p.A., 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 staff of Banca Mediolanum carried out on site inspections, participated in the meetings of the Audit Committee, where established, and regularly exchanged information with the officers of those 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, 2009, Internal Audit staff consisted of 15 people (vs. 14 at December 31, 2008).

Risk Management and Compliance

In accordance with the relevant service agreements this function is responsible for monitoring the exposure of the Bank, subsidiaries and associates to financial and credit risks. It is also responsible for assessing the impact of operational, legal and reputational risks on the Bank's financial position, and for monitoring capital adequacy vis-à-vis the activities performed.
Risk management and compliance staff also regularly monitor developments in the banking, financial and insurance regulatory and statutory environments to ensure compliance therewith and assess the impact of any changes therein on the Bank's activities.
Risk management and compliance staff coordinate the Internal Capital Adequacy Assessment Process (ICAAP) for those activities specifically attributed and governed by the ICAAP Regulation.
The head of this function reports to the Chief Executive Officer and General Manager, who informs the Board of Directors about the overall risk situation in its various aspects.
Staff in this function also coordinate management of any written complaints received from customers. In 2009, 4,878 written complaints were received from customers (vs. 4,506 in 2008), of which 1,888 relating to investment services (vs. 2,541 in 2008).
The analysis of complaints shows a 8% increase over the prior year. This was largely in relation to complaints about banking services. Out of the 4,423 complaints examined, 690 were judged to be founded (about 16%). 34 of these founded complaints have been settled with customers.
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.
At December 31, 2009, Risk Management and Compliance staff consisted of 32 people.

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, 2009, the Network Inspection unit had a total of 29 staff versus 28 at December 31, 2008. The Banking Services Center staff providing assistance to Network Inspection unit consist of 4-6 people.
In 2009, financial advisors irregularities reported to Supervisory Authorities were 88 (vs. 61 in 2008). As further protection, in 2009, 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.

Organisation and operations

With reference to commercial campaigns, in 2009, the Bank set up and completed all operating procedures related to the launch of the new *Freedom* bank account, the placement of Banca Mediolanum bonds as well as the placement of structured bonds of third-party issuers dedicated to Banca Mediolanum customers.

With reference to legislation, the Bank put in place the procedures required under article 13-bis of Government Decree 78/09 converted into Act 102/09 (tax amnesty).

The Bank also carried out all activities necessary to implement the new regulation for transparency in banking, financial transactions and services issued by the Bank of Italy on July 29, 2009. These activities should be completed in 2010, upon the issue of additional instructions by the Bank of Italy.

The Bank put in place the technical and organisational procedures needed for the implementation of the European Payment Services Directive 64/2007/EC, originally scheduled on November 1, 2009 and subsequently postponed to early 2010. The key novelties under said directive were: the introduction of a payment services framework contract, the value date for outgoing/incoming credit transfers can no longer be different from the transaction date, the IBAN code is now the sole identification code in bank payments, and the establishment of firm, pre-established timing for payment orders.
The Bank also put in place all technical and management procedures needed for the implementation of requirements under Government Decree 78 of July 1, 2009 (the ‘Anti-crisis Decree’). Effective from November 1, 2009, the decree introduced univocal rules to determine value dates and availability of funds on bank accounts following cheque deposits.

With the assistance of Risk Management and Compliance staff, the Bank developed all necessary updates for the investment services provision policy in line with the recommendations of the Supervisory Authority. Amendments will be implemented in 2010.
With reference to administrative processes, the Bank reviewed the procurement policy and the processes for managing requests for amendments to the fee and commission structure including exceptions.
Lastly, together with the departments involved, Organisation unit staff updated internal rules and operating procedures, in particular for Treasury management, Securities Brokerage and ICAAP.
As to the Sales Network, the Bank completed the consolidation of all information, systems and tools used by the sales network into a single environment named Bmednet and implemented a new sales force recruiting system called Web Recruiting.
In addition, certain processes were reviewed to attain improved, prompt communication between the Sales Network and the HQ staff.
In the Services Provision area, the Bank started a study to assess the viability of outsourcing technology infrastructure management to specialist companies in order to reduce operating costs and improve service quality.
As to technology infrastructure innovation, the Bank completed a server 'virtualisation' project, whereby approximately 240 'physical' servers were converted into as many 'virtual' images.
This entailed the reduction of hardware maintenance costs, smaller space requirements in the server rooms, decrease in electricity and cooling system consumption. Moreover, this project generated significant improvements in terms of greater flexibility and improved operational management.

Treasury management

Investments made in the first months of the year, at the peak of the financial crisis, enabled the Bank to keep net interest income essentially in line with the prior year's level in spite of significant declines in market interest rates.
In fact, in the past two years, average 3-month EURIBOR rates went down from 4.659% in 2008 to 1.108% in 2009.
The Bank invested in floating-rate securities issued by primary Italian banks featuring attractive spreads, took positions in the interbank market on the longest possible maturities, and made hot money transactions with companies that are part of banking groups (section 107 of the Consolidated Banking Act).
At December 31, 2009, the net treasury balance amounted to €3,866 million versus €2,658 million at December 31, 2008, confirming again Banca Mediolanum as one of the most liquid Italian banks.
Specifically, at year end 2009, funding from banks amounted to €1,206 million (vs. €1,925 million at year end 2008), of which €135 million in repurchase agreements with the European Central Bank (vs. €400 million at year end 2008).
Refinancing with the ECB was made exclusively to take advantage of attractive opportunities in liquidity management and the same applies to interbank financing facilities, that largely had very short maturities.
The facilities deployed by the European Central Bank to boost market liquidity and confidence on the interbank market pushed down rates on short-term maturities, especially on overnights (1-day interbank deposits) that at an average rate of 0.609% remained below the ECB refinancing rate.
Loans to banks declined €379 million to €1,579 million from €1,958 million at year end 2008. Interbank lending was almost exclusively with Italian banks, and marginally with Euro zone banks under the supervision of the European Central Bank. The maturity of interbank deposits lengthened up to one year, taking advantage of declining rates in the final part of the year. Funding from banks declined €719 million from €1,925 million in the prior

year to €1,206 million at the end of the year under review. Net interbank exposure was €373 million versus €32.5 million in the prior year.

Investments in securities grew €868 million from €2,625 million at year end 2008 to €3,493 million at year end 2009.

€/m	2009	2008
Held-To-Maturity Investments	1,320	1,107
Available-For-Sale Financial Assets	826	862
Financial Assets Held For Trading	843	1,300
Financial liabilities Held For Trading	(260)	(741)
Loans & Receivables	764	97
Total	3,493	2,625

At year end 2009, *Held-to-Maturity Investments* amounted to €1,320 million. The €213 million increase from the prior year's balance of €1,107 million was the result of purchases of bonds issued by primary Italian banks, amounting to €414 million, and sales of Italian treasuries upon maturity amounting to about €201 million.

Available-for-sale financial assets declined €36 million over the prior year's balance due to the sale of Italian treasuries that generated about €5 million gains. At December 31, 2009 impairment of hedge funds holdings classified as 'available-for-sale financial assets' entailed total write-downs of €20.4 million.
At the end of the year under review, the balance of the AFS equity reserve improved from a negative balance of €24.9 million in 2008 to a positive balance of €0.2 million.

Financial assets held for trading net of *Financial liabilities held for trading* amounted to €583 million, remaining essentially in line with the prior year's balance of €559 million.

Loans and Receivables amounted to €764 million, recording notable growth over the prior year's balance of €97 million. They consisted of ABS and privately placed securities issued by banks and not quoted in an active market.

The treasury management portfolio consisted exclusively of euro-denominated instruments (interbank deposits and securities) with no exposure to foreign exchange risk.

Net interest income increased 4.8% to €139.4 million from €133 million at year end 2008. Adding trading profits, gains on hedging transactions and gains from the sale of available-for-sale financial assets that, in the aggregate, amounted to €30.1 million, net financial income came in at €169.6 million growing 20.3% from €141.0 million in the prior year.

Equity and capital ratios

At December 31, 2009, shareholders' equity, excluding net profit, amounted to €540.6 million up 11.2% from €486.0 million at December 31, 2008. The €54.6 million increase is the result of the share capital increase (+€20 million), the appropriation of net profit for the year 2008 to reserves (+€7.9 million), the movements in equity reserves in connection with stock options (+€1.6 million) and the fair value measurement of available-for-sale financial assets (+ €25.1 million).

After the approval by the General Meeting of the appropriation of net profit for the year 2009 as proposed by the Board of Directors, equity increased €55.5 million over the prior year to €541.5 million.
This corresponds to a net book value of €1.20 (vs. €1.15 in 2008) for each €1 share. Earnings per share (EPS) amount to €0.042 versus €0.077 in 2008.
Total capital ratio (regulatory capital /RWA) is 24.50%, well above the minimum requirement of 8%.

Equity investments

At December 31, 2009, the Bank's equity investments in Group companies declined to €375.2 million from €393.2 million in the prior financial year.
On March 23, 2009 it was resolved to increase Mediolanum Asset Management Ltd's capital by €1.5 million.
On December 21, 2009, Mediolanum International S.A was liquidated. The book value of this company was €47 million.
Following the liquidation the Bank acquired the investment in Gamax Management AG S.A. (book value €35 million) previously held by the liquidated company.
At year end the Bank recorded €7.9 million write-downs due to the year's loss reported by Bankhaus August Lenz & Co. AG.

Banco de Finanzas e Inversiones S.A. (FIBANC)

For financial year 2009 the Fibanc Group reported net profit of €0.5 million versus net loss of €0.8 million in the prior year.
For financial year 2009, the Group reported gross inflows into asset management products of €248 million versus €277.0 million in 2008, and net inflows of €72.8 million versus net outflows of €108.3 million at year end 2008.
As to assets under administration, the Group reported €67.2 million outflows versus €182.8 million outflows at the end of the prior year.
At year end 2009, total assets under management and under administration amounted to €1,636 million versus €1,458 million at December 31, 2008.
The sales force consisted of 489 people versus 527 at December 31, 2008. Specifically, tied advisors, relying on the same business model as Banca Mediolanum financial advisors, were 407 versus 448 at year 2008. Fibanc also availed itself of 47 traditional agents (38 in 2008).

Bankhaus August Lenz & Co. AG.

For financial year 2009 the company reported net loss of €7.9 million versus €7.4 million in the prior year.
Asset management products recorded net inflows of €10.7 million versus €9.2 million in the prior year, while assets under administration net outflows of €13.0 million versus €7.3 million in the prior year.
At year end 2009, total assets under management and under administration amounted to €75 million versus €71 million at December 31, 2008.
The sales network consisted of 43 people (vs. 30 at year end 2008).

Gamax Management AG

At December 31, 2009, this Luxembourg-based company reported net profit of €7.6 million versus €1.4 million in the prior year. The increase was largely in connection with growth in performance fees earned in the year (€5.5 million).
In the retail segment, the company recorded net outflows €13.7 million versus net outflows of €24.7 million in the prior year. Benefitting from the positive performance of financial markets during the year, assets under management grew to €206 million from €178 million at December 31, 2008.
At December 31, 2009 total assets under management (Retail + Institutional) amounted to €463 million versus €385 million in the prior year.

Mediolanum Gestione Fondi SGR p.A.

For financial year 2009, this company reported net inflows of €383.3 million recording a notable improvement over the prior year when it had posted net outflows of €68.7 million.
At December 31, 2009, total assets under management invested in the 22 open-end mutual funds and the non-occupational pension fund amounted to €1,960.9 million, up 37.5% from €1,426.3 million at the end of the prior year, while assets invested in the 2 real estate funds, *Property* and *Real Estate*, grew to €382.5 million from €366.3 million at year end 2008.
Assets managed on mandates from fellow subsidiaries amounted to €16,751.5 million (vs. €9,960.6 million at December 31, 2008), while assets managed by fellow subsidiaries on behalf of Mediolanum Gestione Fondi SGR p.A. amounted to €97.5 million (vs. €77.6 million at December 31, 2008).
For financial year 2009, the company reported net profit of €7.6 million versus €4.2 million at December 31, 2008.

Mediolanum International Funds Ltd

Mediolanum International Funds Ltd relies on specialised third parties for the management of 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 either 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.
For financial year 2009 the company reported net inflows of €1,668.9 million versus €884.4 million at December 31, 2008 (up 88.7%).
At year end 2009, total assets under management grew to €14,460.8 million from €10,629.4 million in the prior year, benefitting from net inflows growth and the positive performance of financial market in the final part of 2009.
The funds of Mediolanum International Funds Ltd are distributed in Italy, Spain and Germany.
For financial year 2009 the company reported net profit of €206.3 million versus €125.5 million in the prior year, benefitting from greater performance fees earned in the period amounting to €147.5 million (€50.4 million in 2008) owing to the financial market upturn in 2009.
On October 29, 2009, the company resolved to distribute a 2009 interim dividend for a total amount of €155 million (Banca Mediolanum: €79 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 2009, the company reported net profit of €8.8 million versus €9.7 million at December 31, 2008.
On October 29, 2009, the company resolved to distribute a 2009 interim dividend for a total amount of €3.0 million (Banca Mediolanum: €1.5 million).

Mediolanum Distribuzione Finanziaria S.p.A.

For financial year 2009, Mediolanum Distribuzione Finanziaria S.p.A. reported net profit of €0.1 million versus €0.2 million in 2008.
At year end 2009, it had 335 'Financial Agents' versus 747 at year end 2008.

Mediolanum Corporate University S.p.A.

Mediolanum Corporate University S.p.A. is engaged in the provision of education and training for the sales network and the employees of Banca Mediolanum and of the other companies within the Group.
For financial year 2009 the company reported net profit of €0.2 million versus net loss of €0.7 in the prior year.

Social and environmental responsibility

For information on the social and environmental responsibility policy, readers are referred to the 2009 Social Report.

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

On March 3, 2010, the Bank of Italy, CONSOB and ISVAP jointly issued a new document following their document No. 2 of February, 2009.
The document points out that after the significant business downturn in 2009 and the ensuing marked deterioration of credit quality, the economic climate is now improving, yet the outlook is still uncertain and this may weigh on business fundamentals and consequently on key financials.
The regulators therefore called upon Senior Management to adhere strictly to international accounting and financial reporting standards and applicable legislation and provide complete, clear and timely information about the risks and uncertainties to which their companies are exposed, the capital their companies have to cover those risks and their earnings generation ability.

As to the entity's ability to continue as a going concern, the management of Banca 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, 2009 were prepared based on the going concern assumption. Following their examination of the financial position, result of operations and cash-flows, they also confirm they did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern.

In relation to 'Impairment of Assets' (IAS 36), the impairment method used by Banca Mediolanum included assessment by an independent valuer based on current multi-year business plans previously approved by the Board of Directors of the Bank. The impairment process was later validated by the Board of Directors of Banca Mediolanum S.p.A.. For further details readers are referred to Part B of the Notes.

With regard to information on the criteria used to measure equity instruments classified as 'available for sale' and the requirements set out in paragraph 61 of IAS 39, the Bank assesses separately if there is a 'significant' or 'prolonged' decline in the value of the assets. If it finds out that there has been a 'significant' or a 'prolonged' decline in value the Group recognises the impairment loss on the AFS equity instrument irrespective of any other considerations.

Specifically, for equity instruments the Bank considers there is evidence of impairment when the decline in the original fair value exceeds one third or is prolonged for over 36 months. For details on disclosures to be made in the notes, readers are referred to Parts A, B and E of the Notes.

Information on "fair value hierarchy" (IFRS 7) is given in Part A of the Notes for positions held at December 31, 2009, without including comparative information as comparatives are not required for the first year of application. Finally, there are no financial debt contract clauses (IFRS 7) or debt restructuring (IAS 39) involving the Bank.

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, 2009, 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 responses of the world's main governments and central banks have produced a significant reversal of the economic cycle putting an end to a deep prolonged recession.

The refinancing rate cuts made by central banks have gradually reduced interbank rates, mortgage payments and

the cost of borrowing for businesses. Quiescent inflation sets the optimal conditions for continuing with an expansionary monetary policy.
The recovery that can follow the current phase of stabilisation risks to be hampered by production overcapacity and the normalisation of the balance sheets of governments, central banks, financial institutions and, ultimately, the US consumers. The need to finance the fiscal policies adopted to shore-up the economy may bring about the deterioration of the creditworthiness of the weaker economies that might be compelled to increase the interest they pay on their sovereign debt.
If consumer spending increases and unemployment declines, in 2010 the recovery may prove to have legs with positive repercussions on financial markets.
Based on current reasonable estimates, our Bank is expected to continue to generate good earnings for the year 2010.

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 for the year

Your Bank's financial statements, which we submit to you for approval together with the directors' report, show net profit of €19,021,252.10. Considering the €55.5 million increase in the equity of the Bank during 2009, a Tier 1 of 18.6% for the Bank and of 10.17% for the Banking Group (FY 2008: 13.77% for the Bank and 9% for the Banking Group), we propose to distribute a €0.04015 dividend per share, for a total amount of €18,067,500.00 and to appropriate the rest of the year's net profit as follows:
- €952,000.00 to the Legal Reserve;
- €1,752.10 to the Extraordinary Reserve.

Basiglio, March 23, 2010

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

Accounts
2009

Balance sheet

Assets

€				
			Dec. 31, 2009	Dec. 31, 2008
10.	Cash and cash equivalents		2,724,215	1,660,634
20.	Financial assets held for trading		842,900,811	1,299,588,467
40.	Available-for-sale financial assets		825,801,549	861,931,767
50.	Held-to-maturity investments		1,320,339,323	1,107,047,636
60.	Loans to banks		1,579,335,218	1,957,886,778
70.	Loans to customers		3,144,843,721	3,284,836,912
80.	Hedging derivatives		1,179,384	-
100.	Equity investments		375,185,358	393,166,181
110.	Tangible assets		23,771,382	25,028,353
120.	Intangible assets		10,632,444	12,454,948
	of which:			
	– goodwill		-	-
130.	Tax assets		91,114,449	68,753,866
	a) current	40,644,490	13,098,412	
	b) deferred	50,469,959	55,655,454	
150.	Other assets		174,417,237	172,543,110
Total assets			8,392,245,091	9,184,898,652

Liabilities and Shareholders' Equity

€					
			Dec. 31, 2009		Dec. 31, 2008
10.	Due to banks		1,206,286,888		1,925,343,036
20.	Due to customers		5,879,061,456		5,706,494,911
30.	Securities issued		179,449,872		13,536,756
40.	Financial liabilities held for trading		259,916,234		741,159,575
60.	Hedging derivatives		15,905,775		18,428,046
80.	Tax liabilities		11,605,672		9,230,432
	a) current	4,437,342		3,740,962	
	b) deferred	7,168,330		5,489,470	
100.	Other liabilities		166,440,152		152,484,161
110.	Employee completion-of-service entitlements		9,131,920		9,765,273
120.	Provisions for risks and charges:		104,848,749		89,524,837
	a) severance benefits and similar obligations	-		-	
	b) other provisions	104,848,749		89,524,837	
130.	Valuation reserves		241,967		(24,853,325)
160.	Reserves		90,335,154		80,858,180
180.	Share capital		450,000,000		430,000,000
200.	Net profit (loss) for the year (+/-)		*19,021,252*		*32,926,770*
Total liabilities and shareholders' equity			8,392,245,091		9,184,898,652

Income statement

€			Dec. 31, 2009		Dec. 31, 2008
10.	Interest income and similar income		240,368,002		333,548,883
20.	Interest expense and similar charges		*(101,010,676)*		*(200,634,329)*
30.	Net interest income		*139,357,326*		*132,914,554*
40.	Commission income		312,949,218		289,864,438
50.	Commission expense		*(268,338,388)*		*(225,018,988)*
60.	Net commission income		44,610,830		64,845,450
70.	Dividends and similar income		100,139,966		79,735,345
80.	Net income from trading		27,012,117		3,688,983
90.	Net income from hedging		*(2,186,983)*		1,750,388
100.	Gains (losses) on sale or buyback of:		5,646,614		*2,621,950*
	a) loans and receivables	*272,661*		-	
	b) available-for-sale financial assets	*5,049,581*		*2,621,950*	
	c) held-to-maturity investments	*324,372*		-	
	d) financial liabilities	-		-	
120.	Total income		314,579,870		285,556,670
130.	Impairment losses on:		*(35,397,314)*		*(8,856,544)*
	a) loans	*(10,199,895)*		*(7,644,374)*	
	b) available-for-sale financial assets	*(20,393,288)*		-	
	c) held-to-maturity investments	-		-	
	d) other financial instruments	*(4,804,131)*		*(1,212,170)*	
140.	Net income from financial operations		279,182,556		276,700,126
150.	Administrative expenses		*(246,877,008)*		*(229,489,273)*
	a) staff costs	*(91,653,075)*		*(84,060,598)*	
	b) other administrative expenses	*(155,223,933)*		*(145,428,675)*	
160.	Provisions for risks and charges		*(22,260,009)*		*(18,068,645)*
170.	Depreciation and net impairment of tangible assets		*(5,566,221)*		*(5,027,640)*
180.	Amortisation and net impairment of intangible assets		*(8,953,400)*		*(8,199,728)*
190.	Other operating income		12,723,615		15,731,018
200.	Operating expenses		*(270,933,023)*		*(245,054,268)*
210.	Profit (loss) on equity investments		(7,884,512)		(7,401,953)
240.	Profit (loss) on disposal of investments		(3,360)		(3,789)
250.	Profit (loss) before tax on continuing operations		361,661		24,240,116
260.	Income tax expense on continuing operations		18,659,591		8,686,654
270.	Profit (loss) after tax on continuing operations		19,021,252		32,926,770
290.	Profit (loss) after tax		19,021,252		32,926,770
	Earning per share (EPS)		0.042		0.077

Comprehensive Income

€		Dec. 31, 2009	Dec. 31, 2008
10.	Net profit (loss) for the year	19,021,252	32,926,770
	Other comprehensive income components after tax		
20.	Available for sale financial assets	25,095,292	(23,740,786)
30.	Tangible assets	-	-
40.	Intangible assets	-	-
50.	Hedges of investments in foreign operations	-	-
60.	Cash flow hedges	-	-
70.	Exchange differences	-	-
80.	Non-current assets or disposal groups held for sale	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-
100.	Equity investments' valuation reserve		
110.	Total other components of comprehensive income after tax	25,095,292	(23,740,786)
120.	Total Comprehensive Income	44,116,544	9,185,984

Statement of Changes in Equity

At December 31, 2008

€	Balance at Dec. 31, 2007	Adjustment to opening balances	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	-	371,000,000	-	-
b) other shares	-	-	-	-	-
Share premium account	-	-	-	-	-
Reserves:					
a) retained earnings	58,400,965	-	58,400,965	11,059,818	-
b) others	9,313,535	-	9,313,535	-	-
Valuation reserves:	(1,112,539)	-	(1,112,539)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	51,059,818	-	51,059,818	(11,059,818)	(40,000,000)
Shareholders' equity	488,661,779	-	488,661,779	-	(40,000,000)

At December 31, 2009

€	Balance at Dec. 31, 2008	Adjustment to opening balances	Balance at Jan. 1, 2009	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:					
a) ordinary shares	430,000,000	-	430,000,000	-	-
b) other shares	-	-	-	-	-
Share premium account	-	-	-	-	-
Reserves:					
a) retained earnings	69,460,783	-	69,460,783	7,926,770	-
b) others	11,397,397	-	11,397,397	-	-
Valuation reserves:	(24,853,325)	-	(24,853,325)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	32,926,770	-	32,926,770	(7,926,770)	(25,000,000)
Shareholders' equity	518,931,625	-	518,931,625	-	(25,000,000)

Movements in the year

Change in reserves	Equity: 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
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	69,460,783
-	-	-	-	-	-	2,083,862	-	11,397,397
-	-	-	-	-	-	-	(23,740,786)	(24,853,325)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	32,926,770	32,926,770
-	59,000,000	-	-	-	-	2,083,862	9,185,984	518,931,625

Movements in the year

Change in reserves	Equity: Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury Shares derivatives	Stock options	Net profit (loss) at Dec 31, 2009	Shareholders' equity at Dec 31, 2009
-	20,000,000	-	-	-	-	-	-	450,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	77,387,553
-	-	-	-	-	-	1,550,204	-	12,947,601
-	-	-	-	-	-	-	25,095,292	241,967
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	19,021,252	19,021,252
-	20,000,000	-	-	-	-	1,550,204	44,116,544	559,598,373

Cash Flow Statement

Indirect Method

€	Dec. 31, 2009	Dec. 31, 2008
A. OPERATING ACTIVITIES		
1. Operating activities	82,385,343	85,346,526
- net profit (loss) for the year	19,021,252	32,926,770
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	(5,975,376)	8,112,944
- gains/losses on hedges (+/-)	2,186,983	(1,750,388)
- impairment losses/reversals (+/-)	35,397,314	8,391,550
- net write-downs/write-backs of tangible and intangible assets (+/-)	14,519,445	13,224,537
- provisions for risks and charges and other costs/revenues (+/-)	26,460,601	23,522,519
- unpaid taxes (+)	(18,659,591)	(8,686,654)
- net write-downs/write-backs of disposal groups after taxes (+/-)	-	-
- other adjustments (+/-)	9,434,715	9,605,248
2. Cash generated/used by financial assets	893,606,370	(820,517,137)
- financial assets held for trading	456,127,893	892,278,506
- financial assets at fair value	(1,179,384)	-
- available-for-sale financial assets	61,225,510	(570,504,192)
- loans to banks: on demand	(23,073,456)	(25,853,007)
- loans to banks: other loans	401,625,015	715,269,463
- loans to customers	104,595,877	(1,691,503,928)
- other assets	(105,715,085)	(140,203,979)
3. Cash generated/used by financial liabilities	(855,432,754)	1,426,160,221
- due to banks: on demand	(591,566,402)	-
- due to banks: other amounts due	(127,489,746)	790,379,347
- due to customers	172,566,545	536,954,270
- securities issued	165,913,116	13,536,756
- financial liabilities held for trading	(474,708,202)	24,970,762
- financial liabilities at fair value	(4,709,253)	20,178,434
- other liabilities	4,561,188.00	40,140,652
Net cash generated by/used in operating activities	120,558,959	690,989,610
B. INVESTING ACTIVITIES		
1. Cash from	(107,099,145)	189,871,275
- sale of equity investments	-	-
- dividends received from equity investments	100,139,966	79,735,345
- sale of held-to-maturity investments	(207,262,771)	107,500,000
- sale of tangible assets	21,276	2,141,462
- sale of intangible assets	2,384	494,468
- sale of business lines	-	-
2. Cash used for	(7,396,233)	(899,603,380)
- purchase of equity investments (including contributions to cover losses)	10,096,311	(40,000,000)
- purchase of held-to-maturity investments	(6,028,916)	(841,523,734)
- purchase of tangible assets	(3,321,514)	(6,409,335)
- purchase of intangible assets	(8,142,114)	(11,670,311)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	(114,495,378)	(709,732,105)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	20,000,000	59,000,000
- issue/purchase of equity instruments	-	-
- dividend distribution and other	(25,000,000)	(40,000,000)
Net cash generated by/used in financing activities	(5,000,000)	19,000,000
NET CASH GENERATED/USED IN THE YEAR	1,063,581	257,505

RECONCILIATION

€	Dec. 31, 2009	Dec. 31, 2008
Financial item		
Cash and cash equivalents at beginning of the year	1,660,634	1,403,129
Total net cash generated/used in the year	1,063,581	257,505
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at end of the year	2,724,215	1,660,634

Notes to the Separate Annual Financial Statements 2009

Notes to the Separate 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 - Information on comprehensive income
Part E - Information on risks and risk management
Part F - Information on capital
Part G - Business combinations
Part H - Related Party Transactions
Part I - Equity-settled share-based payment transactions
Part L - Segmental information

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

Section 1 - Compliance with the international accounting and reporting standards

Pursuant to Legislative Decree No. 38 of February 28, 2005 the separate financial statements for the year ended December 31, 2009 were prepared in accordance with the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission under European Parliament and Council Regulation (EC) 1606 of July 19, 2002.
The separate financial statements for the year ended December 31, 2009 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 Circular Letter No. 262 of December 22, 2005, as amended on November, 18 2009. In compliance therewith prior year's comparatives were reclassified as commented in the respective sections of these Notes.

Section 2 - Accounting basis

In the preparation of the separate financial statements the Bank applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2009, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.

In applying IAS/IFRS, no departure was made from requirements therein.

These separate financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, 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 in units of euro, while the amounts in the Notes and the Directors' Report are presented in thousands of euro unless stated otherwise.

The accounts and the notes also include comparative information for the year ended December 31, 2008. Pursuant to the Bank of Italy's Circular Letter 262 of 2005, as amended on November 18, 2009, certain reclassifications were applied and properly commented in the notes in relation to prior year's comparatives. Specifically, the amended Circular Letter issued by the Bank of Italy last November requires that current receivables and payables relating to the provision of financial services to banks and customers be recognised under the specific category of assets and liabilities to which they refer and not generally under 'other assets' and 'other liabilities' as in prior years.

The application of new accounting and financial reporting standards and interpretations did not have any material impact on 2009 accounts, yet entailed changes in financial disclosures.

The main changes connected with amendments to the international accounting and financial reporting standards in the year under review were as follows:

- the introduction of the statement of comprehensive income to present all valuation gains and losses arising on transactions with parties other than owners that are recognised in equity separately from income and expenses for the period;
- disclosures about the effects on the balance sheet and the income statement of reclassifications between the various of categories of financial instruments in accordance with amendments to IAS 39 and IFRS 7.
- the adoption of the amendments to IFRS 7 that introduced the so-called 'fair value hierarchy' (level 1, 2 and 3). This entailed, inter alia, changes in a number of tables set out in the notes that now present the three levels of fair value in lieu of the previous distinction between listed/unlisted instruments.

Key changes in the presentation of financial information in the notes are as follows:

- 'impaired assets', 'assets sold but not derecognised' and 'derivatives' are now included in the analysis of their respective asset category and no longer shown as a separate line item or in separate tables as in prior years;
- disclosures on derivatives are now almost entirely set out in Part E of the Note.

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 Bank of Italy's requirements, items with a nil balance for both the year under review and the prior year are not indicated. In the income statement, revenues are indicated with no sign, while costs are shown within parentheses.

Statement of Comprehensive Income

The Statement of Comprehensive Income presents gains and losses relating to the year's changes in the value of assets and are stated net of related taxation. Negative amounts are shown within parentheses.

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 international accounting and financial reporting standards and Bank of Italy's Circular Letter 262/2005, as amended on November 18, 2009.
In accordance with Bank of Italy's requirements, 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 2009 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 result of operations for the year 2009 of the main subsidiaries is set out in the Directors' Report accompanying the consolidated financial statements.
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 presents the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2009.
The accounting policies applied in the preparation of the separate financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as the recognition of items of income and expense, are consistent with those applied in the preparation of the separate financial statements for the year ended December 31, 2008.

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.

(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.

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

Available-for-sale financial assets

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

Held-to-Maturity Investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Bank intends or has the ability to hold to maturity. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as an available-for-sale financial asset.
Held-to-maturity investments are initially recognised on settlement date.

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

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

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

At each interim and annual reporting date the Bank 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.

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 Bank assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan or receivable is classified as follows:

- nonperforming – these are formally impaired loans i.e. exposures to borrowers that are unable to meet their payment obligations, even if their insolvency has not been established by a court of law, or in similar conditions;
- watch list – these are exposures to borrowers that are experiencing temporary difficulties in meeting their payment obligations but are expected to make good within a reasonable timeframe. Watch list loans also include exposures – other than to nonperforming borrowers or to government entities – that satisfy both the following conditions:
  - have been past due and unpaid for over 270 days (over 150 or 180 days for consumer loans with original maturity of less than 36 months, or of 36 months or more, respectively);
  - the aggregate exposure as per the previous paragraph and in relation to other payments that are less than 270 days past due - to the same borrower accounts for at least 10% of total exposure to that borrower;
- restructured – exposures for which a grace period was accorded with concurrent renegotiation of the loan terms and conditions at below market rates, that were in part converted into shares and/or for which a principal reduction was agreed;
- past due – exposures to borrowers other than those classified in the categories above, that at the reporting date were over 90 days past due or overdrawn. Loans to retail borrowers, government entities or businesses domiciled or based in Italy are considered to be impaired if past due or overdrawn for over 180 days in lieu of 90 days.

Total exposure is considered if at the reporting date:

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

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

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

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

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

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

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

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

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

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 Bank 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 Bank 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.

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.

Current and Deferred taxation

Income taxes are recognised in the income statement except for items which are credited/charged directly to equity.
Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company – 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.

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.
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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.

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.

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.

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 Bank 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.
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. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.
The cumulative expense recognised at each annual reporting date up until the vesting date takes account of the vesting period and is based on the best available estimate of options that are going to be exercised upon vesting. The expense or the reversal recognised in the income statement for each year represents the change in the cumulative expense over the amount recognised in the prior year. No expense is recognised for options that do not vest.

A.3 – FAIR VALUE DISCLOSURES

A.3.1 Reclassifications of assets

A.3.1.1 Reclassified financial assets: book value, fair value and impact on profit or loss

€/'000					No reclassification impact on profit/loss (before tax)		Impact of reclassifications for the year (before tax)	
Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Book Value at Dec. 31, 2009 (4)	Fair value at Dec. 31,2009 (5)	Valuation (6)	Other (7)	Valuation (8)	Other (9)
A. Debt securities			245,866	245,714	6,638	17,433	6,790	11,479
	HFT	AFS	166,787	166,787	6,790	15,489	6,790	9,535
	HFT	Loans to customers	79.079	78.927	(152)	1,944	-	1,944

In the year under review there was no reclassification of assets. The information in the table above relates exclusively to reclassifications made in 2008 of financial instruments which were, in part, sold in 2009.

Readers are reminded that, in October 2008, the International Accounting Standard Board (IASB) issued certain amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and to IFRS 7 'Financial Instruments: Disclosures' allowing for reclassification of certain financial instruments in certain circumstances. Specifically, the amendments allow to reclassify financial assets – other than derivatives – 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.

These amendments were incorporated into European legislation by Commission Regulation (EC) No. 1004/2008 of October 15, 2008.

The IASB partly lifted the prohibition under the previous version of IAS 39 to reclassify financial assets held for trading out of the 'fair value through profit or loss' category to other categories of financial instruments.

Specifically, these are portfolios of instruments measured at amortised cost that may consist of quoted debt securities held to maturity and unquoted debt securities that qualify as loans.

After initial recognition the securities in these portfolios are not measured at fair value through profit or loss but are regularly assessed for impairment.

The amendments also allows the reclassification of financial assets out of the 'held for trading' to the 'available-for-sale' category for which changes in fair value are usually recognised in equity and not through profit or loss.

No reclassification is allowed for non derivative financial instruments measured at 'fair value through profit or loss' under the fair value option (e.g. structured instruments or other investments backing liabilities at fair value through profit or loss).

The reclassifications are allowed only 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 2008 financial crisis was considered by the IASB to be such a rare circumstance.

The amendments also allow the reclassification of financial assets out of the 'available-for-sale' category if they are not quoted in an active market and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Owing to the exceptional circumstances due to the financial market crisis, the reclassification of financial instruments was allowed with retrospective application from July 1, 2008.

The carrying amount of financial instruments reclassified out of the 'held for trading' to the 'AFS', 'HTM' or 'Loans' categories is their fair value on the date of reclassification. Any changes in fair value already recognised through profit or loss cannot be reversed.
The carrying amount of financial instruments reclassified out of the 'AFS' to the 'HTM' or 'Loans' categories is their fair value on the date of reclassification and any gain or loss already recognised directly in equity (AFS reserve) remains in equity and is amortised over the life of the instrument. The amortisation of the AFS reserve is offset in the income statement by the corresponding change in the amortised cost of the instrument upon the application of the effective interest rate method.

A.3.2 Fair value hierarchy

A.3.2.1 Fair value hierarchy of financial assets and liabilities

	Dec. 31, 2009			Dec. 31, 2008	
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2 + 3
Financial Assets/Liabilities measured at fair value					
1. Financial assets held for trading	808,450	33,710	741	1,291,591	7,997
2. Financial assets at fair value	-	-	-	-	-
3. Available for sale financial assets	646,237	126,024	53,541	683,001	178,931
4. Hedging derivatives	-	1,179	-	-	-
Total	1,454,687	160,913	54,282	1,974,592	186,928
1. Financial liabilities held for trading	258,251	1,665	-	730,090	11,069
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	15,906	-	-	18,428
Total	258,251	17,571	-	730,090	29,497

For comparison with prior year's financial information readers are advised that Level 1 (L1) corresponds to the previous classification 'listed', while Level 2 (L2) and Level 3 (L3) to 'unlisted'.

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

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

Banca Mediolanum classified its assets and liabilities at fair value in accordance with the rules set out in said amendments.

