MEDIOLANUM S.p.A.

2007 Annual Report

MEDIOLANUM
MEDIOLANUM 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.

MEDIOLANUM S.p.A.

2007 Annual Report

Registered Office: Basiglio – Milano 3 - Via F. Sforza – Meucci Building
Capital Stock € 72,947,592.90 fully paid in
Tax Code, VAT No. and Reg. No. in the Milan Trade and Companies
Reg. 11667420159

Financial highlights

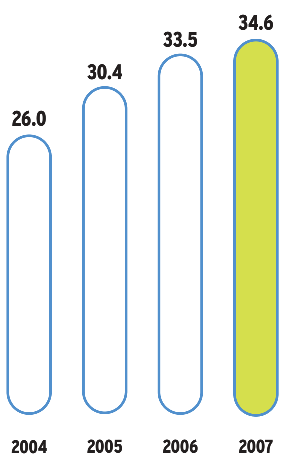
€/m	2007	2006	Change
Assets under management and administration	34,598	33,275	+4%
Profit before performance fees and tax (°)	213	202	+6%
Performance fees (°)	62	83	-26%
Profit before tax	275	285	-3%
Income tax	(63)	(61)	+3%
Net profit	212	224	-5%
Embedded Value (*)	3,164	3,122	+1%
€			
Earnings per share	0.291	0.307	-5%
Embedded Value per share (§)	4.339	4.288	+1%

(°) Figure referred to the reclassified income statement as set out in the section "Segment Reporting".

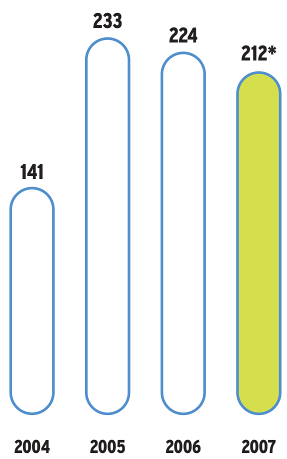
(*) Figure referred to Embedded Value as set out in the section "European Embedded Value".

(§) Embedded value attributable to holders of ordinary shares divided by the weighted average number of ordinary shares in issue.

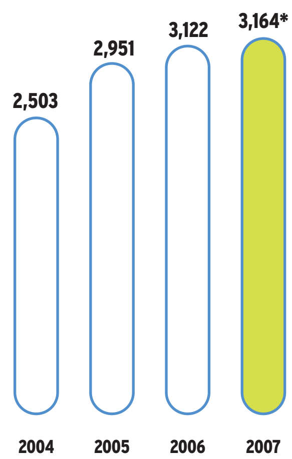
Assets under management
€/bn



Net profit
€/m
* IAS/IFRS 4 applied

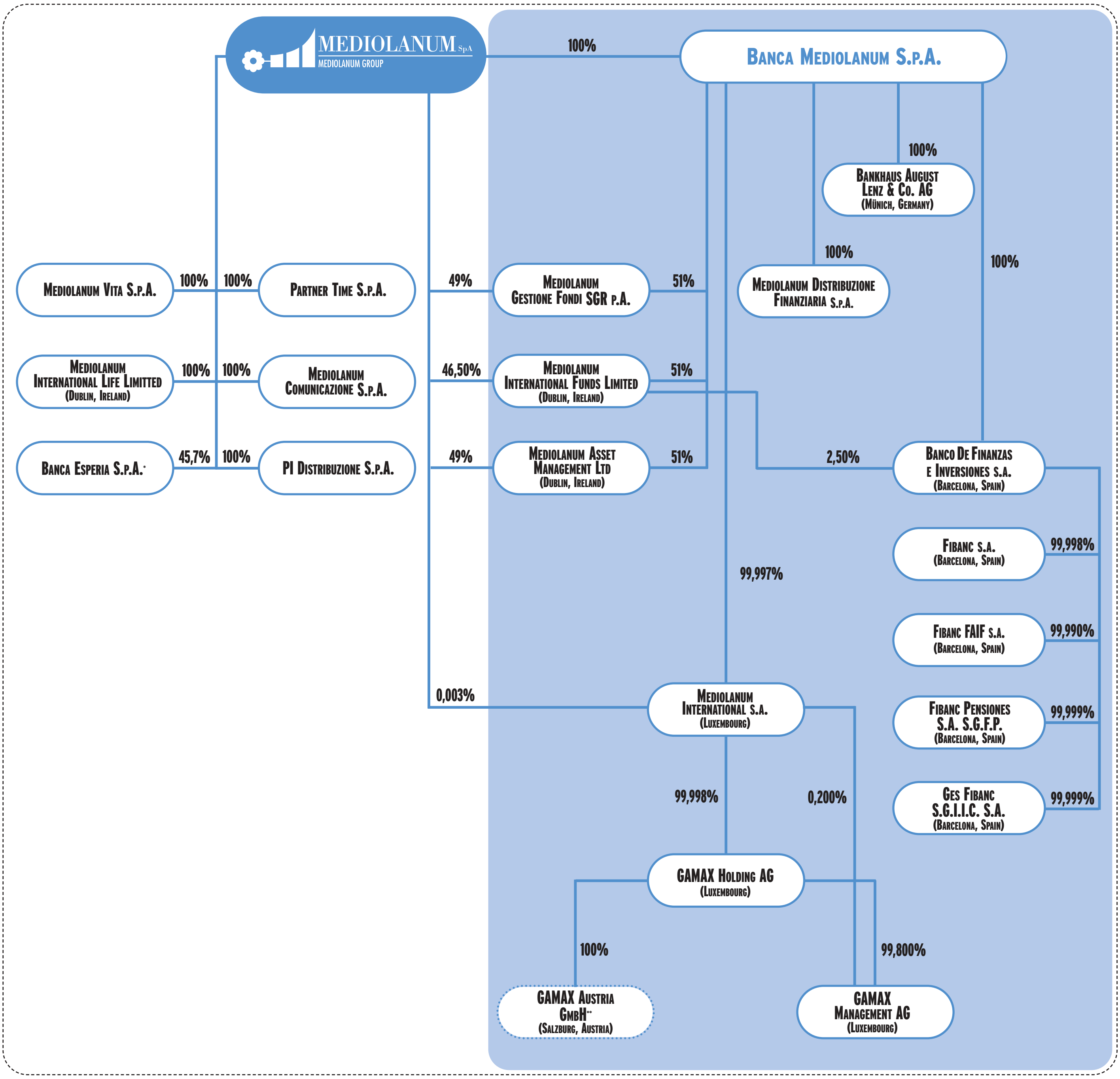


Embedded Value
€/m
* European Embedded Value



Group structure

As of December 31, 2007



- THE MEDIOLANUM FINANCIAL CONGLOMERATE
- THE MEDIOLANUM BANKING GROUP

* Shareholding is to be increased by 2,80% in connection with Banca Esperia Stock Options, under an irrevocable commitment to buy.

** Sharehold sold to third parties effective from December 12, 2007 subject to a condition precedent which materialised on February 11, 2008.

Corporate Governance Officers

Board of director's

Roberto Ruozi	Chairman of the Board
Alfredo Messina	Deputy Chairman of the Board
Edoardo Lombardi	Executive Deputy Chairman
Ennio Doris	Chief Executive Officer
Marina Berlusconi	Director
Luigi Berlusconi	Director
Pasquale Cannatelli	Director
Maurizio Carfagna	Director
Massimo Antonio Doris	Director
Bruno Ermolli	Director
Mario Molteni	Director
Angelo Renoldi	Director
Paolo Sciumè	Director
Antonio Zunino	Director

Board of statutory auditors

Arnaldo Mauri	Chairman
Francesco Antonio Giampaolo	Standing Auditor
Francesco Vittadini	Standing Auditor
Ferdinando Gatti	Alternate Auditor

Board secretary

Luca Maria Rovere

Independent auditors

Reconta Ernst & Young S.p.A.

Officer responsible for preparing accounting and financial reporting documents

Luigi Del Fabbro

MEDIOLANUM S.p.A.

Consolidated Annual Financial Statements 2007

Directors' Report

Dear Shareholder,

For financial year 2007 the Mediolanum Group reported net profit of €212.2 million after income tax of €63,319 thousand versus net profit of €223.7 million (down 5%) after income tax of €61,460 thousand in the prior year.

The financial market downturn, especially in the final part of the year, was the leading cause of the decline in performance fees from €83.1 million in 2006 to €61.7 million at year end 2007, which had an adverse impact on results of operations for the year.

Excluding the impact of this revenue item, consolidated net profit grew 6.1% from €202 million in 2006 to €215 million at the end of the year under review, in spite of the effects of the introduction of the new supplementary pension legislation which entailed a decline in loadings applied to recurring-premium policies.

At December 31, 2007, assets under management and administration amounted to €34,597.9 million, growing 4% from €33,275.3 million at December 31, 2006.

The Macroeconomic Environment

In 2007 the global economy grew less than in 2006. The International Monetary Fund's global economy report indicates that global GDP growth was 4.9% versus 5.1% in 2006. Again, in 2007, growth was diverse across regions. Emerging economies, especially India and China, continued to grow at a tremendous pace as in previous years, while North America and Europe reported more modest growth rates, i.e., 2.2% and 2.6%, respectively.
Global demand drove up commodities prices as well as oil prices, which surpassed $95 per barrel.
In the first part of the year, Central Banks focused primarily on inflation to keep in check any inflationary pressures arising from the good performance of the labour market and soaring commodities and oil prices. In the first half of the year, the European Central Bank (ECB) progressively raised interest rates from 3.5% in December 2006 to 4% in June 2007. The Bank of Japan also raised target rates from 0.25% to 0.5%.

In the final months of the year, the macroeconomic scenario deteriorated, not only due to the weakness of the housing market and the slowdown of the US economy, but also as a result of the subprime mortgage crisis. Fears of a possible financial crisis propagated to all classes of debt instruments and caused an across-the-board price decline while spreads widened as a consequence of the insolvency risk re-pricing. Government securities were the sole exception to these corrections.
This led to progressive increases in interbank rates and lack of liquidity. To avert a possible systemic crisis, Central Banks stepped in by pumping liquidity into the market and easing monetary policies. Specifically, the US Federal Reserve lowered Fed Funds rates from 5.25% in September 2007 to 4.25% in December 2007, while the ECB

reversed previous expectations and kept interest rates unchanged in consideration of the renewed inflation risk. In the US, the CPI stood at 2.8% down from 3.2% in the prior year. In the Eurozone, inflation averaged 2.2%, above the ECB target rate. In Italy inflation was close to 2%. Analysts estimate that the growing demand for raw materials from emerging economies will bring about generalised price increases in the near future.
In the first three quarters of 2007, Italy's growth was close to 2%, confirming the positive trend of the prior year and marking a definitive end to the 2002-2005 stagnation. Recovery contributed to bring the unemployment rate down to about 6% from 6.8% in 2006 and 7.7% in 2005, below the unemployment rates recorded in other Eurozone countries. In 2007, public revenues increased with subsequent improvement of public finances. ISTAT announced that in 2007 the public deficit/GDP ratio declined to 1.9% from 3.4% in the prior year.

Turning to currencies, in 2007, the Euro strengthened against the US dollar, appreciating by more than 9% to 1.4590 in December. The Euro strengthened also against the Yen, hitting a new all-time record at 168.80 Yens per Euro.

In 2007 the world's equity markets grew only marginally. Specifically, the NYSE S&P 500 was up 3.53%, the Nikkei 225 was down 11.13% and Europe's Dow Jones Stoxx 600 was down 0.17%. The analysis of market performance in local currencies shows that Hong Kong was the best performer, followed by Singapore and Australia. Emerging markets were buoyant as their average growth was above 30%. In Italy, the Mibtel index was down 7.81% (up 19.10% in 2006 and up 13.78% in 2005). Also the S&P/Mib was down 6.95% (up 16.05% in 2006 and up 15.8% in 2005).
The performance of stock markets can be divided into two separate phases. From January to July, markets were sustained by the good performance of the global economy and rose steadily. In the second half of the year, the US subprime mortgage crisis became the primary concern for investors who displayed greater risk aversion. Widening spreads on corporate bonds, stock markets turning south and tensions on the interbank lending market brought about greater market volatility.
The banking sector was the most hit by the financial crisis. The dramatic decline in the main confidence indices following the housing market and financial crises, not only in the US but also in the UK and Spain, led to progressively lower spending. Finance, banking and retail were the sectors that suffered the most.
The best performers were commodities, which benefited from higher metal prices; energy, largely driven by oil; software, utilities, food and tobacco.

Issues of corporate bonds were adversely impacted by widening spreads regardless of rating and sector. Issues in the banking sector were the most hit by the subprime mortgage crisis, again regardless of rating, which in many cases was high.

In 2007 the yields of 2-year and 10-year T-notes increased to 3.96% and 4.33% in the Eurozone and to 3.05% and 4.02% in the US, respectively.

Redemptions of holdings in Italian and foreign mutual funds and open-end investment vehicles (sicavs) totalled €52.4 billion. Also as a result of these outflows, NAV declined 5.8% from €656 billion at year end 2006 to €618 billion at year end 2007.
The asset allocation analysis shows that the share of equity (25.5%) and balanced funds (5.8%) remained stable over the prior year, while the share of bond funds declined by over 4 percentage points to 35.4%. Conversely, the

share of Flexible Funds (11.5%) and Hedge Funds (5.9%) grew. The negative trend started in 2004 for cash funds reversed and inflows into those funds totalled €7.9 billion in 2007. Foreign funds closed the year with positive results (+438 million euro).

In 2007, Italy's private-sector financial business further grew 2.3% to €2,712 billion.

Bank deposits (+3.2%), bank bonds (+12.3%), pension products (insurance products up 8% and pension funds up 2.6%) recorded an above-average growth rate. Reverse repurchase agreements with customers also grew (+12.6%). Trading on foreign markets remained unchanged, while postal deposits and mutual fund holdings declined 10.5%.

At year end 2007, total securities in custody (managed accounts and securities held directly by customers) amounted to €1,721.6 billion, only slightly up over the prior year. At year end 2007, assets under management by banks accounted for 8% of total assets under management and administration (versus 9.1% in the prior year), down 12% over the prior year.