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, 2009	Dec. 31, 2008
a) Cash	2,724	1,661
b) Demand deposits with Central Banks	-	-
Total	2,724	1,661

Cash and cash equivalents amounted to €2,724 thousand, of which €80 thousand in foreign currencies. Cash and cash equivalents consisted 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, 2009			Dec. 31, 2008	
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2+3
A. Non-derivatives					
1. Debt securities	808,439	29,950	741	1,291,575	123
1.1 Structured notes	14,405	17,632	283	-	-
1.2 Other debt securities	794,034	12,318	458	1,291,575	123
2. Equities	10	-	-	7	9
3. Holdings in UCITS	-	-	-	-	-
4. Loans	-	-	-	-	-
4.1 repurchase agreements	-	-	-	-	-
4.2 others	-	-	-	-	-
Total A	808,449	29,950	741	1,291,582	132
B. Derivatives					
1. Financial derivatives:	1	3,760	-	9	7,865
1.1 held for trading	1	3,760	-	9	7,865
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	1	3,760	-	9	7,865
Total (A+B)	808,450	33,710	741	1,291,591	7,997

For comparison with prior year's financial information readers are advised that L1 (Level 1) corresponds to the previous classification 'listed', while L2 (Level 2) and L3 (Level 3) to 'unlisted'.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Non-derivatives		
1. Debt securities	839,130	1,291,698
a) Governments and Central Banks	113,197	701,729
b) Government agencies	-	5
c) Banks	621,382	472,239
d) Other issuers	104,551	117,725
2. Equities	10	16
a) Banks	-	-
b) Other issuers:	10	16
- insurance companies	-	-
- financial companies	-	1
- non financial companies	10	15
- others	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total A	839,140	1,291,714
B. Derivatives		
a) Banks		
- *fair value*	2,179	5,990
b) Customers		
- fair value	1,582	1,884
Total B	3,761	7,874
Total (A+B)	842,901	1,299,588

2.3 Year's movements in financial assets held for trading

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	1,291,698	16	-	-	1,291,714
B. Increases	10,172,235	4,238	275	-	10,176,748
B1. Additions	10,118,700	4,188	275	-	10,123,163
B2. Increases in fair value	14,088	-	-	-	14,088
B3. Other	39,447	50	-	-	39,496
C. Decreases	10,624,803	4,244	275	-	10,629,322
C1. Disposals	10,546,385	4,168	275	-	10,550,828
C2. Redemptions	55,598	-	-	-	55,598
C3. Decreases in fair value	1,988	10	-	-	1,998
C4. Reclassified to other portfolios	-	-	-	-	-
C5. Other	20,832	66	-	-	20,898
D. Closing balance	839,130	10	-	-	839,140

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2009			Dec. 31, 2008	
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2+3
1. Debt securities	646,041	4,123	-	682,919	-
1.1 Structured notes	-	-	-	-	-
1.2 Other debt securities	646,041	4,123	-	682,919	-
2. Equities	196	-	10,865	82	9,194
2.1 measured at fair value	196	-	428	82	-
2.2 measured at cost	-	-	10,437	-	9,194
3. Holdings in UCITS	-	121,901	42,676	-	169,737
4. Loans	-	-	-	-	-
Total	646,237	126,024	53,541	683,001	178,931

For comparison with prior year's financial information readers are advised that L1 (Level 1) corresponds to the previous classification 'listed', while L2 (Level 2) and L3 (Level 3) to 'unlisted'.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Debt securities	650,164	682,919
a) Governments and Central Banks	449,682	572,917
b) Government agencies	-	-
c) Banks	200,482	99,980
d) Other issuers	-	10,022
2. Equities	11,061	9,276
a) Banks	-	-
b) Other issuers:	11,061	9,276
- insurance companies	-	-
- financial companies	2,824	1,534
- non financial companies	8,237	7,742
- others	-	-
3. Holdings in UCITS	164,577	169,737
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	825,802	861,932

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	682,919	9,276	169,737	-	861,932
B. Increases	572,212	2,584	6,705	-	581,501
B1. Additions	546,095	2,506	1,012	-	549,613
B2. Increases in fair value	10,372	43	5,669	-	16,084
B3. Reversal of impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	15,745	35	24	-	15,804
C. Decreases	604,967	799	11,865	-	617,631
C1. Disposals	584,609	14	10,228	-	594,851
C2. Redemptions	9,997	-	-	-	9,997
C3. Decreases in fair value	3,922	776	1,635	-	6,333
C4. Impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	6,439	9	2	-	6,450
D. Closing balance	650,164	11,061	164,577	-	825,802

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

5.1 Analysis of held-to-maturity investments

€/'000	Dec. 31, 2009				Dec. 31, 2008		
		Fair value				Fair value	
	Book Value	Level 1	Level 2	Level 3	Book Value	Level 1	Level 2+3
1. Debt securities	1,320,339	235,292	1,103,583	-	1,107,048	1,108,077	-
- Structured notes	106,547	5,120	100,776	-	-	-	-
- Other debt securities	1,213,792	230,172	1,002,807	-	1,107,048	1,108,077	-
2. Loans	-	-	-	-	-	-	-
Total	1,320,339	235,292	1,103,583	-	1,107,048	1,108,077	-

For comparison with prior year's financial information readers are advised that L1 (Level 1) corresponds to the previous classification 'listed', while L2 (Level 2) and L3 (Level 3) to 'unlisted'.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Debt securities	1,320,339	1,107,048
a) Governments and Central Banks	80,786	274,018
b) Government agencies	-	-
c) Banks	1,239,553	833,030
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	1,320,339	1,107,048

5.4 Analysis of year's movements in held-to-maturity investments

€/'000	Debt securities	Loans	Total
A. Opening balance	1.107,048	-	1,107,048
B. Increases	432,159	-	432,159
B1. Additions	420,554	-	420,554
B2. Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	-	-	-
B4. Other	11,605	-	11,605
C. Decreases	218,867	-	218,867
C1. Disposals	205,657	-	205,657
C2. Redemptions	-	-	-
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	13,210	-	13,210
D. Closing balance	1,320,340	-	1,320,340

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Central Banks	50,586	101,838
1. Time deposits	-	-
2. Reserve requirements	50,586	101,838
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks	1,528,749	1,856,049
1. Current accounts and demand deposits	72,128	49,054
2. Time deposits	480,297	1,423,520
3. Others:	291,025	383,475
3.1 Repurchase agreements	243,492	316,463
3.2 Finance leases	-	-
3.3 Other	47,533	67,012
4. Debt securities	685,299	-
4.1 Structured notes	-	-
4.2 Other debt securities	685,299	-
Total (book value)	1,579,335	1,957,887
Total (fair value)	1,579,328	1,955,680

In addition to syndicated lending, the item '*Others: other*' includes current receivables for the provision of financial services amounting to €2,768 thousand. In 2008, those receivables had been recognised under caption 150 'Other Assets' and had amounted to €2,199 thousand. For the sake of comparability, 2008 comparatives were reclassified accordingly.

Section 7 – Loans to customers – Caption 70

7.1 Analysis of loans to customers

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	Performing	Impaired	Performing	Impaired
1. Bank accounts	347,084	16,261	307,766	17,060
2. Repurchase agreements	44,366	-	514,184	-
3. Mortgage loans	1,991,853	17,266	1,213,172	7,953
4. Credit cards, personal loans and salary-guaranteed loans	109,995	1,118	64,502	554
5. Finance leases	-	-	-	-
6. Factoring	-	-	-	-
7. Other	537,144	678	1,062,662	-
8. Debt securities	79,079	-	96,984	-
8.1 Structured notes	-	-	-	-
8.2 Other debt securities	79,079	-	96,984	-
Total (book value)	3,109,521	35,323	3,259,270	25,567
Total (fair value)	3,140,886	35,323	3,269,720	25,567

The item '*Other*' includes current receivables for the provision of financial services to companies within the Group, financial advisors and customers, amounting to €91,788 thousand. In 2008, those receivables amounting to €78,489 thousand had been recognised under caption 150 'Other Assets'. For the sake of comparability, 2008 comparatives were reclassified accordingly.

The item '*Debt securities*' includes ABS not quoted in an active market that at present do not show any evidence of impairment.

7.2 Analysis of customer loans by borrower category

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	Performing	Impaired	Performing	Impaired
1. Debt securities	79,079	-	96,984	-
a) Governments	-	-	-	-
b) Government agencies	-	-	-	-
c) Other issuers	79,079	-	96,984	-
- non financial companies	-	-	-	-
- financial companies	79,079	-	96,984	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans	3,030,442	35,323	3,162,286	25,567
a) Governments	-	-	-	-
b) Government agencies	-	-	-	-
c) Others	3,030,442	35,323	3,162,286	25,567
- non financial companies	48,913	605	40,635	1,318
- financial companies	456,918	-	1,461,343	-
- insurance companies	55,316	-	5,460	-
- other	2,469,295	34,718	1,654,848	24,249
Total	3,109,521	35,323	3,259,270	25,567

At December 31, 2009, impaired loans amounted to €35,323 thousand, up €9,756 thousand over the prior year largely in relation to mortgage loans.

7.3 Loans to customers: micro-hedging

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Fair value hedges	530,390	318,967
a) interest rate risk	530,390	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	530,390	318,967

Section 8 – Hedging derivatives – Caption 80

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

	Dec. 31, 2009				Dec. 31, 2008		
	FV			NA	FV		NA
€/'000	Level 1	Level 2	Level 3		Level 1	Level 2+3	
A. Financial derivatives	-	1,179	-	196,804	-	-	-
1) Fair value hedge	-	1,179	-	196,804	-	-	-
2) Cash flow hedge	-	-	-	-	-	-	-
3) Hedge of investments in foreign operations	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-
1) Fair value hedge	-	-	-	-	-	-	-
2) Cash flow hedge	-	-	-	-	-	-	-
Total	-	1,179	-	196,804	-	-	-

Legend:
FV = fair value
NA = notional amount

8.2 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	multi risks	macro	micro	macro	investments in foreign operations
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans & Receivables	1,179	-	-	X	-	X	-	X	X
3. Held-to-Maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total Assets	1,179	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total Liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets & liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 10 – Equity investments – Caption 100

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

	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
Gamax Management S.A.	Luxembourg	99.996	99.996
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)	Share-holders' equity	Book value	Fair value
A. Subsidiaries						
Banco de Finanzas e Inversiones S.A. (Fibanc)	513,600	44,837	381	137,397	272,617	X
Bankhaus August Lenz & Co. AG	66,140	29,219	(7,885)	36,925	40,629	X
Mediolanum Distribuzione Finanziaria S.p.A.	1,767	1,564	105	1,263	1,000	X
Mediolanum Corporate University S.p.A.	21,549	9,449	218	19,506	20,000	X
Gamax Management S.A.	28,112	13,377	7,591	24,285	34,994	X
Mediolanum Asset Management Ltd	13,647	23,620	8,758	10,416	1,989	X
Mediolanum Gestione Fondi SGR p.A.	34,434	61,249	7,586	23,670	2,610	X
Mediolanum International Funds Ltd	76,080	406,281	206,320	56,045	1,346	X
Total subsidiaries	-	-	-	-	375,185	
B. Joint ventures	-	-	-	-	-	
C. Companies under significant influence	-	-	-	-	-	

10.3 Year's movements in equity investments

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Opening balance	393,166	360,568
B. Increases	36,524	40,000
B1. Acquisitions	1,530	40,000
B2. Reversal of impairment	-	-
B3. Revaluations	-	-
B4. Other increases	34,994	-
C. Decreases	(54,505)	(7,402)
C1. Sales	-	-
C2. Impairment	(7,885)	(7,402)
C3. Other decreases	(46,620)	-
D. Closing balance	375,185	393,166
E. Total revaluations	-	-
F. Total adjustments	-	-

This section provides information about the impairment test conducted as per IAS 36 on equity investments held at December 31, 2009 as recommended by the Bank of Italy, CONSOB and ISVAP in their jointly issued document of March 4, 2009.
The purpose of the impairment test was to ascertain that the carrying amount of each equity investment did not exceed its recoverable amount, i.e. the higher of its fair value less cost to sell and its value in use.
The impairment test was conducted with the assistance of an independent advisor applying the methods and assumptions set out below.

EQUITY INVESTMENTS TESTED FOR IMPAIRMENT

The impairment test was conducted on the equity investments listed below:

- Banco de Finanzas e Inversiones S.A. (Fibanc);
- Gamax Management AG (Gamax);
- Bankhaus August Lenz & Co AG (Bal).

€/m

Equity investment	Carrying amount to be tested for impairment
Banco de Finanzas e Inversiones S.A.	272.6
Gamax Management AG	35.0
Bankhaus August Lenz & Co. AG	40.7

MEASUREMENT METHOD

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 an equity investment, or an entity, by computing the present value of future cash flows (from operations) it is expected to generate over time.
For lenders, it is common practice to apply the Free Cash Flow to Equity (FCFE) model known in Anglo-Saxon countries as 'Dividend Discount Model' (DDM), in the Excess Capital variant, that determines the value of the entity on the basis of the future cash flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific equity risk. Please note that although the name Dividend Discount Model contains the term 'dividend', the cash flows it calculates are not the dividends the entity expects to distribute to its shareholders, but the cash flows potentially available to equity holders net of the assets needed for business operations.

The Goodwill/AuM and Price/Book Value (P/BV) multiples – as observed in a panel of comparable entities in the past six months and reported by the information provider Bloomberg – were used for the determination of fair value.

FIBANC – IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

When testing for impairment, the recoverable amount of Fibanc was determined based on value in use calculated by applying the DDM method to the information set out in the 2010-2014 Business Plan (the 2010-2014 Plan) approved by the Board of Directors last February 17.
The 2010-2014 Plan was built on reasonable, consistent assumptions and represents the management's best estimates of the range of possible developments that may occur over the useful life of the CGU.
The 2010-2014 Plan forecasts the development of the Banca Mediolanum business model in Spain based on the reorganisation and future sustained growth of the sales network accompanied by growth in net inflows, assets under management and administration. The achievement of the 2010-2014 Plan targets relies on the expertise and track record of the Mediolanum Group's management. At December 31, 2009 Fibanc performance was in line with set targets.
Specifically, the 2010-2014 Plan for Fibanc is based on the following assumptions:

- growth in assets under management and administration at a CAGR of 16% over year end 2009;
- same business mix as in 2009 through the entire time horizon of the Plan;
- growth in the Family Bankers (FB) sales network from 489 people in 2009 to 1,336 in 2014;

- staff costs increase in line with target inflation (2%), compensation policy and planned personnel growth with recruitment of 3 new resources annually starting from 2011;
- reduction of general expenses in the 2010-2013 period with cost savings of about €18 million;
- growth in risk-weighted assets (RWA) at a CAGR of 11% over year end 2009.

Available cash flows was estimated considering a Tier 1 Capital ratio of 8%.

The present value of future cash flows was determined applying a discount rate equal to the cost of equity (ke) calculated under the Capital Asset Pricing Model, considering the current structure of interest rates in the market and the specific business segment. Specifically, ke was equal to the nominal rate of return on risk-free assets plus a risk premium to reflect the level of risk in the market and specific risks connected with the CGU business. The cost of equity was estimated at 11.70% on the basis of the following assumptions:

- risk-free rate of 3.87% calculated on the basis of average historical 6-month gross yields on 10-year Spanish treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.16% calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- market premium (i.e. the premium required by investors to invest in equities in lieu of risk-free assets) of 5.0% as suggested by best professional practice;
- country risk premium (Spain) estimated at 2%.

Considering Fibanc's notable growth rate target under the 2010-2014 Plan, for the purposes of impairment testing the Bank decided to calculate value in use conservatively over the 2010-2013 period. The value of Fibanc at the end of said time horizon was estimated on the basis of cash flows available in 2013 assuming growth at a constant rate of 2% in perpetuity (Gordon formula).

The DDM test did not reveal any impairment losses for this equity investment.

Please note that the information and criteria used to determine the recoverable amount of intangibles – in particular Fibanc's future estimated cash-flows and the discount rates applied – are subject to changes, even dramatic, in the macroeconomic environment and market conditions – as occurred in past months. These changes are difficult to predict and could cause future results to differ materially from estimates of Fibanc's future cash-flows as well as other key information set out herein.

Sensitivity analyses were applied to estimate the changes in some measures that make the recoverable amount of the equity investment in Fibanc equal to its carrying amount, namely:

- discount rate (ke): the target cost of equity at which the value in use of the equity investment in Fibanc is equal to the carrying amount is 12.2%, an upward movement of 50 bps;
- profitability: the decline in net profit over the value set out in the Business Plan at which the value in use of the equity investment in Fibanc is equal to its carrying amount is 5%.

Considering the value in use over the 2010-2014 time horizon, the conditions that make the recoverable amount of the equity investment in Fibanc be equal to its carrying amount are as follows:

- discount rate (ke) of 16%, an upward movement of 430 bps;
- decline in net profit – compared to the value set out in the Business Plan – equal to 36%.

To round off disclosure, readers are advised that unlike most players in the banking and financial industries, the analysis of the Mediolanum Group average stock market value from June 2009 through December 2009 reveals a multiple of 3.2x the book value of equity. This is believed to be sufficient to neutralise any external factors that may impinge on Fibanc, such as the macroeconomic environment or the existence of comparable entities with stock prices lower than their equity's book value.

GAMAX – IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

The recoverable amount of Gamax was determined applying stock market multiples.

The fair value of Gamax was measured applying the Goodwill/AuM multiple adjusted for asset profitability as observed in a panel of listed asset management companies. The multiple applied was 10.8%, the value of Gamax's Assets under Management was €460 million at December 31, 2009.

The application of the multiples above did not reveal any evidence of impairment losses for the equity investment in Gamax.

A sensitivity analysis was applied to estimate changes in market multiples that make the recoverable amount of this equity investment equal to its carrying amount.

The Goodwill/AuM multiple at which fair value is equal to the carrying amount is 6.63%, a downward movement of 38%.

To round off disclosure, readers are advised that unlike most players in the banking and financial industries, the analysis of the Mediolanum Group average stock market value from June 2009 through December 2009 reveals a multiple of 3.2x the book value of equity. This is believed to be sufficient to neutralise any external factors that may impinge on Gamax, such as the macroeconomic environment or the existence of comparable entities with stock prices lower than their equity's book value.

BANKHAUS AUGUST LENZ – IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

The recoverable amount of the equity investment in BAL was determined applying stock market multiples.

BAL was assessed applying the Price/Book Value (P/BV) multiple as observed in a panel of listed lenders and sellers of financial and insurance products. The multiple applied was 1.40x, and BAL equity was €37 million at December 31, 2009. In the assessment the time and investment needed to align BAL profitability with that of comparable entities was taken in due consideration

The application of the multiples above did not reveal any evidence of impairment losses for the equity investment in BAL.

A sensitivity analysis was applied to estimate changes in market multiples that make the recoverable amount of this equity investment equal to its carrying amount.

The P/BV multiple at which the fair value of the equity investment in BAL is equal to the carrying amount is 1.39x, a downward movement of 0.4%.

To round off disclosure, readers are advised that unlike most players in the banking and financial industries, the analysis of the Mediolanum Group average stock market value from June 2009 through December 2009 reveals a multiple of 3.2x the book value of equity. This is believed to be sufficient to neutralise any external factors that may impinge on BAL, such as the macroeconomic environment or the existence of comparable entities with stock prices lower than their equity's book value.

Section 11 – Tangible assets – Caption 110

11.1 Analysis of tangible assets carried at cost

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Occupied/used		
1.1 owned	23,771	25,028
a) land	5,440	5,440
b) buildings	5,444	5,726
c) furnishings	2,397	2,387
d) electronic equipment	9,189	9,123
e) other	1,301	2,352
1.2 under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	23,771	25,028
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)	23,771	25,028

11.3 Year's movements in occupied/used tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance:	5,440	8,451	6,779	36,186	5,180	62,036
A.1 Total net write-downs	-	(2,725)	(4,392)	(27,063)	(2,828)	(37,008)
A.2 Net opening balance	5,440	5,726	2,387	9,123	2,352	25,028
B. Increases:	-	16	732	4,300	715	5,763
B.1 Additions	-	16	732	1,859	715	3,322
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	-	-	-	2,441	-	2,441
C. Decreases:	-	(298)	(722)	(4,234)	(1,766)	(7,020)
C.1 Disposals	-	-	-	(18)	(4)	(22)
C.2 Depreciation	-	(298)	(722)	(4,216)	(330)	(5,566)
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 Reclassifield to:						
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	(1,432)	(1,432)
D. Net closing balance	5,440	5,444	2,397	9,189	1,301	23,771
D.1 Total net write-downs	-	(3,023)	(5,111)	(30,204)	(3,142)	(41,480)
D.2 Gross closing balance	5,440	8,467	7,508	39,393	4,443	65,251
E. Measured at costs	-	-	-	-	-	-

Tangible assets with unit value lower than €516.46 were fully depreciated in the year and amounted to €309 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, 2009 Finite life	Dec. 31, 2009 Indefinite life	Dec. 31, 2008 Finite life	Dec. 31, 2008 Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	10,632	-	12,455	-
A.2.1 measured at cost	10,632	-	12,455	-
a) internally generated assets	-	-	-	-
b) other assets	10,632	-	12,455	-
A.2.2 Measured at fair value:	-	-	-	-
a) internally generated assets	-	-	-	-
b) other assets	-	-	-	-
Total	10,632	-	12,455	-

12.2 Year's movemens 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. Gross opening balance	-	-	-	118,149	-	118,149
A.1 Total net write-downs	-	-	-	(105,694)	-	(105,694)
A.2 Net opening balance	-	-	-	12,455	-	12,455
B. Increases	-	-	-	8,142	-	8,142
B.1 Additions	-	-	-	8,142	-	8,142
B.2 Increases in internal assets	X	-	-	-	-	-
B.3 Reversal of impairment	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	-	-	-	(9,965)	-	(9,965)
C.1 Disposals	-	-	-	(3)	-	(3)
C.2 Amortisation and impairment	-	-	-	(8,953)	-	(8,953)
- Amortisation	X	-	-	(8,953)	-	(8,953)
- Impairment	-	-	-	-	-	-
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(1,009)	-	(1,009)
D. Net closing balance	-	-	-	10,632	-	10,632
D.1 Total net write-downs	-	-	-	(114,567)	-	(114,567)
E. Gross closing balance	-	-	-	125,199	-	125,199
F. Measured at cost	-	-	-	-	-	-

Legend:

Finite: finite life

Indefinite: indefinite life

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

'*Current tax assets*' include tax advances amounting to €3,573 thousand and withholding taxes of €19,696 thousand paid during 2009. Since the Bank opted for the tax consolidation regime, IRES corporate income tax debits/credits were 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 2009		FY 2008	
€/'000	Temporary differences	Tax rate %	Temporary differences	Tax rate %
Differed tax assets:				
Valuation reserve relating to AFS securities	5,988	32.32%	44,549	32.32%
Valuation reserve relating to AFS securities	300	4.82%	350	4.82%
Provisions for risks and charges	71,278	32.32%	61,227	32.32%
Provisions for risks and charges	47,571	27.50%	37,290	27.50%
Expenses deductible in future years	19,094	27.50%	13,471	27.50%
Expenses deductible in future years	207	32.32%	362	32.32%
Total	144,438	-	157,249	-
Deferred liabilities:				
Valuation reserve relating to AFS securities	6,767	32.32%	8,321	32.32%
Income taxable in future years	17,803	27.50%	9,873	27.50%
Future expenses deductible in the year	-	32.32%	-	32.32%
Future expenses deductible in the year	311	27.50%	311	27.50%
Total	24,881	-	18,505	-
Net deferred tax liabilities (assets)	-	36,217	-	42,788
Deferred tax arisen on tax losses for the year	-	-	-	7,377
Deferred tax arisen on tax losses for the prior year	-	7,085	-	-
Temporary differences excluded from the calculation of deferred tax liabilities (assets)	-	-	-	-
Tax losses to carry forward	-	-	-	-
...				
...				
Net	-	-	-	-

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Deferred tax assets		
charge to the income statement	48,520	41,241
charge to equity	1,950	14,414
Total deferred tax assets	50,470	55,655
Deferred tax liabilities		
charge to the income statement	(4,981)	(2,800)
charge to equity	(2,187)	(2,689)
Total deferred tax liabilities	(7,168)	(5,489)

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	41,241	29,196
2. Increases	15,881	18,805
2.1 Deferred tax assets arisen in the year	15,881	18,804
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) write-backs	-	-
d) other	15,881	18,804
2.2 New taxes or increased tax rates	-	1
2.3 Other increases	-	-
3. Decreases	(8,602)	(6,760)
3.1 Deferred tax assets cancelled in the year	-	-
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	(8,602)	(6,760)
4. Closing balance	48,520	41,241

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	(2,800)	(2,397)
2. Increases	(2,239)	(1,878)
2.1 Deferred tax liabilities arisen in the year	(2,239)	(1,878)
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(2,239)	(1,878)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	58	1,475
3.1 Deferred tax liabilities cancelled in the year	58	1,475
a) reversals	-	-
b) due to changes in the accounting policies	-	-
c) other	58	1,475
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(4,981)	(2,800)

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	14,414	1,447
2. Increases	1,093	13,143
2.1 Deferred tax assets arisen in the year	1,092	13,143
a) relating to prior year	-	-
b) due to changes in the accounting policies	-	-
c) other	1,092	13,143
2.2 New taxes or increased tax rates	1	-
2.3 Other increases	-	-
3. Decreases	(13,557)	(176)
3.1 Deferred tax assets cancelled in the year	(13,557)	-
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	(13,557)	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	(176)
4. Closing balance	1,950	14,414

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	(2,689)	(916)
2. Increases	(551)	(1,879)
2.1 Deferred tax liabilities arisen in the year	(551)	(1,879)
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(551)	(1,879)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	1,053	106
3.1 Deferred tax liabilities cancelled in the year	1,053	106
a) reversals	-	-
b) changes in the accounting policies	-	-
c) other	1,053	106
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(2,187)	(2,689)

Section 15 – Other assets – Caption 150

15.1 Analysis of other assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Receivables from tax authorities	28,159	12,663
Receivables from financial advisors	3,619	9,011
Advances to suppliers and professionals	4,419	4,418
Security deposits	347	341
Receivables from companies of the Fininvest & the Doris Groups	216	116
Receivables from subsidiaries and associates	5,177	6,577
Receivables from employees	295	210
Other receivables	5,941	1,076
Items in transit	99,796	119,179
Accruals	17,804	9,873
Prepayments	4,537	3,231
Other	4,107	5,848
Total	174,417	172,543

The Bank of Italy's Circular Letter 262/2005, as amended last November, requires that current receivables relating to the provision of financial services to banks and customers, that in past years had been recognised under 'other assets', be allocated to the specific category of assets to which they refer. For the sake of comparability, 2008 comparative information was reclassified accordingly. Specifically, the balances listed below were reclassified to '*Loans to Customers*':

- 'Commissions outstanding' (€29,706 thousand);
- 'TBN sales commission bonus advances' (€30,378 thousand);
- 'Receivables from financial advisors' (€11,976 thousand);
- 'Commissions and expenses to be charged to customers' (€2,528 thousand);

In addition, other amounts were reclassified out of '*Other Receivables*', namely: €3,901 thousand to '*Loans to customers*' and €2,901 thousand to '*Loans to banks*' .

'*Items in transit*' primarily related to utilities bills not yet due to be charged to customer accounts (€45,116 thousand), cheques debited to customers in the first days of 2010 (€20,519 thousand), and miscellaneous items settled in January 2010 (€34,161 thousand).

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Mediolanum Group companies		
parent company		
- Mediolanum S.p.A.	403	452
subsidiaries		
- Mediolanum Gestione Fondi SGR p.A.	1,360	1,514
- Mediolanum Corporate University S.p.A.	393	635
- Bankhaus August Lenz & Co. AG	235	37
- Mediolanum International Funds Ltd	201	225
- Mediolanum Distribuzione Finanziaria S.p.A.	98	82
- Banco de Finanzas e Inversiones (Fibanc) SA	93	161
- Mediolanum Asset Management Ltd	35	-
associates		
- Mediolanum Vita S.p.A.	1,744	2,316
- Mediolanum Comunicazione S.p.A.	434	601
- Mediolanum International Life Ltd	181	217
- Partner Time S.p.A. in liquidation	-	316
- PI Distribuzione S.p.A.	-	21
Total	5,177	6,577
Receivables from Fininvest Group and Doris Group		
- Mediolanum Assicurazioni S.p.A.	197	116
- Vacanze Italia S.p.A.	18	-
- Milan AC S.p.A.	1	-
Total	216	116

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Prepaid stamp duties	17,467	12,534
Other	10,310	129
VAT	382	-
Total	28,159	12,663

'*Prepaid stamp duties*' related to 2010 stamp duties amounting to €18,027 thousand paid in November 2009 net of the balance due for 2009 stamp duties amounting to €567 thousand. The item also included €7 thousand stamp duty advances paid for the electronic filing of company records.
'*Prepayments*' related to the portion of payments made for miscellaneous services pertaining to future years.
'*Accruals*' related to commissions on *Tax Benefit New* relating to future years.

'*Receivables from financial advisors*' primarily related to the expenses borne to compensate customers who were damaged as a result of the misconduct of former financial advisors against whom legal actions were started. The amount receivable carried at the nominal value of €13,829 thousand written down by €12,832 thousand represents the estimated realisable value.

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

'*Other receivables*' primarily included multi-year expenses for leasehold improvements (€4,085 thousand), receivables from directors (€164 thousand) and miscellaneous items (€1,692 thousand).

LIABILITIES

Section 1 – Amounts due to banks – Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Central banks	135,345	400,116
2. Banks	1,070,942	1,525,227
2.1 Current accounts and demand deposits	11,027	602,593
2.2 Time deposits	1,055,615	435,119
2.3 Loans	3,551	486,592
2.3.1 Repurchase agreements	3,551	486,592
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other amounts due	749	923
Total	1,206,287	1,925,343
Fair value	1,205,941	1,952,298

'*Other amounts due*' included current payables relating to the provision of financial services amounting to €749 thousand. In 2008, those payables had amounted to €923 thousand and had been recognised under caption 100 '*Other Liabilities*'. For the sake of comparability, 2008 comparative information was reclassified accordingly.

Section 2 – Amounts due to customers – Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Current accounts and demand deposits	5,442,878	4,500,559
2. Time deposits	179,019	183,474
3. Loans	67,209	888,677
3.1 Repurchase agreements	67,209	888,677
3.2 Other	-	-
4. Commitments to buy back own equity instruments	-	-
5. Other amounts due	189,955	133,785
Total	5,879,061	5,706,495
Fair value	5,879,061	5,701,743

'*Other amounts due*' included current payables relating to the provision of financial services amounting to €174,771 thousand. In 2008, those payables had amounted to €125,503 thousand and had been recognised under caption 100 '*Other Liabilities*'. For the sake of comparability, 2008 comparative information was reclassified accordingly.

Section 3 – Securities issued – Caption 30

3.1 Analysis of securities issued

	Dec. 31, 2009				Dec. 31, 2008			
	Book Value	Fair value			Book Value	Fair value		
€/'000		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	179,450	-	176,113	-	13,537	-	13,537	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	179,450	-	176,113	-	13,537	-	13,537	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	179,450	-	176,113	-	13,537	-	13,537	-

3.2 Analysis of caption 30 'Securities issued: subordinated securities'

'*Securities issued*' included €168,885 thousand relating to subordinated securities issued by Banca Mediolanum S.p.A. in financial year 2009.

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

	Dec. 31, 2009					Dec. 31, 2008			
		FV					FV		
€/'000	NV	L1	L2	L3	FV*	NV	L1	L2+L3	FV*
A. Non-derivatives									
1. Due to banks	21,577	22,599	-	-	-	8,833	8,697	-	-
2. Due to customers	214,234	235,652	-	-	-	675,291	721,363	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	X
3.1.2 others	-	-	-	-	X	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	X
3.2.2 others	-	-	-	-	X	-	-	-	X
Total A	235,811	258,251	-	-	-	684,124	730,060	-	-
B. Derivative									
1. Financial derivatives	-	-	1,665	-	-	-	30	11,069	-
1.1 held for trading	X	-	1,665	-	X	X	30	11,069	X
1.2 measured at fair value	X	-	-	-	X	X	-	-	X
1.3 others	X	-	-	-	X	X	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-
2.1 held for trading	X	-	-	-	X	X	-	-	X
2.2 measured at fair value	X	-	-	-	X	X	-	-	X
2.3 others	X	-	-	-	X	X	-	-	X
Total B	X	-	1,665	-	X	X	30	11,069	X
Total (A+B)	X	258,251	1,665	-	X	X	730,090	11,069	X

Legend:

FV = fair value

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

NV = nominal value or notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

'*A2. Due to customers*' include short positions in repurchase agreements.

4.4 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 hedge and fair value hierarchy

	Dec. 31, 2009				Dec. 31, 2008		
	Fair value			NV	Fair value		NV
€/'000	L1	L2	L3		Level 1	L2+L3	
A. Financial derivatives	-	15,906	-	336,509	-	18,428	298,201
1) Fair value hedge	-	15,906	-	336,509	-	18,428	298,201
2) Cash flow hedge	-	-	-	-	-	-	-
3) Hedge of investments in foreign operations	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-
1) Fair value hedge	-	-	-	-	-	-	-
2) Cash flow hedge	-	-	-	-	-	-	-
Total	-	15,906	-	336,509	-	18,428	298,201

Legend:
NV = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

	Fair value						Cash flow		
	micro-hedging								
€/'000	interest rate risk	currency risk	credit risk	pricing risk	multiple risks	macro-hedging	micro-hedging	macro-hedging	Investments in foreign operations
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans and receivables	15,906	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	15,906	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets & liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 8 – Tax liabilities – Caption 80

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

€/'000	Dec. 31, 2008	Amounts set aside in the year	Other changes	Funds used	Dec. 31, 2009
Corporate Income Tax (IRES)	-	-	-	-	-
Regional Business Tax (IRAP)	3,741	4,437	(168)	(3,573)	4,437
Total	3,741	4,437	(168)	(3,573)	4,437

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, 2009	Dec. 31, 2008
Items in transit	111,307	85,438
Payables to suppliers, consultants and other professionals	23,817	36,794
Payables to employees	8,092	4,392
Payables to tax authorities	6,079	9,571
Payables to social security agencies	4,854	4,554
Payables to Mediolanum Group companies	4,707	3,758
Agents' severance benefits	3,051	2,994
Other sundry liabilities	1,921	2,180
Payables to companies of the Fininvest Group and Doris Group	1,643	2,643
Deferred income	804	65
Payables to financial advisors	140	95
Accrued expenses	25	-
Total	166,440	152,484

The Bank of Italy's Circular Letter 262/2005, as amended last November, requires that current payables relating to the provision of financial services, that in past years had been recognised under 'other liabilities', be allocated to the specific category of liabilities to which they refer (amounts due to customers/amounts due to banks). For the sake of comparability, 2008 comparative information was reclassified accordingly. Specifically, the balances listed below were reclassified:

- an amount of €70,207 thousand was transferred from 'Payables to Mediolanum Group companies' to 'Amounts due to customers';
- an amount of €50,915 thousand was transferred from 'Payables to financial advisors' to 'Amounts due to customers'.
- an amount of €4,381 thousand was transferred to 'Amounts due to customers' and an amount of €923 thousand to 'Amounts due to banks' from 'Other sundry liabilities'.

"*Items in transit*" included customer transfer orders settled through the Interbank Network in the first days of 2010 (€21,106 thousand), pre-authorised payments (RID) (€30,230 thousand), customers' ATM transactions (€4,265 thousand), customers' Banco Posta transactions (€4,645 thousand), amounts to be paid into *Mediolanum Plus* policy accounts (€17,795 thousand) and other items settled in the first days of the new year (€33,266 thousand).

'*Payables to suppliers, consultants and other professionals*' related to fees due in 2010. The account also included an amount of €294 thousand due to Directors and Statutory Auditors for their services, that was unpaid at balance sheet date.

'*Payables to social security agencies*' related to social security contributions of employees (€3,581 thousand), of financial advisors and agents (€1,273 thousand).

'*Payables to employees*' related to overtime payments, reimbursement of expenses, amounts set aside for bonuses accrued at year end, statutory leaves and vacations unused at December 31, 2009.

'*Agents' severance benefits*' related to the severance entitlements of financial advisors as accrued at balance sheet date. The amounts due will be paid into the related Mediolanum Vita S.p.A. policy account within March 31, 2010 in accordance with the terms of the collective agreement.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Mediolanum Group companies		
parent company		
- Mediolanum S.p.A.	625	460
subsidiaries		
- Mediolanum Gestione Fondi SGR p.A.	100	54
- Mediolanum Distribuzione Finanziaria S.p.A.	-	7
- Banco de Finanzas e Inversiones S.A. (Fibanc)	14	11
- Bankhaus August Lenz & Co. AG	14	18
- Mediolanum Corporate University S.p.A.	2,951	831
- Mediolanum International SA	-	19
associates		
- Mediolanum Comunicazione S.p.A.	610	2,096
- Mediolanum Vita S.p.A.	393	257
- Partner Time S.p.A. in liquidation	-	5
Total	4,707	3,758
Fininvest Group/Doris group companies:		
- Publitalia '80 S.p.A.	-	1,087
- Mediolanum Assicurazioni S.p.A.	1,540	1,480
- Mondadori Pubblicità S.p.A.	38	33
- Digitalia '08 S.r.l.	37	-
- Promoservice Italia S.r.l.	-	4
- Vacanze Italia S.p.A.	28	39
Total	1,643	2,643

'*Payables to tax authorities*' related to the following accounts:

€/'000	Dec. 31, 2009	Dec. 31, 2008
Substitute and withholding taxes	5,967	8,731
Other	112	840
Total	6,079	9,571

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

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Opening balance	9,765	8,925
B. Increases	4,237	5,652
B.1 Amounts set aside in the year	4,201	5,454
B.2 Other increases	36	198
C. Decreases	(4,870)	(4,812)
C.1 Funds used in the year	(4,315)	(623)
C.2 Other decreases	(555)	(4,189)
D. Closing balance	9,132	9,765

Section 12 – Provisions for risks and charges – Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Severance entitlements	-	-
2. Other provisions for risk and charges	104,849	89,525
2.1 legal proceeding	8,443	7,253
2.2 staff costs	-	-
2.3 other	96,406	82,272
Total	104,849	89,525

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other	Total
A. Opening balance	-	89,525	89,525
B. Increases	-	29,567	29,567
B.1 Amounts set aside in the year	-	29,567	29,567
B.2 Time-related increases	-	-	-
B.3 Increased discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	(14,243)	(14,243)
C.1 Funds used in the year	-	(6,936)	(6,936)
C.2 Decreased discount rate	-	-	-
C.3 Other decreases	-	(7,307)	(7,307)
D. Closing balance	-	104,849	104,849

12.4 Provisions for risks and charges – "other"

€/'000	Balance at Dec. 31, 2008	Amount set aside in the year	Other changes	Funds used	Balance at Dec. 31, 2009
- Legal proceedings	7,253	2,144	(836)	(118)	8,443
- Other:					
Benefits to Top Managers	20,093	7,189	(1,322)	(1,828)	24,132
Risks related to FA illegal actions	25,584	9,863	(4,703)	(2,954)	27,790
FA customer base entitlements	16,545	3,200	(8)	(362)	19,375
FA portfolio entitlements	10,335	1,357	-	(933)	10,759
Product distribution	8,087	3,359	(85)	(519)	10,842
Miscellaneous	1,628	2,455	(353)	(222)	3,508
Total	89,525	29,567	(7,307)	(6,936)	104,849

The table above shows the analysis of other provisions and the year's movements.

'*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 action*s' 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 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 securities defaults.

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 noncompetition 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 balance sheet date, 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 primarily on 'Tax Benefit New' sales. The figure shown under 'other changes' relates to adjustments made to amounts set aside in prior years.

Section 14 Shareholders' equity – Caption 130,150,160,170,180,190 and 200

14.1 Analysis of 'Share Capital' and 'Treasury Shares'

	Share capital		Treasury shares	
€/'000	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Ordinary shares	450,000	430,000	-	-
Other shares	-	-	-	-
Total	450,000	430,000	-	-

At December 31, 2009, share capital amounted to €450,000 thousand, divided into 450,000,000 ordinary shares, fully subscribed and paid up.

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

€/'000	Ordinary	Other
A. Opening balance	430,000	-
- fully paid up	430,000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	430,000	-
B. Increases	20,000	-
B.1 New issues	20,000	-
- for a consideration	20,000	
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	20,000	-
- 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	450,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at year end	450,000	-
- fully paid up	450,000	-
- not fully paid up	-	-

14.3 Share capital: other information

The company does not hold any treasury shares.

14.4 Retained earnings: other information

Retained earnings amount to €87,151 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 in the table below.

				Utilisation in the prior three years		
€/'000	Amount	Possible utilisation (A, B, C)	Usable amount		loss coverage	other
Share capital:	450,00	-	-	-	-	-
Equity reserves, of which:						
Retained earnings, of which:						
- legal reserve	21,109	B	21,109	-	-	-
- extraordinary reserve	121,803	A B C	121,803	-	-	-
- FTA reserve	(65,524)	A B C	(65,524)	-	-	-
- other reserves	9,762	A	9,762	-	-	-
Other Reserves of which:						
- merger reserve	3,185	A B C	3,185	-	-	-
Valuation reserves	242		241	-	-	-
Total	540,577		90,577	-	-	-
of which undistributable	-	-	31,113	-	-	-
of which distributable	-	-	59,464	-	-	-

Legend:
A = capital increase
B = loss coverage
C = distribution to shareholders

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2009	Dec. 31, 2008
1) Financial guarantees	12,858	-
a) Banks	12,858	-
b) Customers	30	-
2) Commercial guarantees	20,129	22,528
a) Banks	10,731	10,731
b) Customers	9,398	11,797
3) Commitments to disburse funds	111,144	230,298
a) Banks	12,310	22,992
i) with certain drawdown	12,310	6,970
ii) with possible drawdown	-	16,022
b) Customers	98,834	207,306
i) with certain drawdown	678	420
ii) with possible drawdown	98,156	206,886
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	-	-
Total	144,131	252,826

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Financial assets held for trading	-	398,051
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	154,608	398,290
4. Held-to-maturity investments	374,702	725,303
5. Loans to banks	190,917	-
6. Loans to customers	-	823
7. Tangible assets	-	-
Total	720,227	1,522,467

4. Brokerage and asset management on behalf of customers

€/'000	Dec. 31, 2009
1. Orders executed on behalf of customers	
a) Purchases	2,798,166
1. settled	2,798,166
2. not settled	-
b) Sales	3,048,869
1. settled	3,048,869
2. not settled	-
2. Portfolio management	
a) individual portfolio management	83,229
b) collective portfolio management	-
3. Securities in custody and under administration	
a) custodian bank services (other than managed assets)	-
1. securities issued by entities incl. in consolidated accounts	-
2. other securities	-
b) custodian bank services (other than managed assets), other	7,867,361
1. securities issued by entities incl. in consolidated accounts	177,536
2. other securities	7,689,825
c) third-party securities held by other custodians	7,586,116
d) own securities held by other custodians	3,941,263
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	Debt securities	Loans	Other assets	Dec. 31, 2009	Dec. 31, 2008
1. Financial assets held for trading	24,700	-	-	24,700	73,281
2. Available-for-sale financial assets	15,349	-	-	15,349	17,340
3. Held-to-maturity investments	53,847	-	-	53,847	18,927
4. Loans to banks	13,208	32,000	-	45,208	109,171
5. Loans to customers	3,772	97,434	-	101,206	114,462
6. Financial assets at fair value	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	52
8. Other assets	X	X	58	58	316
Total	110.876	129.434	58	240.368	333.549

1.2 Interest income and similar income: analysis of hedging balances

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Positive differences arising on	-	4,790
A.1 fair value micro-hedging of assets	-	4,790
B. Negative differences arising on		(4,738)
B.1 fair value micro-hedging of assets	-	(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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest income and similar income on:		
a) financial assets denominated in foreign currencies	761	6,063
b) finance leases	-	-
c) third party assets under administration	-	-
Total	761	6,063

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other	Total Dec. 31, 2009	Total Dec. 31, 2008
1. Due to central banks	-	X	1,317	1,330	-
2. Due to banks	11,198	X	1,432	12,617	67,443
3. Due to customers	31,414	X	19,989	51,403	116,487
4. Securities issued	X	2,317	-	2,317	20
5. Financial liabilities held for trading	19,608	-	-	19,608	16,483
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and funds	X	X	13	13	201
8. Hedging derivatives	X	X	13,723	13,723	-
Total	62,220	2.317	36,474	101,011	200,634

1.5 Interest expense and similar charges: analysis of hedging balances

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Positive differences arising on	5,608	-
A.1 fair value micro-hedging of assets	5,608	-
B. Negative differences arising on	(19,331)	-
B.1 fair value micro-hedging of assets	(19,331)	-
C. Balance (A - B)	(13,723)	-

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currencies

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest expense and similar charges on:		
a) financial liabilities denominated in foreign currencies	7,658	20,144
b) finance leases	-	-
c) third party assets under administration	-	-
Total	7,658	20,144

Section 2 – Commissions – Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2009	Dec. 31, 2008
a) Garantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	279,056	259,646
1. brokerage of financial instruments	346	570
2. currency brokerage	-	-
3. portfolio management	771	1,432
3.1 individual portfolio management	771	1,432
3.2 collective portfolio management	-	-
4. securities in custody and under administration	3,132	3,145
5. custodian bank	-	-
6. sale of securities	2,959	79
7. order taking and transmission	6,666	6,311
8. consultancy	-	-
8.1 investment advice	-	-
8.2 financial structure advice	-	-
9. services to third parties	265,182	248,109
9.1 portfolio management	131,462	105,022
9.1.1. individual portfolio management	-	-
9.1.2. collective portfolio management	131,462	105,022
9.2. insurance products	121,815	132,461
9.3. other products	11,905	10,626
d) Payments and collections	8,320	8,280
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Bank accounts custodian and management services	18,280	16,977
j) Other services	7,293	4,961
Total	312,949	289,864

The Bank of Italy's Circular 262/2005, as amended last November, requires that income relating to the mere reimbursement of expenses borne by the bank, that in past years had been generally recognised under 'other services' be allocated to 'Other operating income'. For the sake of comparability, the 2008 amount of €779 thousand was reclassified accordingly.

2.2 Commission income: distribution channels of products and services

€/'000	Dec. 31, 2009	Dec. 31, 2008
a) Through the company's own branches	2,959	79
1. asset management	-	-
2. sale of securities	2,959	79
3. services and products of third parties	-	-
b) Off-premises sales	265,953	249,541
1. asset management	771	1,432
2. sale of securities	-	-
3. services and products of third parties	265,182	248,109
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, 2009	Dec. 31, 2008
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	247,504	205,120
1. brokerage of financial instruments	-	-
2. currency brokerage	-	-
3. asset management	480	809
3.1 own management	-	-
3.2 on mandates from third-parties	480	809
4. securities in custody and under administration	749	833
5. sale of financial instruments	-	-
6. off-premises sale of financial instruments, products & services	246,275	203,478
d) Payments and collections	11,268	11,629
e) Other services	9,567	8,270
Total	268,339	225,019

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

€/'000	Dec. 31, 2009 Dividends	Dec. 31, 2009 Income from holdings in UCITS	Dec. 31, 2008 Dividends	Dec. 31, 2008 Income from holdings in UCITS
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	132	1,774	143	796
C. Financial assets at fair value	-	-	-	-
D. Equity investments	98,234	X	78,796	X
Total	98,366	1,774	78,939	796

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 €17,654 thousand 2008 dividends whose distribution to shareholders was resolved and took place in 2009, as well as the 2009 interim dividends amounting to €80,580 thousand paid out by the subsidiaries Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd. in November 2009.

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	14,079	30,096	(1,968)	(9,414)	32,793
1.1 Debt securities	14,079	30,047	(1,958)	(9,348)	32,820
1.2 Equities	-	49	(10)	(66)	(27)
1.3 Holdings in UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	836	8,319	(7,371)	(8,281)	(6,497)
2.1 Debt securities	836	8,319	(7,371)	(8,281)	(6,497)
2.2 Debt	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	74
4. Derivatives	3,317	31,970	(4,766)	(31,460)	642
4.1 Financial derivatives	3,317	31,970	(4,766)	(31,460)	642
- debt securities and interest rates	3,314	25,948	(4,766)	(26,321)	(1,825)
- equities and stock indices	3	12	-	(5)	10
- currencies and gold	X	X	X	X	1,581
- other	-	6,010	-	(5,134)	876
4.2 Credit derivatives	-	-	-	-	-
Total	18,232	70,385	(14,105)	(49,155)	27,012

Section 5 - Net income from hedging - Caption 90

5.1 Analysis of net income from hedging

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Income from:		
A.1 Fair value hedging derivatives	3,702	-
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)	3,702	20,178
B. Expense from:		
B.1 Fair value hedging derivatives	-	(18,428)
B.2 Hedged financial assets (fair value)	(5,889)	-
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)	(5,889)	(18,428)
C. Net income from hedging (A - B)	(2,187)	1,750

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

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2009			Dec. 31, 2008		
€/'000	Gains	Losses	Net gains (losses)	Gains	Losses	Net gains (losses)
Financial assets						
1. Loans to banks	88	-	88	-	-	-
2. Loans to customers	185	-	185	-	-	-
3. Available-for-sale financial assets:	13,153	(8,103)	5,050	5,021	(2,399)	2,622
3.1 Debt securities	12,955	(8,101)	4,854	5,018	(2,059)	2,959
3.2 Equities	-	-	-	-	-	-
3.3 Holdings in UCITS	198	(2)	196	3	(340)	(337)
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	324	-	324	-	-	-
Total assets	13,750	(8,103)	5,647	5,021	(2,399)	2,622
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 (1)			Reversal of impairment (2)					
	Individual			Individual		Collective			
€/'000	Cancellations	Others	Collective	A	B	A	B	Dec. 31, 2009	Dec. 31, 2008
A. Loans to banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	(1,577)	(11,297)	(766)	-	3,075	-	365	(10,200)	(7,644)
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(1,577)	(11,297)	(766)	-	3,075	-	365	(10,200)	(7,644)

8.2 Analysis of net impairment of available for sale financial assets

	Impairment (1)		Reversal of impairment (2)			
	Individual		Individual			
€/'000	Cancellations	Others	A	B	Dec. 31, 2009	Dec. 31, 2008
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(776)	X	X	(776)	-
C. Holdings in UCITS	-	(19,617)	X	-	(19,617)	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(20,393)	-	-	(20,393)	-

Legend:
A = interest
B = other

8.4 Analysis of net impairment of other financial items

	Impairment			Reversal of impairment					
	Individual			Individual		Collective			
€/'000	Cancellations	Other	Collective	A	B	A	B	Dec. 31, 2009	Dec. 31, 2008
A. Guarantees issued	-	(21)	(1)	-	-	-	-	(22)	(23)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Others	(147)	(4,640)	-	-	5	-	-	(4,782)	(1,189)
E. Total	(147)	(4,661)	(1)	-	5	-	-	(4,804)	(1,212)

Legend:
A = interest
B = other

Section 9 - Administrative expenses - Caption 150

9.1 Analysis of staff costs

€/'000	Dec. 31, 2009	Dec. 31, 2008
1) Employees	87,977	80,127
a) wages and salaries	62,967	55,565
b) social security contributions	19,195	17,395
c) employee completion of service entitlements	-	-
d) pensions	-	-
e) provision for completion of service entitlements	4,201	5,454
f) provision for severance benefits and similar obligations		
- defined contribution plan	-	-
- defined benefit plan	-	-
g) external supplementary pension funds:	908	704
- defined contribution plan	908	704
- defined benefit plan	-	-
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	706	1,009
2) Other personnel	2,464	2,936
3) Directors and Statutory Auditors	1,212	998
4) Retirees	-	-
5) Recoveries of expenses for employees seconded to other entities	-	-
6) Recoveries of expenses for third-party employees seconded to the company	-	-
Total	91,653	84,061

9.2 Average number of personnel by category

Category	Dec. 31, 2009	Dec. 31, 2008
Employees		
a) senior management	67	60
b) middle management	173	164
c) other employees	1,242	1,136
Total Employees	1,482	1,360
Other personnel	26	42
Total	1,508	1,402

9.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2009	Dec. 31, 2008
IT services	31,957	33,432
Advertising and promotions	20,948	15,356
Television and Internet communication services	14,097	15,350
Consultancy, education and training of the sales force	15,642	10,857
Rentals	9,649	9,551
Other advisory services	10,699	10,140
Postal and telephone	10,044	9,712
Business Conventions	3,439	3,872
Consumables	4,053	3,966
Infoprovider services	3,203	3,526
Financial services fees and other expenses	1,926	2,628
Insurance	2,141	1,903
Canteen	2,614	2,501
Business expenses, gifts and donations	3,149	2,938
Contributions to "Family Banker" offices	1,666	1,734
Travel expenses	1,407	1,879
Repairs and maintenence	1,111	934
Utilities	1,118	1,237
Personnel recruitment	993	895
Market research	811	870
Other miscellaneous services	13,008	10,603
Other administrative expenses	1,549	1,545
Total	155,224	145,429

For enhanced accurateness, certain 2008 amounts were reclassified out of 'other administrative expenses' to 'other operating income and expenses', namely: €2,029 thousand insurance expenses relating to mortgage loans extended to customers and €291 thousand stamp duties paid by the bank on customer bank statements.

Section 10 – Provisions for risks and charges – Caption 160

10.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2009	Dec. 31, 2008
Provision for risk and charges - other		
FA portfolio entitlements	1,357	554
FA customer base entitlements	3,192	3,712
Risks related to FA illegal actions	5,160	8,334
Product distribution	3,274	1,517
Legal proceedings	1,308	1,924
Benefits to Top Managers	5,867	984
Other	2,102	1,044
Total	22,260	18,069

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	(5,566)	-	-	(5,566)
A.1 owned	(5,566)	-	-	(5,566)
- held for use	(5,566)	-	-	(5,566)
- held for investment purposes	-	-	-	-
A.2 under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(5,566)	-	-	(5,566)

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

12.1 Analysis of amortisation and net impairment of intangible assets

€/'000	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Amortisation & net impairment (A+B-C)
A. Intangible assets	(8,953)	-	-	(8,953)
A.1 owned	(8,953)	-	-	(8,953)
- internally generated	-	-	-	-
- other	(8,953)	-	-	(8,953)
A.2 under finance leases	-	-	-	-
Total	(8,953)	-	-	(8,953)

Section 13 - Other operating income - Caption 190

13.1 / 13.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2009	Dec. 31, 2008
Other operating expenses:		
Compensations and Settlements	(2,566)	(1,760)
Amortisation of expenses for improvements of leasehold assets	(489)	(357)
Other expenses	(523)	(947)
Total other operating expenses	(3,578)	(3,064)
Other operating income:		
Recoveries of expenses for services rendered to Group companies	9,745	13,820
Recoveries of expenses from employees	169	156
Recoveries of expenses from customers	1,607	1,576
Rentals on property	259	976
Recoveries of expenses from financial advisors	469	548
Other income	4,053	1,719
Total other operating income	16,302	18,795
Total other operating income (net)	12,724	15,731

The Bank of Italy's Circular 262/2005, as amended last November, requires that income relating to the mere reimbursement of expenses borne by the bank, that in past years had been recognised under 'Commission Income' be allocated to 'Other operating income'. For the sake of comparability, the 2008 amount of €779 thousand was reclassified accordingly.

In addition, for enhanced accurateness, certain 2008 amounts were reclassified out of 'other administrative expenses' to 'other operating income and expenses', namely: €2,029 thousand insurance expenses relating to mortgage loans extended to customers and €291 thousand stamp duties paid by the bank on customer bank statements. Lastly, €465 thousand expenses relating to losses due to bank account closures for the year 2008 were reclassified out of 'other operating income and expenses' to net impairment of loans.

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

14.1 Analysis of profit (loss) on equity investments

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Gains	-	-
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversal of impairment	-	-
4. Other income	-	-
B. Losses	(7,885)	(7,402)
1. Decrease in value	(7,885)	(7,402)
2. Impairment	-	-
3. Losses on sale	-	-
4. Other expenses	-	-
Profit (loss)	(7,885)	(7,402)

At year end 2009, the value of the investment in the subsidiary Bankhaus August Lenz & Co. A.G. was written down by €7,885 thousand (€7,402 thousand in 2008). 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, 2009	Dec. 31, 2008
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	(3)	(4)
- Gains on sale	1	1
- Losses on sale	(4)	(5)
Profit (loss)	(3)	(4)

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

18.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Current tax (-)	(4,437)	3,398
2. Change in current tax for prior years (+/-)	1,176	1,024
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	24,102	4,668
5. Change in deferred tax liabilities (+/-)	(2,181)	(403)
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	18,660	8,687

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

€/'000	rate %	taxable amout	tax expense
Calculation of taxable income (IRES)			
Pre-tax profit	-	362	-
Theoretical tax	27.50	-	99
Temporary differences taxable in future years	-	(7,931)	-
Temporary differences deductible in future years	-	52,244	-
Prior years' temporary differences	-	(26,967)	-
Permanent differences	-	(77,813)	-
Total taxable income	-	(60,105)	-
Current tax expense for the year	-	-	(16,529)
Adjustments due to application of tax consolidation regime	-	-	(77)
Net IRES income tax expense	-	-	(16,606)
Average rate on pre-tax profit	N.A.	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	112,704	-
Income/Costs not significant for the purpose of IRAP calculation	-	(28,634)	-
Gross production value	-	84,070	-
Theoretical tax expense (tax rate: 4.82%)	4.82	-	4,052
Prior years' temporary differences	-	(3,945)	-
Permanent differences	-	11,936	-
Net production value	-	92,061	-
Net IRAP tax expense	-	-	4,437
Average rate on value added	5.28	-	-

PART D - INFORMATION ON COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

€/'000	Before tax	Income tax	After tax
10. Net profit (loss) for the year	X	X	19,022
Other income components			
20. Available for sale financial assets	37,057	(11,962)	25,095
a) changes in fair value	9,757	(3,139)	6,618
b) reversals to the income statement	27,300	(8,823)	18,477
- impairment	20,393	(6,591)	13,802
- realised gains/losses	6,907	(2,232)	4,675
c) other changes	-	-	-
30. Tangible assets	-	-	-
40. Intangible assets	-	-	-
50. Hedges of investments in foreign operations	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
60. Cash flow hedges	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
70. Exchange differences:	-	-	-
a) value changes	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
80. Non current assets held for sale	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
90. Actuarial gains (losses) on defined benefit plans	-	-	-
100. Share of valutation reserves relating to investments accounted for by the equity method	-	-	-
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
- impairment	-	-	-
- realised gains/losses	-	-	-
c) other changes	-	-	-
110. Total other income components	37,057	(11,962)	25,095
120. Comprehensive income (items 10+110)	37,057	(11,962)	44,117

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

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 Bank. 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	Other assets	Total
1. Financial assets held for trading	-	-	-	-	842,892	842,892
2. Available-for-sale financial assets	-	-	-	-	650,164	650,164
3. Held-to-maturity investments	-	-	-	-	1,320,339	1,320,339
4. Loans to banks	-				1,579,335	1,579,335
5. Loans to customers	7,297	18,450	222	9,354	3,109,521	3,144,844
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	1,179	1,179
Total at Dec. 31, 2009	7,297	18,450	222	9,354	7,503,430	7,538,753
Total at Dec. 31, 2008	5,373	7,804	-	12,390	8,405,037	8,430,604

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

	Impaired assets			Performing assets			
€/'000	Gross exposure	Individual impairment	Net exposure	Gross exposure	Individual impairment	Net exposure	Total net exposure
1. Financial assets held for trading	-	-	-	X	X	842,892	842,892
2. Available-for-sale financial assets	-	-	-	650,164	-	650,164	650,164
3. Held-to-maturity investments	-	-	-	1,320,339	-	1,320,339	1.320,339
4. Loans to banks	-	-	-	1,579,335	-	1,579,335	1.579,335
5. Loans to customers	55,386	(20,063)	35,323	3,114,259	(4,738)	3,109,521	3.144,844
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	1,179	1,179
Total at Dec. 31, 2009	55.386	(20,063)	35,323	6,664,097	(4,738)	7,503,430	7,538,753
Total at Dec. 31, 2008	38.335	(12,768)	25,567	8,409,370	(4,332)	8,405,038	8,430,605

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	-	-	X	-
b) Watch list	-	-	X	-
c) Restructured	-	-	X	-
d) Past due	-	-	X	-
e) Other	3,653,674	X	-	3,653,674
Total A	3,653,674	-	-	3,653,674
B. Off-balance sheet				
a) Impaired	-	-	X	-
b) Other	38,832	X	(115)	38,717
Total B	38,832	-	(115)	38,717
Total (A+B)	3,692,506	-	(115)	3,692,391

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

At balance sheet date there were no impaired bank loans.

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

At 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	16,987	(9,690)	X	7,297
b) Watch list	27,521	(9,071)	X	18,450
c) Restructured	222	-	X	222
d) Past due	10,656	(1,302)	X	9,354
e) Other	3,849,554	X	(4,738)	3,844,816
Total A	3,904,940	(20,063)	(4,738)	3,880,139
B. Off-balance sheet				
a) Impaired	649	(22)	X	627
b) Other	108,571	X	(32)	108,539
Total B	109,220	(22)	(32)	109,166

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 (on-balance sheet gross exposures)

€/'000	Non performing	Watch list	Restructured	Past due
A. Opening gross balance	10,506	12,683	-	15,147
- of which: loans sold but not derecognised	-	-	-	-
B. Increases	7,664	25,187	1,468	31,861
B.1 reclassified from performing loans	341	8,123	-	29,465
B.2 reclassified from other impaired loan categories	6,647	14,672	1,400	2
B.3 other increases	676	2,392	68	2,394
C. Decreases	(1,183)	(10,349)	(1,246)	(36,352)
C.1 reclassified to performing loans	-	(829)	-	(8,928)
C.2 cancellations	(907)	-	-	-
C.3 receipts	(276)	(1,519)	(1,246)	(12,578)
C.4 proceeds from sale	-	-	-	-
C.5 reclassified to other impaired loan categories	-	(7,999)	-	(14,722)
C.6 other decreases	-	(2)	-	(124)
D. Closing gross balance	16,987	27,521	222	10,656
- 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
A. Net impairment at beginning of the year	5,133	4,878	-	2,757
- of which: loans sold but not derecognised	-	-	-	-
B. Increases	6,005	7,761	420	1,337
B.1 impairment	3,336	6,648	-	1,313
B.2 reclassified from other impaired loan categories	2,669	1,055	420	24
B.3 other increases	-	58	-	-
C. Decreases	(1,448)	(3,568)	(420)	(2,792)
C.1 revaluations	(379)	(150)	(210)	(679)
C.2 repayments	(162)	(309)	(210)	(967)
C.3 cancellations	(907)	-	-	-
C.4 reclassified to other impaired loan categories	-	(3,080)	-	(1,088)
C.5 other decreases	-	(29)	-	(58)
D. Net impairement at end of the year	9,690	9,071	-	1,302
- 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 class: Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On balance sheet exposures	957,388	3,219,970	547,008	-	-	-	2,809,447	7,533,813
B. Derivatives	2,752	606	-	-	-	-	1,582	4,940
B.1 Financial derivatives	2,752	606	-	-	-	-	1,582	4,940
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	78	-	5,653	-	-	-	27,256	32,987
D. Commitments to disburse funds	-	11,801	-	-	-	-	98,155	109,956
Total	960,218	3,232,377	552,661	-	-	-	2,936,440	7,681,696

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

At balance sheet date this information was not available.

A.3 Analysis of secured exposures by type of collateral

A.3.1 Secured loans to banks

At balance sheet date there were no secured loans to banks.

A.3.2 Secured loans to customers

		Real guarantees (1)			Personal guarantees (2)									
					Credit derivatives					Endorsements				
						Other derivatives								
€/'000	Net exposure	Property	Securities	Others	CLN	Governments & central banks	Governments agencies	Banks	Others	Governments & central banks	Government agencies	Banks	Others	Total (1)+(2)
1. Secured loans (on balance sheet)														
1.1 entirely secured	1,984,485	1,975,802	-	3,189	-	-	-	-	-	-	-	450	4,461	1,983,902
- of which impaired	17,586	16,904	-	-	-	-	-	-	-	-	-	-	519	17,423
1.2 partly secured	17,497	1,073	-	266	-	-	-	-	-	-	-	-	13,651	14,990
- of which impaired	309	63	-	-	-	-	-	-	-	-	-	-	235	298
2. Secured loans (off balance sheet)														
2.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

	Governments		
€/'000	Net exposure	Individual impairment	Collective impairment
A. On balance sheet			
A.1 Non performing	-	-	X
A.2 Watch list	-	-	X
A.3 Restructured	-	-	X
A.4 Past due	-	-	X
A.5 Others	630,742	X	-
Total A	630,742	-	-
B. Off balance sheet			
B.1 Non performing	-	-	X
B.2 Watch list	-	-	X
B.3 Other impaired assets	-	-	X
B.4 Others	-	X	-
Total B	-	-	-
Total (A+B), Dec. 31, 2009	630,742	-	-
Total (A+B), Dec. 31, 2008	1,540,282	-	-

Government agencies			Financial companies			Insurance companies			Non financial companies			Others		
Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
-	-	X	-	-	X	-	-	X	21	(91)	X	7,276	(9,599)	X
-	-	X	-	-	X	-	-	X	315	(180)	X	18,135	(8,891)	X
-	-	X	-	-	X	-	-	X	222	-	X	-	-	X
-	-	X	-	-	X	-	-	X	48	(11)	X	9,306	(1,291)	X
-	X	-	594,850	X	(130)	73,935	X	(58)	75,993	X	(58)	2,469,296	X	(4,492)
-	-	-	594,850	-	(130)	73,935	-	(58)	76,599	(282)	(58)	2,504,013	19,781	(4,492)
-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
-		X	-	-	X	-	-	X	-	-	X	438	(22)	X
-	-	X	-	-	X	-	-	X	-	-	X	189	-	X
-	X	-	1,582	X	-	6	X	-	2,864	X	(3)	104,087	X	(29)
-	-	-	1,582	-	-	6	-	-	2,864	-	(3)	104,714	(22)	(29)
-	-	-	596,432	-	(130)	73,941	-	(58)	79,463	(282)	(61)	2,608,727	(19,803)	(4,521)
-	-	-	1,809,504	-	(77)	5,466	-	-	90,758	(564)	(49)	1,813,030	(12,203)	(4,241)

B.2 Geographical distribution of on-balance sheet and off-balance sheet customer loans (book value))

	Italy		Other european countries		America		Asia		Rest of the worls	
€/'000	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment
A. On balance sheet										
A.1 Non performing	7,297	(9,690)	-	-	-	-	-	-	-	-
A.2 Watch list	18,447	(9,068)	1	(2)	2	(1)	-	-	-	-
A.3 Restructured	222	-	-	-	-	-	-	-	-	-
A.4 Past due	9,354	(1,302)	-	-	-	-	-	-	-	-
A.5 Others	3,354,952	(4,673)	482,444	(65)	7,116	-	-	-	304	-
Total	3,390,272	(24,733)	482,445	(67)	7,118	(1)	-	-	304	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	438	(22)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	189	-	-	-	-	-	-	-	-	-
B.4 Others	108,308	(32)	182	-	-	-	49	-	-	-
Total	108,935	(54)	182	-	-	-	49	-	-	-
Total at Dec. 31, 2009	3,499,207	(24,787)	482,627	(67)	7,118	(1)	49	-	304	-
Total at Dec. 31, 2008	4,456,532	(17,114)	787,785	(17)	14,621	(5)	101	-	-	-

B.3 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	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	3,226,807	-	413,561	-	13,284	-	22	-	-	-
Total	3,226,807	-	413,561	-	13,284	-	22	-	-	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	31,463	(25)	7,254	(90)	-	-	-	-	-	-
Total	31,463	(25)	7,254	(90)	-	-	-	-	-	-
Total at Dec. 31, 2009	3,258,270	(25)	420,815	(90)	13,284	-	22	-	-	-
Total at Dec. 31, 2008	2,795,736	(14)	598,231	(184)	24,444	-	126	-	6	-

B.4 Large exposures

a) amount:	€ 800,145 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.

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	78,812	79,079	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	78,812	79,079	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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																		
- Receivables from National Social Security & Pension Agency	(19,948)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 SCCI/TV 20180730 S9 SEN																		
- Receivables from National Social Security & Pension Agency	(20,086)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 F-E MORTGAGES/TV 20431030 CL A																		
- Receivables under mortgage loans	(2,847)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 CORDUSIO RMBS/TV 20330630 CL A2																		
- Receivables under mortgage loans	(8,311)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 BPM SEC 2/TV 20430715 CL A2																		
- Receivables under mortgage loans	(8,142)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 VELA HOME/TV 20400730 CL A S3																		
- Receivables under mortgage loans	(5,373)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 TRICOLORE FUND/TV 20200715 CL A																		
- Receivables under equipment, machinery and property leases	(1,430)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.8 LOCAT SV3/TV 20261212 CL A2																		
- Receivables under leases	(5,979)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.9 SUNRISE/TV 20300827 CL A SEN																		
- Receivables, consumer credit	(6,963)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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, 2009	Dec. 31, 2008
1. On balance sheet exposures							
- "Senior"	-	-	-	-	79,079	79,079	96,984
- "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			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers				
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 09	Dec. 31, 08
A. On-balance sheet assets	-	-	-	-	-	-	18,496	-	-	193,251	-	-	-	-	-	-	-	-	211,747	1,522,467
1. Debt securities	-	-	-	-	-	-	18,496	-	-	193,251	-	-	-	-	-	-	-	-	211,747	1,522,467
2. Equities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total at Dec. 31, 2009	-	-	-	-	-	-	18,496	-	-	193,251	-	-	-	-	-	-	-	-	211,747	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2008	398,051	-	-	-	-	-	398,290	-	-	725,303	-	-	-	-	-	823	-	-	-	1,522,467
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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	-	-	2,296	64,913	-	-	67,209
a) against assets fully recognised on the balance sheet	-	-	2,296	64,913	-	-	67,209
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
2. Due to banks	-	-	15,198	123,699	-	-	138,897
a) against assets fully recognised on the balance sheet	-	-	15,198	123,699	-	-	138,897
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2009	-	-	17,494	188,612	-	-	206,106
Total at Dec. 31, 2008	254,786	-	395,115	725,368	-	-	1,375,269

SECTION 2 - MARKET RISK

2.1 Interest rate risk and pricing 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 and Pricing 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-deriv. assets	4,410	459,502	4,701	19,272	248,038	92,657	3,683	-
1.1 Debt securities								
- with early redemption option (EUR)	5	1,374	-	-	3,734	-	-	-
- others	4,405	458,128	4,701	19,272	244,304	92,657	3,683	-
EUR	4,405	458,128	4,701	19,272	244,303	92,657	3,683	-
USD	-	-	-	-	1	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-deriv. liabilities	-	2,942	5,355	-	153,227	90,331	-	-
2.1 Repos (EUR)	-	-	-	-	-	-	-	-
2.2 Other liabilities (EUR)	-	2,942	5,355	-	153.227	90,331	-	-
3. Financial derivatives	658	285,440	203,095	201,279	25,163	3,475	8,171	-
3.1 w/ underlying securities	658	119,571	91,068	200	25,163	3,475	412	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other	658	119,571	91,068	200	25,163	3,475	412	-
+ Long positions	329	69,988	46,184	100	1,410	3,365	329	-
EUR	329	25,331	-	100	1,399	3,354	329	-
USD	-	44,657	46,184	-	11	11	-	-
+ Short positions	329	49,583	44,884	100	23,753	110	83	-
EUR	329	48,866	44,884	100	23,742	99	83	-
USD	-	717	-	-	11	11	-	-
3.2 w/o underlying securities	-	165,869	112,027	201,079	-	-	7,759	-
- Options	-	7,759	-	-	-	-	7,759	-
+ Long positions (EUR)	-	7,759	-	-	-	-	-	-
+ Short positions (EUR)	-	-	-	-	-	-	7,759	-
- Others	-	158,110	112,027	201,079	-	-	-	-
+ Long positions	-	102,966	31,079	101,079	-	-	-	-
EUR	-	102,449	31,079	101,079	-	-	-	-
USD	-	516	-	-	-	-	-	-
OTHER CURRENCIES	-	1	-	-	-	-	-	-
+ Short positions	-	55,144	80,948	100,000	-	-	-	-
EUR	-	54,010	50,000	100,000	-	-	-	-
USD	-	1,104	30,948	-	-	-	-	-
CHF	-	7	-	-	-	-	-	-
GBP	-	18	-	-	-	-	-	-
OTHER CURRENCIES	-	5	-	-	-	-	-	-

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

	Listed			
€/'000	Italy	USA	Other countries	Unlisted
A. Equity instruments	4	-	6	-
- long positions	4	-	6	-
- short positions	-	-	-	-
B. Not yet settled purchases and sales of equity instruments				
- long positions	-	-	-	-
- short positions	-	-	-	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
Total	4	-	6	-

2.2 Interest rate risk and pricing risk – banking book

Qualitative information

A. Interest Rate Risk and Pricing 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 ALM model. The banking book's interest rate risk management framework includes sensitivity analyses on net interest income as well as analyses of the impact of interest rate shocks on the present value of all financial items.

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 (part 1)

€/'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	711,223	3,298,882	1,568,413	303,827	291,591	139,569	367,705	-
1.1 Debt securities	25,824	1,205,561	1,063,758	213,226	206,511	20,001	-	-
- with early redemption option	238	57,757	-	-	-	-	-	-
- others (EUR)	25,586	1,147,804	1,063,758	213,226	206,511	20,001	-	-
1.2 Loans to banks	119,972	294,064	400,000	80,000	-	-	-	-
EUR	105,147	294,064	400,000	80,000	-	-	-	-
USD	13,366	-	-	-	-	-	-	-
GBP	364	-	-	-	-	-	-	-
YEN	44	-	-	-	-	-	-	-
CHF	356	-	-	-	-	-	-	-
OTHER CURRENCIES	695	-	-	-	-	-	-	-
1.3 Loans to customers	565,427	1,799,257	104,655	10,601	85,080	119,568	367,705	-
- current accounts	361,844	-	-	-	-	-	-	-
EUR	361,812	-	-	-	-	-	-	-
USD	32	-	-	-	-	-	-	-
- other loans	203,583	1,799,257	104,655	10,601	85,080	119,568	367,705	-
- with early redemption option	22,572	1,754,847	104,603	9,684	79,581	117,970	367,705	-
- others	181,011	44,410	52	917	5,499	1,598	-	-

2. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities (part 2)

€/'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
2. Financial liabilities	5,634,215	629,021	689,541	134,845	-	-	-	-
2.1 Due to customers	5,621,627	81,885	-	-	-	-	-	-
- current accounts	5,607,094	14,803	-	-	-	-	-	-
EUR	5,581,603	14,803	-	-	-	-	-	-
USD	25,165	-	-	-	-	-	-	-
GBP	326	-	-	-	-	-	-	-
- other payables	14,533	67,082	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	14,533	67,082	-	-	-	-	-	-
2.2 Due to banks	12,584	471,888	586,221	134,845	-	-	-	-
- current accounts	11,028	-	-	-	-	-	-	-
EUR	10,905	-	-	-	-	-	-	-
OTHER CURRENCIES	123	-	-	-	-	-	-	-
- other	1,556	471,888	586,221	134,845	-	-	-	-
EUR	1,518	440,651	570,950	134,845	-	-	-	-
USD	38	31,237	15,271	-	-	-	-	-
2.3 Debt securities	4	75,248	103,320	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	4	75,248	103,320	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	560,299	3,429	6,993	62,730	93,631	363,145	-
3.1 with underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions		-	-	-	-	-	-	-
- Other derivatives		-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 w/o underlying securities	-	560,299	3,429	6,993	62,730	93,631	363,145	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	560,299	3,429	6,993	62,730	93,631	363,145	-
+ Long positions	-	545,114	-	-	-	-	-	-
EUR	-	533,313	-	-	-	-	-	-
USD	-	11,801	-	-	-	-	-	-
+ Short positions	-	15,185	3,429	6,993	62,730	93,631	363,145	-
EUR	-	3,384	3,429	6,993	62,730	93,631	363,145	-
USD	-	11,801	-	-	-	-	-	-

2.3 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 dollars	Swiss franc	Other currencies
A. Financial assets	13,400	510	44	28	356	667
A.1 Debt securities	2	-	-	-	-	-
A.2 Equities	-	146	-	-	-	-
A.3 Loans to banks	13,366	364	44	28	356	667
A.4 Loans to customers	32	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	(71,712)	(326)	-	-	-	(123)
C.1 Due to banks	(46,547)	-	-	-	-	(123)
C.2 Due to customers	(25,165)	(326)	-	-	-	-
C.3 Securities issued	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	4	1	-	-	1	-
E. Financial derivatives	-	-	-	-	-	-
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Others derivatives	-	-	-	-	-	-
+ Long positions	91,334	-	-	-	-	1
+ Short positions	32,746	18	-	5	7	-
Total assets	104,801	532	46	34	378	-
Total liabilities	(104,462)	(345)	-	(5)	(8)	-
Net position (+/-)	(339)	187	46	29	370	545

1. 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.