The insurance market

In 2007, life new business written by Italian and non-EU companies relating to individual policies amounted to €41.7 billion versus €48.8 billion in 2006. The 14.6% decline recorded in 2007 and the 8.2% decline in 2006 came after years of strong growth in this market segment. New business written by EU companies conducting business in Italy increased from €6 billion in 2006 to over €9 billion in 2007. If we were to include these companies, the decline in life new business written in Italy would be 6.9% in 2007 and 7.8% in 2006.

Considering only Italian and non-EU companies, sales of traditional products declined. Specifically, sales of class I products (life policies) were down 26%, while premiums relating to class V policies were down by over 50%.

In 2007, new class V business written (Investment Plans) amounted to €2 billion and accounted for 10% of traditional policies versus over 30% in 2005.

New class III business written (life policies under which the investment risk is borne by the policyholder) increased 5% to €24.7 billion. The fastest growth was recorded by new unit-linked policies (up 5.9%), though in absolute terms they grew less than index-linked policies (unit-linked: €10.9 billion; index-linked €13.8 billion).

Although their weight out of total new business written is still contained, premiums/contributions to pension products doubled in 2007 compared to the prior year. Non-occupational pension funds recorded the strongest growth with premiums/contributions increasing from €20 million in 2005 to €185 million in 2007.

In 2007, the life insurance market experienced a general decline in new business written. Among insurers, the median decline was 14.4%, close to the market average (-14.6%). Specifically, class V performed most evenly, while performance of other classes varied. According to ANIA's (Association of Italian Insurers) estimates the negative performance of new business written, which accounts for the majority of inflows into the market, coupled with increased redemptions and policies that were not renewed upon maturity would lead to net outflows from the market.

The banking market

At year end 2007, inflows of customer assets (savings accounts, current accounts, certificates of deposit and bonds) amounted to €1,270.5 billion growing 6.7% versus 8.1% at year end 2006. In the year, the stock of funding increased about €80 billion. At December 2007, bank bonds grew considerably, up 12.3%, while savings accounts were up 2.6%. Current accounts remained steady, while short, medium and long-term certificates of deposit displayed a notable decline.

In the year under review, bank loans were steady, confirming the high levels reached in 2006, which is evidence of

the vigorous support provided by banks to businesses and families. At year end 2007, total loans extended by banks in Italy amounted to €1,455 billion up 10.2% versus 11.2% at year end 2006. In nominal terms, new loans extended in Italy grew about €133 billion compared to year end 2006.
Lending to households grew 7.8% versus 9.8% in the prior year. Consumer credit was less buoyant as growth in this segment was 5.6% versus 12.2% at year end 2006. Growth in the home loan segment slowed down from 12.5% to 8.7% at the end of 2007.
Main risk indicators showed further improvement of credit quality: the net non-performing loans to total loans ratio was 1.2% versus 1.35% at year end 2006.
The securities portfolio of banks increased 3.6% to €182 billion.

In 2007, in line with the ECB monetary policy, interest rates increased in the financial and credit markets. Interest applied to Euro-denominated customer deposits, bonds, repurchase agreements held by households and non-financial companies was 2.93% in December 2007 versus 2.24% in December 2006. In 2007, also interest paid on Euro-denominated bank accounts of households and non-financial companies increased from 6.34% in December 2006 to 7.14% in December 2007. Interest applied to Euro-denominated mortgage loans extended to households increased from 4.87% in December 2006 to 5.72% in December 2007.

Mediolanum Group's performance

For a better understanding of the Group's performance, the analysis is organised by business segment and distribution market.

Life Insurance

Mediolanum confirmed once again its ability to offer innovative retirement products and services. Specifically, in 2007, Mediolanum launched the new pension plan "*Tax Benefit New*" for which 103,200 sign-up applications were received. At December 31, 2007 part of those applications had turned into over 70,000 policies and generated premiums of €101.2 million. Thanks to this significant result, the Mediolanum Group took a leading position in the Italian market of Individual Pension Plans.
Tax Benefit New features lower upfront loadings vis-à-vis greater annual management fees. This has an adverse impact on the income statement in the first year of life of this new product. However, in the following years, the lower up-front loadings applied to new business will be offset by greater management fees on in-force business.

Turning to the analysis of insurance companies within the Group, for financial year 2007 **Mediolanum Vita S.p.A.** reported premiums written of €2,030.8 million versus €1,973.1 million in 2006. The €57.7 million increase (+3%) was largely in connection with the greater recurring premiums written in the year and the recurring premiums earned on in-force business.
New business written benefited from the introduction of the new product *Tax Benefit New* and remained in line with the 2006 figure (+0.7%). Instead, in-force business premiums grew 5% (up €57.5 million) compared to the prior year.
At December 31, 2007 mathematical reserves and financial liabilities to policyholders amounted to €11,663.4 million (versus €11,783.4 million in 2006) and consisted of €11,606.7 million relating to individual policies (versus €11,728 million in 2006) and €56.7 million to group policies (versus €55.4 million in 2006).
At year end, gross annual return on MEDINVEST segregated funds was 4.08% versus 4.03% in the prior year.

For financial year 2007, Mediolanum Vita reported net profit of €50.8 million growing 23% from €41.4 million in the prior year.

For financial year 2007, **Mediolanum International Life Ltd** reported premiums written of €1,514.2 million growing €119.1 million (+9%) from €1,395.1 million in the prior year.
Premiums written in foreign markets (Spain and Germany) amounted to €156.5 million versus €153.6 million in the prior year.
At December 31, 2007, mathematical reserves and financial liabilities to policyholders amounted to €3,408.4 million versus €2,473.5 million in 2006.
For financial year 2007, Mediolanum International Life Ltd reported net profit of €32.7 million versus €34.1 million in the prior year.

Net profit (loss) of life insurance subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mediolanum Vita S.p.A.	50,840	41,352
Partner Time S.p.A.	(1,138)	(189)
Mediolanum International Life Ltd.	32,690	34,106

Asset Management

At year end 2007, mutual funds and managed assets recorded net outflows of €559.6 million versus net outflows of €169.6 million in the prior year.
It should be noted that in 2006 asset management had benefited from inflows of €220.3 million into the newly formed Mediolanum Real Estate fund, while in 2007 was impacted by the outflows of customer assets from '*Chorus*' (managed accounts investing in mutual funds) in the first part of the year, which were partly re-invested into other asset management products, especially '*Portfolio*', the Irish Fund of Funds.
Gross inflows amounted to €3,103.1 million (vs. €2,569.0 million at December 31, 2006), of which €623 million relating to assets switched from '*Chorus*' to '*Portfolio*'.

Turning to the analysis of asset management companies within the Group, **Mediolanum Gestione Fondi SGR p.A.** reported net outflows of €170.8 million versus net inflows of €99.9 million in 2006, when it had benefited from €220.3 million inflows into the newly formed Mediolanum Real Estate fund.
At December 31, 2007, total assets under management invested in the 23 open-end mutual funds and the non occupational pension fund amounted to €1,904.6 million, down 12.7% from €2,183 million at the end of the prior year, while assets invested in the 2 real estate funds, *Property* and *Real Estate*, grew significantly to €361.9 million from €313.5 million at year end 2006.
Assets managed on mandates from fellow subsidiaries amounted to €12,302.5 million (vs. €13,514.5 million at December 31, 2006), while assets managed by fellow subsidiaries on behalf of Mediolanum Gestione Fondi SGR p.A amounted to €139 million (vs. €167 million at December 31, 2006).
For financial year 2007, the company reported net profit of €7.9 million versus €10.4 million at December 31, 2006. The decline in net profit is largely due to lower performance fees earned in the year (down €3.1 million).

Through third-party specialist companies, **Mediolanum International Funds Ltd** manages three fund families (*Top Managers*, *Challenge* and *Portfolio*) for a total of 58 specialist funds in all sectors, markets and asset classes.
At year end, total assets amounted to €14,050 million versus €13,337 million at December 31, 2006. Mediolanum International Funds products are distributed in Italy, Spain and Germany.
In 2007, the company reported net inflows of €585.1 million versus net inflows of €716.2 million at December 31, 2006.
For financial year 2007, the company reported net profit of €141.3 million versus €147.8 million at December 31, 2006. The decline in net profit is largely due to lower performance fees earned in the year (down €18.5 million).
On October 25, 2007, the company resolved to distribute a 2007 interim dividend for a total amount of €103 million.

Mediolanum Asset Management Ltd largely manages assets on behalf of the Irish fellow subsidiary Mediolanum International Funds Ltd either directly or providing ancillary services, such as monitoring fund performance and underlying risks.
For financial year 2007, the company reported net profit of €12.4 million versus €10.2 million at December 31, 2006.
On October 25, 2007, the company resolved to distribute a 2007 interim dividend for a total amount of €7.5 million.

Net profit (loss) of asset management subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mediolanum International Funds Ltd	141,294	147,837
Mediolanum Gestione Fondi SGR p.A.	7,874	10,402
Mediolanum Asset Management Ltd	12,404	10,170

Distribution Markets

Domestic Market

During 2007 *Conto Riflex* (Riflex Account) continued to sell well. *Conto Riflex* includes also a credit card (*Riflexcard*) and an account dedicated to one-man companies and other self-employed individuals (*Riflex Professional*).
At December 31, 2007, the number of bank accounts grew 14.5% to 533,679 from 466,006 at year end 2006, the number of credit cards increased to 152,601 from 138,337 at December 31, 2006, and the number of debit cards to 375,321 from 304,561 at the end of the prior year.
At year end 2007, the total number of customers – either bank account holders or investors in Banca Mediolanum financial/insurance products – grew to 1,061,000 from 995,300 at year end 2006. 894,000 of these customers were primary account holders.
At year end 2007, the 754,530 bank account holders accounted for 71% of total customers, a percentage which confirms customer satisfaction with the quality, breadth and depth of the banking product offering.

Again in 2007, the use of Direct Channels grew, hitting about 21 million accesses. Over 70% of these accesses were made by bank account holders (+25%). Customers increasingly prefer to make transactions on their own, in fact 86% of accesses were made through the Bank's automatic systems: the Internet and the automatic VRU answering system.

In May 2007, an additional bank access channel was introduced: the B.Med Mobile service that allows customers to have all the information regarding their bank account, credit cards, funds and securities at their fingertips at any time. They can also put credit on telephone and prepaid cards as well as execute wire transfers using their mobile phone.
As to the Banking Services Center, phone calls were up 23%. It should be noted that, in spite of the broader services and the greater complexity of customer inquires, over 97% of phone calls were answered in 20 seconds and customers were kept on hold less than 2 seconds on average.
As to the Internet, further steps were taken to strengthen security and inform customers on related measures. The Internet was also one of the channels used to turn the spotlight on certain key events in the financial markets and the economy in general.
These included: the campaign on the pension reform and the choice regarding the destination of employee completion-of-service fund; Open days held at Punto Mediolanum on holidays, events created ad hoc to present to customers and prospects updates and opportunities regarding the pension reform; Mediolanum Market Forum, a meeting held at Palazzo Mezzanotte (the Headquarters of the Italian Stock Exchange in Milan) and broadcast live over the Internet and the corporate television, at which renowned economists and opinion leaders spoke about the different cycles in the world economy.

Sales network

The sales network continued to progress especially qualitatively. At year end 2007, licensed financial advisors (Family Bankers) grew to 5,040 people from 4,011 at December 31, 2006, while non-licensed advisors stood at 1,342 versus 2,089 at year end 2006. 1,148 non-licensed advisors work also as financial agents for Mediolanum Distribuzione Finanziaria S.p.A. (vs. 1,511 at year end 2007).

In 2007, the rationalisation of sales premises continued. Specifically Banca Mediolanum continued to strengthen its local presence by opening new *Punto Mediolanum* that totalled 244 at year end 2007 (vs. 222 at year end 2006). The opening of new *Punto Mediolanum* will continue in 2008, in accordance with the related multi-year development plan.
New *Punto Mediolanum* will be opened to further increase the coverage of the domestic market. *Punto Mediolanum* is the ideal place where customers can find out more about Banca Mediolanum through the Family Banker or use the direct channels to make transactions on their own, using the technology available at *Punto Mediolanum* premises.
Punto Mediolanum are evenly spread across all Italian regions. The regions with the highest presence of *Punto Mediolanum* are: Lombardy (45), Piedmont (19), Veneto (35), Tuscany (19), Latium (21), Emilia Romagna (23), Sicily (24) and the Marches (15).
At year end 2007, there were 530 Sales Network premises, i.e. Punto Mediolanum and Traditional Offices.

In October, the Board of Directors of Banca Mediolanum resolved to establish a service company within the Mediolanum Banking Group. This company will provide ancillary services to Banca Mediolanum and the Banking

Group and will focus on the provision and overall management of sales network training, including ownership of a dedicated hotel complex. On December 10, 2007, the application for the formation of said company was submitted to the Bank of Italy for the relevant authorisation.

Banking

For financial year 2007, Banca Mediolanum S.p.A. reported net profit of €51,060 thousand versus €69,628 thousand at December 31, 2006.

In 2007, although net financial income grew significantly (+ €37.1 million), net commission income declined (- €19.7 million) primarily due to lower commissions earned on life business, especially pension plans. In fact, following the introduction of the new supplementary pension legislation, the commissions relating to retirement products changed materially. In addition, in the year under review, operating expenses increased (+ €23.9 million), in connection with the strong growth in the number of bank accounts and related services to support the distribution of the new retirement products. Also the lower dividends from subsidiaries (down €5.1 million) contributed to the decline in net profit.

At December 31, 2007, Banca Mediolanum reported total assets of €7,707 million, growing 23.8% from €6,224 million in the prior year.

Inflows of customer assets into bank accounts and repurchase agreements jumped to €5,044 million at year end 2007 from €4,145 million in the prior year. Also loans to customers significantly increased from €1,090 million at year end 2006 to €1,523 million at year end 2007.

At December 31, 2007, the Bank's total assets under administration (bank accounts and securities accounts) grew to €5,597 million from €5,181 million at the end of the prior year.