2.4 Derivative financial instruments

A. Financial derivatives

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

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	OTC	Central Counterparties	OTC	Central Counterparties
1. Debt securities and interest rates	231,461	28,000	754,419	-
a) Options	27,967	-	30,280	-
b) Swaps	203,494	-	715,091	-
c) Forwards	-	-	9,048	-
d) Futures	-	28,000	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	13	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	13	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	124,109	-	190,211	-
a) Options	-	-	-	-
b) Swaps	91,512	-	150,055	-
c) Forwards	32,597	-	40,156	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	251,491	-
Total	355,570	28,000	1,196,134	-
Average amount	170,450	1,790	849,966	-

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

A.2.1 Hedging derivatives

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	OCT	Central Counterparties	OCT	Central Counterparties
1. Debt securities and interest rates	533,313	-	298,201	-
a) Options	-	-	-	-
b) Swaps	533,313	-	298,201	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities		-	-	-
5. Other underlying	-	-	-	-
Total	533,313	-	298,201	-
Average amount	472,912	-	114,901	-

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

	Positive fair value			
	Dec. 31, 2009		Dec. 31, 2008	
€/'000	OTC	Central Counterparties	OTC	Central Counterparties
A. Trading book	3,761	-	7,873	-
a) Options	792	-	1,182	-
b) Interest Rate Swaps	63	-	4,417	-
c) Cross Currency Swaps	2,903	-	2,261	-
d) Equity Swaps	-	-	-	-
e) Forwards	3	-	13	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging derivatives	1,179	-	-	-
a) Options	-	-	-	-
b) Interest Rate Swaps	1,179	-	-	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Trading book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest Rate Swaps	-	-	-	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	4,940	-	7,873	-

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

	Negative fair value			
	Dec. 31, 2009		Dec. 31, 2008	
€/'000	OTC	Central Counterparties	OTC	Central Counterparties
A. Trading book	1,665	-	11,099	-
a) Options	-	-	-	-
b) Interest Rate Swaps	658	-	3,610	-
c) Cross Currency Swaps	21	-	7,457	-
d) Equity Swaps	-	-	-	-
e) Forwards	986	-	32	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging derivatives	15,906	-	18,428	-
a) Options	-	-	-	-
b) Interest Rate Swaps	15,906	-	18,428	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Trading book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest Rate Swaps	-	-	-	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	17,571	-	29,527	-

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

€/'000	Governments & central banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others
1) Debt securities and interest rates	-	-	233,393	-	-	-	-
- notional amount	-	-	231,461	-	-	-	-
- positive fair value	-	-	854	-	-	-	-
- negative fair value	-	-	658	-	-	-	-
- future exposure	-	-	420	-	-	-	-
2) Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold	-	-	81,821	47,385	-	-	48
- notional amount	-	-	78,733	45,328	-	-	48
- positive fair value	-	-	1,325	1,582	-	-	-
- negative fair value	-	-	985	22	-	-	-
- future exposure	-	-	778	453	-	-	-
4) Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

€/'000	Governments & central banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others
1) Debt securities and interest rates	-	-	557,563	-	-	-	-
- notional amount	-	-	533,313	-	-	-	-
- positive fair value	-	-	1,179	-	-	-	-
- negative fair value	-	-	15,906	-	-	-	-
- future exposure	-	-	7,165	-	-	-	-
2) Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of OTC financial derivatives: notional amount

€/'000	1 year	1 to 5 years	Over 5 years	Total
A. Trading book				
A.1 debt securities and interest rates	203,494	-	27,967	231,461
A.2 equities and stock indices	-	-	-	-
A.3 currencies and gold	124,109	-	-	124,109
A.4 other	-	-	-	-
B. Banking book				
B.1 debt securities and interest rates	13,807	62,730	456,776	533,313
B.2 equities and stock indices	-	-	-	-
B.3 currencies and gold	-	-	-	-
B.4 other	-	-	-	-
Total at Dec. 31, 2009	341,410	62,730	484,743	888,883
Total at Dec. 31, 2008	1,170,112	32,694	291,518	1,494,324

Credit derivatives

During the year the Bank did not trade in credit derivatives and at December 31, 2009 it did not hold any positions in those instruments.

SECTION 3. LIQUIDITY RISK

Qualitative information

A. Liquidity Risk – General information, Measurement and Management

Banca Mediolanums liquidity management model is structured in a manner that ensures adequate levels of liquidity in the short term as well as in the medium and long term. Given the types of assets held, their duration as well as the type of funding, Banca Mediolanum has no short-term liquidity concerns. From a structural viewpoint, Banca Mediolanum can rely on a stable ‘core funding’ and is only marginally exposed to volatility. This is evidenced also by Bank’s econometric projections of ‘on demand positions’. In addition to its sound core funding represented by bank deposits, Banca Mediolanum has been focusing on bond issues for medium-term funding.
The liquidity risk management framework is approved by the Board of Directors of the Bank and implemented across the Group (where applicable). Liquidity risk is monitored by the Financial Risk Management unit applying dedicated policies and procedures, including operating and structural limits, a maturity ladder as well as a contingency funding plan under the broader Asset Liability Management model of the Banking Group.
In compliance with Basel II Second Pillar requirements, all internal procedures for liquidity risk management have been reviewed. Specifically, during 2009, Banca Mediolanum approved a new liquidity risk management policy and implemented a new control procedure. The new procedure entails the generation of daily reports for monitoring operational liquidity limits in treasury management and quarterly reports for monitoring the bank’s structural liquidity in the aggregate. The method used to manage operational liquidity is derived from the Maturity Mismatch Approach and is based on the monitoring of cumulative gaps generated by Net Flows and Counterbalancing Capacity as assessed using an operational Maturity Ladder. The method used to manage structural liquidity is also based on the Maturity Mismatch Approach and analyzes all financial items according to the timescale set out in the liquidity risk policy document.

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	-	-	-	-	998	-	-	550,063	68,991	-
- EUR	-	-	-	-	998	-	-	550,062	68,991	-
- USD	-	-	-	-	-	-	-	1	-	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	6,239	1	-	-	34,696	19,763	287,475	2,375,220	188,815	-
- EUR	6,239	1	-	-	34,696	19,763	287,475	2,375,220	188,815	-
- USD	-	-	-	-	-	-	-	-	-	-
- GBP	-	-	-	-	-	-	-	-	-	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
A.3 Holdings in UCITS	164,577	-	-	-	-	-	-	-	-	-
- EUR	164,577	-	-	-	-	-	-	-	-	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
A.4 Loans to	578,769	151,555	216,882	91,107	243,644	526,027	132,503	399,520	1,588,760	-
- Banks	75,250	107,237	116,225	44,721	70,602	400,000	80,000	-	-	-
- EUR	60,425	107,237	116,225	44,721	70,602	400,000	80,000	-	-	-
- USD	13,366	-	-	-	-	-	-	-	-	-
- YEN	44	-	-	-	-	-	-	-	-	-
- CHF	356	-	-	-	-	-	-	-	-	-
- GBP	364	-	-	-	-	-	-	-	-	-
- Other currencies	695	-	-	-	-	-	-	-	-	-
- Customers	503,519	44,318	100,657	46,386	173,042	126,027	52,503	399,520	1,588,760	-
- EUR	503,487	44,318	100,657	46,386	173,042	126,027	52,503	399,520	1,588,760	-
- USD	32	-	-	-	-	-	-	-	-	-
- Other currencies	-	-	-	-	-	-	-	-	-	-

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

€/'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 liabilities										
B.1 Deposits	5,455,019	-	213,300	256,096	177,903	586,221	-	-	-	-
- Banks	12,083	-	203,300	91,937	173,100	586,221	-	-	-	-
- EUR	11,922	-	203,300	60,700	173,100	570,950	-	-	-	-
- USD	38	-	-	31,237	-	15,271	-	-	-	-
- Other currencies	123	-	-	-	-	-	-	-	-	-
- Customers	5,442,936	-	10,000	164,159	4,803	-	-	-	-	-
- EUR	5,417,445	-	10,000	164,159	4,803	-	-	-	-	-
- USD	25,165	-	-	-	-	-	-	-	-	-
- GBP	326	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	106	213	319	9,779	131,195	36,956	-
- EUR	-	-	-	106	213	319	9,779	131,195	36,956	-
B.3 Other liabilities	190,555	6,505	6,798	12,431	44,898	-	134,845	159,233	86,086	-
- EUR	190,555	6,505	6,798	12,431	44,898	-	134,845	159,233	86,086	-
Off balance sheet items										
C.1 Financial derivatives with exchange of principal	658	4,058	84	90,422	28,000	152,016	351	25,299	3,887	-
- Long positions	329	1,955	42	45,980	23,421	76,184	250	1,478	3,694	-
- EUR	329	1,416	42	1,346	23,421	30,000	250	1,467	3,683	-
- USD	-	539	-	44,634	-	46,184	-	11	11	-
- Short positions	329	2,103	42	44,442	4,579	75,832	101	23,821	193	-
- EUR	329	1,681	-	43,054	4,579	44,884	101	23,810	182	-
- USD	-	391	42	1,388	-	30,948	-	11	11	-
- CHF	-	7	-	-	-	-	-	-	-	-
- GBP	-	18	-	-	-	-	-	-	-	-
- Other currencies	-	6	-	-	-	-	-	-	-	-
C.2 Financial derivatives w/o exchange of principal	1,512	-	-	1,440	3,088	4,431	8,743	65,256	159,704	-
- Long positions	854	-	-	-	-	-	-	-	-	-
- EUR	854	-	-	-	-	-	-	-	-	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
- Short positions	658	-	-	1,440	3,088	4,431	8,743	65,256	159,704	-
- EUR	658	-	-	1,440	3,088	4,431	8,743	65,256	159,704	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions (EUR)	-	-	-	-	-	-	-	-	-	-
- Short positions (EUR)	-	-	-	-	-	-	-	-	-	-
C.4 Firm commitments to disburse funds	-	23,602	-	-	-	-	-	-	-	-
- Long positions	-	11,801	-	-	-	-	-	-	-	-
USD	-	11,801	-	-	-	-	-	-	-	-
- Short positions	-	11,801	-	-	-	-	-	-	-	-
USD	-	11,801	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued (EUR)	-	-	-	-	-	-	-	30	-	-

SECTION 4. OPERATIONAL RISK

Qualitative information

A. General aspects, operational risk measurement and management

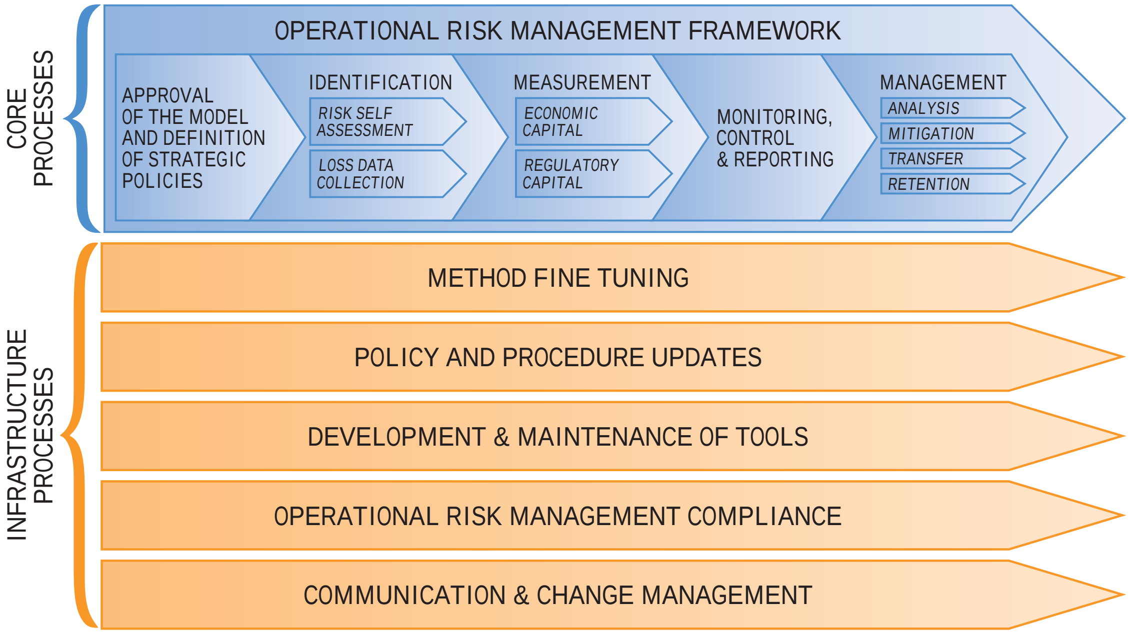
Regulations and statutes place increasing emphasis on the identification and management of financial, credit and operational risks. In particular, the new Basel Capital Accord (International Convergence of Capital Measurements and Capital Standards) and the EU Capital Requirement Directive (CRD) placed 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 (compliance 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, Planning, Control, Tax and Pensions Affairs offices to verify capital adequacy vis-à-vis operational risk capital requirements.
The Operational Risk Control unit is separate and independent of operating units and reports directly to the Parent Company's Senior Management.

In consideration of the characteristics and the type of business conducted by Banca Mediolanum, special attention is given to risks 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 close 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 Bank.

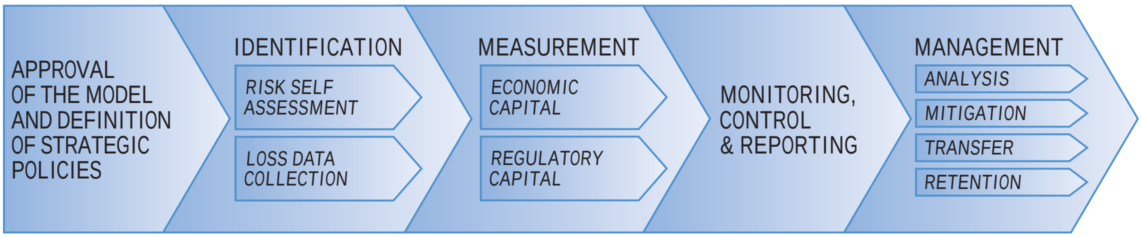
The operational risk assessment and measurement method developed beginning from 2006 includes qualitative measurement of exposure to operational risk of each unit within the organisation via an internal rating system.
The qualitative metrics differentiate between exposure to risk that is inherent in 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 2009. The bank 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 applying the standardised approach.
The operational risk management framework is summarised 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 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 the examination of the results of self-assessment, initially made on November 7, 2007, and then reviewed on an annual basis (latest results examined on March 23, 2010), the Board of Directors resolved to apply the standardised approach to operational risk capital measurements on an individual basis. This decision was made 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:

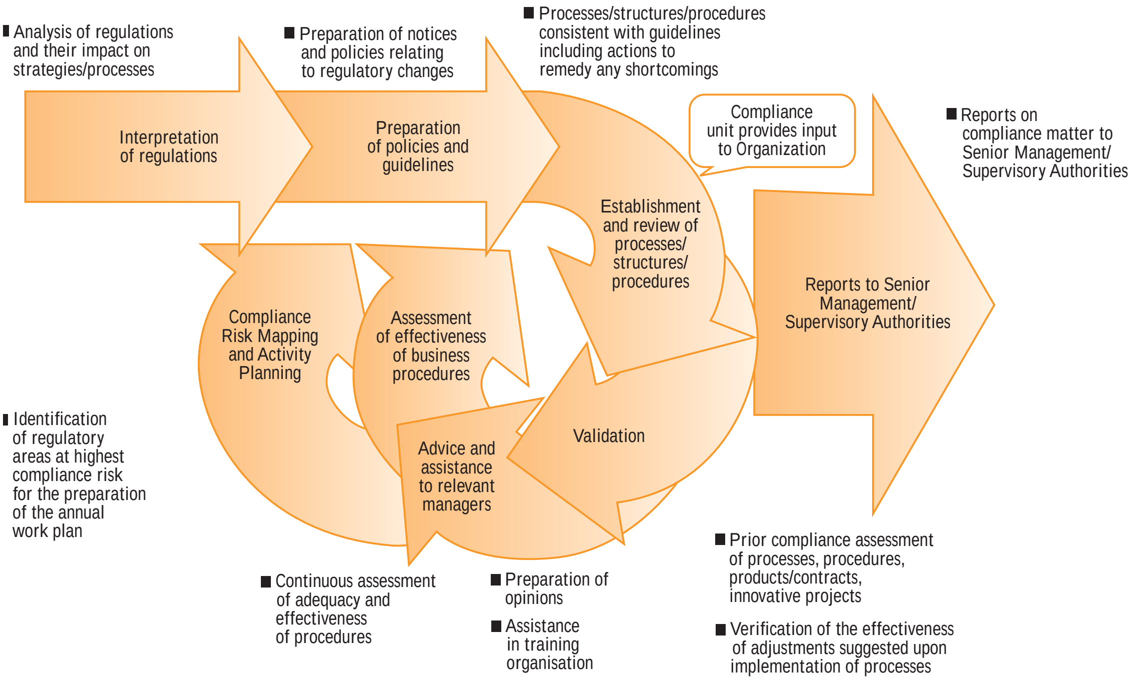
- "Policies & procedures"
- "Fine-tuning of methods"
- "Development and maintenance of tools and applications"
- "Operational Risk Management Compliance"
- "Internal Communications/Change Management".

In 2009, over 60 organisational units of the Bank were examined identifying about 1,300 operational risk checkpoints. About 80% of checkpoints were judged to be adequate or in need of being just better formalised. Over 100 risk mitigation actions were taken in relation to risk controls that were judged to be unsatisfactory or in need of improvement.

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 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.

Compliance cycle



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 & Innovation department, establishment of processes/ structures/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.

Conflicts of Interest

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

Reports to Senior Management/Supervisory Authorities

- Reports on compliance matters to Senior Management and/or Supervisory Authorities.

Compliance Assessment Mapping and Activity Planning

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

As a result of enhancements introduced into the Compliance framework, the Banking Group adopted a new compliance risk assessment method across the group. The key traits of the new method which is based on Compliance Assessment Mapping (CAM) and a Compliance Activity Plan (CAP) are outlined below.

The mapping exercise identifies compliance risks and potential consequences in the event of failed compliance (Risk Impact). Based on that output, each entity within the Banking Group conducts self-assessment of the mitigation levels for those risks, applying predefined, objective metrics.

The output of the process is Risk Rating which reflects the applicability and the impact of regulations on the entity's business and the relevance of risk-generating conditions vis-à-vis the overall entity's operations.

For that purpose, an inventory is preliminarily made of the specific legal and regulatory requirements, identifying related risks and determining the related risk impact.

For each identified risk, the key risk prevention measures are analysed, placing emphasis on internal rules, IT procedures, line controls and training, and any past incidents are reviewed (audit reports, complaints, claims). Then, the probability of risk occurrence is measured.

For all risks considered, the method described above enables to identify risk control and mitigation actions that are set out in the compliance work plan and shared with all competent functions within the organisation. Outcomes are reported at least annually to the Board of Directors.

The Compliance staff continuously monitor the implementation of any mitigation actions set out in compliance work plan. The results of their monitoring activities are reported quarterly to the Banking Group's Risk and Audit Committee. Any significant differences over scheduled actions are measured and reported quarterly to the Board of Directors and to the Board of Statutory Auditors.

In the first half of 2009, the Compliance staff performed systematic compliance risk mapping of operations vis-à-vis the regulatory environment including investment services to assess the adequacy of procedures, improvement measures and compliance with new regulations.

As of September 30, 2009, the degree of implementation of scheduled improvement actions was found to be satisfactory, corresponding to about 90% of actions set out in the 2008 plan.

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 analyses of market scenario and changes in the competitive environment resulting from risk identification processes are part of usual management planning and control, entail 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 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 – BANK'S CAPITAL

A. Qualitative information

In accordance with strategic guidelines for growth, Banca Mediolanum takes all measures needed to ensure adequate capital levels and controls thereof. By continuously monitoring capital levels the Bank prevents any tensions that may arise in the future.

B. Quantitative information

B.1 Analysis of the bank's capital

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Share capital	450,000	430,000
2. Share premium account	-	-
3. Reserves	90,335	80,858
- retained earnings	155,859	146,382
a) legal reserve	21,109	19,462
b) statutory reserve	-	-
c) treasury shares reserve	-	-
d) other	134,750	126,920
- other	(65,524)	(65,524)
4. Equity instruments	-	-
5. Treasury shares	-	-
6. Valuation reserves	242	(24,853)
- available for sale financial assets	242	(24,853)
- tangible assets	-	-
- intangible assets	-	-
- hedges of investments in foreign operations	-	-
- cash flow hedges	-	-
- exchange differences	-	-
- non current assets held for sale	-	-
- actuarial gains (losses) relating to defined benefit plans	-	-
- share of reserves on investments accounted for by the equity method	-	-
- special revaluation statutes	-	-
7. Net profit (loss) for the year	19,021	32,927
Total	559,598	518,932

B.2 Analysis of revaluation reserves relating to available-for-sale financial assets

€/'000	Dec. 31, 2009 Positive reserve	Dec. 31, 2009 Negative reserve	Dec. 31, 2008 Positive reserve	Dec. 31, 2008 Negative reserve
1. Debt securities	2,980	(3,541)	2,845	(12,563)
2. Equities	-	(285)	-	(333)
3. Holdings in UCITS	1,600	(512)	2,787	(17,589)
4. Loans	-	-	-	-
Total	4,580	(4,338)	5,632	(30,485)

B.3 Year's movements in the revaluation reserve relating to available-for-sale financial assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans
1. Opening balance	(9,718)	(333)	(14,802)	-
2. Increases	12,412	572	17,115	-
2.1 Increase in fair value	7,020	47	3,837	-
2.2 Reclassification to the income statement from reserves:	5,392	525	13,277	-
- impairment	-	525	13,277	-
- realised gains	5,392	-	-	-
2.3 other increases	-	-	1	-
3. Decreases	(3,253)	(525)	(1,224)	-
3.1 Decrease in fair value	(2,654)	(525)	(1,106)	-
3.2 Impairment	-	-	-	-
3.3 Realised losses	(599)	-	(118)	-
3.4 Other decreases	-	-	-	-
4. Closing balance	(559)	(286)	(1,089)	-

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 bank's regulatory capital was determined in accordance with the instructions set out in the Bank of Italy's Circular Letter 155/1991 as subsequently amended.
Regulatory capital 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 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.

1. Tier 1 capital

At December 31, 2009, Tier 1 capital consisted of share capital (€450 million), equity reserves (€90.3 million), net profit for the period after dividends (€0.9 million) less intangible assets (€10.6 million). Tier 1 prudential filters are equal to the negative balance of valuation reserves (after tax) relating to debt securities classified as 'available-for-sale financial assets' (€0.6 million).

2. Tier 2 capital

At December 31, 2009, Tier 2 capital consisted of positive reserves on equities and holdings in UCITS classified as 'available-for-sale financial assets' (€0.8 million) and subordinated liabilities (€168 million). Tier 2 prudential filters are equal to 50% (not computable) of the positive valuation reserves (after tax) relating to equities and holdings in UCITS classified as 'available-for-sale financial assets' (€0.4 million).

3. Tier 3 capital

At December 31, 2009, Banca Mediolanum's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Tier 1 before solvency filters	530,657	506,331
B. Tier 1 solvency filters:	(561)	(24,854)
B.1 Positive IAS/IFRS solvency filters	-	-
B.2 Negative IAS/IFRS solvency filters	(561)	(24,854)
C. Tier 1 after solvency filters (A+B)	530,096	481,477
D. Deductions from tier 1	-	-
E. Total TIER 1 (C-D)	530,096	481,477
F. Tier 2 before solvency filters	168,809	-
G. Tier 2 solvency filters:	(401)	-
G.1 Positive IAS/IFRS solvency filters	-	-
G.2 Negative IAS/IFRS solvency filters	(401)	-
H. Tier 2 after solvency filters (F+G)	168,408	-
I. Deductions from tier 2	-	-
L. Total TIER 2 (H+I)	168,408	-
M. Deductions from tier 1 and tier 2	-	-
N. Total capital (E+L+M)	698,504	481,477
O. TIER 3	-	-
P. Total capital + TIER 3 (N+O)	698,504	481,477

2.2 Capital adequacy

A. Qualitative Information

Capital adequacy assessment is aimed at identifying the amount of free capital, i.e. the portion of capital that is not absorbed by credit risk (solvency ratio), market risk (trading book risk, currency risk and concentration risk) and operational risk.

At December 31, 2009, Banca Mediolanum's free capital, after the 25% reduction taken for banks that are part of Italian banking groups, amounted to €470.5 million. Tier 1 capital ratio (core capital/RWA) was 18.60% and total capital ratio (regulatory capital/RWA) was 24.51%, above the minimum requirement of 8%.

B. Quantitative Information

€/'000	Not weighted Dec. 31, 2009	Not weighted Dec. 31, 2008	Weighted/requirements Dec. 31, 2009	Weighted/requirements Dec. 31, 2008
A. Risk assets				
A.1 Credit risk & counterparty risk	7,871,666	9,955,072	2,744,776	2,561,767
1. Standardised approach	7,871,666	9,955,072	2,744,776	2,561,767
2. Internal ratings based approach	-	-	-	-
2.1 Foundation IRB approach	-	-	-	-
2.2 Advanced IRB approach	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk & counterparty risk	-	-	219,582	204,941
B.2 Market risk	-	-	34,829	27,547
1. Standardised approach	-	-	34,829	27,547
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	49,357	47,194
1. Foundation approach	-	-	-	-
2. Standardised approach	-	-	49,357	47,194
3. Advanced approach	-	-	-	-
B.4 Other prudential requirements	-	-	(75,942)	(69,921)
B.5 Other computational elements	-	-	-	-
B.6 Total prudential requirements	-	-	227,826	209,762
C. RWA & capital ratios				
C.1 Risk weighted assets (RWA)*	-	-	2,847,826	2,622,022
C.2 Tier 1 (core) capital/RWA (Tier 1 capital ratio)	-	-	18.61%	18.36%
C.3 Regulatory capital including Tier 3 /RWA (Total capital ratio) (Total capital ratio)	-	-	24.53%	18.36%

(*) RWA are determined by multiplying total prudential requirements (B6) by 12.5 (the reciprocal of the mandatory minimum coefficient equal to 8%)

PART G – BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2009 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

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

PART H – RELATED PARTY TRANSACTIONS

1. Information on key management compensation

€/'000	Directors, Statutory Auditors, Deputy/General Managers	Other key managers
Emoluments & social security contributions	906	1,546
Other pension benefits and insurance	-	34
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	72	16

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 products;
- 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, 2009 by related party category is set out in the table below.

€/'000	AFS financial assets	HTM investments	Loans to customers	Loans to banks	Due to customers	Due to banks	Guarantees issued
(a) Parent company	-	-	-	-	10,034	-	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-	-
(c) Subsidiaries	-	-	6,963	25,791	41,625	8,248	5,000
(d) Associates	-	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-	-
(f) Key managers	-	-	-	-	-	-	-
(g) Other related parties	-	-	55,381	-	1,254,329	5,402	213
Total	-	-	62,344	25,791	1,305,988	13,650	5,213

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	
Banco de Finanzas e Inversiones S.p.A.	91
Mediolanum International Life Ltd	85
Mediolanum Comunicazione S.p.A.	17
Commission income on the sale of insurance products:	
Mediolanum Vita S.p.A.	83,702
Mediolanum International Life Ltd	32,744
Mediolanum Assicurazioni S.p.A.	5,024
Commission income on the sale of mutual funds:	
Mediolanum International Funds Ltd	94,348
Mediolanum Gestione Fondi SGR p.A.	36,665
Duemme Hedge S.p.A.	37
Commission income on the sale of pension funds:	
Mediolanum Vita S.p.A.	58
Commission income on collection, payment and other services:	
Mediolanum Vita S.p.A.	676
Mediolanum International Life Ltd	30
Mediolanum Assicurazioni S.p.A.	15
Dividends from Group companies:	
Mediolanum International Funds Ltd	91,800
Mediolanum Asset Management	4,080
Mediolanum Gestione Fondi SGR p.A.	2,164
Mediolanum Distribuzione Finanziaria S.p.A.	190
Income on key personnel:	
Mediolanum Vita S.p.A.	1,708
Banco de Finanzas e Inversiones S.p.A.	1,261
Mediolanum Comunicazione S.p.A.	676
Mediolanum International Funds Ltd	573
Mediolanum Corporate University S.p.A.	333
Mediolanum International Life Ltd	233
Mediolanum Gestione Fondi SGR p.A.	230
Bankhaus August Lenz	198
Mediolanum Asset Management	76
Mediolanum Distribuzione Finanziaria S.p.A.	42
Recoveries of expenses from Group companies for centrally provided services:	
Mediolanum Vita S.p.A.	2,989
Mediolanum Gestione Fondi SGR p.A.	2,680
Mediolanum Comunicazione S.p.A.	1,000
Mediolanum S.p.A.	985
Mediolanum Corporate University S.p.A.	769
Mediolanum Assicurazioni S.p.A.	498
Mediolanum International Life Ltd	424
Mediolanum Distribuzione Finanziaria S.p.A.	288
Vacanze Italia S.p.A.	63
Mediolanum International Funds Ltd	30
Mediolanum Asset Management	20

€/'000	Income
Other income from rentals and miscellaneous recoveries:	
Mediolanum Vita S.p.A.	222
Mediolanum S.p.A.	128
Mediolanum Assicurazioni S.p.A.	61
Mediolanum Comunicazione S.p.A.	43

€/'000	Expense
Interest expense and similar charges	
Mediolanum Vita S.p.A.	4,889
Mediolanum S.p.A.	2,008
Mediolanum International Life Ltd	1,049
Banco de Finanzas e Inversiones S.p.A.	617
Bankhaus August Lenz	360
Gamax Management AG	306
Mediolanum International Funds Ltd	288
Mediolanum Assicurazioni S.p.A.	110
Banca Esperia S.p.A.	90
Fininvest S.p.A.	70
Mediolanum Gestione Fondi SGR p.A.	65
Mediolanum Holding International S.p.A.	47
Mediolanum Corporate University S.p.A.	32
Mediolanum Asset Management Ltd	31
Partner Time S.p.A.	13
Mediolanum Distribuzione Finanziaria S.p.A.	12
Commissions payable for third-party asset management:	
Mediolanum Gestione Fondi SGR p.A.	50
Commissions payable on off-premises sale of financial instruments:	
Mediolanum Distribuzione Finanziaria S.p.A.	1,229
Trading	
Banco de Finanzas e Inversiones S.p.A.	20
Net expense for key personnel	
Mediolanum S.p.A.	1,853
Mediolanum Assicurazioni S.p.A.	807
Television and internet communications - expenses for technical services:	
Mediolanum Comunicazione S.p.A.	10,864
Digitalia S.r.l	398
Mediolanum Corporate University S.p.A.	68

€/'000	Expense
Rentals:	
Mediolanum Vita S.p.A.	892
Mediolanum Gestione Fondi SGR p.A.	359
Mediolanum Corporate University S.p.A.	315
Miscellaneous insurance expenses:	
Mediolanum Assicurazioni S.p.A.	7,710
Mediolanum Vita S.p.A.	336
Audiovisual advertising and promotions:	
Publitalia S.p.A.	6,015
Mediolanum Comunicazioni S.p.A.	1,575
Mondadori Pubblicità S.p.A.	173
Digitalia S.r.l.	124
Servizi Milan S.p.A.	35
Organisation of exhibitions and conventions:	
Mediolanum Comunicazione S.p.A.	2,825
Sales force training:	
Mediolanum Corporate University S.p.A.	7,860
Vacanze Italia S.p.A.	33
Mediolanum Comunicazione S.p.A.	20
Employee training:	
Mediolanum Corporate University S.p.A.	475
Business expenses, gifts and other services:	
Mediolanum S.p.A.	150
Mediolanum Comunicazione S.p.A.	148
Mediolanum Gestione Fondi SGR p.A.	58
Vacanze Italia S.p.A.	44
Servizi Milan S.p.A.	40
Banco de Finanzas e Inversiones S.p.A.	32
Milan A.C. S.p.A.	15
Bankhaus August Lenz & Co. AG	14

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 2009, 567,470 stock options granted in 2006-2007 were exercised for a total of 567,470 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.

	Total Dec. 31, 2009			Total Dec. 31, 2008		
€/'000	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
A. Opening balance	4.749,686	2.95050	Nov-13	3,414,855	3.50379	Feb-13
B. Increases	605,185	-		1,600,171	-	
B.1 New issues	578,935	1.02200	May-17	1,456,612	1.80842	Apr-15
B.2 Other	26,250	5.96754	x	143,559	1.26670	x
C. Decreases	(1,564,954)	-		(265,340)	-	
C.1 Cancelled	-	-	x	(55,500)	6.03596	x
C.2 Exercised (*)	(567,470)	1.23328	x	(158,780)	1.17892	x
C.3 Lapsed	(362,316)	5.07328	x	(6,060)	0.53900	x
C.4 Other	(635,168)	1.17279	x	(45,000)	5.36800	x
D. Closing balance	3,789,917	3.02892	Feb-15	4,749,686	2.95050	Nov-13
E. Options exercisable at year end	935,477	5.25297	x	1,224,963	5.37928	x

(*) Average market price per share on the exercise date was €3.66

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 €1,550 thousand and entailed a corresponding increase in the Bank's equity reserves.

Basiglio, March 23, 2010

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

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, 2009

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, 2009, 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 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 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;
- we regularly assessed the adequacy and effectiveness 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 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 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, 2009, and the schedules attached thereto, which are presented to you for approval, we advise you that:

- 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, 2009 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, as amended on November 18, 2009.. The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows, the Explanatory Notes in addition to the Directors' Report. They also include comparative information for the prior year;
- the Directors' Report sets out information on the bank's operations including subsidiaries, with details on actions, transactions and projects involving the parent company and the entire banking group;
- the independent auditors completed their audit of the financial statements, including the consistency of information set out in the Directors' Report, and are about 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, 2009, which show net profit of €19,021,252.10 and the appropriation of net profit for the year as proposed by the Board of Directors.

Milan, April 1, 2010

The Board of Statutory Auditors
(Arnaldo Mauri Chairman)
(Adriano Alberto Angeli Standing Auditor)
(Marco Giuliani Standing Auditor)

Independent Auditors' Report

ERNST & YOUNG

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Independent auditors' report
pursuant to Article 156 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, 2009, comprising the balance sheet, the statements of income, comprehensive 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 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 management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, management has restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated April 3, 2009. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of our opinion as of and for the year ended December 31, 2009.

3. In our opinion, the financial statements of Banca Mediolanum S.p.A. at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations 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 law. For this purpose, we have performed the procedures required under Auditing Standard 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, 2009.

Milan, April 2, 2010

Reconta Ernst & Young S.p.A.
signed by: Stefano Cattaneo, partner

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

Ordinary General Meeting of April 19, 2010

Ordinary General Meeting of April 19, 2010

RESOLUTIONS ABSTRACT

Attended by proxy by the sole shareholder Mediolanum S.p.A that owns all 450,000,000 shares that make up share capital (100%), the General Meeting resolved:

- to approve the Directors' Report for the year ended December 31, 2009;
- to approve the financial statements for the year ended December 31, 2009;
- to appropriate net profit for the year amounting to €19,021,252.10 as follows:
  - to the shareholder: distribution of a €0.04015 dividend for each of the 450,000,000 shares for a total amount of €18,067,500.00
  - to the Legal Reserve: €952,000.00;
  - to the Extraordinary Reserve: €1,752.10;
- to fix the aggregate annual gross compensation of the members of the Board of Directors, including directors with special authorities, at €1,031,000.00, until a new resolution is passed in relation thereto. 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 approve the 'Group Compensation Policy' together with the related Board of Directors Report as presented at the Meeting and deposited as corporate document.

Consolidated Annual Financial Statements 2009

Financial Highlights

€/m	Dec. 31, 2009	Dec. 31, 2008	% change
Assets under management & administration	34,802.6	25,594.3	+36%
Gross Inflows	9,536.7	6,645.1	+43%
Net inflows	5,784.9	2,296.3	+152%
Total Assets	8,843.7	9,559.9	-7%
Loans to customers (lending)	3,331.9	3,460.0	-4%
Amounts due to customers /Securities issued (funding)	6,367.6	6,047.0	+5%
Profit before tax	155.0	101.3	+53%
Tax	13.1	12.8	+2%
Net Profit	141.6	88.5	+60%
Net profit attributable to minority interests	98.8	62.1	+59%
Net profit attributable to the Parent Company	42.8	26.4	+62%
Number			
Sales network	5,800	6,367	-9%
Employees	1,907	1,759	+4%

Directors' Report

Dear Shareholder,

The Mediolanum Banking Group consolidated financial statements for the year ended December 31, 2009 show net profit from ordinary activities before minority interests of €141.6 million versus €88.5 million in the prior year.
The increase in net profit over the prior year was mostly due to the growth in net commission income (€78.6 million) largely as a result of growth in performance fees (€104.4 million) that benefitted from the financial market upturn in 2009, partly offset by greater commissions paid out to the sales network on the net inflows they brought in. On the other hand, in the year under review the Group recorded greater write-downs (- €26.3 million) especially for impairment of hedge funds classified as 'Available-for-sale financial assets' (- €20.4 million).
At December 31, 2009, net profit attributable to the Parent Company amounted to €42.8 million versus €26.4 million in the prior year.
The consolidated financial statements for the year ended December 31, 2009 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, 2009 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 (as amended on November 18, 2009), in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

THE MACROECONOMIC ENVIRONMENT

In the year 2009 the economy went through the final phase of a deep, protracted recession and eventually turned around. The fiscal and monetary policy actions put in place by governments and central banks were key to ensure gradual improvements in the world economies. The continuation of these measures in the coming months will be crucial to shore-up growth and make it sustainable over time.
In the US, GDP growth of 2.2% in the third quarter and 5.9% in the fourth quarter (annualised, quarterly measurement) confirmed the end of the recession that had marked the previous four consecutive quarters (Q2 2009: down 0.7%; Q1 2009: down 6.4%; Q4 2008: down 5.4%; Q3 2008: down 2.7%).
In the Euro zone, too, the economy reversed trend in the third quarter 2009 (up 0.4% in the quarter, non-annualised) after five consecutive quarters of negative growth (Q2 2009: down 0.1%; Q1 2009: down 2.5%; Q4 2008: down 1.9%; Q3 2008: down 0.4%; Q2 2008: down 0.3%). Specifically, GDP growth was 0.6% in Italy, 0.7% in Germany and 0.3% in France.
Japan, too, benefitted from the improved economic climate in 2009, while the UK recorded the sixth consecutive quarter of negative growth at the end of September and only marginal growth (0.1%) in the last quarter of 2009.

Unlike developed economies, emerging markets displayed faster growth and many of them reported no slowdown at all.
In the second half of 2009, industrial production and business sentiment showed signs of gradual progress, both in the US and in Europe.
However, there are still uncertainties surrounding employment and consumer spending. In the US unemployment hit 10% and consumer sentiment improved only slightly. In the Euro zone, too, unemployment reached 10% and consumer surveys reveal persisting concerns about the economy.
The US housing market, whose collapse had been one of the causes of the financial crisis, showed signs of stabilisation in the second half of the year.
The uncertainties surrounding the sustainability of growth, rising unemployment and limited use of plant capacity contributed to dampen inflationary pressures. In December, the CPI rose 0.9% in the Euro zone and 2.7% in the US, on an annual basis. Excluding food and energy, the CPI grew 1.1% and 1.8%, respectively.
Subdued inflation enabled the European Central Bank to cut the main refinancing rate from 2.5% to 1% while the Federal Reserve kept rates on hold at 0-0.25%.