Net financial income rose 46.4% to €117.1 million from €80 million in 2006. Net interest income increased to €104 million from €71 million in 2006, thanks to the profitable management of the bank's interest-earning assets that largely consist of euro-denominated European and Italian inter-bank loans, treasuries and bonds issued by primary Italian and European banks. In spite of the market turmoil, profits on financial transactions and gains from sale of available-for-sale financial assets amounted to €13.3 million versus €9.1 million in the prior year.

Dividends from subsidiaries amounted to €90.1 million versus €95.3 million at year end 2006.

Partly due to the increase in bank account volumes and required adjustments of organisational and operational structures, operating expenses increased 11.1% to €231.6 million from €208.4 million at December 31, 2006.

The Bank headcount increased from 1,181 employees at December 31, 2006 to 1,322 employees at December 31, 2007.

Net profit (loss) of banking subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Banca Mediolanum S.p.A.	51,060	69,628
Mediolanum Distribuzione Finanziaria S.p.A.	288	(169)

Other Businesses

Other businesses include the private banking associate Banca Esperia S.p.A., equally owned by Mediolanum S.p.A. and Mediobanca S.p.A. (48.5% each).

Banca Esperia is a primary quality private banking company which heads a group made up of the fund manager Duemme SGR p.A., the hedge fund manager Duemme Hedge SGR p.A., the investment trust Duemme Servizi Fiduciari S.p.A., the trust company Duemme Trust Company S.p.A. and the London-based advisory firm Duemme Capital Ltd.
Banca Esperia is dedicated to taking care of complex personal and investment needs of families, provided integrated asset management, advice, financing and other services.
The Esperia Group has 16 offices in Italy and one office in London (Duemme Capital Ltd).

In financial year 2007, gross inflows into the Banca Esperia Group soared 48% to €3,759 million from €2,535 million in the prior year. Equally outstanding was the 61% year-on-year growth in net inflows, from €1,387 million at December 31, 2006 to €2,238 million at the end of 2007.
Total assets under management climbed 32% from €7,080 million at December 31, 2006 to €9,318 million at the end of the year under review.
At December 31, 2007, there were 51 private bankers versus 57 at year end 2006.
For financial year 2007, the Banca Esperia Group reported net profit of €28.6 million versus €16.3 million in the prior year.

It should be noted that in relation to the stock options plan for private bankers launched by Banca Esperia together with the majority shareholders Mediobanca and Mediolanum, an expense of €6.5 million (€6.5 million in FY 2006) was recognised in the consolidated income statement for the year ended December 31, 2007.

Foreign Markets

Spain

Mediolanum conducts business in Spain through the Spanish Group Fibanc (a wholly-owned subsidiary of Banca Mediolanum).
For financial year 2007, the Fibanc Group reported net profit of €3.6 million versus €1.1 million at December 31, 2006.
Net profit benefited from dividends from the equity investment (2.5%) in Mediolanum International Funds Ltd amounting to €2.7 million.
Gross inflows into asset management products grew 8.6% from €479 million in 2006 to €520 million at year end 2007, while net inflows were down from €76 million in 2006 to €52 million at year end 2007.
The reported outflows of €268 million (€32 million in FY 2006) for assets under administration were mainly due to the exit of traditional agents specialised in trading, which however had a marginal impact due to the limited income earned from that business.
At year end, total assets under management and administration amounted to €2,353 million versus €2,493 million at December 31, 2006.
The sales force consisted of 739 people. Specifically, the number of tied Advisors, relying on the same business model as Banca Mediolanum financial advisors, rose 13% to 593 people from 524 at year 2006. Fibanc also availed itself of 45 traditional agents (52 in 2006).
The Fibanc Group's presence throughout the country is strengthened by 6 banking branches and 18 *Punto Fibanc*, that are similar to Italy's *Punto Mediolanum*.

Net profit (loss) of Spanish subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Banco de Finanzas e Inversiones S.A. (Fibanc)	3,598	1,197

Germany

Mediolanum conducts business in Germany through Bankhaus August Lenz &Co AG and the Gamax Holding AG Group. Bankhaus August Lenz &Co AG is a Banca Mediolanum's wholly-owned bank, while the Gamax Holding AG Group is 99.997% owned by Mediolanum International S.A.

For financial year 2007, **Bankhaus August Lenz & Co A.G.** reported a net loss of €8.1 million versus a loss of €7.5 million in the prior year. The greater loss for the year is due to the greater expenses borne in connection with the Italian family bankers (Supervisors) seconded to Germany to accelerate business development in that country.
For financial year 2007, gross inflows amounted to €38 million, of which €17 million into asset management products. Net inflows amounted to €27 million versus net outflows of €2 million in the prior year.
At year end, total assets under management and administration amounted to €79 million versus €55 million at the end of the prior year.
The sales network consisted of 48 people (vs. 42 at year end 2006).

The **Gamax Holding A.G.** Group is made up of the Luxembourg-based holding company, the Luxembourg-based fund management company Gamax Management SA and the distribution company Gamax Austria GmbH sold in February 2008 for a consideration of €0.4 million.
In the recently ended year, the entire shareholding in the German distribution company Gamax Broker Pool AG was also sold, for a consideration of €1.4 million.
For financial year 2007 the Gamax Group reported net profit of €3.7 million versus €2.0 million in the prior year. The decline in net profit over the prior year was essentially due to the lower performance fees earned in 2007.
At year end 2007, assets invested in Gamax funds amounted to €276 million, down from €349 million reported at December 31, 2006.

Net profit (loss) of German subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Bankhaus August Lenz & Co. AG	(8,079)	(7,539)
Gruppo Gamax Holding AG	3,731	1,965

SUMMARY KEY FINANCIALS

Inflows

€/m	Dec. 31, 2007	Dec. 31, 2006	Change %
DOMESTIC MARKET			
Italy			
- Life Insurance products			
gross premiums written	3,388.8	3,214.6	5%
of which:			
New Business	2,187.4	2,069.5	6%
Portfolio	1,201.4	1,145.1	5%
- Mutual funds and managed accounts			
gross inflows	3,103.1	2,569.0	21%
net inflows	(559.6)	(169.6)	230%
- Bank accounts and securities in custody			
net inflows	974.8	571.0	71%
- Banca Esperia Group (48.5%)			
net inflow	1,085.4	672.8	61%
INTERNATIONAL MARKETS			
Spain			
- Life Insurance products			
gross premiums written	160.6	156.1	3%
- Mutual funds and managed accounts			
gross inflows	359.8	322.5	12%
net inflows	(14.6)	4.0	n/a
- Bank accounts and securities in custody			
net inflows	(275.6)	(40.4)	682%
Germany (*)			
- Life Insurance products			
gross premiums written	8.8	11.6	24%
- Mutual funds and managed accounts			
gross inflows	51.2	48.1	6%
net inflows	(75.1)	(49.5)	52%
- Bank accounts and securities in custody			
net inflows	19.6	(12.2)	n/a

(*) 2006 balances were restated excluding Gamax funds sold in 2007 for the purpose of comparative analysis on a consistent basis.

Consolidated assets under management and under administration(*)

€/m	Dec. 31, 2007	Dec. 31, 2006	Change %
Life products	14,682.8	13,922.0	5%
Mutual funds and managed accounts	15,463.5	15,467.4	n/a
Banking products	5,596.6	5,181.4	8%
Consolidation adjustments	(8,372.3)	(7,626.9)	10%
Banca Esperia Group (**)	4,519.2	3,433.8	32%
Domestic Market	31,889.7	30,377.7	5%
Life products	475.6	409.4	16%
Mutual funds and managed accounts	994.3	1,115.0	11%
Banking products	1,463.2	1,624.0	10%
Other products (***)	1.3	1.4	8%
Consolidation adjustments	(226.2)	(252.3)	10%
Foreign Markets	2,708.1	2,897.5	7%
Mediolanum Group	34,597.9	33,275.2	4%

(*) Consolidated assets under management and administration relate exclusively to retail customers. Comparative figures at December 31, 2006 were restated for the sake of consistency.
(**) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held in that entity by the Mediolanum Group (48.5%).
(***) 2006 balances were restated excluding Gamax funds sold in 2007 for the purpose of comparative analysis on a consistent basis.

The sales networks

Members	Dec. 31, 2007	Dec. 31, 2006
Italy		
Mediolanum Banking Group (*)		
- Licensed Financial Advisors	5,040	4,011
- Non-Licensed Financial Advisors / Agents (**)	1,342	2,089
- Credit executive	-	73
Spain		
Fibanc	638	576
Germany		
Bankhaus August Lenz	48	42
Total	7,068	6,791

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

(**) This item does not include traditional agencies. For the sake of consistency, comparative information at December 31, 2006 was restated.

Following the sale of Gamax Broker Pool AG, the sales network of this company was not included in the Group's sales networks.

Related party transactions

Pursuant to CONSOB Resolution 15232 of November 29, 2005, the definition of "related party" includes the parties defined as related party in IAS 24 (Related Party Disclosures).
In accordance with section 2391 *bis* of the Italian Civil Code, art. 71 bis of Consob Regulation 11971/99 (Regulation for Issuers) and the recommendation set out in the Code of Conduct adopted by the company by resolutions passed by the Board of Directors, related-party information is disclosed in the relevant section of the notes hereto.

The MiFID Directive

Regulatory changes relating to investments in financial instruments, and especially the entry into effect of the MiFID EU Directive entailed a thorough review of the sales, advisory and financial intermediation processes, customer profiling and the evaluation of the suitability of the investment choices made by customers. In connection therewith, specific policies were defined in relation to customer profiling, order transmission and execution as well as conflict of interest.
Processes and systems were upgraded to reflect said policies with respect to customer and product offering risk profiling and enable the adequate assessment of investment choices made by customers. Any time an investment does not match the customer risk profile, customers are requested to give express confirmation of their investment choice.

Other information

The disclosures required under article 123 bis of the Consolidated Finance Act are set out in the Annual Report on Corporate Governance which will be available also on the corporate website (www.mediolanum.it) pursuant to article 89 bis of the Regulation for Issuers.

Post balance sheet date events

In January 2008, Mediolanum Gestione Fondi SGR p.A. launched the real estate fund *Mediolanum Real Estate Value*, the new real estate investment solution characterised by investments in upmarket properties of great architectural value or located in prestigious neighbourhoods.
In the same month, the Board of Directors of Banca Mediolanum S.p.A. resolved to increase capital from €371 million to €500 million, to assure the bank the funds it needs for growth. The bank submitted the relevant application to the Bank of Italy for authorisation. Banca Mediolanum share capital increases will be effected from time to time according to the bank's capital requirements.
For the time being Mediolanum S.p.A. requires no capital increase.
In February 2008, the shareholding in Gamax Austria GmBH was sold to the Argon AG Group for a consideration of €400 thousand.
In the same month, Banca Mediolanum S.p.A. and Mediolanum Distribuzione Finanziaria S.p.A. made an agreement with Santander Consumer Bank S.p.A. for the distribution of personal loans issued by the latter.
At the end of February, the Bank of Italy authorised the formation of the company Mediolanum Corporate University, which will own the Mediolanum Banking Group training complex.

After December 31, 2007 there was no other event which could have a significant impact on the financial position, result of operations and cash flows of the Mediolanum Group.

Outlook

In the light of results recorded in the first months of 2008 by Mediolanum Group's companies, the outlook for the current year is positive.

Basiglio, March 18, 2008

For the Board of Directors
The Chairman
(Roberto Ruozi)

APPENDIX

European Embedded Value 2007

Mediolanum Group European Embedded Value

Introduction

In May 2004, the CFO Forum, a group representing the Chief Financial Officers of major European insurance groups published the European Embedded Value ("EEV") Principles with the aim of improving the transparency and consistency of embedded value reporting. Mediolanum adopted the EEV Principles for the first time with the publication of its full year 2005 results. This disclosure provides results as at December 31, 2007 and a comparison with values determined as at December 31, 2006 and at December 31, 2005.

An embedded value is an actuarially determined estimate of the value of a company, excluding any value attributable to future new business. Embedded value is defined as the sum of shareholders' net assets, valuing assets at market value, and the value of in-force business. The value of in-force life business is the present value of the stream of future after-tax statutory profits that are expected to be generated from all the existing policies at the valuation date, adjusted for the cost of maintaining a level of required capital and for the time value of financial options and guarantees. The value of in-force asset management (mutual funds, real estate funds and managed accounts) and banking (current account, deposit account and mortgage) business is calculated in a similar way to the value of in-force life business.

In order to provide more complete information, the embedded values consolidate the value of life and asset management business distributed in Italy and Spain, together with the most significant parts of the Italian banking business.

Mediolanum has internalised the models for its unit-linked and index-linked business and has continued to work closely with Tillinghast, the insurance and financial services consulting business of Towers Perrin, to develop appropriate methodology; Tillinghast has continued to calculate the embedded value for the business which has not been internalised and has undertaken an overall review of the embedded value of the Group at December 31, 2007.

Mediolanum has chosen to adopt an approach which maintains consistency with the embedded value reporting which has been a characteristic of the Group's transparent reporting since 1994. The value of in-force business continues to represent the discounted value of a stream of best estimate profits adjusted for the cost of holding a certain level of capital. The key differences between Traditional Embedded Value ("TEV") reporting used in prior reporting years and EEV reporting are in the determination of the level of required capital, and in the allowance for risk, which uses a framework based on market-consistent methodology, from which equivalent risk discount rates are derived.

In calculating the embedded value of the Group, numerous assumptions (some of which are shown below) are required concerning the Mediolanum Group's lines of business with respect to industry performance, business and economic conditions and other factors, many of which are outside the Group's control. Although the assumptions used represent estimates that the Mediolanum Group believe are appropriate for the purpose of embedded value reporting, future operating conditions may differ, perhaps significantly, from those assumed in the calculation of the embedded value. Consequently, the inclusion of embedded value herein should not be regarded as a statement by the Mediolanum Group, Tillinghast or any other entity, that the stream of future after-tax profits discounted to produce the embedded value will be achieved.

Embedded Value

The following table shows the embedded values as at December 31, 2005, 2006 and 2007.

Embedded value as at December 31,

Euro millions	2005	2006	2007
Published shareholders' net assets	808	904	896
adjustments to net assets [1]	(160)	(155)	(156)
Adjusted shareholders' net assets	648	749	740
value of in-force life business	1,793	1,895	1,938
value of in-force asset management	410	346	313
value of in-force banking business	100	132	173
Value of in-force business	2,303	2,373	2,424
Embedded value	2,951	3,122	3,164

[1] including elimination of goodwill

Shareholders' net assets shown above are equal to the consolidated net assets of the Group, determined on an IFRS basis, before the distribution of dividends payable in the following year. Adjustments are required primarily to reflect the after-tax impact of (i) marking to market value any assets not considered on a market value under IFRS, (ii) the elimination of goodwill, primarily those related to the acquisitions of Fibanc, Gamax, B.A. Lenz and MILL in prior periods, (iii) the exclusion of the accounting items relating to unrealised gains in the life segregated funds, whose projected emergence over time is included in the value of the in-force life insurance business, (iv) the reversal of accounting items related to life insurance products classified under IAS 39 for which the value of in-force business is determined using the statutory profits, and (v) the impact of the taxation of life reserves.

The following table shows the reconciliation between published consolidated IFRS net equity and adjusted shareholders' net asset value.

Reconciliation of adjusted shareholders' net equity to IFRS net equity

Euro millions	2005	2006	2007
Consolidated IFRS net equity	808	904	896
Goodwill	(162)	(162)	(161)
Taxation on reserves	(12)	(12)	(16)
AFS & other IFRS items	6	9	10
Net UCG not in value of in-force business	8	10	12
Adjusted shareholders' net assets	648	749	740

The discount rates used under the EEV methodology vary between lines of business, since they reflect, using the methodology outlined later in this document, the risk profile of the underlying business. The average discount rates, weighted by value of in-force business are 7.21% as at December 31, 2007, 6.73% as at December 31, 2006 and 5.80% as at December 31, 2005.

Sensitivity to the risk discount rate

The discount rate appropriate for any shareholder or investor will depend on his or her specific requirements, tax position and perception of the risks associated with the realisation of future profits. To allow potential investors to analyse the effect of using various discount rates to reflect differing views on risk, the embedded value for the Group as at December 31, 2007 has been calculated at discount rates respectively 1% higher and lower than the central rates. All other assumptions, in particular inflation rates and investment returns, have been kept unchanged when calculating the values at alternative discount rates.

Analysis of the sensitivity to the discount rate of embedded value at December 31, 2007

Euro millions			
Discount rate	-1%	central	+1%
Adjusted shareholders' net assets	740	740	740
Value of in-force life business	2,150	1,938	1,756
Value of in-force asset management	325	313	302
Value of in-force banking business	182	173	165
Value of in-force business	2,657	2,424	2,223
Embedded value	3,397	3,164	2,963

Embedded Value Earnings

Embedded value earnings, which are defined as the change in embedded value for the year, adjusted for the payment of dividends and other capital movements, provide a measure of performance during the year. The following table shows the embedded value earnings of the Mediolanum Group in 2006 and 2007.

Embedded value earnings

Euro millions	2006	2007
Change in embedded value for the period	171	42
Dividends paid or accrued	146	146
Other capital movements	(5)	(5)
Embedded value earnings	312	183

Embedded value earnings consist of the following components:

- The expected return on embedded value at the start of the year ("expected return"), equal to the after-tax investment return assumed at the start of the year on shareholders' net assets less solvency capital, plus a return at the discount rate on the sum of in-force business and solvency capital at the start of the year.
- Variances during the period ("experience variances"), caused by differences between the actual experience of the period and the assumptions used to calculate the embedded value at the start of the year, before the impact of new sales during the period.
- The impact of changes in assumptions at the end of the period for operating experience, excluding economic or fiscal assumptions ("operating assumption changes").
- Changes in assumptions regarding future experience used to calculate the value of in-force business at the end of the period relating to economic conditions ("economic assumption changes"), including the discount rate and investment returns.
- The effect as at 31 December 2007 of the decrease in the overall italian tax rate (IRES and IRAP), together with the other changes introduced by the Finanziaria 2008 ("tax assumption changes"), including in particular the change in IRAP on dividends.
- The "value added by new business", including business transformations in 2006 initially calculated at the moment of sale using the end of period assumptions, and then capitalised at the discount rate to the end of the period.

The following table shows the components of the embedded value earnings of the Mediolanum Group in 2006 and 2007.

Components of embedded value earnings

Euro millions	2006	2007
Expected return	153	176
Experience variances – performance	20	(173)
Experience variances – repricing	(5)	(80)
Experience variances – business other	(34)	(31)
Operating assumption changes	(57)	(89)
Economic assumption changes	(39)	(21)
Tax assumption changes	-	12
Earnings on initial Embedded Value	38	(206)
New life business	211	319
New asset management business	46	52
New banking business	15	18
Business transformations	2	-
Value added by new business	274	389
EMBEDDED VALUE EARNINGS	312	183

Description of key embedded value earnings items in 2007

Experience variances gave rise to a decrease in the embedded value earnings for the year. The main components are:

- Negative variances, due to the performance of the financial markets, giving rise to lower than expected investment returns on unit-linked and asset management business (negative impact for 93 million Euro) and in strategic shareholdings (80 million Euro due mostly to the shareholding in Mediobanca);
- The repricing of the portfolio of unit-linked pension plans (negative impact of 80 million Euro); regulatory changes om pension products induced the company to extend the benefits on Tax Benefit New to policyholders with old Tax Benefit and My Pension contracts, in order to protect the in-force portfolio;
- Other business conponents (negative impact for 31 million Euro) due primarily to lower persistency than expected on mutual funds and managed account business (negative variance of 33 million mostly associated with managed funds); lower than expected persistency on life business (negative impact of 19 million Euro mostly associated with investment unit-linked policies); higher performance commissions than those assumed (22 million Euro).

The remaining effects comprise a series of smaller positive and negative items.

The negative impact of changes to operating assumptions (approximately 89 million Euro) is due to the combined effect of the increase in the lapse rates for the unit-linked investment policies and of the increase in the solvency margin for the unit-linked policies (from 0.25% of administrative expenses to 1% of mathematical reserves).

The negative impact of changes to economic assumptions (approximately 21 million Euro) is due to the combined effect of the increase in the discount rate and in the projected rates of investment return.

The positive impact of changes to tax assumptions (12 million Euro) is due to the introduction of the Finanziaria 2008.

The value added by new life business in the period was 319 million Euro of which 14 million Euro related to business distributed by Fibanc in Spain.

The value added by new asset management business in the period of 52 of which 4 million Euro related to business distributed by Fibanc in Spain.

New banking business added 18 million Euro, related mostly to current account business and proprietary mortgages.

Value of new business

New business comprises new life insurance policies sold during the period, excluding those resulting from the transformation or switch of existing policies, together with discretionary increases in the level of regular premiums on existing policies. New asset management business is defined as the sum of retail gross inflows net of internal switches within the mutual funds and managed accounts. New banking business comprises the new money collected in the period relating to current accounts and deposit accounts opened in the year and the volume of new mortgages issued.

The value of new business has been determined at the moment of sale using the end-year economic and operating assumptions. The following table shows the value added by new business in 2006 and 2007.

Value of new business at moment of sale

Euro millions	2006	2007
Unit-linked life business	164	262
Index-linked life business	41	47
Asset management business	44	50
Banking business	15	18
Value of new business	264	377

The discount rates used under the EEV methodology vary between lines of business, since they reflect, using the methodology outlined later in this document, the risk profile of the underlying business. The average risk profile of the new business was similar to that of the in-force business and so the same discount rates were used, namely 7.10% for life business (6.60% in 2006), 8.00% for asset management business (7.60% in 2006) and 7.00% for banking business (6.40% in 2006), giving an average, weighted by new business value of 7.22% in 2007.

In order to evaluate the effect of alternative discount rates on new business, the value of new business in 2007 was calculated using discount rates 1% lower and higher than the central rates. In calculating these values with alternative discount rates, all the other assumptions, including in particular those relating to inflation and return on investments, were kept unchanged.

Analysis of the sensitivity to the discount rate of the value added by new business in 2007

Euro millions Discount rate	-1%	Central	+1%
Unit-linked life business	302	262	227
Index-linked life business	48	47	46
Asset management business	53	50	48
New banking business	20	18	16
Total	423	377	337

New business margins

New business margins for the Italian life and asset management business in 2007 and 2006 are shown in the tables below. Profitability is expressed both in terms of a margin on APE (annual premium equivalent defined as annualised regular premiums plus 10% of single premiums) and as a percentage of PVNBP (present value of new business premiums), calculated using the expected lapse and other exit assumptions, discounted at the implied discount rate.

New business margins in 2007 – life and asset management

Euro millions	Unit-linked	Index-linked	Asset mgmt
Value of new business at moment of sale	255	40	46
Regular premiums / Pac	264	-	93
Single premiums / Pic	622	1,321	1,396
APE	326	132	233
New business margin (% APE)	78.1%	30.5%	19.8%
PVNBP	2,822	1,321	1,942
New business margin (% PVNBP)	9.0%	3.0%	2.4%

New business margins in 2006 – life and asset management

Euro millions	Unit-linked	Index-linked	Asset mgmt
Value of new business at moment of sale	154	34	43
Regular premiums / Pac	185	-	70
Single premiums / Pic	516	1,175	1,354
APE	237	118	206
New business margin (% APE)	65.1%	28.8%	20.9%
PVNBP	1,876	1,175	1,760
New business margin (% PVNBP)	8.2%	2.9%	2.4%

The margin on APE for new life business in Spain is approximately 80% in 2007.

The margin of new current accounts as a percentage of the money invested in current accounts opened in 2007 is 2.1%. The profitability of new mortgages sold in 2007 is 2.2%, which reflects a mix between mortgages intermediated for third parties and Mediolanum's proprietary mortgage book.

Methodology

The traditional embedded value calculations which Mediolanum used in the past were based on detailed models of the in-force and new business developed in a deterministic environment, using a single set of best estimates for both economic and operating assumptions. In the traditional embedded value framework, risk was allowed for by the use of a single discount rate and an allowance for the cost of holding solvency capital equal to the minimum EU solvency margin. The cost of solvency capital was determined as the present value of the differences between the assumed after-tax return on the assets (mainly bonds) backing solvency capital and the discount rate applied to the projected solvency margin.

In adopting the EEV Principles, Mediolanum has chosen to adopt an approach which maintains consistency with the prior approach to embedded value reporting. The value of in-force business continues to represent the discounted value of a stream of best estimate profits adjusted for the cost of holding a certain level of capital. The key differences between the traditional reporting and EEV reporting are in the determination of the level of required capital, and in the allowance for risk, which uses a framework based on market-consistent methodology.

The embedded value has been determined using a market-consistent framework to value financial risks, an allowance for non-financial risks, and the deduction of a frictional cost of required capital. To maintain consistency with the previous approach used to report embedded values and embedded value earnings and allow like-for-like comparisons, equivalent risk discount rates have then been derived so as to produce the same results when input into the traditional deterministic models, which use best estimate assumptions, after the cost of solvency capital. This produces an average derived risk discount rate for homogeneous blocks of business.

In theory discount rates can vary between new business and in-force business, according to the respective risk profiles. In practice the derived risk discount rates for new business were very close to those calculated for in-force business, and so the same discount rates by line of business were used for both in-force and new business.

Allowance for risk

Appropriate allowance for risk in the projected profits is a key component of the EEV Principles and Guidance. Risk has been allowed for in three main ways:

Explicit risk margins in the discount rate, to allow for:
- a market-consistent approach to financial risk, which reflects the level of market risk in each cash flow;
- an allowance for non-financial risks which reflects the potential asymmetry of operational risks and the capital requirements for banking business;

Deduction of the cost of holding a level of required capital for life business:
- using EU minimum margins for unit-linked and traditional business
- using risk-based capital for counterparty risk on index-linked business
- assuming a frictional cost of double taxation on the required capital

Explicit deduction for the cost of financial options and guarantees:
- relevant for the traditional life business only.

Covered business

The covered business includes all the life insurance and asset management business written in Italy and in Spain, together with the main retail banking business in Italy, consistent with these business segments under IFRS reporting. No value has been attributed to in-force or new business for the remaining lines of business, including in particular Gamax, B.A. Lenz and that part of the Irish operations MILL and MIF not related to Italy and Spain, nor to the other minor lines of business of the Mediolanum Group.

Values are reported on a look-through basis, considering all profits and losses emerging in the Group associated with the relevant line of business.

Required capital and cost of capital

In compliance with EEV Principle 5, Mediolanum has made an assessment of the amount of required capital to be attributed to the covered life business. The approach used varies by line of business. For all life business other than index-linked business, EU minimum solvency requirements have been considered appropriate. For index-linked life business, account has been taken of the counterparty risk, using a risk-based capital approach which considers the rating of the issuers of the structured bonds underlying the index-linked guarantees. This gives rise to capital requirements of approximately 3.5% of reserves for business where Mediolanum bears the full investment risk and approximately 1.75% for business where investment risk is passed to policyholders.

It should be noted that, following an interpretation by ISVAP, for the non pension unit-linked policies without guarantees, the minimum margin has passed from 25% of administrative expenses to 1% of mathematical reserves.

Total required capital for the life business as at December 31, 2007 is 213 million Euro, which corresponds to approximately 140% of the EU minimum margin.

For banking business, the minimum capital requirements based on risk weighted assets for mortgages and loans have been considered as part of the risk margin for non-financial risks, as have the requirements associated with the Basle II regulations regarding operational risk.

To determine the embedded value, the cost of required capital has been determined based on the frictional costs of holding this capital. Since financial risks are already allowed for on a market-consistent basis, these costs are represented by the taxation incurred on locked-in shareholder assets.

As noted, the derived risk discount rates have been calculated so as to reproduce the value of in-force business after cost of capital using the traditional framework.

Risk discount rate – margin for financial risk

Mediolanum has adopted a bottom-up approach to allow for risk, which uses market-consistent methodology to calibrate the risk discount rate to allow for financial, or market-related risk. In principle, under a market-consistent approach each cash flow is valued in line with its specific profile in terms of financial risk, and thus in a consistent fashion with the market prices of similar cash flows which are traded in the open markets. In practice, Mediolanum has used the certainty-equivalent technique; this is an approach commonly used in the pricing of financial instruments and consists in adjusting the individual cash flows to remove the effects of financial risks, and which then allows for the resulting stream of risk-adjusted profits to be discounted at the risk-free rate. The relevant Euro swap curve was used as the appropriate risk-free rate at each valuation date.