Financial Markets

The recently ended year recorded very good overall performance both in the equity and the bond markets. The world's major governments and central banks managed to cushion the impact of the financial crisis on the economy via historic interest rate cuts, significant liquidity injections, quantitative easing measures, the recapitalisation of the banking system and the adoption of stimulus packages. Central Banks promptly understood the risk posed to price stability by the expansionary monetary policy would soon be offset by the deflationary effects generated by shrinking global demand.
In January and February 2009, financial markets were characterised by increased risk aversion and high volatility, while in the following months the upturn of stock indices discounted the economic recovery eventually reflected in third quarter data. As risk appetite increased, volatility declined.
In the year 2009, global stock markets progressed around 24% (MS World in euro). In the US, the S&P500 soared 23.5% and the NASDAQ Composite 43.9%. In Europe, stock market growth averaged 28% (DJ Stoxx 600). In Italy, the FTSE MIB was up 19.5%, in Germany, the DAX rose 23.9% and in France, the CAC increased 22.3%. In Japan, the Nikkei 225 gained over 19%, while emerging economies posted an average stock market growth in local currencies of over 58% (MSCI EM Local Index). Stock market growth was driven by financials and economically sensitive stocks (industrials, technologies, commodities).
In 2009, the ECB easing monetary stance entailed lower yields on shorter maturities, while fears of a future resurgence in inflation drove up yields on longer maturities. Specifically, in the Euro zone, yields on 2-year and 10-year treasuries were 1.33% and 3.39% at year end 2009 versus 1.76% and 2.95% at December 31, 2008, respectively, with subsequent steepening of the yield curve. In the US, treasuries yields increased across all main maturities: specifically, yields on 2-year and 10-year treasuries rose from 0.7643% and 2.2123% at the start of the year to 1.1354% and 3.8368% at year end 2009, respectively.
The progressive improvement in the economic environment and the increased risk appetite contributed to narrow the yield spread between Italian and German treasuries and more generally between lower-rated corporate or sovereign debt and higher-rated treasuries. The ITRAXX Europe Crossover Index (Bloomberg ID ITRXEXE) declined from 1,027.5 at the start of the year to 431.8 at December 31, 2009, and the ITRAXX Europe Investment Grade Index (Bloomberg ID ITRXEBE) dropped from 177 at the beginning of the year to 73.5 at December 31, 2009.

Bond issues in the primary market were generally well subscribed.
The refinancing rate cuts made by central bankers and the guarantees provided by governments to support interbank lending and the entire financial system brought about steady declines in interbank rates. 3-month EURIBOR declined from 2.892% at the beginning of the year to 0.7% at year end 2009, while the 3-month US LIBOR dropped from 1.425% at the start of the year to 0.25063% at December 31, 2009.
In 2009, the foreign exchange value of the US dollar against the euro moved from 1.3971 at the beginning of the year to 1.4321 at year end. The performance of the US dollar appeared to be strongly correlated to stock markets and commodity prices. As stock markets bottomed in March the dollar hit its high at 1.2457, then, as stock markets recovered, it weakened to 1.5144. Only in December, when the markets substantially moved sideways, that correlation ceased to play out and the dollar strengthened up to 1.4321.
The sterling depreciated against the Euro from 0.95483 at the start of the year to 0.88689 at December 31, 2009, in a context of high volatility and notable weakness of the British economy.
The yen strengthen from 126.7 at the beginning of the year to 133.20 at year end 2009.
Reflecting the improved global economic landscape, main commodity prices were on the rise. In 2009, oil prices grew more than 70% from $45.6 per barrel at year end 2008 to $77.93 at year end 2009.

MEDIOLANUM BANKING GROUP

At December 31, 2009, the organisational structure of the Mediolanum Banking Group was essentially unchanged over the prior year except for Mediolanum International S.A. (Luxembourg) whose liquidation was completed on December 21, 2009. As a result of the liquidation, Gamax Management AG (Luxembourg) is now directly controlled by Banca Mediolanum.
In addition, effective on July 24, 2009, Fibanc S.A., a direct subsidiary of Banco de Finanzas e Inversiones S.A. became part of the Mediolanum Banking Group.

REVIEW OF OPERATIONS

For the year ended December 31, 2009, the Banking Group reported profit before tax of €155 million versus €101.3 million in the prior year.
Commission income increased from €585.2 million in 2008 to €714.3 million in 2009. This was primarily in connection with growth in performance fees (€104.4 million) that benefitted from the financial market upturn in 2009.
Commission expenses grew from €323.5 million in the prior year to €374.1 million at the end of the year under review owing to greater commissions paid out to the sales network as incentives on the net inflows they brought in.
Net interest income amounted to €148.2 million from €150.1 million at year end 2008. Adding trading profits, gains on hedging transactions, on the sale of available-for-sale financial assets, and on held-to-maturity investments that, in the aggregate, amounted to €30.3 million, net financial income came in at €178.5 million growing 12.4% from €158.7 million in the prior year.

Total income for the year increased 23.8% from €421.2 million in 2008 to €521.5 million in 2009.
At year end 2009, write-down amounted to €35.5 million versus €9.2 million in the prior year. In the year under review there were greater write-downs due to impairment losses on available-for-sale financial assets (€19.7 million) essentially relating to funds of hedge funds classified in that category.

Operating expenses were up 6.5% to €331 million from €310.7 million at year end 2008, owing to greater advertising spending (€5.6 million), the sizeable growth in the banking business and the ensuing further adjustments of organisational and operational structures. Specifically, staff costs increased from €116.6 million in 2008 to €122.7 million at the end of the year under review, and the banking group's headcount grew to 1,907 employees from 1,759 at the end of the prior year.

The year's tax expense amounted to €13.1 million versus €12.8 million in the prior year.
At December 31, 2009, total consolidated assets amounted to €8,843.7 million versus €9,559.9 million at December 31, 2008.
At December 31, 2009, loans to customers – private individuals and financial institutions other than banks – amounted to €3,331.9 million, remaining essentially in line with the prior year's balance of €3,460 million.
The analysis of lending shows different trends. Specifically, in 2009, there was notable growth in retail lending owing to the marked increase in residential loans and personal loans. Conversely, in the institutional segment there was a contraction, in particular in hot money transactions and syndicated lending.
Loans to banks declined €428 million to €1,673.4 million from €2,101.4 million at year end 2008. Interbank lending was almost exclusively with Italian banks, and marginally with Euro zone banks under the supervision of the European Central Bank. Funding from banks declined €668.7 million from €1,866.7 million in the prior year to €1,198 million at the end of the year under review. Net interbank exposure was €475.4 million versus €234.7 million in the prior year.

In 2009, bank funding (bank accounts, repurchase agreements and bonds) remained buoyant. The analysis of the various components shows inflows into bank accounts and repurchase agreements amounted to €6,188.2 million at year end 2009, up 2.6% from €6,033.5 million in the prior year. Senior and subordinated notes issued by Banca Mediolanum amounted to €179.4 million versus €13.5 million in the prior year.

The securities portfolio grew €947.6 million to €3,716.5 million from €2,768.9 million at year end 2008. The analysis of the securities portfolio is set out in the table below.

€/'000	Dec. 31, 2009	Dec. 31, 2008
Held-To-Maturity Investments	1,329.3	1,107.0
Available-For-Sale Financial Assets	1,039.6	1,003.9
Financial Assets Held For Trading	843.7	1,300.5
Financial Assets at Fair Value	-	2.3
Financial Liabilities Held For Trading	(260.5)	(741.8)
Loans and Receivables	764.4	97.0
Total	3,716.5	2,768.9

At year end 2009, *Held-to-Maturity Investments* amounted to €1,329.3 million. The €222.3 million growth from the prior year's balance of €1,107 million was largely due to the purchase of bonds issued by primary Italian banks, amounting to €423 million, net of Italian treasuries sold upon maturity, amounting to about €201 million.

Available-for-sale financial assets amounted to €1,039.6 million versus €1,003.9 million in 2008. The sale of Italian treasuries generated about €5 million gains in the year. Impairment recognised on hedge funds holdings classified as 'available-for-sale financial assets' (- €20.4 million) entailed total write-downs of €20.6 million at December 31, 2009.

At the end of the year under review, the balance of the AFS equity reserve improved from a negative balance of €26,6 million in 2008 to a positive balance of €1.5 million.

Financial assets held for trading net of *Financial liabilities held for trading* amounted to €583.2 million, essentially in line with the prior year's balance of €558.7 million.

Loans and Receivables, consisting of ABS and privately placed securities issued by banks not quoted in an active market, amounted to €764.4 million, recording notable growth over the prior year's balance of €97 million.

Consolidated Inflows, Assets under Management and Assets under Administration

Gross Inflows

€/m	Dec. 31, 2009	Dec. 31, 2008	Change %
ITALY			
- Life Insurance products	6,877.5	2,666.6	157.9%
- Mutual funds and managed accounts	3,196.9	2,203.2	45.1%
- Bank accounts and securities in custody	(768.0)	1,619.5	(147.4%)
- Other products	21.4	15.9	34.6%
SPAIN			
- Life Insurance products	97.0	84.3	15.1%
- Mutual funds and managed accounts	150.6	192.6	(21.8%)
- Bank accounts and securities in custody	(67.2)	(182.9)	(63.3%)
GERMANY			
- Life Insurance products	13.0	10.0	30.0%
- Mutual funds and managed accounts	28.5	43.2	(34.0%)
- Bank accounts and securities in custody	(13.0)	(7.3)	n/a
TOTAL	9,536.7	6,645.1	43.5%

Net Inflows

€/m	Dec. 31, 2009	Dec. 31, 2008	Change %
ITALY			
- Life Insurance products	5,136.8	894.9	474.0%
- Mutual funds and managed accounts	1,426.5	95.8	n/a
- Bank accounts and securities in custody	(768.0)	1,619.5	(147.4%)
SPAIN			
- Life Insurance products	48.9	25.3	93.3%
- Mutual funds and managed accounts	23.9	(133.5)	(117.9%)
- Bank accounts and securities in custody	(67.2)	(182.9)	(63.3%)
GERMANY			
- Life Insurance products	9.8	6.6	48.5%
- Mutual funds and managed accounts	(12.8)	(22.1)	(42.1%)
- Bank accounts and securities in custody	(13.0)	(7.3)	78.1%
TOTAL	5,784.9	2,296.3	151.9%

Consolidated Assets under Management and Assets under Administration(*)

€/m	Dec. 31, 2009	Dec. 31, 2008	Change %
ITALY			
- Life Insurance products	19,560.6	12,313.4	58.9%
- Mutual funds and managed accounts	15,759.2	11,704.7	34.6%
- Banking Products	5,785.8	6,385.2	(9.4%)
- Consolidation adjustments	(8,167.0)	(6,462.2)	26.4%
DOMESTIC MARKET	32,938.6	23,941.1	37.6%
- Life Insurance products	421.6	305.0	38.2%
- Mutual funds and managed accounts	893.1	768.8	16.2%
- Banking Products	796.0	796.8	(0.1%)
- Other Products	0.3	0.6	(50.0%)
- Consolidation adjustments	(247.0)	(218.0)	13.3%
FOREIGN MARKETS	1,864.0	1,653.2	12.8%
MEDIOLANUM GROUP	34,802.6	25,594.3	36.0%

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

The Sales Networks

Number	Dec. 31, 2009	Dec. 31, 2008	Change %
Italy			
- Licensed Financial Advisors	4,945	5,077	(2.6%)
- Non-licensed advisors/agents AAF (°)	358	774	(53.7%)
Spain	454	486	(6.6%)
Germany	43	30	43.3%
Total	5,800	6,367	(8.9%)

(*) 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 2009 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 under resolutions passed by the company's Board of Directors, related party disclosures are set out in the relevant section of the Notes.

Post balance sheet date events

After December 31, 2009, 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 responses of the world's main governments and central banks have produced a significant reversal of the economic cycle putting an end to a deep prolonged recession.
The refinancing rate cuts made by central banks have gradually reduced interbank rates, mortgage payments and the cost of borrowing for businesses. Quiescent inflation sets the optimal conditions for continuing with an expansionary monetary policy.
The recovery that can follow the current phase of stabilisation risks to be hampered by production overcapacity and the normalisation of the balance sheets of governments, central banks, financial institutions and, ultimately, the US consumers.
The need to finance the fiscal policies adopted to shore-up the economy may bring about the deterioration of the creditworthiness of the weaker economies that might be compelled to increase the interest they pay on their sovereign debt.
If consumer spending increases and unemployment declines, in 2010 the recovery may prove to have legs with positive repercussions on financial markets.
Based on current reasonable estimates, our Group is expected to continue to generate good earnings for the year 2010.

Basiglio, March 23, 2010

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

Consolidated Accounts 2009

Balance Sheet

Assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
10. Cash and cash equivalents	50,584	35,082
20. Financial assets held for trading	843,673	1,300,517
30. Financial assets at fair value	-	2,276
40. Available-for-sale financial assets	1,039,568	1,003,903
50. Held-to-maturity investments	1,329,347	1,107,048
60. Loans to banks	1,673,368	2,101,351
70. Loans to customers	3,331,902	3,460,046
80. Hedging derivatives	1,179	-
120. Tangible assets	63,453	65,113
130. Intangible assets	218,693	220,441
of which:		
- goodwill	205,714	205,714
140. Tax assets		
a) current	44,069	16,916
b) deferred	58,537	60,466
160. Other assets	189,345	186,726
Total assets	8,843,718	9,559,885

Liabilities and Shareholders' Equity

€/'000		Dec. 31, 2009	Dec. 31, 2008
10.	Due to banks	1,198,050	1,866,703
20.	Due to customers	6,188,159	6,033,537
30.	Securities issued	179,450	13,537
40.	Financial liabilities held for trading	260,549	741,830
50.	Financial liabilities at fair value	-	2,276
60.	Hedging derivatives	15,906	18,428
80.	Tax liabilities		
	a) current	14,570	6,889
	b) deferred	11,209	8,937
90.	Liabilities associated with disposals group	-	-
100.	Other liabilities	198,023	188,680
110.	Employee completion-of-service entitlements	9,635	10,238
120.	Provisions for risks and charges:		
	a) severance benefits and similar obligations	1,237	1,134
	b) other provisions	106,798	90,976
140.	Valuation reserves	1,502	(26,616)
170.	Reserves	124,481	120,550
190.	Share capital	450,000	430,000
200.	Treasury shares (-)	-	-
210.	Minority interests (+/-)	41,363	26,367
220.	Net profit (loss) for the year (+/-)	42,786	26,419
Total liabilities and shareholders' equity		8,843,718	9,559,885

Income Statement

€/'000		Dec. 31, 2009	Dec. 31, 2008
10.	Interest income and similar income	252,798	356,874
20.	Interest expense and similar charges	(104,596)	(206,816)
30.	Net interest income	148,202	150,058
40.	Commission income	714,312	585,159
50.	Commission expense	(374,079)	(323,527)
60.	Net commission income	340,233	261,632
70.	Dividends and similar income	2,504	950
80.	Net income from trading	27,108	3,601
90.	Net income from hedging	(2,187)	1,750
100.	Gains (losses) on sale or buyback of:		
	a) loans and receivables	273	-
	b) available-for-sale financial assets	5,032	3,177
	c) held-to-maturity investments	324	-
	d) financial liabilities		
120.	Total income	521,489	421,168
130.	Impairment losses on:		
	a) loans	(10,103)	(7,020)
	b) available-for-sale financial assets	(20,572)	(916)
	c) held-to-maturity investments	-	-
	d) other financial instruments	(4,804)	(1,214)
140.	Net income from financial operations	486,010	412,018
170.	Net income from financial and insurance operations	486,010	412,018
180.	Administrative expenses		
	a) staff costs	(122,703)	(116,614)
	b) other administrative expenses	(177,508)	(171,986)
190.	Provisions for risks and charges	(22,763)	(18,381)
200.	Depreciation and net impairment of tangible assets	(8,130)	(7,231)
210.	Amortisation and net impairment of intangible assets	(9,987)	(8,942)
220.	Other operating income	10,062	12,445
230.	Operating expenses	(331,029)	(310,709)
280.	Profit (Loss) before tax on continuing operations	154,981	101,309
290.	Income tax expense on continuing operations	(13,126)	(12,848)
300.	Profit (Loss) after tax on continuing operations	141,855	88,461
310.	Profit (Loss) after tax of non current assets pending disposal	(280)	-
320.	Net Profit (Loss) for the year	141,575	88,461
330.	Net Profit (Loss) for the year pertaining to minority interests	98,789	62,042
340.	Net Profit (Loss) for the year pertaining to the parent company	42,786	26,419
	Earnings per share	0.095	0.061

Statement of consolidated comprehensive income

€/'000		Dec. 31, 2009	Dec. 31, 2008
10.	Net profit (loss) for the year	141,575	88,461
	Other comprehensive income components after tax		
20.	Available for sale financial assets	28,038	(24,609)
110.	Total other comprehensive income components after tax	28,038	(24,609)
120.	Comprehensive income (items 10+110)	169,613	63,852
130.	Consolidated comprehensive income attributable to minority interests	98,709	62,045
140.	Consolidated comprehensive income attributable to the Parent Company	70,904	1,807

Statement of changes in equity

€/'000	Balance at Dec. 31, 2007	Adjustment to opening balances	Balance at Jan. 01, 2008	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:					
a) ordinary shares	371,000	-	371,000	-	-
b) other shares	-	-	-	-	-
Share premium account			-	-	-
Reserves:					
a) retained earnings	99,662	-	99,662	15,679	-
b) others	3,185	-	3,185	-	-
Valuation reserves	(2,004)	-	(2,004)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	55,679	-	55,679	(15,679)	(40,000)
Shareholders' equity attributable to the Group	527,522	-	527,522	-	(40,000)
Shareholders' equity attributable to minority interest	33,989	-	33,989	-	(22,387)

€/'000	Balance at Dec. 31, 2008	Adjustment to opening balances	Balance at Jan. 01, 2009	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:					
a) ordinary shares	430,000	-	430,000	-	-
b) other shares	-	-	-	-	-
Share premium account	-	-	-	-	-
Reserves:					
a) retained earnings	117,580	-	117,580	1,419	-
b) others	2,970	-	2,970	-	-
Valuation reserves	(26,616)	-	(26,616)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	26,419	-	26,419	(1,419)	(25,000)
Shareholders' equity attributable to the Group	550,353	-	550,353	-	(25,000)
Shareholders' equity attributable to minority interest	26,367	-	26,367	-	(15,529)

Movements in the year

Change in reserves	Equity							
	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	(loss) Stock options	Net profit equity at Dec. 31, 2008	Shareholders' at Dec. 31, 2008
-	59,000	-	-	-	-	-	-	430,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,239	-	117,580
(215)	-	-	-	-	-	-	-	2,970
-	-	-	-	-	-	-	(24,612)	(26,616)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	26,419	26,419
(215)	59,000	-	-	-	-	2,239	1,807	550,353
(1,075)	-	-	(46,205)	-	-	-	62,045	26,367

Movements in the year

Change in reserves	Equity							
	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	(loss) Stock options	Net profit equity at Dec. 31, 2009	Shareholders' at Dec. 31, 2009
-	20,000	-	-	-	-	-	-	450,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,605	-	121,604
(93)	-	-	-	-	-	-	-	2,877
-	-	-	-	-	-	-	28,118	1,502
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	42,786	42,786
(93)	20,000	-	-	-	-	2,605	70,904	618,769
1,486	-	-	(69,670)	-	-	-	98,709	41,363

Consolidated cash flow statement

Indirect Method

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. OPERATING ACTIVITIES		
1. Operating activities		
- net profit (loss) for the year	103,221	41,947
- gains/losses on financial assets held for trading and on financial	42,786	26,419
assets/liabilities at fair value	4,151	(8,254)
- gains/losses on hedges (+/-)	-	-
- impairment losses/reversals (+/-)	30,675	8,662
- net write-downs/write-backs of tangible and intangible assets (+/-)	18,117	16,173
- provisions for risks and charges and other costs/revenues (+/-)	22,763	18,381
- uncollected net premiums (-)	-	-
- other uncollected insurance revenues/charges (-)	-	-
- unpaid taxes (+)	(15,271)	(19,434)
- net write-downs/write-backs of disposal groups after taxes (+/-)	-	-
- other adjustments (+/-)	-	-
2. Cash generated/used by financial assets	941,357	(529,828)
- financial assets held for trading	456,844	900,555
- financial assets at fair value	1,097	698
- available-for-sale financial assets	(35,665)	(595,616)
- loans to banks: on demand	2,131	11,210
- loans to banks: other loans	425,852	870,682
- loans to customers	128,144	(1,664,645)
- other assets	(37,046)	(52,712)
3. Cash generated/used by financial liabilities	(832,295)	1,282,761
- due to banks: on demand	(522,201)	30,185
- due to banks: other amounts due	(146,452)	764,151
- due to customers	154,622	408,027
- securities issued	165,913	13,537
- financial liabilities held for trading	(481,281)	25,132
- financial liabilities at fair value	(2,276)	(698)
- other liabilities	(620)	42,427
Net cash generated by/used in operating activities	212,283	794,880
B. INVESTING ACTIVITIES		
1. Cash from	(222,275)	(731,228)
- sale of equity investments	-	-
- dividends received from equity investments	-	-
- sale of held-to-maturity investments	(222,299)	(734,024)
- sale of tangible assets	22	2,184
- sale of intangible assets	2	612
- sale of subsidiaries and business lines	-	-
2. Cash used for	(15,132)	(57,367)
- purchase of equity investments	-	-
- purchase of held-to-maturity investments	-	-
- purchase of tangible assets	(5,693)	(19,810)
- purchase of intangible assets	(9,439)	(37,557)
- purchase of subsidiaries and business lines	-	-
Net cash generated by/used in investing activities	(237,407)	(788,595)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	20,000	59,000
- issue/purchase of equity instruments	45,626	(30,210)
- dividend distribution and other	(25,000)	(40,000)
Net cash generated by/used in financing activities	40,626	(11,210)
NET CASH GENERATED/USED IN THE YEAR	15,502	(4,925)

RECONCILIATION

€/'000	Dec. 31, 2009	Dec. 31, 2008
Financial item		
Cash and cash equivalents at beginning of the year	35,082	40,007
Total net cash generated/used in the year	15,502	(4,925)
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at end of the year	50,584	35,082

Notes to the Consolidated Annual Financial Statements 2009

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 - Information on comprehensive income
Part E - Information on risks and risk management
Part F - Information on capital
Part G - Business combinations
Part H - Related Party Transactions
Part I - Equity-settled share-based payment transactions
Part L - Segmental information

PART A – ACCOUNTING POLICIES

A.1 - GENERAL

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

Pursuant to Legislative Decree No. 38 of February 28, 2005 the consolidated financial statements for the year ended December 31, 2009 were prepared in accordance with the accounting and financial reporting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission under European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

The consolidated financial statements for the year ended December 31, 2009 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 Circular Letter No. 262 of December 22, 2005, as amended on November 18, 2009. In compliance therewith prior year's comparatives were reclassified as commented in the respective sections of these Notes.

Section 2 - Accounting basis

In the preparation of the consolidated financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2009, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS, no departure was made from requirements therein.
These consolidated financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, 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 No. 38 of February 28, 2005, the financial statements were prepared using the euro as reporting currency.
The amounts set out in the Accounts, in the Notes and in the Directors' Report are presented in thousands of euro unless stated otherwise. The accounts and the notes also include comparative information for the year ended December 31, 2008. Pursuant to the Bank of Italy's Circular Letter 262 of 2005, as amended on November 18, 2009, certain reclassifications were applied and properly commented in the notes in relation to prior year's comparatives. Specifically, the amended Circular Letter issued by the Bank of Italy last November requires that current receivables and payables relating to the provision of financial services to banks and customers be recognised under the specific category of assets and liabilities to which they refer and not generally under 'other assets' and 'other liabilities' as in prior years.
The application of new accounting and financial reporting standards and interpretations did not have any material impact on the 2009 consolidated accounts, yet entailed changes in financial disclosures.
The main changes connected with amendments to the international accounting and financial reporting standards in the year under review were as follows:

- the introduction of the statement of comprehensive income to present all valuation gains and losses arising on transactions with parties other than owners that are recognised in equity separately from income and expenses for the period;
- disclosures about the effects on the balance sheet and the income statement of reclassifications between the various of categories of financial instruments in accordance with amendments to IAS 39 and IFRS 7;
- the adoption of the amendments to IFRS 7 that introduced the so-called 'fair value hierarchy' (level 1, 2 and 3). This entailed, *inter alia*, changes in a number of tables set out in the notes that now present the three levels of fair value in lieu of the previous distinction between listed/unlisted instruments.

The adoption of IFRS 8 (Operating Segments) entailed changes in segment reporting previously made under IAS 14 (Segment Reporting) so as to present financial information in a manner that reflects the management reporting approach of the Mediolanum Banking Group and is consistent with the information disclosed to the market and to the various stakeholders.

Under IFRS 8 the reporting entity is no longer required to present segmental information by business line or geographical segment if internal financial reporting to key management for the purposes of assessing performance and allocating resources is based on different criteria.

Key changes in the presentation of financial information in the notes are as follows:

- 'impaired assets', 'assets sold but not derecognised' and 'derivatives' are now included in the analysis of their respective asset category and no longer shown as a separate line item or in separate tables as in prior years;
- disclosures on derivatives are now almost entirely set out in Part E of the Note.

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 Bank of Italy's requirements, items with a nil balance for both the year under review and the prior year are not indicated. In the income statement, revenues are indicated with no sign, while costs are shown within parentheses.

Statement of Comprehensive Income

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

Statement of Changes in 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 international accounting and financial reporting standards and Bank of Italy's Circular Letter 262/2005, as amended on November 18, 2009.
In accordance with Bank of Italy's requirements, no explanatory note is provided for items with a nil balance for both the year under review and the prior year.
In the tables with income statement information, revenues are indicated with no sign, while costs are shown within parentheses.

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.

Analysis of subsidiaries consolidated on a line-by-line basis is set out in the tables 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 Distribuz. Finanz. S.p.A.	1,000	100.000%	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR p.A.	5,165	51.000%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	51.000%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.000%	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	86,032	100.000%	Barcelona	Banking
Bankhaus August Lenz & Co. AG	20,000	100.000%	Munich	Banking
Mediolanum Corp. University S.p.A.	20,000	100.000%	Basiglio	Education and Training
Gamax Management AG	7,161	99.996%	Luxembourg	Fund management

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	100.000%	Barcelona	Fund management
Fibanc S.A.	301	100.000%	Barcelona	Financial Advice
Fibanc Pensiones S.G.F.P. S.A.	902	100.000%	Barcelona	Pension Fund management
Mediolanum International Funds Ltd	150	5.000%	Dublin	Asset management and advice

Compared to the prior year, Mediolanum International S.A. was excluded from consolidation as it was liquidated (liquidation procedures completed in December 2009).

Methods of consolidation

Subsidiaries are consolidated on a line-by-line basis.

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

Equity Method

The equity method was not applied in the preparation of these annual consolidated financial statements.

Section 4 – Post Balance Sheet Date Events

In the period between the end of financial year 2009 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 result of operations for the year 2009 of the main subsidiaries is set out in the Directors' Report.
The consolidated 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, 2009.
The accounting policies applied in the preparation of the consolidated financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as the recognition of items of income and expense, are consistent with those applied in the preparation of the consolidated financial statements for the year ended December 31, 2008.
The application of new accounting and financial reporting standards and interpretations did not have any material impact on the 2009 consolidated accounts, yet entailed changes in financial disclosures.

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets held for trading are initially recognised on the settlement date if they are debt securities and equities, and on the trade date if they are derivatives.
On initial recognition *financial assets held for trading* are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.
After initial recognition *financial assets held for trading* are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation (bid/ask or average price). If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.
Reclassification to other categories of financial assets is not allowed except for rare circumstances which are unlikely to occur again in the near term. In such rare circumstances debt securities and equities that are no longer held for trading can be reclassified to the other categories under IAS 39 (Held-to-Maturity Investments, Available-for-Sale financial assets, Loans & Receivables), provided that they satisfy the relevant requirements. The carrying amount of the reclassified financial instrument is its fair value on the date of reclassification. The existence of any embedded derivative contracts that require unbundling is assessed upon reclassification.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

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

(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.

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 Group assesses whether there is objective evidence of any impairment loss.
If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Held to Maturity Investments

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

- nonperforming – these are formally impaired loans i.e. exposures to borrowers that are unable to meet their payment obligations, even if their insolvency has not been established by a court of law, or in similar conditions;
- watch list – these are exposures to borrowers that are experiencing temporary difficulties in meeting their payment obligations but are expected to make good within a reasonable timeframe. Watch list loans also include exposures – other than to nonperforming borrowers or government entities – that satisfy both the following conditions:
  - have been past due and unpaid for over 270 days (over 150 or 180 days for consumer loans with original maturity of less than 36 months, or of 36 months or more, respectively);
  - the aggregate exposure as per the previous paragraph and in relation to other payments that are less than 270 days past due to the same borrower accounts for at least 10% of total exposure to that borrower;
- restructured – exposures for which a grace period was accorded with concurrent renegotiation of the loan terms and conditions at below market rates, that were in part converted into shares and/or for which a principal reduction was agreed;
- past due – exposures to borrowers other than those classified in the categories above, that at the reporting date were over 90 days past due or overdrawn. Loans to retail borrowers, governments and government agencies or businesses domiciled or based in Italy are considered to be impaired if past due or overdrawn for over 180 days in lieu of 90 days. Total exposure is considered if at the reporting date:
  - the past due /overdrawn amount,

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

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

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

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

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

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

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

If the individual assessment of loans and receivables that are overdue and other loans (performing loans) does not reveal any evidence of impairment, those loans are collectively assessed for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics and the related loss probability is estimated using historical loss rates based on observable data at the time of assessment that can reliably estimate the loss probability of each loan group. Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

Investment property and other tangible assets

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

These are tangible 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.
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.

Debt 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.

Assets/Liabilities associated with disposal groups held for sale

This account relates to non-current assets/liabilities and disposal groups held for sale. They are measured at the lower of their carrying amount and fair value less cost to sell.
Related income and expenses (after taxes) are separately recognised in the income statement.

Provisions for risks and charges

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

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques in accordance with the rules governing 'defined benefit plans'. Future disbursements are estimated on the basis of past data (such as employee turnover and retirement) and demographic patterns, including assumptions for pay hikes pursuant to section 2120 of the Italian Civil Code (application of a fixed rate of 1.5 percent and a rate equal to 75 percent of ISTAT inflation rate). To determine the present value of benefit obligations the Projected Unit Credit Method is used, 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 asset is recognised for all deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax losses and unused tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is also recognised for all deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Income Statement

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

OTHER INFORMATION

Use of estimates

The application of International Accounting and Financial Reporting Standards (IAS/IFRS) in the preparation of financial statements entails the use of complex valuations and estimates which have an impact on assets, liabilities, revenues and costs recognised in the financial statements as well as on the identification of potential assets and liabilities. 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, if the asset is subject to depreciation (amortisation), in future periods the relevant depreciation (amortisation) charge shall be calculated on the post-impairment carrying amount.
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.
If there is objective evidence of impairment, the amount of the impairment loss is measured:

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

If, in a subsequent period, the reasons for the impairment loss no longer exist, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a debt instrument, and in equity if the asset is an equity instrument.
Goodwill is tested for impairment annually (or any time there is evidence of impairment). To that end goodwill is allocated to the cash-generating unit (CGU). If the recoverable amount of the unit is less than its carrying amount an impairment loss is recognised. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use. The impairment loss on goodwill is recognised in the income statement and cannot be reversed in subsequent periods.

Share-based payments

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

A.3 - FAIR VALUE DISCLOSURES

A.3.1 Reclassifications of assets

A.3.1.1 Reclassified financial assets: book value, fair value and impact on profit or loss

€/'000					No reclassification impact on profit/loss (before tax)		Impact of reclassifications for the year (before tax)	
Type of financial instruments (1)	Reclassified from (2)	Reclassified to (3)	Book value at Dec. 31, 2009 (4)	Fair value at Dec. 31, 2009 (5)	Valuation (6)	Other (7)	Valuation (8)	Other (9)
A. Debt securities			(245,866)	(245,714)	(6,638)	(17,433)	(6,790)	(11,479)
	HFT	AFS	(166,787)	(166,787)	(6,790)	(15,489)	(6,790)	(9,535)
	HFT	HTM	-	-	-	-	-	-
	HFT	Loans to banks	-	-	-	-	-	-
	HFT	Loans to customers	(79,079)	(78,927)	152	(1,944)	-	(1,944)
Total			(245,866)	(245,714)	(6,638)	(17,433)	(6,790)	(11,479)

In the year under review there was no reclassification of assets. The information in the table above relates exclusively to reclassifications made in 2008 of financial instruments which were, in part, sold in 2009.

Readers are reminded that, in October 2008, the International Accounting Standard Board (IASB) issued certain amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and to IFRS 7 'Financial Instruments: Disclosures' allowing for reclassification of certain financial instruments in certain circumstances. Specifically, the amendments allow to reclassify financial assets – other than derivatives – 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. These amendments were incorporated into European legislation by Commission Regulation (EC) No. 1004/2008 of October 15, 2008.

The IASB partly lifted the prohibition under the previous version of IAS 39 to reclassify financial assets held for trading out of the 'fair value through profit or loss' category to other categories of financial instruments.

Specifically, these are portfolios of instruments measured at amortised cost that may consist of quoted debt securities held to maturity and unquoted debt securities that qualify as loans.

After initial recognition the securities in these portfolios are not measured at fair value through profit or loss but are regularly assessed for impairment.

The amendments also allows the reclassification of financial assets out of the 'held for trading' to the 'available-for-sale' category for which changes in fair value are usually recognised in equity and not through profit or loss.

No reclassification is allowed for non derivative financial instruments measured at 'fair value through profit or loss' under the fair value option (e.g. structured instruments or other investments backing liabilities at fair value through profit or loss).

The reclassifications are allowed only 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 2008 financial crisis was considered by the IASB to be such a rare circumstance.

The amendments also allow the reclassification of financial assets out of the 'available-for-sale' category if they are not quoted in an active market and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Owing to the exceptional circumstances due to the financial market crisis, the reclassification of financial instruments was allowed with retrospective application from July 1, 2008.
The carrying amount of financial instruments reclassified out of the 'held for trading' to the 'AFS', 'HTM' or 'Loans' categories is their fair value on the date of reclassification. Any changes in fair value already recognised through profit or loss cannot be reversed.
The carrying amount of financial instruments reclassified out of the 'AFS' to the 'HTM' or 'Loans' categories is their fair value on the date of reclassification and any gain or loss already recognised directly in equity (AFS reserve) remains in equity and is amortised over the life of the instrument. The amortisation of the AFS reserve is offset in the income statement by the corresponding change in the amortised cost of the instrument upon the application of the effective interest rate method.

A.3.2.1 Fair value hierarchy of financial assets and liabilities

	Dec. 31, 2009			Dec. 31, 2008		
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets/Liabilities at fair value						
1. Financial assets held for trading	808,950	33,982	741	1,292,259	8,258	-
2. Financial assets at fair value	-	-	-	-	2,276	-
3. Available for sale financial assets	815,421	164,230	59,917	810,959	186,770	6,174
4. Hedging derivatives	-	1,179	-	-	-	-
Total	1,624,371	199,391	60,658	2.103,218	197,304	6,174
1. Financial liabilities held for trading	258,251	2,298	-	730,090	11,739	-
2. Financial liabilities at fair value	-	-	-	-	2,276	-
3. Hedging derivatives	-	15,906	-	-	18,428	-
Total	258,251	18,204	-	730,090	32,443	-

For comparison with prior year's financial information readers are advised that level 1 (L1) corresponds to the previous classification 'listed', while level 2 (L2) and level 3 (L3) to 'unlisted'.