Converting the aggregate impact of financial risks into a margin on the discount rate captures the increase in risk associated with the level of equity investments, but is also influenced by the level of underlying margins in the business, and the relative size of projected expenses compared to income.

Risk discount rate – margin for non-financial risk

In theory, an investor can diversify away the uncertainty around non-financial risks, and, according to modern finance theory, would not require an additional return for such diversifiable risk. Allowance for non-financial risk is made through the choice of best estimate assumptions, taking into account the impact that the potential variability of the assumptions has on the level and therefore cost of capital. Although Mediolanum considers that the best estimate assumptions are appropriate in this context, it is possible that the use of best estimate assumptions may fail to capture the full impact on future shareholder profits where there is the potential for asymmetry in the results, in other words where the adverse experience has a higher impact than favourable experience. Mediolanum has identified that such asymmetry may exist in the area of operational risks, including administrative expenses, management fees, and persistency.

Practice is still evolving regarding the appropriate approach for considering non-financial risk, and Mediolanum is monitoring closely developments in this area, with particular regard also to the potential impacts of Solvency II on the levels of required capital.

In practice, the following approach has been taken for all lines of business. In the first instance, the amount of capital required to meet the Basel II criteria for operational risks has been determined. Secondly, using economic capital techniques, an amount of value of in-force business "at risk" has been determined by applying stress tests on the value of in-force business to the key parameters identified, namely administrative costs, management fees and persistency. The resulting amount of "economic risk capital" has been subjected to a frictional cost of capital charge equal to the impact of taxation.

In addition, the allowance for non-financial risk also incorporates the cost of holding regulatory minimum capital in respect of mortgages and loans in the banking business.

Derived risk discount rates

The following table shows the components of the derived risk discount rates used as at December 31, 2006 and December 31, 2007.

Derived discount rates

%	Unit-linked 2006	Unit-linked 2007	Asset management 2006	Asset management 2007	Banking Business 2006	Banking Business 2007
Average risk-free rate	4.25	4.85	4.20	4.65	4.20	4.70
Margin for financial risk	0.95	1.05	2.30	2.15	-	-
Margin for non-financial risks	1.40	1.20	1.10	1.20	2.20	2.30
Risk discount rate	6.60	7.10	7.60	8.00	6.40	7.00

The derived risk discount rates are those which reproduce the value of in-force business in the traditional deterministic framework, using best estimate assumptions, after cost of solvency capital. The average risk-free rate has been determined based on the term structure of the projected profits from the certainty equivalent projections, using the risk-free curve. The allowances for financial and non-financial risks as described above have been converted into an equivalent margin on the discount rate, to determine the final derived discount rate used in the models.

The increase in the average risk-free rates from December 31, 2006 to December 31, 2007 is due to the general increase in the forward yield curve at all durations. The margins for financial risk are stable. On the other hand, the margin for non-financial risks moves between December 31, 2006 and December 31, 2007, primarily as a result of the increase of the forward curve, which has the effect of increasing the cost of required capital; at the same time the reduction in the tax rate has the effect of decreasing the cost of required capital. Both these effects have an impact in the overall annual taxation charge on the projected locked-in economic capital.

Financial options and guarantees

The only material financial options and guarantees in Mediolanum's business relate to the traditional revaluable business linked to segregated funds, which have been closed to new business since 1998. The main risk to shareholders is that the return on the assets in the segregated fund is insufficient to meet the financial guarantees during the period to policy maturity, and, for deferred annuities, also during the annuity payout period.

Given the overall materiality to the group a simplified approach has been taken, by constructing a replicating portfolio comprising risk free assets for the market value of the segregated fund assets, and simulating the purchase of floors at market prices to cover the reinvestment risk, after allowing for the effects of the reinsurance treaties in force. It has been assumed that all the deferred annuity policyholders will exercise their annuity take-up options. The time value of financial options and guarantees has been defined as the difference between a certainty-equivalent valuation and the overall valuation. The time value of financial options and guarantees, which has been deducted from the overall embedded values, is equal to approximately 34 million Euro as at December, 31 2007 (35 million Euro as at December 31, 2006). The decrease in the time value of options and guarantees during 2007 is primarily associated with the reduction in the volatility of swaption prices during the year.

Results representation

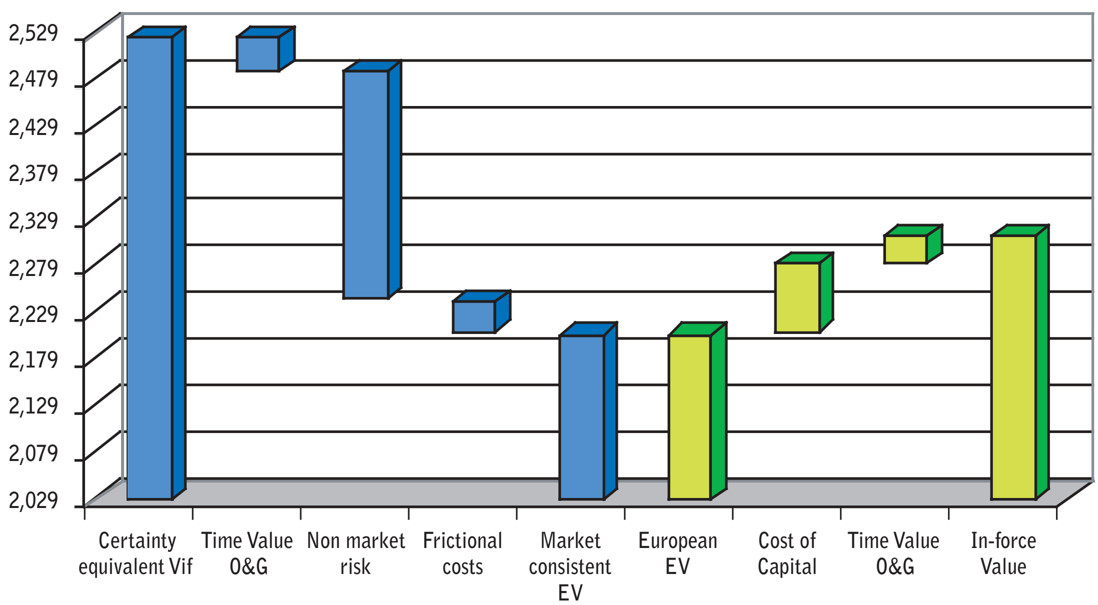
As mentioned before, the embedded value has been calculated using a market-consistent framework to value financial risks, an allowance for non-financial risks, and the deduction of a frictional cost of required capital and the time value of financial option and guarantees for the traditional business. To maintain consistency with the previous approach used to report embedded values and embedded value earnings and allow like-for-like comparisons, equivalent risk discount rates have then been derived so as to produce the same results when input into the traditional deterministic models, which use best estimate assumptions, after the cost of solvency capital.

The table and the graph below show a reconciliation of the two approaches for the Italian Life and Asset Management business.

Reconciliation of the market-consistent embedded value

Euro millions	MCEV	EEV
Certainty equivalent VIF/VIF	2,527	2,311
Time value of options and guarantees	(35)	(35)
Non-market risk	(249)	-
Frictional cost of capital	(37)	-
Traditional cost of capital	-	(70)
Value of in-force business	**2,206**	**2,206**

Embedded Value reconciliation



Expenses and development costs

Expense assumptions are actively reviewed, and are based on the entire consolidated company costs, including depreciation and provisions, as well as all holding company and service company costs. Full allowance has been made for all the expenses in the Group in 2007.

Costs have been allocated to the separate lines of business and then fully allocated to acquisition, maintenance and investment activities.

Tax

Projected profits have been subjected to normal tax rates in the country of emergence. Account has been taken of the taxation treatment of profits projected to be remitted to Italy (5% of dividends subject to IRES and 50% to IRAP according to the Finanziaria 2008).

Participating business

For the Italian traditional revaluable business, policyholder profit participation has been assumed to continue to follows current company practice.

Residual assets

There are no projected residual assets.

Definition of new business

New life business relates to new policies issued during the year excluding those resulting from the transformation or switch of existing policies, together with discretionary increases in the level of regular premiums on existing policies. New life business volumes used to calculate the value of new business in 2007 in Italy were 264 million Euro of annualised regular premiums (of which 20 million Euro related to discretionary increases), 622 million Euro of unit-linked single premiums, and 1,321 million Euro of index-linked single premiums.

New asset management business is defined as the sum of retail gross inflows net of internal switches within the mutual funds and managed accounts, and totals 93 million Euro for mutual fund instalment plans and 1,396 million Euro of lump-sum investments in mutual funds. Of the total mutual fund production shown above, real estate funds accounted for 4 million Euro of lump-sum investments. Portfolio accounted for 228 million Euro of new lump-sum investments; in calculating the volume and value of new business, the switches of 611 million Euro from managed accounts to Portfolio in the first months of the year have been excluded.

New life business in Spain comprised 121 million Euro of single premium business, of which index-linked comprise 121 million Euro, and regular premium unit-linked business for 4.9 million Euro. New asset management business in 2007 comprised lump-sum investments of 137 million Euro in Spanish funds, and 14 million Euro of instalment plans and 73 million Euro of lump-sum investments in Irish mutual fund products.

New banking business comprises new current accounts and deposit accounts in the year, for 578 million Euro, and new mortgages issued for 271 million Euro, of which 243 million Euro proprietary mortgages.

Assumptions

The following section sets out the main assumptions used in the embedded value calculations at December 31, 2007, 2006 and 2005.

Best-estimate economic assumptions

Best-estimate economic assumptions are actively reviewed and are based on the market yields on risk-free instruments at different durations at the respective valuation dates. The projected total returns on equities have been assumed to yield a 3% margin over the 10-year Euro AAA government bond yield. The return on other assets was set using benchmarks consistent with the base scenario. The following table shows the main economic assumptions.

Economic assumptions at December, 31

%	2005	2006	2007
Pre-tax investment returns:			
Benchmark 10-year BTP	3.50	4.15	4.58
Liquidity	2.40	3.65	4.04
Equity	6.30	6.95	7.38
Inflation			
Consumer prices	1.75	2.25	2.35
Expenses	2.25	2.25	2.60
Taxation			
Italy	38.25	38.25	35.25
Ireland	12.5	12.5	12.5
Spain	35.0	35.0 *	35.0 *
Average RDR (in-force business)	5.80%	6.73%	7.21%

* reducing to 30% by 2008

Pre-tax rates of returns on assets backing technical reserves were set consistent with the above benchmark rates, taking into consideration the related asset mix, resulting in assumptions for the Italian segregated funds of 4.5% for the 2007 valuation (4.0% in 2006, 3.7% in 2005). These rates of return already include the impact of unrealised capital gains/losses in segregated fund assets. Investment returns on unit-linked funds, and mutual funds and managed accounts business, were determined on the basis of the asset mix of each fund, with average results for the Italian business before costs and taxes, of 6.22% for unit-linked funds (5.75% in 2006, 5.00% in 2005) and of 6.20% for Asset management products (5.95% in 2005, 5.20% in 2005).

The consumer price inflation rate shown above is used to determine the projected automatic premium increases, equal to the growth in the consumer price index plus a percentage chosen by the customer (typically 3%), for products with this characteristic; the internalisation of the models has allowed this feature to be modelled for each single contract. Management expenses expressed as a per-policy amount are assumed to increase at the expense inflation rate.

Market-consistent economic assumptions

The risk-free rates used in the certainty-equivalent projections are calibrated to the Euro swap curve, and the implied swaption volatilities to market prices of swaptions for various tenors and option terms. The following table shows selected data.

Sample swap rates and implied volatilities

	Term to Maturity				
%	1	5	10	15	20
Swap rates					
December 31, 2005	2.88	3.22	3.45	3.64	3.73
December 31, 2006	4.08	4.13	4.20	4.27	4.31
December 31, 2007	4.70	4.56	4.72	4.86	4.91
15 year Swaption volatility					
December 31, 2005	16.2	15.9	14.5	13.7	13,4
December 31, 2006	13.5	13.2	12.1	11.5	11.2
December 31, 2007	12.3	11.4	10.9	10.4	10.0

Source: Bloomberg

Other assumptions

Assumed future rates of mortality, lapse, failure to maintain recurrent premiums and other exits, including total and partial disinvestment rates for the asset management business, were derived from an analysis of the Mediolanum Group's recent operating results and, where appropriate, took into consideration the experience of the life, asset management and banking sectors.

The general and administrative costs incurred by the Group, including depreciation costs, were subdivided by business line, and within each line into the costs pertaining to investment, the acquisition of new business and the management of the in-force business.

Assumed levels of future commission and override payments to agents and sales-people were based on the Mediolanum Group's recent operating experience.

Participation rates and other charges on Life policies and management fees on funds were assumed to be maintained in the future at the prevailing levels on each valuation date. Likewise the charging structure on banking products was assumed to be maintained in the future.

It was assumed that no changes will be made in the principles and technical bases used to calculate technical reserves and surrender values.

The internalisation of the models has allowed Mediolanum to handle performance commission rates more precisely, while still maintaining a conservative approach, based on experience to date. Experience variances, in the analysis of the components of embedded value earnings, have included a positive contribution of 22 million Euro in 2007

(46 million Euro in 2006 and 102 million Euro in 2005), as a result of actual experience exceeding the assumptions used at the beginning of the year.

Allowance was made for reinsurance of in-force life policies outside the Mediolanum Group, which relates mainly to various quota share financing treaties written in the years up to 1994. No new financing reinsurance arrangements have been made since 1995.

The cost of maintaining solvency capital in the traditional framework was determined on the assumption that assets (mainly bonds) backing solvency capital yielded an average annual pre-tax return of 4.06% in 2007 valuation (4.0% in 2006 and 3.7% in 2005). Based on these assumptions, the cost of solvency capital which was deducted from the discounted value of future after-tax statutory profits to determine the value of in-force Life business reported above, 71 million Euro as at December 31, 2007 and 31 million Euro as at December 31, 2006. The increase between 2006 and 2007 is due primarily to the previously mentioned ISVAP interpretation. The cost, which is already allowed for in the value added by Life new business in 2007, is approximately 4.2 million Euro.

Statement by Directors

The directors confirm that the embedded value as at December 31, 2007, and the embedded value earnings including the value added by new business in 2007 have been determined using methodology and assumptions which are compliant with the EEV Principles.

External opinion

Tillinghast, the insurance and financial services consulting business of Towers Perrin, has been engaged by the Mediolanum Group regarding the calculation and disclosure of the embedded value of the Group as at 31 December 2006 and 2007, together with the embedded value earnings in the years 2006 and 2007, relating to the life and asset management businesses distributed in Italy and Spain and the most significant parts of the Italian banking business.
Tillinghast has provided assistance to Mediolanum regarding the methodology and the assumptions to be used. Mediolanum has calculated values in respect of the most significant parts of its life insurance business, and Tillinghast has carried out a review of these results, without however undertaking detailed checks of all the models, processes and calculations involved. Tillinghast has calculated the values for the remaining business, and has undertaken an overall review of the embedded value and the embedded value earnings of the Group.

Tillinghast has reported that it considers that the methodology and assumptions used comply with the EEV Principles and Guidance as published by the CFO Forum, and in particular:

- that the methodology makes allowance for the aggregate risks in the covered business through:
  (i) the incorporation of risk margins in the discount rate used to discount projected future profits determined using best estimate assumptions, using:
  a) a market-consistent valuation of financial risk,
  b) an allowance for non-financial risk based on the frictional cost of an amount of capital that would be required to cover operational risk requirements under Basel II and the value at risk with respect to key operating variables such as persistency, costs and management fees,

   (ii) the deduction of the cost of required capital based on minimum EU solvency margins for non-index-linked life business, and a risk-based capital allowance for index-linked business; and
   (iii) the deduction of the time value of financial options and guarantees for traditional business;
- that the operating assumptions have been set with appropriate regard to past, current and expected future experience;
- that the economic assumptions used are internally consistent and consistent with observable market data;
- for revaluable business, the assumed revaluation rates, and the retrocession rates, are consistent with the projection assumptions, established company practice and local market practice.

Tillinghast has reviewed the calculations of the embedded value, embedded value earnings and the value of new business, as reported in this supplementary information, and considers that the results have been determined, in all material respects, in accordance with the EEV Principles, using the methodology and assumptions set out in this disclosure document.

In arriving at these conclusions, Tillinghast has relied on data and information made available by Mediolanum S.p.A. and its subsidiaries, which has been examined for reasonableness and consistency with our industry knowledge, but Tillinghast has not undertaken independent checks of the data and other information supplied. This opinion is made solely to Mediolanum S.p.A. in accordance with the terms of Tillinghast's engagement letter. To the fullest extent permitted by applicable law, Tillinghast does not accept or assume any responsibility, duty of care or liability to anyone other than Mediolanum S.p.A. for or in connection with its review work, the opinions it has formed, or for any statement set forth in this document.

Appendix 1 - Segmental reporting

The following tables show the value of in-force business as at December 31, 2007 and the value of new business in 2007, broken down by business segment.

Value of in-force business as at December 31, 2007 by segment

Euro millions	Italy	Spain	Total
Life insurance (excluding index-linked)	1,894	28	1,922
Index-linked life insurance	15	1	16
Asset management	297	16	313
Current and deposit accounts	156	n/a	156
Mortgages	17	n/a	17
Total	2,379	45	2,424

Value of new business in 2007 by segment

Euro millions	Italy	Spain	Total
Life insurance (excluding index-linked)	255	7	262
Index-linked life insurance	40	7	47
Asset management	46	4	50
Current and deposit accounts	12	n/a	12
Mortgages	6	n/a	6
Total	359	18	377

Appendix 2 - Sensitivity tests

This section shows the sensitivity of the value of in-force business as at December 31, 2007 and the value of 2007 new business to changes in key assumptions.

- RDR +1% / RDR -1%: sensitivity to the corresponding change in the discount rate.
- Equity and Property Yield +1%: sensitivity to a 100 basis points increase in the equity/property return.
- Risk free rates +1%: sensitivity to an upward parallel shift of 100 basis points in the underlying market risk free rates, accompanied by an upward shift of 100 basis points in all economic assumptions. The discount rate is then recalculated.
- Risk free rates -1%: sensitivity to a downward parallel shift of 100 basis points in the underlying market risk free rates, accompanied by a downward shift of 100 basis points in all economic assumptions. The discount rate is then recalculated.
- Equity and Property Capital Value -10%: sensitivity to a 10% market value reduction at valuation date for equity and property investments.
- Maintenance expenses -10%: sensitivity to a 10% decrease of maintenance expenses (90% of best estimate maintenance expenses parameters). Investment expenses are unchanged in this test.
- Acquisition expenses -10%: sensitivity to a 10% decrease of acquisition expenses (90% of best estimate acquisition expenses parameters).
- Lapse Rate -10%: sensitivity to a 10% decrease of lapse rates (90% of best estimate lapse rates). This does not apply to partial withdrawals.

For each sensitivity test, all the other assumptions remain unchanged, except for those tests which directly affect economic conditions; in these cases the derived risk discount rate has also been recalculated, given the use of market-consistent methodology to set the allowance for financial risk.

For the sensitivity to the risk free rates, the calculation has been performed only for linked business and for the projected values only.

For the sensitivity to the equity values the calculation has been performed assuming that the portfolio is rebalanced to achieve the same asset mix as currently persists.

The sensitivity to the increase on equity and property returns has no effect, given the use of market-consistent methodology to set the discount rates. The following tables show the sensitivity separately for the life, asset management and banking businesses.

Sensitivity analysis – Life business

Euro millions	Value of in-force business	Value of new business
Base value	1,938	309
1% increase in discount rates	(182)	(36)
1% decrease in discount rates	212	41
1% increase in return on equity and property	0	0
1% reduction in risk free rates	76	17
1% increase in risk free rates	(84)	(18)
10% decrease in equity values	(63)	(5)
10% decrease in maintenance expenses	14	2
10% decrease in acquisition expenses	n/a	7
10% decrease in lapse rates	117	16

Sensitivity analysis – Asset management business

Euro millions	Value of in-force business	Value of new business
Base value	313	50
1% increase in discount rates	(11)	(2)
1% decrease in discount rates	12	3
1% increase in return on equity and property	0	0
1% reduction in risk free rates	1	0
1% increase in risk free rates	(1)	0
10% decrease in equity values	(24)	(3)
10% decrease in maintenance expenses	8	2
10% decrease in acquisition expenses	n/a	2
10% decrease in lapse rates	15	4

Sensitivity analysis – Banking business

Euro millions	Value of in-force business	Value of new business
Base value	173	18
1% increase in discount rates	(8)	(2)
1% decrease in discount rates	9	2
1% increase in return on equity and property	0	0
10% decrease in maintenance expenses	31	8
10% decrease in acquisition expenses	n/a	2
10% decrease in lapse rates	10	2

Appendix 3 – Embedded Value Earnings

The following table shows the breakdown of the embedded value earnings in 2007 into its key components. Embedded value earnings are separated between the movements in adjusted shareholders' net assets and those in the value of in-force business. Opening and closing EEV are shown inclusive of dividends to be paid in the following year.

Embedded value earnings in 2007

Euro millions	Adjusted Shareholders' net asset	Value of in-force business	EEV
EEV 31.12.2006	749	2,373	3,122
Expected result	261	(85)	176
Experience variances	(94)	(190)	(284)
Changes in operating assumptions	0	(89)	(89)
Changes in economic assumptions	0	(21)	(21)
Changes in tax assumptions	(2)	14	12
Business transformation	(2)	2	0
Value added by new business	(31)	420	389
Dividends and other capital movements	(141)	0	(141)
EEV 31.12.2007	740	2,424	3,164
EV earnings	132	51	183
Return on EV			5.9%

TOWERS
PERRIN

Milan, 18 March 2008

Egregio signor
Ennio Doris
Amministratore Delegato
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20080 BASIGLIO (MI)

Egregio signor Doris,

DISCLOSURE ON THE EMBEDDED VALUE

Tillinghast, the insurance and financial services consulting business of Towers Perrin, has been engaged by the Mediolanum Group regarding the calculation and disclosure of the embedded value of the Group as at 31 December 2006 and 2007, together with the embedded value earnings in the years 2006 and 2007, relating to the life and asset management businesses distributed in Italy and Spain and the most significant parts of the Italian banking business.

Tillinghast has provided assistance to Mediolanum regarding the methodology and the assumptions to be used. Mediolanum has calculated values in respect of the most significant parts of its life insurance business, and Tillinghast has carried out a review of these results, without however undertaking detailed checks of all the models, processes and calculations involved. Tillinghast has calculated the values for the remaining business, and has undertaken an overall review of the embedded value and the embedded value earnings of the Group.

For all the values shown in this document, Mediolanum has adopted the European Embedded Value (EEV) Principles published by the CFO Forum. The methodology, the main assumptions and the results are explained in more detail in the attached supplementary information disclosure document. In particular a market-consistent approach has been used in the valuation of financial risk.

EMBEDDED VALUE

The following table shows the principal results at a consolidated level as at 31 December 2006 and 2007, as provided in the supplementary information document. The discount rates vary between lines of business since they reflect the risk profile of the underlying business; the average discount rate, weighted by value of in-force business is 7.21% as at 31 December 2007 (6.73% in 2006).

Towers, Perrin, Forster & Crosby, Inc., Capitale Sociale: USD 36.280,00 i.v.
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TOWERS PERRIN

Embedded Value (Euro million)		
31 December	**2006**	**2007**
Adjusted net worth	749	740
value of in-force life business	1,895	1,938
value of in-force asset management business	346	313
value of in-force banking business	132	173
Value of in-force business	2,373	2,424
Embedded Value	3,122	3,164

EMBEDDED VALUE EARNINGS

The following table shows the principal components of the Mediolanum Group's embedded value earnings in the years 2006 and 2007.

Embedded Value Earnings (Euro million)		
	2006	**2007**
Expected return	153	176
Experience variances	(19)	(284)
Operating assumption changes	(57)	(89)
Economic assumption changes	(39)	(21)
Tax assumption changes	-	12
Business transformations	2	-
New Life business	211	319
New Asset Management business	46	52
New Banking business	15	18
Embedded value earnings	312	183

OPINION

Tillinghast has assisted the Mediolanum Group regarding the methodology and assumptions to be used and reviewed the calculation of the European Embedded Value of the Group as at 31 December 2007, together with the embedded value earnings in the year 2007.

Tillinghast considers that the methodology and assumptions used comply with the EEV Principles and Guidance as published by the CFO Forum, and in particular:

TOWERS PERRIN

- that the methodology makes allowance for the aggregate risks in the covered business through:
  (i) the incorporation of risk margins in the discount rate used to discount projected future profits determined using best estimate assumptions, using:
  a) a market-consistent valuation of financial risk,
  b) an allowance for non-financial risk based on the frictional cost of an amount of capital that would be required to cover operational risk requirements under Basel II and the value at risk with respect to key operating variables such as persistency, costs and management fees,
  (ii) the deduction of the cost of required capital based on minimum EU solvency margins for non-index-linked life business, and a risk-based capital allowance for index-linked business; and
  (iii) the deduction of the time value of financial options and guarantees for traditional business;
- that the operating assumptions have been set with appropriate regard to past, current and expected future experience;
- that the economic assumptions used are internally consistent and consistent with observable market data;
- for revaluable business, the assumed revaluation rates, and the retrocession rates, are consistent with the projection assumptions, established company practice and local market practice.

Tillinghast has reviewed the calculations of the embedded value, embedded value earnings and the value of new business, as reported in the enclosed supplementary information, and considers that the results have been determined, in all material respects, in accordance with the EEV Principles, using the methodology and assumptions set out in the supplementary information disclosure document.

In arriving at these conclusions, Tillinghast has relied on data and information made available by Mediolanum S.p.A. and its subsidiaries, which has been examined for reasonableness and consistency with our industry knowledge, but Tillinghast has not undertaken independent checks of the data and other information supplied. This opinion is made solely to Mediolanum S.p.A. in accordance with the terms of Tillinghast's engagement letter. To the fullest extent permitted by applicable law, Tillinghast does not accept or assume any responsibility, duty of care or liability to anyone other than Mediolanum S.p.A. for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

Yours sincerely

Andrew Milton

Vittorio Chimenti

Andrew Milton
Fellow of the Institute of Actuaries

Vittorio Chimenti
Attuario

MEDIOLANUM S.p.A.