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

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

The Mediolanum Group classified its assets and liabilities at fair value in accordance with the rules set out in said amendments, providing disclosures both by line of business and by type of product.
Information on risks is set out by business segment.
In accordance with IASB/IFRS requirements, Level 3 includes holdings in real estate funds that are part of the Banca Mediolanum's AFS portfolio, minority interests in unlisted companies and debt securities measured using an internal model when risk data are not directly observable in the market.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Analysis of cash and cash equivalents

€/'000	Dec. 31, 2009	Dec. 31, 2008
a) Cash	49,971	34,791
b) Demand deposits with Central Banks	613	291
Total	50,584	35,082

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2009			Dec. 31, 2008	
€/'000	L1	L2	L3	L1	L2+L3
A. Non-derivatives					
1. Debt securities	808,939	29,951	741	1,292,060	123
1.1 Structured notes	14,405	17,633	283	-	-
1.2 Other debt securities	794,534	12,318	458	1,292,060	123
2. Equities	10	-	-	7	10
3. Holdings in UCITS	-	-	-	183	-
4. Loans					
4.1 repurchase agreements	-	-	-	-	-
4.2 others	-	-	-	-	-
Total (A)	808,949	29,951	741	1,292,250	133
B. Derivatives					
1. Financial derivatives:	1	4,031	-	9	8,125
1.1 held for trading	1	4,031	-	9	8,125
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)	1	4,031	-	9	8,125
Total (A+B)	808,950	33,982	741	1,292,259	8,258

The prior year's balance of 'Debt Securities' includes 'Assets sold but not derecognised' that in the prior year had been reported as a separate line item.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Non-derivates		
1. Debt securities	839,631	1,292,183
a) Governments and Central Banks	113,699	702,214
b) Government agencies	-	6
c) Banks	621,382	472,239
d) Other issuers	104,550	117,724
2. Equities	10	17
a) Banks	-	-
b) Other issuers:	10	17
- insurance companies	-	-
- financial companies	-	1
- non financial companies	10	16
- others	-	-
3. Holdings in UCITS	-	183
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total (A)	839,641	1,292,383
B. Derivates		
a) Banks		
- fair value	2,450	6,250
b) Customers		
- fair value	1,582	1,884
Total (B)	4,032	8,134
Total (A+B)	843,673	1,300,517

2.3 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	1,292,183	17	183	-	1,292,383
B. Increases	10,172,261	4,237	275	-	10,176,773
B1. Additions	10,118,700	4,187	275	-	10,123,162
B2. Increases in fair value	14,113	-	-	-	14,113
B3. Other	39,448	50	-	-	39,498
C. Decreases	10,624,813	4,244	458	-	10,629,515
C1. Disposals	10,546,385	4,168	458	-	10,551,011
C2. Redemptions	55,598	-	-	-	55,598
C3. Decreases in fair value	1,988	10	-	-	1,998
C4. Reclassified to other portfolios	-	-	-	-	-
C5. Other	20,842	66	-	-	20,908
D. Closing balance	839,631	10	-	-	839,641

Section 3 - Financial assets at fair value - Caption 30

3.1 Analysis of financial assets at fair value

	Dec. 31, 2009			Dec. 31, 2008	
€/'000	L1	L2	L3	L1	L2+L3
1. Debt securities	-	-	-	-	2,276
1.1 Structured notes	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	2,276
2. Equities	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-
4. Loans	-	-	-	-	-
4.1 structured loans	-	-	-	-	-
4.2 others	-	-	-	-	-
Total	-	-	-	-	2,276
Cost	-	-	-	-	2,276

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Debt securities	-	2,276
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	2,276
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) Other issuers	-	-
Total	-	2,276

3.3 Year's movements in financial assets at fair value

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	2,276	-	-	-	2,276
B. Increases	-	-	-	-	-
B1. Additions	-	-	-	-	-
B2. Increases in fair value	-	-	-	-	-
B3. Other	-	-	-	-	-
C. Decreases	(2,276)	-	-	-	(2,276)
C1. Disposals	(1,979)	-	-	-	(1,979)
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	(297)	-	-	-	(297)
C4. Other	-	-	-	-	-
D. Closing balance	-	-	-	-	-

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2009			Dec. 31, 2008	
€/'000	L1	L2	L3	L1	L2+L3
1. Debt securities	815,094	42,076	-	810,767	4,146
1.1 Structured notes	5,361	-	-	-	4,146
1.2 Other debt securities	809,733	42,076	-	810,767	-
2. Equities	327	253	10,865	192	9,448
2.1 measured at fair value	327	1	428	192	254
2.2 measured at cost	-	252	10,437	-	9,194
3. Holdings in UCITS	-	121,901	49,052	-	179,350
4. Loans	-	-	-	-	-
Total	815,421	164,230	59,917	810,959	192,944

The prior year's balance of 'Debt Securities' includes 'Assets sold but not derecognised' that in the prior year had been reported as a separate line item.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Debt securities	857,170	814,913
a) Governments and Central Banks	492,665	611,816
b) Government agencies	-	-
c) Banks	361,144	192,237
d) Other issuers	3,361	10,860
2. Equities	11,445	9,640
a) Banks	-	-
b) Other issuers:	11,445	9,640
- insurance companies	-	-
- financial companies	2,824	1,534
- non financial companies	8,237	7,744
- others	384	362
3. Holdings in UCITS	170,953	179,350
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	1,039,568	1,003,903

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	814,913	9,640	179,350	-	1,003,903
B. Increases	791,892	5,630	7,094	-	804,616
B1. Additions	754,555	5,210	1,401	-	761,166
B2. Increases in fair value	18,820	75	5,669	-	24,564
B3. Reversal of impairment	-	-	-	-	-
- through profit or loss	23	-	-	-	23
- in equity	2,711	310	-	-	3,021
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	15,783	35	24	-	15,842
C. Decreases	749,635	3,825	15,491	-	768,951
C1. Disposals	724,795	3,040	13,667	-	741,502
C2. Redemptions	9,997	-	-	-	9,997
C3. Decreases in fair value	8,350	776	1,822	-	10,948
C4. Impairment	-	-	-	-	-
- through profit or loss	34	-	-	-	34
- in equity	-	-	-	-	-
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	6,459	9	2	-	6,470
D. Closing balance	857,170	11,445	170,953	-	1,039,568

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

5.1 Held to maturity financial assets

€/'000	Dec. 31, 2009 Book Value	Dec. 31, 2009 Fair value L1	Dec. 31, 2009 Fair value L2	Dec. 31, 2009 Fair value L3	Dec. 31, 2008 Book Value	Dec. 31, 2008 Fair value L1	Dec. 31, 2008 Fair value L2+3
1. Debt securities	1.329,347	236,242	1,111,641	-	1,107,048	1,107,048	-
- Structured notes	106,547	5,120	100,776	-	-	-	-
- Other debt securities	1,222,800	231,122	1,010,865	-	1,107,048	1,107,048	-
2. Loans	-	-	-	-	-	-	-
Total	1,329,347	236,242	1,111,641	-	1,107,048	1,107,048	-

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Debt securities	1,329,347	1,107,048
a) Governments and Central Banks	80,786	274,018
b) Government agencies	-	-
c) Banks	1,248,561	833,030
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	1,329,347	1,107,048
Total Fair Value	1,347,883	1,107,048

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

€/'000	Debt securities	Loans	Total
A. Opening balance	1,107,048	-	1,107,048
B. Increases	441,166	-	441,166
B1. Additions	429,511	-	429,511
B2. Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	-	-	-
B4. Other	11,655	-	11,655
C. Decreases	218,867	-	218,867
C1. Disposals	205,657	-	205,657
C2. Redemptions	-	-	-
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	13,210	-	13,210
D. Closing balance	1,329,347	-	1,329,347

Section 6 – Loans to banks – Caption 60

6.1 Analysis of loans to banks

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Central Banks	56,225	107,387
1. Time deposits	-	-
2. Reserve requirements	56,225	107,387
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks	1,617,143	1,993,964
1. Current accounts and demand deposits	85,477	87,608
2. Time deposits	492,413	1,426,315
3. Others:		
3.1 Repurchase agreements	305,769	409,741
3.2 Finance leases	-	-
3.3 Other	48,185	70,300
4. Debt securities		
4.1 Structured notes	-	-
4.2 Other debt securities	685,299	-
Total (book value)	1,673,368	2,101,351
Total (fair value)	1,672,106	2,099,144

The item 'Banks' includes current receivables relating to provision of financial services. To ensure comparability the amount of €2,348 thousand previously included in 'Other assets' was reclassified accordingly and added to the prior year's balance.

Section 7 – Loans to customers – Caption 70

7.1 Analysis of loans to customers

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	Performing	Impaired	Performing	Impaired
1. Current accounts	360,622	16,717	326,328	17,799
2. Repurchase agreements	44,366	-	514,184	-
3. Mortgage loans	2,046,450	19,113	1,269,733	9,041
4. Credit cards, personal loans and salary-guaranteed loans	117,932	1,588	73,994	1,122
5. Finance leases	520	-	813	-
6. Factoring	-	-	-	-
7. Other	644,596	919	1,149,287	761
8. Debt securities	79,079	-	96,984	-
8.1 Structured notes	-	-	-	-
8.2 Other debt securities	79,079	-	96,984	-
Total (book value)	3,293,565	38,337	3,431,323	28,723
Total (fair value)	3,324,931	38,336	3,440,371	29,627

The prior year's balance of 'Debt Securities' includes 'Assets sold but not derecognised' that in the prior year had been reported as a separate line item.

The item "Other" includes current receivables relating to provision of financial services to Group companies, financial advisors and customers. To ensure comparability the amount of ?86,650 thousand previously included in 'Other assets' was reclassified accordingly and added to the prior year's balance.

7.2 Analysis of customer loans by borrower category

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	Performing	Impaired	Performing	Impaired
1. Debt securities	79,079	-	96,984	-
a) Governments	-	-	-	-
b) Government agencies	-	-	-	-
c) Other issuers	79,079	-	96,984	-
- non financial companies	-	-	-	-
- financial companies	79,079	-	96,984	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans:	3,214,486	38,337	3,334,339	28,723
a) Governments	-	-	-	-
b) Government agencies	-	-	-	-
c) Others	3,214,486	38,337	3,334,339	28,723
- non financial companies	94,856	1,445	82,982	3,598
- financial companies	507,666	-	1,487,994	-
- insurance companies	56,753	-	6,568	-
- other	2,555,211	36,892	1,756,795	25,125
Total	3,293,565	38,337	3,431,323	28,723

7.3 Loans to customers: micro-hedging

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Fair value hedges	530,390	318,967
a) interest rate risk	530,390	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	530,390	318,967

Section 8 – Hedging derivatives - Caption 80

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

	Dec. 31, 2009				Dec. 31, 2008		
	FV			NA	FV		NA
€/'000	Level 1	Level 2	Level 3		Level 1	Level 2+3	
A. Financial derivatives	-	1,179	-	196,804	-	-	-
1) Fair value hedge	-	1,179	-	196,804	-	-	-
2) Cash flow hedge	-	-	-	-	-	-	-
3) Hedge of investments in foreign operations	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-
1) Fair value hedge	-	-	-	-	-	-	-
2) Cash flow hedge	-	-	-	-	-	-	-
Total	-	1,179	-	196,804	-	-	-

Legend:

FV = fair value

NA = notional amount

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

	Fair value						Cash Flow		
	Micro-hedging								
€/'000	interest rate risk	currency risk	credit risk	pricing risk	multi risks	macro	micro	macro	investments in foreign operation
1. Available-for-sale financial assets	-	-	-	-	-	x	-	x	x
2. Loans & Receivables	1,179	-	-	x	-	x	-	x	x
3. Held-to-Maturity investments	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	-	x	-	x
5. Other	-	-	-	-	-	x	-	x	-
Total Assets	1,179	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total Liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	x	x	x	x	x	x	-	x	x
2. Financial assets & liabilities portfolio	x	x	x	x	x	-	x	-	-

Section 12 – Tangible assets – Caption 120

12.1 Analysis of tangible assets carried at cost

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Occupied/used		
1.1 owned	63,453	65,113
a) land	20,659	20,659
b) buildings	22,566	23,423
c) furnishings	4,786	5,229
d) electronic equipment	11,468	10,905
e) other	3,974	4,897
1.2 under finance leases		
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	63,453	65,113
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)	63,453	65,113

For enhanced accurateness an amount of €11,369 thousand was reclassified out of 'Buildings' to 'Land'. For comparability, prior year's balances were reclassified accordingly.

12.3 Year's movements in occupied/used tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance:	20,659	29,724	12,454	44,550	12,236	119,623
A.1 Total net write-downs	-	(6,301)	(7,225)	(33,645)	(7,339)	(54,510)
A.2 Net opening balance	20,659	23,423	5,229	10,905	4,897	65,113
B. Increases:	-	257	907	5,472	1,722	8,358
B.1 Additions	-	257	900	2,814	1,722	5,693
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	-	-	7	2,658	-	2,665
C. Decreases:	-	(1,113)	(1,350)	(4,908)	(2,645)	(10,016)
C.1 Disposals	-	-	-	(18)	(4)	(22)
C.2 Depreciation	-	(970)	(1,341)	(4,885)	(934)	(8,130)
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 Reclassifield to:						-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	(143)	(9)	(5)	(1,707)	(1,864)
D. Net closing balance:	20,659	22,568	4,786	11,469	3,974	63,456
D.1 Total net write-downs	-	(7,272)	(8,548)	(33,842)	(8,247)	(57,909)
D.2 Gross closing balance	20,659	29,840	13,334	45,311	12,221	121,365
E. Measured at costs	-	-	-	-	-	-

Section 13 – Intangible assets – Caption 120

13.1 Analysis of intangible assets

€/'000	Dec. 31, 2009 Finite life	Dec. 31, 2009 Indefinite life	Dec. 31, 2008 Finite life	Dec. 31, 2008 Indefinite life
A.1 Goodwill	x	205,714	x	205,714
A.1.1 group	x	205,714	x	205,714
A.1.2 minority interests	x	-	x	-
A.2 Other intangible assets	12,979	-	14,727	-
A.2.1 Measured at cost:	12,979	-	14,727	-
a) internally generated assets	-	-	-	-
b) other assets	12,979	-	14,727	-
A.2.2 Measured at fair value:	-	-	-	-
a) internally generated assets	-	-	-	-
b) other assets	-	-	-	-
Total	12,979	205,714	14,727	205,714

This section provides information about the impairment test conducted as per IAS 36 on cash generating units (CGUs) in operation at December 31, 2009 as recommended by the Bank of Italy, CONSOB and ISVAP in their jointly issued document of March 4, 2009.
The purpose of the impairment test was to ascertain that the carrying amount of each cash generating unit (CGU) did not exceed its recoverable amount, i.e. the higher of its fair value less cost to sell and its value in use.
The impairment test was conducted with the assistance of an independent advisor applying the methods and assumptions set out below.

DEFINITION OF CGUs AND ALLOCATION OF GOODWILL
Goodwill allocation reflected the business reporting system of the Mediolanum Banking Group which entailed identification of CGUs and related goodwill allocation by geographic segment of operations. At balance sheet date goodwill was allocated to the three CGUs set out in the table below.

€/million	Description	Goodwill Allocated
CGU - SPAIN	Banco de Finanzas e Inversiones S.A. (Fibanc) Goodwill relating to Mediolanum International Funds Ltd (MIFL) for business in Spain	123.7
CGU - GERMANY	Bankhaus August Lenz & Co AG Gamax Management AG - German division	11.7
CGU - ITALY Asset Management	Goodwill relating to Mediolanum International Funds Ltd (MIFL) for business in Italy Gamax Management AG - Italian division	70.3

Goodwill allocated to the CGU Spain included goodwill relating to Fibanc amounting to €122.8 million and part of MIFL goodwill relating to its business in Spain, amounting to €0.9 million. Readers are reminded that MIFL is the Irish mutual fund company of the Mediolanum Banking Group whose products are distributed both in Spain and in Italy. Fibanc has a 5% stake in MIFL. The remaining part of MIFL goodwill pertaining to the Mediolanum Banking Group and amounting to €47.6 million was allocated to the CGU Italy Asset Management. The allocation of MIFL goodwill was on a pro-rata basis of total assets under management and administration adjusted for profitability.

Goodwill allocated to the CGU Germany included goodwill relating to Bankhaus August Lenz & Co AG (BAL) amounting to €3.9 million and goodwill relating to the German division of Gamax Asset Management AG (Gamax) amounting to €7.8 million. In conformity with the Group's business reporting system, Gamax's goodwill was allocated to two different CGUs, Germany and Italy Asset Management, on a pro-rata basis of total assets under management and administration adjusted for profitability. Specifically, 74% was allocated to the CGU Italy Asset Management (goodwill of €22.7 million) and 26% to the CGU Germany (goodwill of €7.8 million).

MEASUREMENT METHOD

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

For lenders, it is common practice to apply the Free Cash Flow to Equity (FCFE) model known in Anglo-Saxon countries as 'Dividend Discount Model' (DDM), in the Excess Capital variant, that determines the value of the entity on the basis of the future cash flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific equity risk. Please note that although the name Dividend Discount Model contains the term 'dividend', the cash flows it calculates are not the dividends the entity expects to distribute to its shareholders, but the cash flows potentially available to equity holders net of the assets needed for business operations.

The Goodwill/AuM and Price/Book Value (P/BV) multiples – as observed in a panel of comparable entities in the past six months and reported by the information provider Bloomberg – were used for the determination of fair value.

CGU SPAIN – IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

When testing for impairment, the recoverable amount of the CGU Spain was determined based on value in use calculated by applying the DDM method to the information set out in the 2010-2014 Business Plan (the 2010-2014 Plan) as approved by the Board of Directors of Fibanc and deducting the value of the stake in MIFL that relates to its business in Italy.

The 2010-2014 Plan was built on reasonable, consistent assumptions and represents the management's best estimates of the range of possible developments that may occur over the useful life of the CGU.

The 2010-2014 Plan forecasts the development of the Banca Mediolanum business model in Spain based on the reorganisation and future sustained growth of the sales network accompanied by growth in net inflows, assets under management and administration. The achievement of the 2010-2014 Plan targets relies on the expertise and track record of the Mediolanum Banking Group's management. At December 31, 2009 Fibanc performance was in line with set targets.

Specifically, the 2010-2014 Plan for Fibanc is based on the following assumptions:

- growth in assets under management and administration at a CAGR of 16% over year end 2009;
- same business mix as in 2009 through the entire time horizon of the Plan;
- growth in the Family Bankers (FB) sales network from 489 people in 2009 to 1,336 in 2014;
- staff costs increase in line with target inflation (2%), compensation policy and planned personnel growth with recruitment of 3 new resources annually starting from 2011;
- reduction of general expenses in the 2010-2013 period with cost savings of about €18 million;
- growth in risk-weighted assets (RWA) at a CAGR of 11% over year end 2009.

Available cash flows was estimated considering a Tier 1 Capital ratio of 8%.

The present value of future cash flows was determined applying a discount rate equal to the cost of equity (ke) calculated under the Capital Asset Pricing Model, considering the current structure of interest rates in the market and the specific business segment. Specifically, ke was equal to the nominal rate of return on risk-free assets plus a risk premium to reflect the level of risk in the market and specific risks connected with the CGU business. The cost of equity was estimated at 11.70% on the basis of the following assumptions:

- risk-free rate of 3.87% calculated on the basis of average historical 6-month gross yields on 10-year Spanish treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.16% calculated on the basis of the historical 2-year beta of a panel of comparable entities;
- market premium (i.e. the premium required by investors to invest in equities in lieu of risk-free assets) of 5.0% as suggested by best professional practice.
- country risk premium (Spain) estimated at 2%.

Considering Fibanc's notable growth rate target under the 2010-2014 Plan, for the purposes of impairment testing the Group decided to calculate value in use conservatively over the 2010-2013 period. The value of the CGU at the end of said time horizon was estimated on the basis of cash flows available in 2013 assuming growth at a constant rate of 2% in perpetuity (Gordon formula).

The DDM test did not reveal any impairment losses for the CGU.

Please note that the information and criteria used to determine the recoverable amount of intangibles – in particular the future estimated cash-flows of the CGU and the discount rates applied – are subject to changes, even dramatic, in the macroeconomic environment and market conditions – as occurred in past months. These changes are difficult to predict and could cause future results to differ materially from estimates of future cash-flows of the CGU as well as other key information set out herein.

Sensitivity analyses were applied to estimate the changes in some measures that make the recoverable amount of the CGU equal to its carrying amount, namely:

- discount rate (ke): the target cost of equity at which the value in use of the CGU is equal to the carrying amount is 12.4%, an upward movement of about 70 bps;
- profitability: the decline in net profit over the value set out in the Business Plan at which the value in use of the CGU is equal to the carrying amount is 7%.

Considering the value in use over the 2010-2014 time horizon, the conditions that make the recoverable amount of the CGU be equal to its carrying amount are as follows:

- discount rate (ke) of 15.5%, an upward movement of about 380 bps;
- decline in net profit – compared to the value set out in the Business Plan – equal to 33%.

To round off disclosure, readers are advised that unlike most players in the banking and financial industries, the analysis of the Mediolanum Group average stock market value from June 2009 through December 2009 reveals a multiple of 3.2x the book value of equity. The Group believes this is sufficient to neutralise any external factors that may impinge on the CGU Spain such as the macroeconomic environment or the existence of comparable entities with stock prices lower than their equity's book value.

CGU GERMANY – IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

The recoverable amount of the CGU Germany was determined applying market multiples, a method deemed to reflect more accurately the current value of the business units that are part of this CGU.

When testing for impairment, the multiples used for the CGU Germany were determined with reference to a panel of comparable entities for each entity in the CGU, specifically:

- the Gamax German division was assessed applying the Goodwill/AuM multiple adjusted for asset profitability as observed in a panel of listed asset management companies. The multiple applied was 4.42% and the value of Assets under Management of the Gamax German division was €205 million at December 31, 2009;
- BAL was assessed applying the Price/Book Value (P/BV) multiple as observed in a panel of listed lenders and sellers of financial and insurance products. The multiple applied was 1.40x, and BAL equity was €37 million at December 31, 2009. In the assessment the time and investment needed to align BAL profitability with that of comparable entities was taken in due consideration.

The application of the multiples above did not reveal any evidence of impairment losses for the CGU.

A sensitivity analysis was applied to estimate changes in multiples that make the recoverable amount of the CGU equal to its carrying amount, namely:

- For the Gamax German division the Goodwill/AuM multiple at which fair value is equal to the carrying amount is 3.80%, a downward movement of 14%;
- For BAL the P/BV multiple at which fair value is equal to the carrying amount is 1.39x, a downward movement of 0.4%.

To round off disclosure, readers are advised that unlike most players in the banking and financial industries, the analysis of the Mediolanum Group average stock market value from June 2009 through December 2009 reveals a multiple of 3.2x the book value of equity. The Group believes this is sufficient to neutralise any external factors that may impinge on the CGU Germanyn such as the macroeconomic environment or the existence of comparable entities with stock prices lower than their equity's book value.

CGU ITALY ASSET MANAGEMENT

The recoverable amount of this CGU is assumed higher than the goodwill allocated to the CGU amounting to €70.2 million. The comparison between Mediolanum S.p.A.'s stock market capitalisation (€3,092 million) and its TBV (€826 million at September 30, 2009) did not reveal any evidence of impairment attributable to goodwill relating to the Gamax Italian division and to the share of Mediolanum International Funds Ltd (MIFL) business in Italy.

13.2 Year's movements in intangible assets

		Other intangible assets: internally generated		Other intangible assets: other		
€/'000	Goodwill	Finite life	Indefinite life	Finite life	Indefinite life	Total
A. Gross opening balance	205,714	-	-	136,591	-	342,305
A.1 Total net write-downs	-	-	-	(121,864)	-	(121,864)
A.2 Net opening balance	205,714	-	-	14,727	-	220,441
B. Increases	-	-	-	9,439	-	9,439
B.1 Additions	-	-	-	9,439	-	9,439
B.2 Increases in internal assets	X	-	-	-	-	-
B.3 Reversal of impairment	X	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	-	-	-	(11,187)	-	(11,187)
C.1 Disposals	-	-	-	(2)	-	(2)
C.2 Amortisation and impairment:	-	-	-	(9,987)	-	(9,987)
- Amortisation	X	-	-	(9,987)	-	(9,987)
- Impairment	-	-	-	-	-	-
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Decreases in fair value:	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(1,198)	-	(1,198)
D. Net closing balance	205,714	-	-	12,979	-	218,693
D.1 Total net write-downs	-	-	-	(117,298)	-	(117,298)
E. Gross closing balance	205,714	-	-	130,277	-	335,991
F. Measured at cost	-	-	-	-	-	-

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

14.1/14.2 Analysis of deferred tax assets and tax liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
Deferred tax assets		
charge to the income statement	56,194	45,172
charge to equity	2,343	15,294
Total deferred tax assets	58,537	60,466
Deferred tax liabilities		
charge to the income statement	(8,102)	(5,984)
charge to equity	(3,107)	(2,953)
Total deferred tax liabilities	(11,209)	(8,937)

Compared to the prior year, an amount of €7,377 thousand was reclassified out of 'Current Tax Assets' to 'Deferred Tax Assets'.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	45,172	30,148
2. Increases	20,146	24,014
2.1 Deferred tax assets arisen in the year:	20,083	24,012
a) relating to prior years	358	92
b) due to changes in the accounting policies	3,830	5,085
c) write-backs	-	-
d) other	15,895	18,835
2.2 New taxes or increased tax rates	-	1
2.3 Other increases	63	1
3. Decreases	(9,124)	(8,990)
3.1 Deferred tax assets cancelled in the year:	(299)	(2,188)
a) reversals	(299)	(2,188)
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
d) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	(8,825)	(6,802)
4. Closing balance	56,194	45,172

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	(5,984)	(6,485)
2. Increases	(2,176)	(1,812)
2.1 Deferred tax liabilities arisen in the year	(2,176)	(1,812)
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(2,176)	(1,812)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	58	2,313
3.1 Deferred tax liabilities cancelled in the year	58	1,630
a) reversals	-	120
b) due to changes in the accounting policies	-	-
c) other	58	1,510
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	683
4. Closing balance	(8,102)	(5,984)

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	15,294	1,914
2. Increases	1,184	13,644
2.1 Deferred tax assets arisen in the year	1,183	13,644
a) relating to prior year	-	-
b) due to changes in the accounting policies	-	-
c) other	1,183	13,644
2.2 New taxes or increased tax rates	1	-
2.3 Other increases	-	-
3. Decreases	(14,135)	(264)
3.1 Deferred tax assets cancelled in the year	(14,135)	(88)
a) reversals	(578)	(88)
b) write-offs of non-recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
d) other	(13,557)	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	(176)
4. Closing balance	2,343	15,294

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Opening balance	(2,953)	(1,019)
2. Increases	(1,365)	(2,141)
2.1 Deferred tax liabilities arisen in the year	(1,365)	(2,141)
a) relating to prior years	-	(82)
b) due to changes in the accounting policies	-	-
c) other	(1,365)	(2,059)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	1,211	207
3.1 Deferred tax liabilities cancelled in the year	1,208	207
a) reversals	155	54
b) changes in the accounting policies	-	-
c) other	1,053	153
3.2 Reduced tax rates	-	-
3.3 Other decreases	3	-
4. Closing balance	(3,107)	(2,953)

14.7 Other information

Analysis of deferred tax assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
charge to the income statement	56,194	45,172
provision for risks and charges	30,678	26,305
loan losses	4,862	2,733
expenses deductible in future years	6,310	4,962
future years' taxed income	21	28
other	14,323	11,144
Total	56,194	45,172
charge to equity		
fair value measurement of AFS securities	2,343	15,294
Total	2,343	15,294

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
charge to the income statement		
income taxable in future years	7,944	5,829
future expenses deductible in the year	-	-
Deducted future expenses	158	155
Total	8,102	5,984
charge to equity		
fair value measurement of AFS securities	3,107	2,953
Total	3,107	2,953

Section 16 – Other assets – Caption 160

16.1 Analysis of other assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Commissions outstanding	-	-
Receivables from tax authorities	29,374	14,497
Receivables from financial advisors	3,654	9,021
Advances to suppliers and professionals	4,940	4,692
Security deposits	7,821	7,762
Receivables from companies within the Fininvest Group and the Doris Group	216	205
Receivables from subsidiaries and associates	2,813	3,983
Receivables from employees	298	198
Other receivables	6,234	1,140
Items in transit	102,219	121,156
Accrued income	17,912	10,024
Prepayments	4,608	3,605
Other	9,256	10,443
Total	189,345	186,726

Certain reclassifications were applied and prior year comparatives reclassified accordingly. The December 31, 2008 balance of 'Other Assets' reported in the prior year's financial statements was €275,140 thousand. An amount of €584 thousand that in the prior year had been erroneously offset against 'amounts due to tax authorities' was added to the prior year's balance of 'receivables from tax authorities'. In addition, an amount of €2,348 thousand relating to the provision of financial services was reclassified to 'Loans to Banks' and an amount of €86,650 thousand relating to the provision of financial services to companies within the Group, financial advisors and customers was reclassified to 'Loans to Customers', pursuant to the amended Circular Letter 262/2005 issued by the Bank of Italy last November that requires that current receivables relating to the provision of financial services be allocated to the specific category of assets to which they refer.

LIABILITIES

Section 1 – Amounts due to banks – Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Central banks	135,345	400,116
2. Banks	1,062,705	1,466,587
2.1 Current accounts and demand deposits	2,791	524,992
2.2 Time deposits	1,055,615	434,513
2.3 Loans	3,551	506,159
2.3.1 Repurchase agreements	3,551	506,159
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Other amounts due	748	923
Total	1,198,050	1,866,703
Fair value	1,197,704	1,942,173

'*Amounts due to banks*' included current payables relating to the provision of financial services. For the sake of comparability, an amount of €923 thousand that in the prior year had been recognised under 'Other Liabilities' was added to the 2008 comparative balance.

Section 2 – Amounts due to customers – Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Current accounts and demand deposits	5,674,140	4.692,156
2. Time deposits	191,407	214,879
3. Loans	127,350	989,720
3.1 Repurchase agreements	127,350	989,720
3.2 Other	-	-
4. Commitments to buy back own equity instruments	-	-
5. Other amounts due	195,262	136,782
Total	6,188,159	6,033,537
Fair value	6,188,158	6,028,785

'*Amounts due to customers*' included current payables relating to the provision of financial services. For the sake of comparability, an amount of €126,954 thousand that in the prior year had been recognised under 'Other Liabilities' was added to the 2008 comparative balance.

Section 3 – Securities issued – Caption 30

3.1 Analysis of securities issued

	Dec. 31, 2009				Dec. 31, 2008		
	Book Value	Fair value			Book Value	Fair value	
€/'000		Level 1	Level 2	Level 3		Level 1	Level 2+3
A. Securities							
1. Bonds	179,450	-	176,113	-	13,537	-	13,537
1.1 structured	-	-	-	-	-	-	-
1.2 other	179,450	-	176,113	-	13,537	-	13,537
2. Other securities	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-
Total	179,450	-	176,113	-	13,537	-	13,537

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

€/'000	Dec. 31, 2009					Dec. 31, 2008			
	NV	FV			FV*	NV	FV		FV*
		L1	L2	L3			L1	L2+L3	
A. Non-derivatives									
1. Due to banks	21,577	22,599	-	-	-	8,833	8,697	-	-
2. Due to customers	214,617	235,652	383	-	-	675,701	721,364	410	-
3. Debt securities	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	x	-	-	-	x
3.1.2 others	-	-	-	-	x	-	-	-	x
3.2 Other securities	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	x	-	-	-	x
3.2.2 others	-	-	-	-	x	-	-	-	x
Total A	236,194	258,251	383	-	-	684,534	730,061	410	-
B. Derivatives									
1. Financial derivatives									
1.1 held for trading	x	-	1,915	-	x	x	30	11,329	x
1.2 measured at fair value	x	-	-	-	x	x	-	-	x
1.3 others	x	-	-	-	x	x	-	-	x
2. Credit derivatives									
2.1 held for trading	x	-	-	-	x	x	-	-	x
2.2 measured at fair value	x	-	-	-	x	x	-	-	x
2.3 others	x	-	-	-	x	x	-	-	x
Total B	x	-	1,915	-	x	x	30	11,329	x
Total (A+B)	x	258,251	2,298	-	x	x	730,091	11,739	x

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

Section 5 - Financial liabilities at fair value - Caption 50

5.1 Analysis of financial liabilities at fair value

	Dec. 31, 2009					Dec. 31, 2008			
	NV	FV			FV*	NV	FV		FV*
€/'000		L1	L2	L3			L1	L2+L3	
1. Due to banks	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	2,276	-	2,276	-
3.1 Structured	-	-	-	-	-	-	-	-	-
3.2 Other	-	-	-	-	-	2,276	-	2,276	-
Total	-	-	-	-	-	2,276	-	2,276	-

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

5.3 Year's movements in financial liabilities at fair value

€/'000	Due to banks	Due to customers	Securities issued	Total
A. Opening balance	-	-	2,276	2,276
B. Increases	-	-	-	-
B1. Issues	-	-	-	-
B2. Disposals	-	-	-	-
B3. Increases in fair value	-	-	-	-
B4. Other	-	-	-	-
C. Decreases	-	-	(2,276)	(2,276)
C1. Disposals	-	-	(1,979)	(1,979)
C2. Redemptions	-	-	-	-
C3. Decreases in fair value	-	-	(297)	(297)
C4. Other	-	-	-	-
D. Closing balance	-	-	-	-

Section 6 – Hedging derivatives – Caption 60

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

€/'000	Dec. 31, 2009 Fair value L1	L2	L3	NV	Dec. 31, 2008 Fair value L1	L2+L3	NV
A. Financial derivatives	-	15,906	-	336,509	-	18,428	298,201
1) Fair value hedge	-	15,906	-	336,509	-	18,428	298,201
2) Cash flow hedge	-	-	-	-	-	-	-
3) Hedge of investments in foreign operations	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-
1) Fair value hedge	-	-	-	-	-	-	-
2) Cash flow hedge	-	-	-	-	-	-	-
Total	-	15,906	-	336,509	-	18,428	298,201

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

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

€/'000	Fair value micro-hedging interest rate risk	currency risk	credit risk	pricing risk	multiple risks	macro-hedging	Cash flow micro-hedging	macro-hedging	Investments in foreign operations
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans and receivables	15,906	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other	-	-	-	-	-	X	-	X	-
Total assets	15,906	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets & liabilities portfolio	X	X	X	X	X	-	X	-	-

Section 10 – Other liabilities – Caption 100

10.1 Analysis of other liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
Agents' severance benefits	3,146	3,105
Security deposits	3,166	3,894
Tax expenses borne by policyholders	-	-
Provision for staff costs (vacation pay, additional months, etc.)	7,124	6,320
Items in transit	106,604	85,437
Deferred income	802	63
Accrued expenses	497	558
Other sundry liabilities	76,684	89,303
Total	198,023	188,680

Certain reclassifications were applied and prior year comparatives reclassified accordingly. The December 31, 2008 balance of 'Other Liabilities' reported in the prior year's financial statements was €315,973 thousand. An amount of €584 thousand that in the prior year had been erroneously offset against 'receivables from tax authorities' (balance sheet assets) was added to the prior year's balance of 'amounts due to tax authorities'. In addition, an amount of €126,954 thousand relating to current payables to financial advisors and financial debt to companies within the Group was reclassified to 'Loans to Customers' and an amount of €923 thousand relating to the provision of financial services was reclassified to 'Loans to Banks' pursuant to the amended Circular Letter 262/2005 issued by the Bank of Italy last November that requires that current payables relating to the provision of financial services be allocated to the specific category to which they refer.

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

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Opening balance	10,238	9,514
B. Increases	4,638	5,993
B.1 Amounts set aside in the year	4,519	5,750
B.2 Other increases	119	243
C. Decreases	(5,241)	(5,269)
C.1 Funds used in the year	(4,384)	(781)
C.2 Other decreases	(857)	(4,488)
D. Closing balance	9,635	10,238

Section 12 – Provisions for risks and charges – Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Severance entitlements	1,237	1,134
2. Other provisions for risks and charges	106,798	90,976
2.1 legal proceedings	8,443	7,253
2.2 staff costs	-	-
2.3 other	98,355	83,723
Total	108,035	92,110

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other
A. Opening balance	1,134	90,976
B. Increases	191	30,292
B.1 Amounts set aside in the year	144	30,292
B.2 Time-related increases	-	-
B.3 Increased discount rate	-	-
B.4 Other increases	47	-
C. Decreases	(88)	(14,470)
C.1 Funds used in the year	-	(6,941)
C.2 Decreased discount rate	-	-
C.3 Other decreases	(88)	(7,529)
D. Closing balance	1,237	106,798

12.4 Provisions for risks and charges – "other"

€/'000	Balance at Dec. 31, 2008	Amount set aside in the year	Other changes	Funds used	Balance at Dec. 31, 2009
Benefits to Top Managers	20,093	7,189	(1,322)	(1,828)	24,132
Risks related to FA illegal actions	25,584	9,863	(4,703)	(2,954)	27,790
FA customer base entitlements	16,545	3,200	(8)	(362)	19,375
FA portfolio entitlements	10,335	1,357	-	(933)	10,759
Legal proceedings	7,253	2,144	(836)	(118)	8,443
Product distribution	8,087	3,359	(85)	(519)	10,842
Other	3,079	3,180	(575)	(227)	5,457
Total	90,976	30,292	(7,529)	(6,941)	106,798

Section 15 – Shareholders' equity attributable to the Group - captions 140, 160, 170, 180, 190, 200 and 220

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

	Share Capital		Treasury Shares	
€/'000	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Ordinary shares	450,000	430,000	-	-
Other shares	-	-	-	-
Total	450,000	430,000	-	-

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

€/'000	Ordinary	Other
A. Opening balance	430,000	-
- fully paid up	430,000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	
A.2 Shares outstanding: opening balance	-	-
B. Increases	20,000	-
B.1 New issues	20,000	-
- for a consideration	20,000	-
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	20,000	-
- bonus issues:	-	-
- employees	-	-
- directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellations	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of businesses	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	450,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at year end	-	-
- fully paid up	-	-
- not fully paid up	-	-

15.5 Analysis of shareholders' equity attributable to the Group

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Share capital	450,000	430,000
2. Share premium account	-	-
3. Reserves	124,481	120,550
4. Treasury shares		
a) Parent company	-	-
b) Subsidiaries	-	-
5. Valuation reserves	1,502	(26,616)
6. Equity instruments	-	-
7. Net profit (loss) for the year	42,786	26,419
Total	618,769	550,353

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

€/'000	Capital & reserves	Net Profit	Net Equity
FY 2009 - Parent company accounts			
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	540,577	19,021	559,598
Intragroup Dividends	(78,716)	132,024	53,308
Elimination of intercompany transactions effects	107,234	(107,234)	-
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	7,265	(154)	7,111
Other	(377)	(871)	(1,248)
FY 2009 - Consolidated accounts	575,983	42,786	618,769

Section 16 - Minority interests - Caption 210

16.1 Analysis and year's movements in equity instruments

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Share capital	2,671	2,673
2. Share premium account	-	-
3. Reserves	(60,017)	(38,351)
4. (Treasury shares)	-	-
5. Valuation reserves	(80)	3
6. Equity instruments	-	-
7. Profit (loss) for the year attributable to minority interests	98,789	62,042
Total	41,363	26,367

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2009	Dec. 31, 2008
1) Financial guarantees	26,843	19,615
a) Banks	12,828	-
b) Customers	14,015	19,615
2) Commercial guarantees	15,129	22,528
a) Banks	5,731	10,731
b) Customers	9,398	11,797
3) Commitments to disburse fund	141,521	268,004
a) Banks	12,310	22,992
i) with certain drawdown	12,310	6,970
ii) with possible drawdown	-	16,022
b) Customers	129,211	245,012
i) with certain drawdown	678	420
ii) with possible drawdown	128,533	244,592
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	3,746	3,775
Total	187,239	313,922

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Financial assets held for trading	-	398,051
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	154,608	398,290
4. Held-to-maturity investments	374,702	725,302
5. Loans to banks	194,663	-
6. Loans to customers	43,743	-
7. Tangible assets	-	-
Total	767,716	1.521,643

5. Brokerage and asset management on behalf of customers

€/'000	Dec. 31, 2009
1. Securities brokerage	
a) Purchases	38,152,818
1. settled	38,152,818
2. not settled	-
b) Sales	38,496,670
1. settled	38,496,670
2. not settled	-
2. Asset management	
a) individual portfolio management	461,559
b) collective portfolio management	153,287
3. Securities in custody and under administration	
a) custodian bank services	
(other than managed assets)	
1. securities issued by entities incl. in consolidated accounts	-
2. other securities	479,256
b) custodian bank services (other than managed assets): other	
1. securities issued by entities incl. in consolidated accounts	177,536
2. other securities	7,689,825
c) third-party securities held by other custodians	7,881,876
d) own securities held by other custodians	4,211,528
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	Debt securities	Loans	Other assets	Dec. 31, 2009	Dec. 31, 2008
1. Financial assets held for trading	24,709	-	-	24,709	73,303
2. Available-for-sale financial assets	21,025	-	-	21,025	22,638
3. Held-to-maturity investments	53,930	-	-	53,930	18,927
4. Loans to banks	13,119	33,091	-	46,210	118,486
5. Loans to customers	3,772	103,018	-	106,790	122,184
6. Financial assets at fair value	-	-	-	-	283
7. Hedging derivatives	X	X	-	-	52
8. Other assets	X	X	134	134	1,001
Total	116,555	136,109	134	252,798	356,874

Interest income on 'assets sold but not derecognised' that in the prior year had been indicated as a separate line item, for the year under review was included in the balance of the respective asset category to which it related. For the sake of comparability, 2008 comparative information was reclassified accordingly.