Consolidated Accounts 2007

Balance sheet

Assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Intangible assets		
1.1 Goodwill	161,422	162,414
1.2 Other intangible assets	13,963	19,327
Total intangible assets	175,385	181,741
2. Tangible assets		
2.1 Property	56,458	57,680
2.2 Other tangible assets	19,400	17,180
Total tangible assets	75,858	74,860
3. Reinsurers' share of technical reserves	100,870	103,176
4. Investments		
4.1 Investment property	4,214	6,967
4.2 Investments in subsidiaries, associates and jvs	53,205	39,326
4.3 Held to maturity investments	592,324	567,544
4.4 Loans and receivables	4,581,998	3,311,815
4.5 Available for sale financial assets	1,338,611	959,715
4.6 Financial assets at fair value through profit and loss	16,185,536	15,233,145
Total investments	22,755,889	20,118,512
5. Receivables		
5.1 Arising out of direct insurance business	11,504	13,806
5.2 Arising out of reinsurance business	-	-
5.3 Other receivables	1,839	1,214
Total receivables	13,343	15,020
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	1,042	414
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	38,366	45,181
6.4 Current tax assets	157,587	145,208
6.5 Other assets	220,455	191,989
Total other assets	417,449	382,792
7. Cash and cash equivalents	245,370	441,012
TOTAL ASSETS	23,784,163	21,317,113

Shareholders' equity and liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Shareholders' equity		
1.1 Group shareholders' equity		
1.1.1 Share capital	72,948	72,884
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	51,277	52,561
1.1.4 Retained earnings and other equity reserves	523,613	439,761
1.1.5 Treasury shares (-)	(2,045)	(2,045)
1.1.6 Exchange difference reserves	-	-
1.1.7 Gains or losses on available for sale financial assets	36,997	117,465
1.1.8 Other gains or losses recognised directly in equity	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	212,243	223,678
Total capital and reserves attributable to the Group	895,033	904,304
1.2 Attributable to minority interests		
1.2.1 Capital and reserves attributable to minority interests	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-
Total capital and reserves attributable to minority interests	-	-
Total shareholders' equity	895,033	904,304
2. Provisions	78,875	67,598
3. Technical reserves	14,457,087	13,306,917
4. Financial liabilities		
4.1 Financial liabilities at fair value through profit and loss	1,350,199	1,100,993
4.2 Other financial liabilities	6,554,078	5,489,093
Total financial liabilities	7,904,277	6,590,086
5. Payables		
5.1 Arising out of direct insurance business	18,662	13,489
5.2 Arising out of reinsurance business	1,339	1,663
5.3 Other payables	234,466	248,461
Total payables	254,467	263,613
6. Other liabilities		
6.1 Liabilities of disposal groups held for sale	905	-
6.2 Deferred tax liabilities	11,602	19,630
6.3 Current tax liabilities	46,563	40,570
6.4 Other liabilities	135,354	124,395
Total other liabilities	194,424	184,595
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	23,784,163	21,317,113

Income statement

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	3,534,933	3,350,402
1.1.2 Reinsurance premiums	(5,692)	(6,072)
Total premiums written	3,529,241	3,344,330
1.2 Commission income	575,433	582,629
1.3 Net income on financial instruments at fair value through profit and loss	(463,264)	431,769
1.4 Income on investments in sudsidiaries, associates and jvs	13,879	8,180
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	238,985	162,472
1.5.2 Other income	13,507	26,319
1.5.3 Realised gains	12,669	11,328
1.5.4 Unrealised gains	5,756	5,632
Total income on other financial instruments and investment property	270,917	205,751
1.6 Other revenues	26,813	25,560
Total revenues and income	3,953,019	4,598,219
2. Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(2,838,614)	(3,529,051)
2.1.2 Reinsurers' share	6,693	7,988
Net claims and benefits	(2,831,921)	(3,521,063)
2.2 Commission expense	(185,099)	(203,766)
2.3 Losses on investments in subsidiaries, associates and jvs	-	-
2.4 Loss on other financial instruments and investment property		
2.4.1 Interest expense	(143,596)	(92,890)
2.4.2 Other expenses	(433)	(1,122)
2.4.3 Realised losses	(723)	(7,600)
2.4.4 Unrealised losses	(12,001)	(9,271)
Loss on other financial instruments and investment property	(156,753)	(110,883)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(151,293)	(156,824)
2.5.2 Investment management expenses	(362)	(339)
2.5.3 Other administrative expenses	(282,066)	(254,792)
Total operating expenses	(433,721)	(411,955)
2.6 Other costs	(70,065)	(65,456)
Total costs	(3,677,558)	(4,313,123)
Profit (loss) before tax for the period	275,461	285,096
3. Income tax	(63,319)	(61,460)
Profit (loss) for the period	212,142	223,636
4. Profit (loss) from discountinued operations	101	42
Group net profit (loss) for the period	212,243	223,678
of which pertaining to the Group	212,243	223,678
Earning per share (in euro)	0.291	0.307

Statement of changes in shareholders' equity

€/'000	Balance at Dec. 31, 2005	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at Dec. 31, 2006
Shareholders' equity attributable to the Group						
Share capital	72,738	-	146	-	-	72,884
Other equity instruments	-	-	-	-	-	-
Capital reserves	50,358	-	2,203	-	-	52,561
Retained earnings and other equity reserves	349,518	-	152,081	-	(61,838)	439,761
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	104,105	-	17,959	(4,599)	-	117,465
Other gains (losses) recognised directly in equity						
Gains (losses) on cash flow hedges	-	-	-	-	-	-
Gains (losses) on hedges of a net investment in a foreign operation	-	-	-	-	-	-
Reserve relating to changes in the equity of investees	-	-	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-	-	-
Tangible assets revaluation reserve	-	-	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Net profit (loss) for the period	233,312	-	73,970	-	(83,604)	223,678
Total shareholders' equity attributable to the Group	807,986	-	246,359	(4,599)	(145,442)	904,304
Shareholders' equity attributable to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognised directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity attributable to minority interests	-	-	-	-	-	-
TOTAL	807,986	-	246,359	(4,599)	(145,442)	904,304

€/'000	Balance at Dec. 31, 2006	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at Dec. 31, 2007
Shareholders' equity attributable to the Group						
Share capital	72,884	-	64	-	-	72,948
Other equity instruments	-	-	-	-	-	-
Capital reserves	52,561	(2,045)	761	-	-	51,277
Retained earnings and other equity reserves	439,761	2,045	143,757	-	(61,950)	523,613
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	117,465	-	(78,080)	(2,388)	-	36,997
Other gains (losses) recognised directly in equity						
Gains (losses) on cash flow hedges	-	-	-	-	-	-
Gains (losses) on hedges of a net investment in a foreign operation	-	-	-	-	-	-
Reserve relating to changes in the equity of investees	-	-	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-	-	-
Tangible assets revaluation reserve	-	-	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Net profit (loss) for the period	223,678	-	72,336	-	(83,771)	212,243
Total shareholders' equity attributable to the Group	904,304	-	138,838	(2,388)	(145,721)	895,033
Shareholders' equity attributable to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognised directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity attributable to minority interests	-	-	-	-	-	-
TOTAL	904,304	-	138,838	(2,388)	(145,721)	895,033

Consolidated cash flow statement

Indirect method

€/'000	Dec. 31, 2007	Dec. 31, 2006
Profit (loss) before tax for the period	275,461	285,096
Changes in non-monetary items	567,263	2,484,493
Change in unearned premiums reserve (general business)	-	-
Change in outstanding claims reserve and other technical reserves (general business)	-	-
Change in mathematical reserves and other technical reserves (Life business)	1,152,476	2,108,096
Change in deferred acquisition costs	-	-
Change in provisions	11,277	10,176
Non-monetary income (losses) on financial instruments, investment property and equity investments	(596,490)	366,221
Other changes	-	-
Changes in receivables and payables arising out of operating activities	(59,366)	(40,517)
Changes in receivables and payables arising out of direct insurance and reinsurance operations	7,151	3,632
Changes in other receivables and payables	(66,517)	(44,149)
Income tax paid	(36,149)	(42,510)
Net cash from monetary items relating to investment and financial activities	76,395	179,418
Liabilities on financial contracts issued by insurance companies	249,206	(298,699)
Amounts due to banks and banking customers	1,064,985	517,778
Loans to and receivables from banks and banking customers	(1,271,220)	(28,997)
Other financial instruments at fair value through profit or loss	33,424	(10,664)
NET CASH FLOWS FROM OPERATING ACTIVITIES	823,604	2,865,980
Net cash from investment property	2,753	15,309
Net cash from subsidiaries, associates and *joint ventures*	(13,879)	(9,972)
Net cash from loans and receivables	1,037	59,574
Net cash from held-to-maturity investments	(24,780)	166,136
Net cash from available-for-sale financial assets	(378,896)	(114,549)
Net cash from tangible and intangible assets	5,359	8,395
Other cash flows from investment activities	(389,325)	(2,945,370)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(797,732)	(2,820,477)
Net cash from equity instruments attributable to the Group	(75,738)	18,194
Net cash from treasury shares	-	-
Distribution of dividends attributable to the Group	(145,776)	(145,554)
Net cash from capital and reserves attributable to minority interests	-	-
Net cash from subordinated liabilities and quasi-equity instruments	-	-
Net cash from miscellaneous financial liabilities	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(221,514)	(127,360)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	441,012	522,869
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(195,642)	(81,857)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	245,370	441,012

MEDIOLANUM S.p.A.

Notes to the Consolidated Annual Financial Statements 2007

Notes to the Consolidated Annual Financial Statements

These notes are structured as follows:

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

PART A - ACCOUNTING BASIS AND SCOPE OF CONSOLIDATION

Pursuant to Legislative Decree No. 38 of February 28, 2005, the consolidated financial statements for the year ended December 31, 2007 of the Mediolanum Group were prepared in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

Pursuant to Legislative Decree 142 of May 30, 2005 the Mediolanum Group is a financial conglomerate that operates primarily in the insurance business.
In accordance therewith, the Mediolanum Group's financial statements for the year ended December 31, 2007 were prepared following the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP (Italy's supervisory authority for insurance companies) as part of its Regulation No. 2404 of December 22, 2005, within the authority conferred upon it under art. 9 of Legislative Decree 38 of February 28, 2005.

Accounting Basis

In the preparation of the financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2007, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In that respect, it should be noted that by Regulation (EC) 108/2006 the European Commission adopted IFRS 7 Financial Instruments: Disclosures.
The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
The accounts and the notes also include comparative information for the year ended December 31, 2006. In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency. Except where otherwise stated the amounts set out in the Accounts, the Notes and the Directors' Report are presented in thousands of euro. In applying IAS/IFRS no departure was made from requirements therein.

Scope of consolidation

The consolidated financial statements include the accounts of Mediolanum S.p.A. and those of its directly or indirectly controlled subsidiaries.

The subsidiaries which are consolidated on a line-by-line basis in accordance with the international accounting standards are set out in the table below.

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

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Vita S.p.A.	87,720	100.000%	Basiglio	Life Insurance
Partner Time S.p.A.	520	100.000%	Basiglio	Life Insurance distribution
Mediolanum Comunicazione S.p.A.	775	100.000%	Basiglio	Audio/film/TV production
PI Distribuzione S.p.A.	517	100.000%	Basiglio	Real estate brokerage
Mediolanum International Life Ltd	1,395	100.000%	Dublin	Life Insurance
Banca Mediolanum S.p.A.	371,000	100.000%	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.000%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	46.500%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	49.000 %	Dublin	Asset management and advice

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

€/'000 Company	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	53.500%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.000%	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	66,032	100.000%	Barcelona	Banking
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
Fibanc Faif S.A.	60	100.000%	Barcelona	Financial advice
Mediolanum International S.A.	71,500	99.997%	Luxembourg	Sub-holding company
Gamax Holding AG	5,618	100.000%	Luxembourg	Sub-holding company
Gamax Management AG	155	100.000%	Luxembourg	Fund management
Gamax Austria GmbH	40	100.000%	Salzburg	Fund distribution
Bankhaus August Lenz & Co. AG	20,000	100.000%	Munich	Banking

Gamax Broker Pool AG is no longer consolidated as it was sold on April 1, 2007.

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

€/'000 Company	Share capital	% holding	Registered office	Business
Banca Esperia S.p.A.	13,000	48.500%	Milan	Banking

Methods of consolidation

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

Consolidation on a line-by-line basis

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

Any resulting difference, if positive, after recognition of the assets or liabilities of the subsidiary, is recognized as goodwill under "Intangible Assets" on first-time consolidation, and under "Other Reserves" thereafter. Negative differences are recognized in the income statement.
Intercompany assets, liabilities, income and expenses are eliminated in full.
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 recognized in the income statement.
The financial statements of the Parent Company and those of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date.
When a company within the Group uses different accounting policies, in preparing the consolidated financial statements adjustments are made to make them uniform with the accounting policies adopted by the Group.

Equity method

Under the equity method, an investment is initially recognised at cost and its carrying amount is increased or decreased thereafter to reflect the value of the investor's share of the investee's equity and profit.

The investor's share of the profit or loss of the investee is recognized under the relevant item in the consolidated income statement.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resulting difference is recognized in the income statement.
In applying the equity method to investments in associates the approved IAS/IFRS annual financial statements of associates were used.

Post balance sheet date events

In the period between the end of financial year 2007 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 Group.

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 each participating subsidiary calculates 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 "consolidated tax 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.

Significant non-recurring transactions or events

In the year under review, there were no non-recurring events or transactions, i.e. event or transactions which do not occur frequently in the ordinary course of business, which could have a material impact on the financial position, result of operations and cash flows of the Mediolanum Group (cf. Consob Communication DEM/6064293 of July 28, 2006).

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the consolidated financial statements for the year ended December 31, 2007.
The accounting policies applied in the preparation of the consolidated financial statements, with respect to the classification, 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, 2006.
However, following the entry into effect on January 1, 2007, under the 2007 Budget Act, of the new supplementary pension legislation as per Legislative Decree 252 of December 5, 2005, the accounting policies now incorporate the new accounting rules for employee completion-of-service entitlements, as well as IFRS 7 Financial Instruments: Disclosures adopted by the European Commission by Regulation (EC) 108/2006.

Financial assets at fair value through profit or loss

This category includes:
- investment contracts to the benefit of life policyholders who bear the risk thereof and in connection with pension fund management;
- financial assets held for trading.

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

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

Available-for-sale financial assets

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

In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.
Available-for-sale financial assets are initially recognized 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 amortized through profit or loss, while gains or losses arising from a change in their fair value are recognized in a specific equity reserve until the financial asset is derecognized or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognized in equity is recognized 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 recognized, the impairment loss is reversed and the reversal recognized 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 amortized cost would have been had the impairment loss not been recognized at the date the impairment is reversed.
Financial assets are derecognized 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 available-for-sale.
Held-to-maturity investments are initially recognized 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 amortized cost at which held-to-maturity investments are carried.
After initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method.
Gains or losses of held-to-maturity investments are recognized in the income statement when the financial assets is derecognized or impaired, and through the amortization 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 recognized 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 recognized, the impairment loss is reversed and the reversal recognized in the income statement.
Held-to-maturity investments are derecognized 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 recognized 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 recognized 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 recognized 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 recognized as a loan.
After initial recognition, loans and receivables are measured at amortized cost. Amortized cost is the amount at which the financial asset is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization 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.
Amortized 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 recognized in the income statement over the expected life of the asset. The same measurement method is applied to loans and receivables with no fixed maturity or on demand.
At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan is classified as "non-performing", "watch-list" or "restructured" in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements.
Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortized 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 realizable value of any col-

laterals 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 recognized in the income statement.