1.2 Interest income and similar income: analysis of hedging balances

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Positive differences arising on hedges	-	4,790
B. Negative differences arising on hedges	-	(4,738)
C. Balance (A-B)	-	52

1.3 Interest income and similar income: other information

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest income and similar income on:		
a) financial assets denominated in foreign currencies	761	25,506
b) finance leases	-	61
c) third party assets under administration	-	-
Total	761	25,567

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other liabilities	Dec. 31, 2009	Dec. 31, 2008
1. Due to central banks	13	X	1,317	1,330	-
2. Due to bancks	10,337	X	1,432	11,769	62,597
3. Due to customers	35,817	X	19,989	55,806	127,461
4. Securities issued	X	2,317	-	2,317	20
5. Financial liabilities held for trading	19,608	-	-	19,608	16,483
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and funds	X	X	43	43	255
8. Hedging derivatives	X	X	13,723	13,723	-
Total	65,775	2,317	36,504	104,596	206,816

Interest expense on 'liabilities sold but not derecognised' that in the prior year had been indicated as a separate line item, for the year under review was included in the balance of the respective asset category to which it related. For the sake of comparability, 2008 comparative information was reclassified accordingly.

1.5 Interest expense and similar charges: analysis of hedging balances

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Positive differences arising on	5,608	-
A.1 fair value micro-hedging of assets	5,608	-
B. Negative differences arising on	(19,331)	-
B.1 fair value micro-hedging of assets	(19,331)	-
C. Balance (A-B)	(13,723)	-

1.6 Interest expense and similar charges: other informations

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest expense and similar charges on:		
a) financial liabilities denominated in foreign currencies	7,295	31,640
b) finance leases	-	-
c) third party assets under administration	-	-
Total	7,295	31,640

Section 2 – Commissions – Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2009	Dec. 31, 2008
a) Guarantees issued	204	249
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	651,955	534,613
1. brokerage of financial instruments	3,532	4,542
2. currency brokerage	1	2
3. portfolio management	490,070	366,238
3.1 individual portfolio management	5,831	2,510
3.2 collective portfolio management	484,239	363,728
4. securities in custody and under administration	3,603	3,752
5. custodian bank	578	685
6. sale of securities	2,959	81
7. order taking and transmission	6,666	6,311
8. consultancy	-	-
8.1 investment advice	-	-
8.2 financial structure advice	-	-
9. services to third parties	144,546	153,002
9.1 portfolio management	665	596
9.1.1. individual portfolio management	22	17
9.1.2. collective portfolio management	643	579
9.2 insurance products	131,511	140,924
9.3 other products	12,370	11,482
d) Payments and collections	35,504	27,735
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Bank accounts custodian and management services	18,280	16,977
j) Other services	8,369	5,585
Total	714,312	585,159

The Bank of Italy's Circular 262/2005, as amended last November, requires that income relating to the mere reimbursement of expenses borne by the bank, that in past years had been generally recognised under 'Commission Income: Other Services' be allocated to 'Other operating income/expenses'.
For the sake of comparability, the 2008 comparative balance of 'Commission Income' was reclassified. The €4,666 thousand decline over the 2008 balance reported in the prior year (€589,825 thousand) includes an amount of €731 thousand reclassified to 'other operating income/expenses' as well as €3,935 thousand intercompany commission income not offset against intercompany commission expenses upon 2008 accounts consolidation. The 2008 comparative balance of 'Commission Expenses' was adjusted accordingly by the same amount.

2.2 Analysis of commission expense

€/'000	Dec. 31, 2009	Dec. 31, 2008
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	320,602	272,010
1. brokerage of financial instruments	1,694	2,083
2. currency brokerage	-	-
3. asset management	59,238	55,927
3.1 own management	3,187	1,710
3.2 on mandates from third parties	56,051	54,217
4. securities in custody and under administration	1,035	1,176
5. sale of financial instruments	-	-
6 off-premises sale of financial instruments, products & services	258,635	212,824
d) payments and collections	33,196	27,970
e) other services	20,281	23,547
Total	374,079	323,527

The 2008 comparative balance of 'Commission Expenses' shows a €3,935 thousand decline over the balance reported in the prior year (€327,462 thousand). The adjustment was made for the sake of comparability of financial information and relates to intercompany commission expenses not offset against intercompany commission income upon 2008 accounts consolidation. As noted earlier, the 2008 comparative balance of 'Commission Income' was adjusted accordingly by the same amount.

Section 3 – Dividends and similar income – Caption 70

3.1 Analysis of dividends and similar income

	Dec. 31, 2009		Dec. 31,2008	
€/'000	Dividends	Income from holdings in UCITS	Dividends	Income from holdings in UCITS
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	483	2,021	155	796
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-	-	-	-
Total	483	2,021	155	796

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	14,103	30,123	(1,968)	(9,414)	32,844
1.1 Debt securities	14,103	30,046	(1,958)	(9,348)	32,843
1.2 Equities	-	49	(10)	(66)	(27)
1.3 Holdings in UCITS	-	28	-	-	28
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	836	8,319	(7,371)	(8,281)	(6,497)
2.1 Debt securities	836	8,319	(7,371)	(8,281)	(6,497)
2.2 Debt	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	98
4. Derivatives	3,297	32,033	(4,746)	(31,522)	663
4.1 Financial derivatives	3,297	32,033	(4,746)	(31,522)	663
- debt securities and interest rates	3,294	25,948	(4,746)	(26,321)	(1,825)
- equities and stock indices	3	12	-	(5)	10
- currencies and gold	X	X	X	X	1,601
- other	-	6,073	-	(5,196)	877
4.2 Credit derivatives	-	-	-	-	-
Total	18,236	70,475	(14,085)	(49,217)	27,108

Section 5 - Net income from hedging – Caption 90

5.1 Analysis of net income from hedging

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Income from:		
A.1 Fair value hedging derivatives	3,702	-
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)	3,702	20,178
B. Expense from:		
B.1 Fair value hedging derivatives	-	(18,428)
B.2 Hedged financial assets (fair value)	(5,889)	-
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)	(5,889)	(18,428)
C. Net income from hedging (A - B)	2,187	1,750

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

6.1 Analysis of gains (losses) on sale/buyback

	Dec. 31, 2009			Dec. 31, 2008		
€/'000	Gains	Losses	Net gains (losses)	Gains	Losses	Net gains (losses)
Financial assets						
1. Loans to banks	88	-	88	-	-	-
2. Loans to customers	185	-	185	-	-	-
3. Available-for-sale financial assets:	13,575	(8,543)	5,032	5,801	(2,624)	3,177
3.1 Debt securities	13,377	(8,474)	4,903	5,775	(2,245)	3,530
3.2 Equities	-	(67)	(67)	23	(39)	(16)
3.3 Holdings in UCITS	198	(2)	196	3	(340)	(337)
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	324	-	324	-	-	-
Total assets	14,172	(8,543)	5,629	5,801	(2,624)	3,177
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

€/'000	Impairment – Individual – Cancellations	Impairment – Individual – Others	Impairment – Collective	Reversal of impairment – Individual – A	Reversal of impairment – Individual – B	Reversal of impairment – Collective – A	Reversal of impairment – Collective – B	Dec. 31, 2009	Dec. 31, 2008
A. Loans to banks									
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers									
- Loans	(1,577)	(11,993)	(1,004)	-	4,540	-	849	(9,185)	(7,020)
- Debt securities	-	(918)	-	-	-	-	-	(918)	-
C. Total	(1,577)	(12,911)	(1,004)	-	4,540	-	849	(10,103)	(7,020)

The 2008 balance of 'net impairment of loans' reported at the end of the prior year had been €7,746 thousand. The €726 thousand decline in the 2008 comparative balance is the result of the reclassification of an amount of €1,191 thousand to "net impairment of other financial items' and the reclassification of an amount of €465 thousand out of 'other operating income/expense' to 'net impairment of loans'.

8.2 Analysis of net impairment of available for sale financial assets

€/'000	Impairment – Individual – Cancellations	Impairment – Individual – Others	Reversal of impairment – Individual – A	Reversal of impairment – Individual – B	Dec. 31, 2009	Dec. 31, 2008
A. Debt securities	(178)	-	-	-	(178)	(916)
B. Equities	-	(777)	-	-	(777)	-
C. Holdings in UCITS	-	(19,617)	-	-	(19,617)	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	(178)	(20,394)	-	-	(20,572)	(916)

Legend:
A = interest
B = other

8.4 Analysis of net impairment of other financial items

	Impairment			Reversal of impairment					
	Individual			Individual		Collective			
€/'000	Cancellations	Other	Collective	A	B	A	B	Dec. 31, 2009	Dec. 31, 2008
A. Guarantees issued	-	(21)	(1)	-	-	-	-	(22)	(23)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Others	(147)	(4,640)	-	-	5	-	-	(4,782)	(1,191)
E. Total	(147)	(4,640)	(1)	-	5	-	-	(4,804)	(1,214)

Legend:
A = interest
B = other

The 2008 balance of 'net impairment of other financial items' reported at the end of the prior year had been €23 thousand. The €1,191 thousand increase in the 2008 comparative balance is the result of the reclassification of this amount out of "net impairment of loans' to 'net impairment of other financial items'.

Section 11 – Administrative expenses – Caption 180

11.1 Analysis of staff costs

€/'000	Dec. 31, 2009	Dec. 31, 2008
1) Employees	115,717	108,803
a) wages and salaries	84,312	75,597
b) social security contributions	23,259	21,171
c) employee completion of service entitlements	225	3,835
d) pensions	-	-
e) provision for completion of service entitlements	4,519	5,750
f) provision for severance benefits and similar obligations:	143	155
- defined contribution plan	88	155
- defined benefit plan	55	-
g) external supplementary pension funds:	1,068	871
- defined contribution plan	958	704
- defined benefit plan	110	167
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	2,191	1,424
2) Other personnel	3,784	4,175
3) Directors and Statutory Auditors	3,202	3,636
4) Retirees	-	-
5) Recoveries of expenses for employees seconded to other entities	-	-
6) Reimbursements of expenses for employees seconded to the company	-	-
Total	122,703	116,614

11.2 Average number of personnel by category: banking group

€/'000	Dec. 31, 2009	Dec. 31, 2008
Employees	1,881	1,717
a) senior management	90	87
b) middle management	265	207
c) other employees	1,526	1,423
Total Employees	1,881	1,717
Other personnel	26	42
Total	1,907	1,759

11.3 Company-sponsored defined benefit plans: analysis of costs

€/'000	Balance at Dec. 31, 2009
Current service costs	55
Interest	-
Estimated return on assets into which the plan invests	-
Estimated return on redemption rights accounted for as assets	-
Actuarial gains/losses	-
Past service costs	-
Effect of other reductions and cancellations	-
Total costs	55

11.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2009	Dec. 31, 2008
IT services	34,870	35,846
Infoprovider services	4,882	4,868
Other miscellaneous services	17,164	14,504
Taxes and duties	546	501
Television and Internet communication services	16,079	15,582
Consultancy and network advisory services	7,332	7,503
Rentals	12,643	12,002
Maintenance and repairs	1,661	1,364
Postal and telephone	12,225	12,163
Miscellaneous advisory services	12,715	12,819
Consumables	5,033	5,046
Insurance	2,535	2,367
Membership fees	1,119	934
Advertising and promotions	22,245	16,513
Conventions	4,235	5,020
Training provided to financial advisors	3,955	6,655
Canteen	2,980	2,579
Business expenses, gifts and donations	3,479	3,245
Market research	1,268	1,281
Recruitment/Training of employees	701	1,045
Travel expenses	2,023	2,410
Recruitment of financial advisors	128	297
Other administrative expenses	7,690	7,442
Total	177,508	171,986

Certain reclassifications were applied and prior year comparatives reclassified accordingly. The December 31, 2008 balance of 'other administrative expenses' reported in the prior year's financial statements was €174,305 thousand. An amount of €2,319 thousand was reclassified to 'other operating income and expenses'. The reclassified amount was made up as follows: €2,028 thousand insurance expenses relating to mortgage loans extended to customers and €291 thousand stamp duties paid by the bank on customer bank statements.

Section 12 – Provisions for risks and charges – Caption 190

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2009	Dec. 31, 2008
Provision for risks and charges - other:		
Benefits to Top Managers	5,867	984
Risks related to FA illegal actions	5,160	8,334
FA customer base entitlements	3,192	3,712
FA portfolio entitlements	1,357	554
Legal proceedings	1,308	1,924
Product distribution	3,274	1,517
Other	2,605	1,356
Total	22,763	18,381

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 of (A+B-C)
A. Tangible assets	(8,130)	-	-	(8,130)
A.1 owned	(8,130)	-	-	(8,130)
- held for use	(8,130)	-	-	(8,130)
- held for investment purposes	-	-	-	-
A.2 under finance leases				
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(8,130)	-	-	(8,130)

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	(9,987)	-	-	(9,987)
A.1 owned	(9,987)	-	-	(9,987)
- internally generated	-	-	-	-
- other	(9,987)	-	-	(9,987)
A.2 under finance leases	-	-	-	-
Total	(9,987)	-	-	(9,987)

Section 15 – Other operating income – Caption 220

15.1/15.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2009	Dec. 31, 2008
Assets under finance lease	-	-
Lease installments	-	-
Losses on sale	-	-
Insurance	-	-
Transfer of title	-	-
Other operating expenses	4,779	4,070
Compensations and Settlements	2,566	1,760
Loan losses	-	-
Amortisation of expenses for improvements of leasehold assets	489	357
Other expenses	1,724	1,953
Total other operating expenses	4,779	4,070
Recoveries of direct taxes	1	3
Cost recoveries relating to seconded personnel	-	-
Recoveries of expenses on contracts and services rendered	9,290	13,042
Recoveries of property rental and real estate expenses	137	110
Miscellaneous income	5,413	3,360
Rentals on owned property	679	757
Recoveries of expenses from customers	1,607	1,576
Recoveries of expenses from financial advisors	469	548
Other	2.658	479
Total other operating income	14,841	16,515
Total net other operating income (expenses)	10,062	12,445

The Bank of Italy's Circular 262/2005, as amended last November, requires that income relating to the mere reimbursement of expenses borne by the bank, that in past years had been recognised under 'Commission Income' be allocated to 'Other operating income/expenses'.
Specifically, the 2008 balance of 'total net other operating income (expenses)' shows a €1,123 thousand decline of which €465 thousand expenses reclassified to 'net impairment of loans'; €731 thousand income reclassified out of 'commission income' while the same item decreased by €2,319 thousand expenses reclassified out of 'other administrative expenses'.

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

20.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Current tax (-)	(19,942)	(18,757)
2. Change in current tax for prior years (+/-)	(2,088)	(2,237)
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	11,022	7,635
5. Change in deferred tax liabilities (+/-)	(2,118)	510
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(13,126)	(12,848)

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

€/'000	Dec. 31, 2009
Theoretical tax rate	18.56%
Pre-tax profit	154,981
Theoretical tax expense	28,762
Net taxable income – permanent differences	(19,599)
Other adjustments	(1,339)
IRAP and other taxes	5,302
Effective tax expense	*13,126*
Effective tax rate	8.00%

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

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Income	-	-
2. Expenses	(280)	-
3. Valuation of assets and liabilities	-	-
4. Net realised gains (losses)	-	-
5. Tax	-	-
Profit (loss)	(280)	-

PART D – INFORMATION ON CONSOLIDATED COMPREHENSIVE INCOME

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

€/'000	Before tax	Income tax	After tax
10. Net profit (loss) for the year	154,701	(13,126)	141,575
Other income components			
20. Available for sale financial assets:	41,146	(13,108)	28,038
a) changes in fair value	13,630	(4,316)	9,314
b) reversals to the income statement	27,617	(8,823)	18,794
- impairment	20,393	(6,591)	13,802
- realised gains/losses	7,224	(2,232)	4,992
c) other changes	(101)	31	(70)
30. Tangible assets	-	-	-
40. Intangible assets	-	-	-
50. Hedges of investments in foreign operations:			
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
60. Cash flow hedges:			
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
70. Exchange differences:			
a) value changes	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
80. Non current assets held for sale:			
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
c) other changes	-	-	-
90. Actuarial gains (losses) on defined benefit plans	-	-	-
100. Share of valutation reserves relating to investments accounted for by the equity method:			
a) changes in fair value	-	-	-
b) reversals to the income statement	-	-	-
- impairment	-	-	-
- realised gains/losses	-	-	-
c) other changes	-	-	-
110. Total other income components	41,146	(13,108)	28,038
120. Comprehensive income (items 10+110)	195,847	(26,234)	169,613
130. Attributable to minority interests	114,090	(15,381)	98,709
140. Attributable to the Parent Company	81,757	(10,853)	70,904

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.

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	Other assets	Total
1. Financial assets held for trading	-	-	-	-	843,663	843,663
2. Available-for sale financial assets	-	102	-	-	857,068	857,170
3. Held-to-maturity investments	-	-	-	-	1,329,347	1,329,347
4. Loans to banks	-	-	-	-	1,673,368	1,673,368
5. Loans to customers	7,699	21,063	221	9,354	3,293,565	3,331,902
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	1,179	1,179
Total at Dec. 31, 2009	7,699	21,165	221	9,354	7,998,190	8,036,629
Total at Dec. 31, 2008	5,945	9,968	522	12,390	8,857,318	8,886,143

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

	Impaired assets			Performing assets			
€/'000	Gross exposure	Individual impairment	Net exposure	Gross exposure	Individual impairment	Net exposure	Total net exposure
A. Banking Group							
1. Financial assets held for trading	-	-	-	X	X	843,663	843,663
2. Available for sale financial assets	1,018	(916)	102	857,068	-	857,068	857,170
3. Held to maturity investments	-	-	-	1,329,347	-	1,329,347	1,329,347
4. Loans to banks	-	-	-	1,673,368	-	1,673,368	1,673,368
5. Loans to customers	63,154	(24,817)	38,337	3,300,141	(6,576)	3,293,565	3,331,902
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	1,179	1,179
Total A	64,172	(25,733)	38,439	7,159,924	(6,576)	7,998,190	8,036,629
B. Other companies included in the consolidated accounts							
1. Financial assets held for trading	-	-	-	X	X	-	-
2. Available for sale financial assets	-	-	-	-	-	-	-
3. Held to maturity investments	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	-	-	-	-
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B -	-	-	-	-	-	-	
Total at Dec. 31, 2009	64,172	(25,733)	38,439	7,159,924	(6,576)	7,998,190	8,036,629
Total at Dec. 31, 2008	47,263	(18,438)	28,825	8,863,952	(6,634)	8,857,318	8,886,143

A.1.3 Banking Group - 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	-	-	X	-
b) Watch list	1,018	(916)	X	102
c) Restructured	-	-	X	-
d) Past due	-	-	X	-
e) Other	3,928,751	X	-	3,928,751
Total A	3,929,769	(916)	-	3,928,853
B. Off balance sheet				
a) Impaired	-	-	X	-
b) Other	38,832	X	(115)	38,717
Total B	38,832	-	(115)	38,717
Total (A+B)	3,968,601	(916)	(115)	3,967,570

A.1.4 Banking Group - Loans to banks: development of impaired loans (gross on-balance sheet exposures)

€/'000	Non performing	Watch list	Restructured	Past due
A. Opening gross balance		1,018		
- of which: loans sold but not derecognised	-	1,018	-	-
B. Increases				
B.1 reclassified from performing loans	-	-	-	-
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		1,018		
- of which: loans sold but not derecognised	-	1,018	-	-

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

€/'000	Non performing	Watch list	Restructured	Past due
A. Net impairment at beginning of the year	-	916	-	-
- of which: loans sold but not derecognised	-	916	-	-
B. Increases				
B.1 impairment	-	-	-	-
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. Net impairment at end of the year	-	916	-	-
- 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	20,077	(12,378)	X	7,699
b) Watch list	32,200	(11,137)	X	21,063
c) Restructured	221	-	X	221
d) Past due	10,656	(1,302)	X	9,354
e) Other	4,021,961	X	(6,576)	4,015,385
Total A	4,085,115	(24,817)	(6,576)	4,053,722
B. Off balance sheet				
a) Impaired	649	(22)	X	627
b) Other	108,570	X	(32)	108,538
Total B	109,219	(22)	(32)	109,165
Total (A+B)	4,194,334	(24,839)	(6,608)	4,162,887

A.1.7 Banking Group - Loans to customers: development of impaired loans (on-balance sheet gross exposures)

€/'000	Non performing	Watch list	Restructured	Past due
A. Opening gross balance	13,995	18,020	522	17,600
- of which: loans sold but not derecognised	-	-	-	-
B. Increases				
B.1 reclassified from performing loans	342	8,123	-	29,466
B.2 reclassified from other impaired loan categories	6,645	14,672	1,400	2
B.3 other increases	687	2,394	67	2,394
C. Decreases				
C.1 reclassified to performing loans	(381)	(1,371)	(107)	(11,381)
C.2 cancellations	(936)	(118)	(415)	-
C.3 receipts	(275)	(1,519)	(1,246)	(12,578)
C.4 proceeds from sale	-	-	-	-
C.5 reclassified to other impaired loan categories	-	(7,999)	-	(14,722)
C.6 other decreases	-	(2)	-	(125)
D. Closing gross balance	20,077	32,200	221	10,656
- of which: loans sold but not derecognised	-	-	-	-

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

€/'000	Non performing	Watch list	Restructured	Past due
A. Net impairment at beginning of the year	8,050	6,716	-	2,757
- of which: loans sold but not derecognised	-	-	-	-
B. Increases				
B.1 impairment	3,347	8,252	-	1,313
B.2 reclassified from other impaired loan categories	2,669	1,055	420	24
B.3 other increases	83	58	-	-
C. Decreases				
C.1 revaluations	(379)	(1,411)	(210)	(679)
C.2 repayments	(162)	(309)	(210)	(967)
C.3 cancellations	(913)	(115)	-	-
C.4 reclassified to other impaired loan categories	-	(3,080)	-	(1,088)
C.5 other decreases	(317)	(29)	-	(58)
D. Net impairment at end of the year	12,378	11,137	-	1,302
- 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 class							
€/'000	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
A. On balance sheet exposures	1,257,367	3,219,969	550,369	-	-	-	2,990,592	8,018,297
B. Derivatives	2,752	606	-	-	-	-	1,582	4,940
B.1 Financial derivatives	2,752	606	-	-	-	-	1,582	4,940
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	78	-	5,653	-	-	-	27,256	32,987
D. Commitments to disburse funds	-	11,801	-	-	-	-	98,154	109,955
TOTAL	1,260,197	3,232,376	556,022	-	-	-	3,117,584	8,166,179

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

	Internal rating class							
€/'000	C1	C2	C3	C4	C5	C6	C7	C8
A. On balance sheet exposures	330,848	-	3,361	-	-	-	-	107,900
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	-	-
D. Commitments to disburse funds	-	-	-	-	-	-	-	-
TOTAL	330,848	-	3,361	-	-	-	-	107,900

A.3 Analysis of secured loans by type of collateral

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

At balance sheet date there were no secured loans to banks.

A.3.2 Banking Group - Secured loans to customers

		Real guarantees (1)			Personal guarantees (2)									
					Credit derivatives					Endorsements				
						Other derivatives								
€/'000	Net exposure	Property	Securities	Other assets	CLN	Governments & central banks	Govern. agencies	Banks	Others	Governments & central banks	Govern. agencies	Banks	Others	Total (1)+(2)
1. Secured loans (on balance sheet)														
1.1 entirely secured	2,100,729	2,032,081	40,838	3,709	-	-	-	-	-	-	-	450	4,461	2.081,539
- of which impaired	20,197	18,751	253	-	-	-	-	-	-	-	-	-	519	19,523
1.2 partly secured	17,497	1,073	-	266	-	-	-	-	-	-	-	-	13,652	14,991
- of which impaired	309	62	-	-	-	-	-	-	-	-	-	-	235	297
2. Secured loans (off balance sheet)														
2.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

	Governments			Government agencies			Financial companies			Insurance companies			Non financial companies			Others		
€/'000	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On balance sheet																		
A.1 Non performing	-	-	X	-	-	X	-	-	X	-	-	X	21	(91)	X	7,678	(12,276)	X
A.2 Watch list	-	-	X	-	-	X	-	-	X	-	-	X	315	(180)	X	20,748	(10,957)	X
A.3 Restructured	-	-	X	-	-	X	-	-	X	-	-	X	221	-	X	-	-	X
A.4 Past due	-	-	X	-	-	X	-	-	X	-	-	X	48	(11)	X	9,306	(1,291)	X
A.5 Others	630,742	X	-	-	X	-	647,031	X	(130)	77,174	X	(58)	123,636	X	(58)	2,536,802	X	(6,330)
Total A	630,742	-	-	-	-	-	647,031	-	(130)	77,174	-	(58)	124,241	(282)	(58)	2,574,534	(24,524)	6,330
B. Off balance sheet																		
B.1 Non performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Watch list	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	438	(22)	X
B.3 Other impaired asset	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	189	-	X
B.4 Others	-	X	-	-	X	-	1,581	X	-	6	X	-	2,864	X	(3)	104,087	X	(29)
Total B	-	-	-	-	-	-	1,581	-	-	6	-	-	2,864	-	(3)	104,714	(22)	(29)
Total (A+B), Dec. 31, 2009	630,742	-	-	-	-	-	648,612	-	(130)	77,180	-	(58)	127,105	(282)	(61)	2,679,248	(24,546)	(6,359)
Total (A+B), Dec. 31, 2008	1,579,179	-	-	-	-	-	1,870,835	-	(77)	8,150	-	-	140,574	(564)	(49)	1,894,002	(17,102)	(6,451)

B.2 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	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment
A. On balance sheet										
A.1 Non performing	7,297	(9,690)	402	(2,688)	-	-	-	-	-	-
A.2 Watch list	18,447	(9,068)	2,614	(2,068)	2	(1)	-	-	-	-
A.3 Restructured	221	-	-	-	-	-	-	-	-	-
A.4 Past due	9,354	(1,302)	-	-	-	-	-	-	-	-
A.5 Others	3,362,943	(4,673)	644,938	(1,903)	7,116	-	-	-	388	-
Total	3,398,262	(24,733)	647,954	(6,659)	7,118	(1)	-	-	388	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	438	(22)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	189	-	-	-	-	-	-	-	-	-
B.4 Others	108,307	(32)	182	-	-	-	49	-	-	-
Total	108,934	(54)	182	-	-	-	49	-	-	-
Total at Dec. 31, 2009	3,507,196	(24,787)	648,136	(6,659)	7,118	(1)	49	-	388	-
Total at Dec. 31, 2008	4,503,658	(17,113)	974,303	(7,126)	14,621	(5)	101	-	54	-

B.3 Banking Group – 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	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment	Net exposure	Net impairment
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	102	(916)	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	3,264,776	-	650,669	-	13,284	-	22	-	-	-
Total	3,264,776	-	650,771	(916)	13,284	-	22	-	-	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	31,463	(25)	7,254	(90)	-	-	-	-	-	-
Total	31,463	(25)	7,254	(90)	-	-	-	-	-	-
Total at Dec. 31, 2009	3,296,239	(25)	658,025	(1,006)	13,284	-	22	-	-	-
Total at Dec. 31, 2008	2,798,657	(14)	833,804	(1,099)	27,848	(1)	173	-	6	-

B.4 Large exposures

a) amount:	€ 874.382	thousand
b) number:	9	

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

Qualitative information

During the year Banca Mediolanum traded exclusively in securitised notes.

Quantitative information

C.1.1 Banking Group - 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	78,812	79,079	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	78,812	79,079	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Banking Group - 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 Underlying asset/Exposure	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																		
- Receivables from National Social Security & Pension Agency	19,948	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 SCCI/TV 20180730 S9 SEN																		
- Receivables from National Social Security & Pension Agency	20,086	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 F-E MORTGAGES/TV 20431030 CL A																		
- Receivables under mortgage loans	2,847	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 CORDUSIO RMBS/TV 20330630 CL A2																		
- Receivables under mortgage loans	8,311	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 BPM SEC 2/TV 20430715 CL A2																		
- Receivables under mortgage loans	8,142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 VELA HOME /TV 20400730 CL A S3																		
- Receivables under mortgage loans	5,373	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 TRICOLORE FUND/TV 20200715 CL A																		
- Receivables under equipment, machinery and property leases	1,430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.8 LOCAT SV3/TV 20261212 CL A2																		
- Receivables under leases	5,979	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.9 SUNRISE/TV 20300827 CL A SEN																		
- Receivables, consumer credit	6,963	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Banking Group - 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, 2009	Dec. 31, 2008
1. On balance sheet exposures							
- "Senior"	-	-	-	-	79,079	79,079	96,984
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-
2. Off balance sheet exposures							
- "Senior"	-	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-

C.2 Sale of assets

C.2.1 Banking Group - 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				
€/'000	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 2009	Dec. 31, 2008
A. On-balance sheet assets	-	-	-	-	-	-	18,496	-	-	193,251	-	-	-	-	-	-	-	-	211,747	1,522,466
1. Debt securities	-	-	-	-	-	-	18,496	-	-	193,251	-	-	-	-	-	-	-	-	211,747	1,522,466
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2009	-	-	-	-	-	-	18,496	-	-	193,251	-	-	-	-	-	-	-	-	211,747	1,522,466
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2008	398,051	-	-	-	-	-	398,290	-	-	725,302	-	-	-	-	-	823	-	-	-	1,521,644
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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	-	-	2,296	64,913	-	62,744	129,953
a) against assets fully recognised on the balance sheet	-	-	2,296	64,913	-	62,744	129,953
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
2. Due to banks	-	-	15,198	123,699	20,017	-	158,914
a) against assets fully recognised on the balance sheet	-	-	15,198	123,699	20,017	-	158,914
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-	-
a) against assets fully recognised on the balance sheet	-	-	-	-	-	-	-
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2009	-	-	17,494	188,612	20,017	62,744	288,867
Total at Dec. 31, 2008	254,786	-	395,115	725,368	19,567	103,631	1,498,467

D. CREDIT RISK MEASUREMENT MODELS

SECTION 2 – MARKET RISK

2.1 Interest rate risk – trading book

Qualitative information – interest rate risk

A. General aspects

The 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 those Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the 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 operations, 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 – interest rate risk

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-deriv. assets	4,410	459,502	4,701	19,272	248,539	92,657	3,683	-
1.1 Debt securities								
- with early redemption option	5	1,374	-	-	4,236	-	-	-
- others	4,405	458,128	4,701	19,272	244,303	92,657	3,683	-
EUR	4,410	459,502	4,701	19,272	248,539	92,657	3,683	-
2. Non-deriv. liabilities	-	6,267	10,710	-	306,454	180,662	-	-
2.1 Repos (EUR)	-	383	-	-	-	-	-	-
2.2 Other liabilities	-	2,942	5,355	-	153,227	90,331	-	-
EUR	-	2,942	5,355	-	153,227	90,331	-	-
3. Financial derivatives	658	340,523	284,043	301,279	25,163	3,475	8,171	-
3.1 w/ underlying securities	658	119,571	91,068	200	25,163	3,475	412	-
- Others	658	119,571	91,068	200	25,163	3,475	412	-
+ Long positions	329	69,988	46,184	100	1,410	3,365	329	-
EUR	329	25,331	-	100	1,399	3,354	329	-
USD	-	44,657	46,184	-	11	11	-	-
+ Short positions	329	49,583	44,884	100	23,753	110	83	-
EUR	329	48,866	44,884	100	23,742	99	83	-
USD	-	717	-	-	11	11	-	-
3.2 w/o underlying securities	-	220,952	192,975	301,079	-	-	7,759	-
- Options	-	7,759	-	-	-	-	7,759	-
+ Long positions	-	7,759	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	7,759	-
- Others	-	158,079	112,027	201,079	-	-	-	-
+ Long positions	-	102,965	31,079	101,079	-	-	-	-
EUR	-	102,449	31,079	101,079	-	-	-	-
USD	-	516	-	-	-	-	-	-
+ Short positions	-	55,114	80,948	100,000	-	-	-	-
EUR	-	54,010	50,000	100,000	-	-	-	-
USD	-	1,104	30,948	-	-	-	-	-

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	4	-	6	-
- long positions	4	-	6	-
- short positions	-	-	-	-
B. Not yet settled purchases and sales on equity instruments				
- long positions	-	-	-	-
- short positions	-	-	-	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
Total	4	-	6	-

Qualitative information – pricing risk

A. General aspects

The 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 Mediolanum 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.

2.2 Interest rate risk and pricing risk – banking book

Qualitative information – interest rate risk

A. Interest Rate Risk - General information, measurement and management

The Group's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, held-to-maturity investments and available for sale financial instruments. The Parent Company of the Banking Group measures interest rate risk exposure of the banking book using an ALM model. The banking book's interest rate risk management framework includes sensitivity analyses on net interest income as well as analyses of the impact of interest rate shocks on the present value of all financial items.

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 – interest rate risk

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

€/'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	727,424	3,457,412	1,583,516	330,165	491,501	149,825	414,664	65,920
1.1 Debt securities	25,824	1,231,269	1,071,399	228,991	360,695	20,001	672	48,728
- with early redemption option	238	57,757	-	-	-	-	-	-
- others (EUR)	25,586	1,173,512	1,071,399	228,991	360,695	20,001	672	48,728
1.2 Loans to banks	138,283	367,850	403,103	80,000	9,006	-	-	2,107
EUR	120,341	367,850	403,103	80,000	9,006	-	-	2,107
USD	15,886	-	-	-	-	-	-	-
GBP	653	-	-	-	-	-	-	-
YEN	71	-	-	-	-	-	-	-
CHF	455	-	-	-	-	-	-	-
OTHER CURRENCIES	877	-	-	-	-	-	-	-
1.3 Loans to customers	563,317	1,858,293	109,014	21,174	121,800	129,824	413,992	15,085
- current accounts	358,597	785	4,359	10,573	36,720	10,256	46,287	8,709
EUR	358,564	785	4,359	10,573	36,720	10,256	46,287	8,709
USD	33	-	-	-	-	-	-	-
- other loans	204,720	1,857,508	104,655	10,601	85,080	119,568	367,705	6,376
- with early redemption option	22,572	1,754,847	104,603	9,684	79,581	117,970	367,705	-
EUR	22,572	1,754,847	104,603	9,684	79,581	117,970	367,705	-
- others	182,148	102,661	52	917	5,499	1,598	-	6,376
EUR	182,148	102,661	52	917	5,499	1,598	-	6,376
2. Financial liabilities	5,824,743	723,659	693,288	142,350	1,078	-	-	-
2.1 Due to customers	5,820,393	156,495	3,747	7,505	1,078	-	-	-
- current accounts	5,804,699	89,413	3,747	7,464	1,078	-	-	-
EUR	5,776,485	89,413	3,747	7,464	1,078	-	-	-
USD	27,601	-	-	-	-	-	-	-
GBP	613	-	-	-	-	-	-	-
- other payables	15,694	67,082	-	41	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	15,694	67,082	-	41	-	-	-	-
EUR	15,694	67,082	-	41	-	-	-	-
2.2 Due to banks	4,346	491,916	586,221	134,845	-	-	-	-
- current accounts	2,790	20,028	-	-	-	-	-	-
EUR	2,790	20,028	-	-	-	-	-	-
- other payables	1,556	471,888	586,221	134,845	-	-	-	-
EUR	1,518	440,651	570,950	134,845	-	-	-	-
USD	38	31,237	15,271	-	-	-	-	-
2.3 Debt securities	4	75,248	103,320	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	4	75,248	103,320	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities (part 2)

€/'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
3. Financial derivatives	-	560,299	3,429	6,993	62,730	93,631	363,145	-
3.1 with underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-	-
3.2 w/o underlying securities	-	560,299	3,429	6,993	62,730	93,631	363,145	-
- Options	-	-	-	-	-	-	-	-
- Other derivatives	-	560,299	3,429	6,993	62,730	93,631	363,145	-
+ Long positions	-	545,114	-	-	-	-	-	-
EUR	-	533,313	-	-	-	-	-	-
USD	-	11,801	-	-	-	-	-	-
+ Short positions	-	15,185	3,429	6,993	62,730	93,631	363,145	-
EUR	-	3,384	3,429	6,993	62,730	93,631	363,145	-
USD	-	11,801	-	-	-	-	-	-

Qualitative information – pricing risk

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.

2.3 Currency risk

Qualitative information

A. Currency Risk - General information, Measurement and Management

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

B. Currency Risk - Hedges

There are no hedges as defined under IAS.

Quantitative information

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

	Value					
€/'000	US dollars	Sterling	Yen	Canadian Dollar	Swiss franc	Other currencies
A. Financial assets	15,920	799	71	54	455	79,339
A.1 Debt securities	2	-	-	-	-	14,242
A.2 Equities	-	146	-	-	-	-
A.3 Loans to banks	15,886	653	71	54	455	9,865
A.4 Loans to customers	32	-	-	-	-	55,232
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	(2)	-	15,975
C. Financial liabilities	71,712	326	-	-	-	-
C.1 Due to banks	46,547	-	-	-	-	-
C.2 Due to customers	25,165	326	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	11,079
E. Financial derivatives	124,080	18	-	5	7	1
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	
- Other derivatives	124,080	18	-	5	7	1
+ Long positions	91,334	-	-	-	-	1
+ Short positions	32,746	18	-	5	7	-
Total assets	15,920	799	71	52	455	95,314
Total liabilities	71,712	326	-	-	-	11,079
Net position (+/-)	2,796	455	71	47	448	84,236

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.

2.4 Derivative instruments

A. Financial derivatives

A. Financial derivatives

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

€/'000	Dec. 31, 2009 OCT	Dec. 31, 2009 Central Counterparties	Dec. 31, 2008 OCT	Dec. 31, 2008 Central Counterparties
1. Debt securities and interest rates	231,461	28,000	754,419	-
a) Options	27,967	-	30,280	-
b) Swaps	203,494	-	715,091	-
c) Forwards	-	-	9,048	-
d) Futures	-	28,000	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	13	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	13	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	123,373	-	190,211	-
a) Options	-	-	-	-
b) Swaps	90,818	-	150,055	-
c) Forwards	32,555	-	40,156	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	251,491	-
Total	354,834	28,000	693,152	-
Average amount	170,450	1,790	-	-

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

A.2.1 Hedging derivatives

	Dec. 31, 2009		Dec. 31,2008	
€/'000	OTC	Central Counterparties	Over the OTC	Central Counterparties
1. Debt securities and interest rates	533,313	-	298,201	-
a) Options	-	-	-	-
b) Swaps	533,313	-	298,201	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	533,313	-	298,201	-
Average amount	472,912	-	114,901	-

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

	Positive fair value			
	Dec. 31, 2009		Dec. 31, 2008	
€/'000	OTC	Central Counterparties	OTC	Central Counterparties
A. Trading book	3,759	-	7,873	-
a) Options	792	-	1,182	-
b) Interest Rate Swaps	62	-	4,417	-
c) Cross Currency Swaps	2,903	-	2,261	-
d) Equity Swaps	-	-	-	-
e) Forwards	2	-	13	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging derivatives	1,179	-	-	-
a) Options	-	-	-	-
b) Interest Rate Swaps	1,179	-	-	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Trading book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest Rate Swaps	-	-	-	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	4,938	-	7,873	-

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

	Negative fair value			
	Dec. 31, 2009		Dec. 31, 2008	
€/'000	OTC	Central Counterparties	OTC	Central Counterparties
A. Trading book	1,665	-	11,099	-
a) Options	-	-	-	-
b) Interest Rate Swaps	658	-	3,610	-
c) Cross Currency Swaps	21	-	7,457	-
d) Equity Swaps	-	-	-	-
e) Forwards	986	-	32	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging derivatives	15,906	-	18,428	-
a) Options	-	-	-	-
b) Interest Rate Swaps	15,906	-	18,428	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Trading book - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest Rate Swaps	-	-	-	-
c) Cross Currency Swaps	-	-	-	-
d) Equity Swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	17,550	-	29,527	-

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

€/'000	Governments & central banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others
1) Debt securities and interest rates							
- notional amount	-	-	231,460	-	-	-	-
- positive fair value	-	-	854	-	-	-	-
- negative fair value	-	-	658	-	-	-	-
- future exposure	-	-	420	-	-	-	-
2) Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	77,997	45,328	-	-	48
- positive fair value	-	-	1,324	1,581	-	-	-
- negative fair value	-	-	964	22	-	-	-
- future exposure	-	-	778	453	-	-	-
4) Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

€/'000	Governments & central banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others
1) Debt securities and interest rates							
- notional amount	-	-	533,313	-	-	-	-
- positive fair value	-	-	1,179	-	-	-	-
- negative fair value	-	-	15,906	-	-	-	-
- future exposure	-	-	7,165	-	-	-	-
2) Equities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Others							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of Over-the-Counter financial derivatives: notional amount

€/'000	1 year	1 to 5 years	Over 5 years	Total
A. Trading book				
A.1 debt securities and interest rates	203,494	-	27,967	231,461
A.2 equities and stock indices	-	-	-	-
A.3 currencies and gold	124,109	-	-	124,109
A.4 other	-	-	-	-
B. Banking book				
B.1 debt securities and interest rates	13,807	62,730	456,776	533,313
B.2 equities and stock indices	-	-	-	-
B.3 currencies and gold	-	(24)	-	(24)
B.4 other	-	(247)	-	(247)
Total at Dec. 31, 2009	341,410	62,459	484,743	888,612
Total at Dec. 31, 2008	1,170,112	32,654	291,518	1,494,584

B. CREDIT DERIVATIVES

During the year the Banking Group did not trade in credit derivatives and at December 31, 2009 it did not hold any positions in those instruments.

SECTION 3 - LIQUIDITY RISK

Qualitative information

A. Liquidity Risk - General information, Measurement and Management

The Mediolanum Banking Group's liquidity management model is structured in a manner that ensures adequate levels of liquidity in the short term as well as in the medium and long term. Given the types of assets held, their duration as well as the type of funding, the banking group has no short-term liquidity concerns. From a structural viewpoint, the Mediolanum Banking Group can rely on a stable 'core funding' and is only marginally exposed to volatility. This is evidenced also by Bank's econometric projections of 'on demand positions'. In addition to its sound core funding represented by bank deposits, Mediolanum Banking Group has been focusing on bond issues for medium-term funding.
The liquidity risk management framework is approved by the Board of Directors of the Parent Company and implemented across the Group (where applicable). Liquidity risk is monitored by the Financial Risk Management unit applying dedicated policies and procedures, including operating and structural limits, a maturity ladder as well as a contingency funding plan under the broader Asset Liability Management model of the Banking Group.
In compliance with Basel II Second Pillar requirements, all internal procedures for liquidity risk management have been reviewed. Specifically, during 2009, Banca Mediolanum approved a new liquidity risk management policy and implemented a new control procedure. The new procedure entails the generation of daily reports for monitoring operational liquidity limits in treasury management and quarterly reports for monitoring the bank's structural liquidity in the aggregate. The method used to manage operational liquidity is derived from the Maturity Mismatch Approach and is based on the monitoring of cumulative gaps generated by Net Flows and Counterbalancing Capacity as assessed using an operational Maturity Ladder. The method used to manage structural liquidity is also based on the Maturity Mismatch Approach and analyzes all financial items according to the timescale set out in the liquidity risk policy document.

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	-	-	-	-	4,489	-	-	570,115	68,991	-
- EUR	-	-	-	-	4,489	-	-	570,114	68,991	-
- USD	-	-	-	-	-	-	-	1	-	-
A.2 Other debt securities	6,239	1	2,504	3,005	40,199	24,010	303,240	2,508,406	189,487	-
- EUR	6.239	1	2,504	3,005	40,199	24,010	303,240	2,508,406	189,487	-
A.3 Holdings in UCITS	164,577	-	-	-	-	3,395	-	946	-	-
- EUR	164,577	-	-	-	-	3,395	-	946	-	-
A.4 Loans to	614,926	165,643	216,909	173,759	252,954	531,633	143,076	445,248	1,645,302	10,892
- Banks	106,513	107,237	116,225	127,026	73,205	400,103	80,000	9,008	-	2,107
- EUR	88,571	107,237	116,225	127,026	73,205	400,103	80.000	9,008	-	2,107
- USD	15,886	-	-	-	-	-	-	-	-	-
- YEN	71	-	-	-	-	-	-	-	-	-
- CHF	455	-	-	-	-	-	-	-	-	-
- GBP	653	-	-	-	-	-	-	-	-	-
- Other currencies	877	-	-	-	-	-	-	-	-	-
- Customers	508,413	58,406	100,684	46,733	179,749	131,530	63,076	436,240	1,645,302	8,785
- EUR	508,380	58,406	100,684	46,733	179,749	131,530	63,076	436,240	1,645,302	8,785
- USD	33	-	-	-	-	-	-	-	-	-

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

€/'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 liabilities										
B.1 Deposits	5,689,620	-	213,300	325,158	208,273	589,968	7,464	1,078	313	-
- Banks	12,106	-	203,300	91,937	193,117	586,221	-	-	-	-
- EUR	11,934	-	203,300	60,700	193,117	570,950	-	-	-	-
- USD	47	-	-	31,237	-	15,271	-	-	-	-
- Other currencies	125	-	-	-	-	-	-	-	-	-
- Customers	5,677,514	-	10,000	233,221	15,156	3,747	7,464	1,078	313	-
- EUR	5,649,203	-	10,000	233,221	15,156	3,747	7,464	1,078	313	-
- USD	27,601	-	-	-	-	-	-	-	-	-
- GBP	613	-	-	-	-	-	-	-	-	-
- Other currencies	97	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	106	213	319	9,779	131,195	36,956	-
- EUR	-	-	-	106	213	319	9,779	131,195	36,956	-
- Other currencies	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	191,794	6,505	6,798	12,431	44,898	-	134,886	159,233	86,086	-
- EUR	191,794	6,505	6,798	12,431	44,898	-	134,886	159,233	86,086	-
Off balance sheet items										
C.1 Financial derivates with exchange	658	4,058	84	90,422	28,000	152,016	351	25,299	3,887	-
- Long position	329	1,955	42	45,980	23,421	76,184	250	1,478	3,694	-
- EUR	329	1,416	42	1,346	23,421	30,000	250	1,467	3,683	-
- USD	-	539	-	44,634	-	46,184	-	11	11	-
- Short positions	329	2,103	42	44,442	4,579	75,832	101	23,821	193	-
- EUR	329	1,681	-	43,054	4,579	44,884	101	23,810	182	-
- USD	-	391	42	1,388	-	30,948	-	11	11	-
- CHF	-	7	-	-	-	-	-	-	-	-
- GBP	-	18	-	-	-	-	-	-	-	-
- Other currencies	-	6	-	-	-	-	-	-	-	-
C.2 Financial derivatives w/o exchange of principal	1,512	-	-	1,440	3,088	4,431	8,743	65,256	159,704	-
- Long positions	854	-	-	-	-	-	-	-	-	-
- EUR	854	-	-	-	-	-	-	-	-	-
- Short positions	658	-	-	1,440	3,088	4,431	8,743	65,256	159,704	-
- EUR	658	-	-	1,440	3,088	4,431	8,743	65,256	159,704	-
C.3 Deposits and financing to be	-	-	-	-	-	-	-	-	-	-
- Long positions (EUR)	-	-	-	-	-	-	-	-	-	-
- Short positions (EUR)	-	-	-	-	-	-	-	-	-	-
C.4 Firm commitments to disburse fund	-	23,602	-	-	-	-	-	-	-	-
- Long positions	-	11,801	-	-	-	-	-	-	-	-
- USD	-	11,801	-	-	-	-	-	-	-	-
- Short positions	-	11,801	-	-	-	-	-	-	-	-
- USD	-	11,801	-	-	-	-	-	-	-	-
C.5 Guarantees issued	-	-	-	-	-	-	-	30	-	-
- EUR	-	-	-	-	-	-	-	30	-	-

SECTION 4 – OPERATIONAL RISK

Qualitative information

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

The internal control system of the Mediolanum Banking Group 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, Planning, Control, Tax and Pensions Affairs offices to verify capital adequacy vis-à-vis operational risk capital requirements.
The Operational Risk Control unit is separate and independent of operating units and reports directly to the Parent Company's Senior Management.
In consideration of the characteristics and the type of business conducted by the Mediolanum Banking Group, 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 close 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 Banking Group.
The operational risk assessment and measurement method developed beginning from 2006 includes qualitative measurement of exposure to operational risk of each unit within the organisation 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 of the Parent Company Banca Mediolanum in December 2006 and periodically reviewed and updated thereafter. The latest review and update were conducted in December 2009. On an annual basis the Group conducts Risk Self Assessment of organisational units and collection of operational loss data. This is groundwork for assessment of the level of risk to which organisational processes are exposed as well as the basis for applying the standardised approach.
The operational risk management model has been gradually rolled out at Mediolanum Banking Group's Italian and foreign subsidiaries, applying adjustments, where needed, to reflect local requirements, business and organisation. The parent company provides guidance and coordination for the implementation of control activities at subsidiaries including advice for adherence to internal and external rules and the promotion of the desired control culture.
Following the examination of the results of self-assessment, initially made on November 7, 2007, and then reviewed on an annual basis (latest results examined on March 23, 2010), the Board of Directors resolved to apply, at individual level, the standardised approach to operational risk capital measurements, considering that both quantitative and qualitative requirements for the adoption of said approach are satisfied. Instead, to measure the operational risk capital charge at consolidated level, in the light of the different stages in the implementation of the operational risk control model at the various subsidiaries, in accordance with the proportionality principle, effective from January 1, 2008, the Group adopted a "combination of the basic indicator approach and the standardised approach". Said combination of approaches is applied in compliance with the requirements set forth in the Bank of Italy's Circular 263/2006, as schematically set out in the table at the end of this section.
Readers are reminded that pursuant to Bank of Italy's Circular 263/2007, the combination of the Basic Indicator approach and the Standardised approach is allowed at consolidated level, provided that the operational segments to be covered under said method do not exceed 10% of the average of the last three annual measurements of the relevant indicator. The satisfaction of the 10% requirement was ascertained by the Board of Directors prior to passing the relevant resolution and again in subsequent years. The latest review was made by the Board of Directors at its meeting of March 23, 2010 when satisfaction of said requirement was confirmed also for the year 2010.
Finally, you are advised that, in 2009, over 190 organisational units of entities within the Banking Group were examined identifying about 2,500 operational risk checkpoints. About 80% of checkpoints were judged to be adequate or in need of being just better formalised. Over 160 risk mitigation actions were taken in relation to risk controls that were judged to be unsatisfactory or in need of improvement.

Methods applied under Pillars I and II of the Basel II Capital Accord

Methods applied for the calculation of the operational risk capital charge

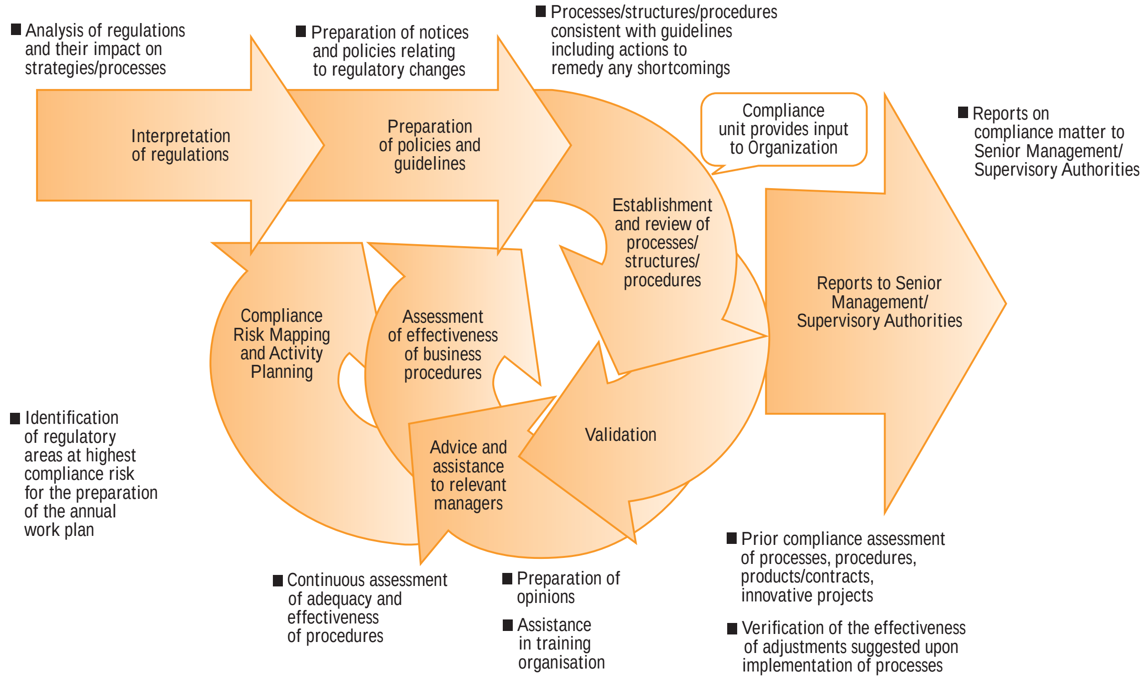
	Individual	Consolidated
Banca Mediolanum	Standardised[1]	Standardised[1]
Mediolanum Gestione Fondi	BoI Circ. 189/93[2]	Standardised[1]
Mediolanum Distribuzione Finanziaria	Not applicable	Standardised[1]
Mediolanum Corporate University	Not applicable	Basic Indicator[1]
Mediolanum International Funds Ltd	C.R.D.[3]	Standardised[1]
Mediolanum Asset Management Ltd	C.R.D.[3]	Standardised[1]
Bankhaus August Lenz	Basic Indicator[1]	Basic Indicator[1]
Banco de Finanzas e Inversiones S.A.	Basic Indicator[1]	Basic Indicator[1]
Fibanc S.A.	Not applicable	Basic Indicator[1]
Fibanc Pensiones, S.A. S.G.F.P.	Not applicable	Basic Indicator[1]
Ges Fibanc S.G.I.I.C. S.A.	Not applicable	Basic Indicator[1]
Gamax Management A.G.	Not applicable	Basic Indicator[1]

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

Compliance Risk

A single compliance risk management framework defined by the Parent Company Banca Mediolanum S.p.A. is applied across the Mediolanum Banking Group. Under said framework, 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 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.

Compliance cycle



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 & Innovation department, establishment of processes/structures/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.

Conflicts of Interest

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

Reports to Senior Management/Supervisory Authorities

- Reports on compliance matters to Senior Management and/or Supervisory Authorities.

Compliance Assessment Mapping and Activity Planning

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

As a result of enhancements introduced into the Compliance framework, the Banking Group adopted a new compliance risk assessment method across the group. The key traits of the new method which is based on Compliance Assessment Mapping (CAM) and a Compliance Activity Plan (CAP) are outlined below.

The mapping exercise identifies compliance risks and potential consequences in the event of failed compliance (Risk Impact). Based on that output, each entity within the Banking Group conducts self-assessment of the mitigation levels for those risks, applying predefined, objective metrics.

The output of the process is Risk Rating which reflects the applicability and the impact of regulations on the entity's business and the relevance of risk-generating conditions vis-à-vis the overall entity's operations.

For that purpose, an inventory is preliminarily made of the specific legal and regulatory requirements, identifying related risks and determining the related risk impact.

For each identified risk, the key risk prevention measures are analysed, placing emphasis on internal rules, IT procedures, line controls and training, and any past incidents are reviewed (audit reports, complaints, claims). Then, the probability of risk occurrence is measured.

For all risks considered, the method described above enables to identify risk control and mitigation actions that are set out in the compliance work plan and shared with all competent functions within the organisation. Outcomes are reported at least annually to the Board of Directors.

The Compliance staff continuously monitor the implementation of any mitigation actions set out in compliance work plan. The results of their monitoring activities are reported quarterly to the Banking Group's Risk and Audit Committee. Any significant differences over scheduled actions are measured and reported quarterly to the Board of Directors and to the Board of Statutory Auditors.

In the first half of 2009, the Compliance staff performed systematic compliance risk mapping of operations vis-à-vis the regulatory environment including investment services to assess the adequacy of procedures, improvement measures and compliance with new regulations.

As of September 30, 2009, the degree of implementation of scheduled improvement actions was found to be satisfactory, corresponding to about 90% of actions set out in the 2008 plan.

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 CONSOLIDATED CAPITAL

SECTION 1 – CONSOLIDATED CAPITAL

A. Qualitative information

B. Quantitative information

B.1 Analysis of consolidated equity

€/'000	Dec. 31, 2009
Share capital	452,671
Share premium account	-
Reserves	64,464
Equity instruments	-
Treasury shares (-)	-
Valuation reserves	1,422
- available for sale financial assets	1,422
- tangible assets	-
- intangible assets	-
- hedges of investments in foreign operations	-
- cash flow hedges	-
- exchange differences	-
- non current assets held for sale	-
- actuarial gains (losses) relating to defined benefit plans	-
- share of reserves on investments accounted for by the equity method	-
- special revaluation statutes	-
- other	-
Net profit (loss) for the year (+/-) attributable to the Group and to minority interests	141,575
Shareholders' equity	660,132

B.2 Analysis of revaluation reserves relating to available-for-sale financial assets

	Dec. 31, 2009	
€/'000	Positive reserve	Negative reserve
1. Debt securities	4,118	(3,561)
2. Equities	211	(288)
3. Holdings in UCITS	1,600	(578)
4. Loans & Receivables	-	-
Total at Dec. 31, 2009	5,929	(4,427)
Total at Dec. 31, 2008	5,808	(32,424)

B.3 Year's movements in the revaluation reserve relating to available-for-sale financial assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans
1. Opening balance	(11,341)	(161)	(15,114)	-
2. Increases	18,272	650	17,432	-
2.1 Increase in fair value	12,879	125	3,837	-
2.2 Reclass. to income statement from reserves:	5,391	525	13,595	-
- impairment	-	525	13,277	-
- realised gains	5,391	-	318	-
2.3 Other increases	2	-	-	-
3. Decreases	(6,376)	(589)	(1,271)	-
3.1 Decrease in fair value	(5,705)	(567)	(1,175)	-
3.2 Impairment	-	-	-	-
3.3 Realised losses	(599)	-	(118)	-
3.4 Other decreases	(72)	(22)	22	-
4. Closing balance	555	(100)	1,047	-

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

Regulatory capital is the sum of core capital, 'Tier 1 capital' (€393.34 million), included in the calculation without restrictions, and supplementary capital, 'Tier 2 capital' (€168.72 million) which cannot exceed the amount of Tier 1 capital, less any shareholdings, innovative or hybrid capital instruments and subordinated assets held in other banks, financial and insurance companies.

1. Tier 1 capital

Tier 1 capital includes paid-up share capital (€452.67 million), reserves (€134.13 million) and net profit for the period (€25.23 million) after dividends distributed to companies that are not part of the banking group. All Tier 1 capital components include the share of minority interests. Intangible assets (€12.98 million) and goodwill (€205.71 million) are deducted from capital components.
At December 31, 2009, no Tier 1 prudential filter was applied.

2. Tier 2 capital

Tier 2 capital includes positive valuation reserves on equities and holdings in UCITS (€0.88 million) and debt securities (€0.54 million) classified as 'available-for-sale financial assets'. It also includes subordinated liabilities (€168 million). Tier 2 negative prudential filters are equal to 50% (not computable) of the positive valuation reserves (after tax) relating to equities and holdings in UCITS (€0.44 million) and debt securities (€0.27 million) classified as 'available-for-sale financial assets'.

3. Tier 3 Capital

At December 31, 2009, Mediolanum Banking Group's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2009	Dec. 31, 2008
A. Tier 1 before solvency filters	393,344	342,363
B. Tier 1 solvency filters	-	(26,614)
B.1 Positive IAS/IFRS solvency filters (+)	-	-
B.2 Negative IAS/IFRS solvency filters (-)	-	(26,614)
C. Tier 1 after solvency filters (A+B)	393,344	315,749
D. Deductions from tier 1	-	-
E. Total TIER 1 (C–D)	393,344	315,749
F. Tier 2 before solvency filters	169,429	-
G. Tier 2 solvency filters	(711)	-
G.1 Positive IAS/IFRS solvency filters (+)	-	-
G.2 Negative IAS/IFRS solvency filters (-)	(711)	-
H. Tier 2 after solvency filters (F+G)	168,718	-
I. Deductions from Tier 2	-	-
L. Total TIER 2 (H–I)	168,718	-
M. Deductions from tier 1 and tier 2	-	-
N. Total capital (E+L–M)	562,062	315,749
O. TIER 3	-	-
P. Total capital + TIER 3 (N+O)	562,062	315,749

2.3 Capital adequacy

A. Qualitative Information

Capital adequacy assessment is aimed at identifying the amount of free capital, i.e. the portion of capital that is not absorbed by credit risk (solvency ratio), market risk (trading book risk, currency risk and concentration risk) and operational risk.

At December 31, 2009, Mediolanum Banking Group's free capital amounted to €252.58 million. Tier 1 capital ratio (core capital/RWA) was 10.17% and total capital ratio (regulatory capital/RWA) was 14.53%, above the minimum requirement of 8%.

B. Quantitative information

	Not weighted		Weighted/requirements	
€/'000	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
A. Risk assets				
A.1 Credit risk & counterparty risk	8,114,913	10,023,446	2,645,716	2,423,958
1. Standardised approach	8,114,913	10,023,446	2,645,716	2,423,958
2. Internal ratings based approach	-	-	-	-
2.1 Foundation IRB approach	-	-	-	-
2.2 Advanced IRB approach	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk & counterparty risk	-	-	211,657	193,917
B.2 Market risk	-	-	34,829	27,606
1. Standardised approach	-	-	34,829	27,606
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	65,295	61,576
1. Foundation approach	-	-	3,582	3,675
2. Standardised approach	-	-	61,713	57,901
3. Advanced approach	-	-	-	-
B.4 Other prudential requirements	-	-	-	-
B.5 Other computational elements *	-	-	(2,303)	(2,348)
B.6 Total prudential requirements	-	-	309,478	280,751
C. RWA & capital ratios				
C.1 Risk weighted assets (RWA)			3,868,479	3,509,383
C.2 Tier 1 (core) capital/RWA (Tier 1 capital ratio)			10.17%	9.00%
C.3 Regulatory capital including TIER 3/RWA (Total capital ratio)			14.53%	9.00%

(*) B.5 shows the adjustment to regulatory requirements for intercompany transactions. RWA are determined by multiplying total prudential requirements (B.6) by 12.5 (reciprocal of the min. coefficient equal to 8%).

PART G – BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2009 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	2,346	1,546
Other pension benefits and insurance	-	34
Non-cash benefits	141	17
Other post-employment benefits	-	-
Share-based awards (stock options)	157	16

2. Information on related party transactions

Balance Sheet

€/'000	Parent Company	Other related parties
Loans to customers	-	65,964
Due to banks	-	5,402
Due to customers	10,034	1,277,405
Due to third parties	700	1,062
Other assets	403	20,466
Guarantees issued	-	83

Income Statement

€/'000	Parent Company	Other related parties
Commission income/expenses	1	83,237
Interest income/expenses	(2,008)	(5,623)
Key personnel	-	(714)
Other income	1,113	5,876
Administrative expenses	(2,178)	(30,032)
Services provided and other costs	-	3,637

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 resolved 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 "Relevant Period") be not lower than the arithmetic mean of the changes recorded in the Relevant Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the "Indices"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Relevant Period; the adjusted mean change in the Indices would be calculated by an independent third party appointed for that purpose by the Board of Directors of the Company; or

(iii) that the Embedded Value of the Mediolanum Group, as calculated by an independent third-party appointed for that purpose by the Board of Directors of the Company and reported in the last financial statements approved prior to the Vesting Date, be at least equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.

The exercise of the Options – subject to the satisfaction of Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers were allowed only upon the expiration of two years for Directors and of three years for Contract Workers from the Grant Date (Vesting Period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the sixty calendar months subsequent to the Vesting Date.

At the Extraordinary General Meeting of Mediolanum S.p.A. held on April 23, 2009, the shareholders resolved to extend assessment of the satisfaction of vesting conditions over the entire exercise period i.e. the period spanning from the Vesting Date to 60 months thereafter. The shareholders also resolved to revoke the authority to increase share capital for a consideration through the issue of shares to be allotted to the employees and directors of the Company and its subsidiaries, conferred upon the Board of Directors by the shareholders at the General Meetings of April 26, 2005 and April 19, 2007, and partly executed, and to amend article 6 of the Bylaws accordingly.

As to the Director Stock Option Plan, at its Meeting of May 13, 2009, the Board of Directors of Mediolanum S.p.A. approved the reduction of the vesting period from 36 to 24 months and the extension of the exercise period from 12 to 60 months.

At the same meeting, the Board of Directors of Mediolanum S.p.A. also resolved to increase share capital for a consideration by €60,613.50 by issuing shares to be subscribed by the contract workers of the Company and its subsidiaries in the first five business days of each of the 60 calendar months subsequent to the expiration of three years from May 13, 2009 and to amend article 6 of the Bylaws accordingly.

Finally, at its May 13, 2009 meeting, the Board of Directors of Mediolanum S.p.A. resolved to effect the share capital increases under article 2443 of the Italian Civil Code to serve the Contract Worker Stock Option Plan and allot 606,135 rights to the contract workers of the company and its subsidiaries. The rights are exercisable from the 1st trading day of May 2012 and not later that the 5th trading day of May, 2017 at a price of €1.022.

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 2009, 567,470 stock options granted in 2006-2007 were exercised for a total of 567,470 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.

	Total Dec. 31, 2009			Total Dec. 31, 2008		
€/'000	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
A. Opening balance	5,500,286	3.19533	Aug-13	4,007,454	3.80333	Nov-2012
B. Increases	695,885	-	-	1,829,172	-	-
B.1 New issues	606,135	1.02200	May-17	1,685,612	0.82679	Jan-15
B.2 Other	89,750	5.96754	x	143,560	1	x
C. Decreases	(1,298,386)	-	-	(336,340)	-	-
C.1 Cancelled	(87,000)	5.61968	x	(126,500)	5.53945	x
C.2 Exercised (*)	(599,770)	1.23328	x	(158,780)	1.17892	x
C.3 Lapsed	(448,316)	5.07328	x	(6,060)	0.53900	x
C.4 Other	(163,300)	1.17279	x	45,000	5	x
D. Closing balance	4,897,785	3.05851	Feb-15	5,500,286	3.19533	Aug-13
E. Options exercisable at year end	1,143,477	5.38157	x	1,540,963	5.44849	x

(*) Average market price per share on the exercise date was €3.66

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 €2,629.5 thousand and entailed a corresponding increase in equity reserves (Dec. 31, 2008: €2,319 thousand).

PART L - SEGMENTAL INFORMATION

This section presents consolidated financial data reported by operating segment. In compliance with IFRS 8, segment reporting reflects the management reporting approach of the Mediolanum Banking Group, and is consistent with the information disclosed to the market and to the various stakeholders.
Segment reporting of consolidated financial data for the period enables readers and users to assess the quality and sustainability over time of the financial results generated by the Mediolanum Banking Group in its different operating segments.

Note on the method applied to segment reporting

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

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

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

Basiglio, March 23, 2010

For the Board of Directors
The Chief Executive Officer and General Manager
Massimo Antonio Doris

CONSOLIDATED INCOME STATEMENT & BALANCE SHEET BY OPERATING SEGMENT AT DEC. 31, 2009

	ITALY		
€/'000	Banking	Asset Man.	Total
Life revenues ex-commission			
Entry fees	-	79,885	79,885
Management fees	-	222,781	222,781
Performance fees	-	151,609	151,609
Banking service fees	59,134	(4)	59,130
Other fees	1,599	139,005	140,604
Total commission income	60,733	593,276	654,009
Net interest income	139,357	1,161	140,518
Interest income and similar income	240,368	743	241,111
Interest expense and similar charges	(101,011)	418	(100,593)
Net income on investments at fair value	24,825	19	24,844
Net financial income	164,182	1,180	165,362
Equity method			
Income from other investments	(27,110)	(328)	(27,438)
Other revenues	7,085	6,107	13,192
TOTAL REVENUES	204,889	600,236	805,125
Acquisition costs & other commission expenses	(43,412)	(304,624)	(348,036)
G&A expenses	(133,086)	(132,984)	(266,070)
Amortisation and depreciation	(10,494)	(5,013)	(15,507)
Provisions for risks and charges	(771)	(5,946)	(6,717)
TOTAL COSTS	(187,762)	(448,568)	(636,330)
PROFIT/ (LOSS) BY SEGMENT before tax	17,127	151,668	168,795
Income Tax	-	-	-
Minority interests	-	-	-
NET PROFIT / (LOSS)	-	-	-
Goodwill	-	53,073	53,073
Held to maturity investments, loans & receivables	2,084,717	-	2,084,717
Available for sale securities	825,802	20,618	846,420
Financial assets/liabilities at fair value throuch profit and loss	583,486	-	583,486
Treasury (funding) lending	309,485	(54,653)	254,832
- of which intercompany	*17,543*	*38,704*	*56,247*
Loans to customers	3,051,038	-	3,051,038
Bank funding	6,055,214	-	6,055,214
- of which intercompany	*38,329*	-	*38,329*

ABROAD			
Spain	Germany	Consolidation adjustments	Total
2,355	1,403		83,643
8,985	3,626	(219)	235,392
2,778	479	-	154,866
5,243	26,407	(5)	90,780
8,999	252	-	149,855
28,360	32,167	(224)	714,536
7,070	614	-	148,202
12,082	985	(1,380)	254,178
(5,012)	(371)	1,380	(105,976)
25	52	-	24,921
7,095	666	-	173,123
545	(315)	-	(27,208)
806	504	(78)	14,502
36,806	33,022	(302)	874,953
(14,742)	(25,664)	224	(388,442)
(27,727)	(12,676)	78	(306,473)
(1,458)	(1,152)	-	(18,117)
(503)	-	-	(7,220)
(44,430)	(39,492)	302	(720,252)
(7,624)	(6,470)	-	154,701
-	-	-	(13,126)
-	-	-	98,789
-	-	-	42,786
140,980	11,661	-	205,714
-	9,008		2,093,725
193,148	-	-	1,039,568
383	-	-	583,869
(91,556)	(42,583)	-	120,693
(11,813)	*(5,730)*	-	*38,704*
130,155	4,537	-	3,185,730
332,997	16,995	-	6,405,206
248	-	-	38,577

CONSOLIDATED INCOME STATEMENT & BALANCE SHEET BY OPERATING SEGMENT AT DEC. 31, 2009

	ITALY		
€/'000	Banking	Asset Man.	Total
Life revenues ex-commission			
Entry fees	-	52,798	52,798
Management fees	-	225,005	225,005
Performance fees	-	49,457	49,457
Banking service fees	51,374	(2)	51,372
Other fees	23	153,931	153,954
Total commission income	51,397	481,189	532,586
Net interest income	132,915	3,885	136,800
Interest income and similar income	333,548	2,991	336,539
Interest expense and similar charges	(200,633)	894	(199,739)
Net income on investments at fair value	5,439	(35)	5,404
Net financial income	138,354	3,850	142,204
Equity method			
Net realised gains on other investments	3,561	602	4,163
Net impairment of loans	(8,791)	(46)	(8,837)
Net impairment of other investments	-	(26)	(26)
Income from other investments	(5,230)	530	(4,700)
Other revenues	4,150	10,110	14,260
TOTAL REVENUES	188,670	495,680	684,350
Acquisition costs & other commission expenses	(40,831)	(256,452)	(297,283)
G&A expenses	(116,467)	(132,925)	(249,392)
Amortisation and depreciation	(8,257)	(5,773)	(14,030)
Provisions for risks and charges	(1,178)	(9,375)	(10,553)
TOTAL COSTS	(166,733)	(404,525)	(571,258)
PROFIT/ (LOSS) BY SEGMENT before tax	21,937	91,155	113,092
Income Tax	-	-	-
Minority interests	-	-	-
NET PROFIT / (LOSS)	-	-	-
Goodwill	-	53,073	53,073
Held to maturity investments, loans & receivables	1,204,032	-	1,204,032
Available for sale securities	861,932	6,174	868,106
Financial assets/liabilities at fair value throuch profit and loss	558,914	-	558,914
Treasury (funding) lending	(43,000)	(47,184)	(90,184)
- of which intercompany	*(78,522)*	*40,453*	*(38,069)*
Loans to customers	3,169,425	-	3,169,425
Bank funding	5,724,357	-	5,724,357
- of which intercompany	*40,298*	-	*40,298*

	ABROAD			
	Spain	Germany	Consolidation adjustments	Total
	3,063	1,225	-	57,086
	9,751	4,043	(137)	238,799
	778	137	-	50,372
	6,350	18,749	(6)	76,471
	8,129	492	-	162,575
	28,071	24,646	(143)	585,303
	10,612	2,646	1	150,058
	22,687	4,212	(6,563)	363,438
	(12,075)	(1,566)	6,564	(213,380)
	(8)	(45)	-	5,351
	10,604	2,601	1	155,409
	252	-	-	4,415
	626	-	-	(8,211)
	(916)	-	-	(942)
	(38)	-	-	(4,738)
	1,274	755	(64)	16,289
	39,911	28,002	(206)	752,263
	(13,041)	(20,585)	-	(330,909)
	(32,088)	(11,530)	-	(293,010)
	(1,346)	(794)	-	(16,170)
	(159)	(153)	-	(10,865)
	(46,634)	(33,062)	-	(650,954)
	(6,723)	(5,060)	-	101,309
	-	-	-	(12,848)
	-	-	-	62,042
	-	-	-	26,419
	140,980	11,661	-	205,714
	-	-	-	1,204,032
	126,607	9,190	-	1,003,903
	410	-	-	559,324
	(159,844)	(63,588)	-	(313,616)
	48,526	*30,007*	-	*40,464*
	147,667	8,324	-	3,325,416
	350,871	32,413	-	6,107,641
	110	-	-	40,408

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, 2009

Dear Shareholder,

In addition to the separate financial statements for the year ended December 31, 2009, also the consolidated financial statements of the Mediolanum Banking Group for the year ended December 31, 2009 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 consolidated 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, as amended on November 18, 2009, pursuant to Legislative Decree No. 38 of February 28, 2005.

The consolidated financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders’ Equity, the Statement of Cash Flows, the Explanatory Notes in addition to the Directors’ Report.

The consolidated financial statements show net profit attributable to the Banking Group of €42,786 thousand and net profit attributable to minority interests of €98,789 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, 2009. Upon completion of their audit work, on the basis of the information obtained during meetings and talks, the independent auditors will issue their independent auditors' report without any remarks (unqualified opinion).
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 1, 2010

The Board of Statutory Auditors
(Arnaldo Mauri, Chairman)
(Adriano Alberto Angeli, Standing Auditor)
(Marco Giuliani, Standing Auditor)

Independent Auditors' Report

ERNST & YOUNG

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Independent auditors' report
pursuant to Article 156 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, 2009, comprising the balance sheet, the statements of income, comprehensive 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 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 management. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, management has restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated April 3, 2009. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of our opinion as of and for the year ended December 31, 2009.

3. In our opinion, the consolidated financial statements of the Banca Mediolanum Group at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Mediolanum Group for the year then ended.

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 law. For this purpose, we have performed the procedures required under Auditing Standard 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 Banca Mediolanum Group as of December 31, 2009.

Milan, April 2, 2010

Reconta Ernst & Young S.p.A.
signed by: Stefano Cattaneo, partner

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