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

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment loss not been recognized 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 recognized in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

Equity investments

This account relates to investments in associates that are accounted for using the equity method.

An associate is an entity in which the investor holds 20% or more of the voting rights or an entity over which the investor has significant influence under legal arrangements e.g. a shareholders' agreement.

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

If the recoverable amount is lower than the carrying amount, the resultant difference is recognized 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 recognized, the impairment loss is reversed and the reversal recognized in the income statement.

Equity investments are derecognized 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.

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 recognized 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 recognized in the carrying amount of the asset, while the costs of day-to-day servicing are recognized 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 higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognized 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 recognized at the date the impairment is reversed.

A tangible asset is derecognized 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, expenditure on the renovation of leasehold property 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.

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

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

An intangible assets can be recognized 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 recognized in the income statement.

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

Other intangible assets are carried at cost less any accumulated amortization and impairment losses.
Expenditure on an intangible item is recognized under intangible assets 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 recognized as an expense in the income statement in the year in which it was incurred.

Intangible assets are amortized on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortized, but periodically tested for impairment by comparing their recoverable amount with their carrying amount. Expenditure on the renovation of leasehold property is amortized over a period which does not exceed the lease term.

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

An intangible asset is derecognized 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 at fair value through profit or loss

Financial liabilities at fair value through profit or loss include:

- deposit accounts relating to financial contracts (under which the investment risk is borne by the policyholder) and to the management of pension funds;
- trading derivatives with negative fair value;
- short positions on securities trading.

Deposit accounts relating to financial contracts under which the investment risk is borne by the policyholder reflect with the best possible approximation the value of holdings in investment funds or benchmark stock indices. These liabilities are backed by assets carried at fair value.

The same applies to the liabilities relating to the Previgest Mediolanum non-occupational pension fund.

Financial liabilities are initially recognized at the time the policy is issued or amounts are received.

They are initially measured at the fair value of the assets under the contract (policy), i.e. generally the issue price of the underlying assets.

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

After initial recognition, financial liabilities are measured at fair value.

A financial liability is derecognized when it expires or is extinguished.

Other financial liabilities

Other financial liabilities include reinsurance deposit accounts, the various forms of funding from banks and customers as well as bonds issued net of any buybacks.

Those financial liabilities are initially recognized 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 recognized in the income statement.

After initial recognition, financial liabilities are measured at amortized 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 recognized in the income statement over the contractual term of the liability.

A financial liability is derecognized when it expires or is extinguished. A financial liability is derecognized also when it is bought back. The difference between the carrying amount of the liability and amount paid to buy it back is recognized in the income statement.

Life Technical Reserves

Life technical reserves represent the reserves for liabilities under insurance contracts and investment contracts with Discretionary Participation Features (DPF).
Life technical reserves include mathematical reserves, calculated on each individual contract according to the payment commitments undertaken and on the basis of the actuarial assumptions adopted for the computation of related premiums. Mathematical reserves include all revaluations applied in accordance with contract terms, as well as provisions for demographic risk. Mathematical reserves are not lower than surrender value.
Life technical reserves also include provisions for premiums due in the six months after the reporting date and provisions for future expenses relating to the contract, e.g. handling costs and additional health premiums.
At each reporting date the adequacy of insurance reserves is assessed by calculating the present value of estimated future cash-flows from underlying contracts. When the value of reserves is lower than estimated future cash-flows, the Company increases reserves and the difference over estimated future cash-flows is recognized in the income statement.
Technical reserves for contracts with DPF represent the reserves for liabilities arising on unrealized gains on assets under segregated fund management contracts.
Those reserves are recognized in equity when unrealized gains or losses on the related contract assets are recognized in equity, otherwise are recognized 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 recognized in the income statement

Provisions for risk and charges

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

Employee completion-of-service entitlements

Pursuant to the new supplementary pension legislation (Legislative Decree 252/2005) completion-of-service entitlements accrued up until December 31, 2006 remain with the employer, while from January 1, 2007 the employee may decide to either keep them with the employer, that, in turn will transfer them to INPS (Italian Social Security and Pension Agency) or allocate them to a private supplementary pension plan.

The introduction of the new supplementary pension legislation entails certain changes in accounting for completion-of-service entitlements, i.e.:

- entitlements accrued up until December 31, 2006 are accounted for based on actuarial values,
- entitlements accrued from January 1, 2007, allocated either to INPS or private pension plans, are accounted for on the basis of contributions due for each year.

Entitlements accrued up until December 31, 2006 are defined benefit payment obligations. The change in accounting policy over reporting periods prior to December 31, 2006, relates to actuarial assumptions, which are to include 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) and can no longer be based on the company's assumptions.

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.

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 difference resulting from the change in accounting policy over the amounts reported in the financial statements at December 31, 2006 is posted to the income statement as a single entry.

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 recognized in the income statement.

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are initially recognized 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 recognized in the income statement in the period in which they arise.

When a gain or loss on a non-monetary item is recognized directly in equity, the exchange difference component of that gain or loss is also recognized in equity. Conversely, when a gain or loss on a non-monetary item is recognized in the income statement, the exchange difference component of that gain or loss is also recognized in the income statement.

Tax assets and liabilities

The Group recognizes current and deferred taxes applying the tax rates in effect in the countries where consolidated subsidiaries are incorporated.
Income taxes are recognized 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 utilized.
Deferred tax assets and deferred tax liabilities are not netted, and are separately recognized in the Balance Sheet under "Tax assets" and "Tax liabilities" respectively.
Deferred tax liabilities arising on consolidation are recognized to the extent that it is probable that a related tax expense will materialize in the future for one of the consolidated companies.
Those deferred tax liabilities are essentially connected to the deferred tax assets recognized for positive differences arisen on consolidation of subsidiaries.
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.

Treasury shares

Treasury shares are deducted from equity. Their original cost, any gains or losses on their sale are recognized directly in equity.

Share-based payments

Stock options are share-based payments.
These plans, 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.

Income statement

Revenue is recognized 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:

- insurance premiums are recognized in the income statement on an accrual basis at the time the insurance contract is signed;
- commissions on investment contracts are measured on the basis of the stage of completion of the services rendered;
- other commissions are measured on an accrual basis;
- dividends are recognized in the income statement when their distribution to shareholders is established;
- interest income and interest expense are recognised on an accrual basis;
- any default interests, in accordance with the terms of the relevant agreement, are recognized in the income statement only when actually received.

PART C - INFORMATION ON THE BALANCE SHEET

ASSETS

INTANGIBLE ASSETS

€/'000	Dec. 31, 2007	Dec. 31, 2006
Goodwill	161,422	162,414
Other intangible assets	13,963	19,327
Total	175,385	181,741

In accordance with IAS 36 goodwill is not amortised but tested for impairment at least annually. To that end goodwill is allocated to a cash-generating unit (CGU) which is not larger than a business segment based on the primary reporting format determined in accordance with IAS 14.

The smallest CGU was identified to be the individual company which always coincides with a single business segment.
The carrying amounts of goodwill as allocated to the individual cash-generating units are as follows:

€/'000	Dec. 31, 2007
CGU Fibanc	122,205
CGU Gamax	30,589
Other CGU	8,628
Total	161,422

In the year there was a €992 thousand decline, of which €912 thousand relating to the sale of the shareholding in Gamax Broker Pool AG (a wholly-owned subsidiary of Gamax Holding AG), which entailed a reduction of goodwill allocated to the CGU Gamax.

Recoverable amount is determined by reference to the value in use, i.e. the present value of the future cash flows expected to be derived from the continuous use of the cash-generating unit.

To measure value in use the Group applied cash-flow projections based on the three-year BP which represent management's best estimate of the economic conditions of the CGU.

Beyond the BP time horizon the growth rate was prudentially assumed to be zero.

The discount rate applied is in line with the BP estimates and was calculated using the "Capital Asset Pricing Model" on the basis of market data.

Analysis of intangible assets

€/'000	Dec. 31, 2007 Finite life	Dec. 31, 2007 Indefinite life	Dec. 31, 2006 Finite life	Dec. 31, 2006 Indefinite life
Goodwill				
- Group	-	161,422	-	162,414
- Minorities	-	-	-	-
Other intangible assets:				
Measured at cost				
- Intangible assets internally generated	-	-	-	-
- Assets measured at cost:	-	-	-	-
- Other intangible assets	13,963	-	19,327	-
Assets measured at *fair value*	-	-	-	-
Total	13,963	161,422	19,327	162,414

Year's movements in intangible assets

€/'000	Goodwill	Other Intangible assets internally generated Finite	Other Intangible assets internally generated Indefinite	Other Intangible assets: other Finite	Other Intangible assets: other Indefinite	Total
Opening balance	162,414	-	-	19,327	-	181,741
Increases						
- Additions	-	-	-	10,821	-	10,821
Decrease						
- Disposals	(912)	-	-	(125)	-	(1,037)
- Value adjustments	-	-	-		-	
- Amortization	-	-	-	(15,832)	-	(15,832)
- Impairment	-	-	-		-	
- In the income statement	-	-	-	(104)	-	(104)
- Other changes	(80)	-	-	(124)	-	(204)
Closing balance	161,422	-	-	13,963	-	175,385

Legend:
finite: finite useful life
indefinite: indefinite useful life

TANGIBLE ASSETS

Property

€/'000	Dec. 31, 2007	Dec. 31, 2006
Land	20,100	20,100
Buildings	36,358	37,580
Total	56,458	57,680

Other tangible assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Furnishings	3,170	3,019
Electronic equipment	11,690	10,713
Other	4,540	3,448
Total	19,400	17,180

Year's movements in Group-occupied property and other tangible assets

€/'000	Land	Buildings	Furnishings	Electronic Equipment	Other	Total
Opening balance	20,100	37,580	3,019	10,713	3,448	74,860
Increases						
- Additions		7	1,289	4,872	3,043	9,211
- Capitalised improvement		-	-	-	-	-
- Other changes		82	-	78	-	160
Decreases						
- Disposals		-	(30)	(10)	(89)	(129)
- Depreciation		(974)	(1,104)	(3,954)	(1,345)	(7,377)
- decrease in *fair value* related						
- non current assets and disposal group		-	-	-	(7)	(7)
- Other changes		(338)	(4)	(9)	(510)	(861)
Closing balance	20,100	36,358	3,170	11,690	4,540	75,858

REINSURERS' SHARE OF TECHNICAL RESERVES

€/'000	Dec. 31, 2007	Dec. 31, 2006
Life business reserves		
Mathematical reserves	99,654	101,360
Reserve for outstanding claims	1,216	1,816
Total reinsurers' share of life technical reserves	100,870	103,176

INVESTMENTS

Investment property

€/'000	Dec. 31, 2007	Dec. 31, 2006
Land	3,330	5,454
Buildings	884	1,513
Total	4,214	6,967
Fair value	*10,190*	*10,500*

At December 31, 2007, the market value of investment property amounted to €10,190 thousand as determined by external valuers.

Year's movements in investment property

€/'000	Land	Buildings
Opening balance	5,454	1,513
Increases		
- Additions	-	-
- Other changes	-	-
Decreases		
- Disposals	(2,124)	(577)
- Depreciation	-	(52)
Closing balance	3,330	884

Investments in subsidiaries, associates and joint ventures

Investments in associates amounted to €53,205 thousand (vs. €39,326 thousand at December 31, 2006) and relate to the 48.5% shareholding in Banca Esperia S.p.A., which is accounted for under the equity method.

Held-to-maturity investments

€/'000	Dec. 31, 2007	Dec. 31, 2006
Debt securities	298,542	367,748
Investments sold but not derecognised	293,782	199,796
Book value	592,324	567,544
Fair value	*588,124*	*570,706*

"Assets sold but not derecognised" relate exclusively to repurchase agreements in force at year end.

Analysis of held-to-maturity investments by issuer

€/'000	Dec. 31, 2007	Dec. 31, 2006
Debt securities		
Governments and Central Banks	582,067	542,702
Banks	10,257	24,842
Other issuers	-	-
Total	592,324	567,544

The time to maturity of held-to-maturity investments is set out in the table below:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Time to maturity		
1-5 years	373,024	347,491
5-10 years	90,756	91,479
Over 10 years	128,544	128,574
Total	592,324	567,544

Loans and receivables

€/'000	Dec. 31, 2007	Dec. 31, 2006
Banks	2,882,087	1,976,514
Banking customers	1,689,613	1,323,966
Other	10,298	11,335
Total	4,581,998	3,311,815

The time-to-maturity of loans and receivables is set out in the table below:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Time-to-maturity		
up to one year	3,931,218	2,904,741
1-5 years	135,070	122,921
Over 5 years	515,710	284,153
Total	4,581,998	3,311,815

Loans and receivables: banks

€/'000	Dec. 31, 2007	Dec. 31, 2006
Deposits with Central Banks		
- For reserve requirements	28,116	25,548
Loans to banks		
- Time deposits	2,241,765	1,726,331
- Other loans	612,206	224,635
Total	2,882,087	1,976,514
Fair value	*2,882,087*	*1,976,514*

Loans and receivables: banking customers

€/'000	Dec. 31, 2007	Dec. 31, 2006
Bank accounts	267,910	206,870
Repurchase agreements	362,293	100,538
Mortgage loans	573,801	351,739
Credit cards, personal loans and salary-guaranteed loans	63,290	84,165
Finance leases	1,274	1,504
Other	406,394	562,567
Impaired assets	14,651	16,583
Total	1,689,613	1,323,966
Fair value	*1,715,355*	*1,353,703*

Analysis of customer loans by borrower

€/'000	Dec. 31, 2007	Dec. 31, 2006
Loans to:		
- non financial companies	86,535	83,508
- financial companies	602,411	546,718
- insurance companies	67,042	6,347
- others	918,973	670,810
Impaired loans		
- non financial companies	262	-
- financial companies	26	-
- others	14,364	16,583
Total	1,689,613	1,323,966

Available-for-sale financial assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Debt securities	582,389	481,381
Equities	426,447	308,882
Holdings in UCITS	228,959	169,452
Assets sold but not derecognised	100,816	-
Total	1,338,611	959,715

Minor investments, amounting to €24,461 thousand (vs. €24,881 thousand in 2006) were measured at cost.

Analysis of available-for-sale financial assets by issuer

€/'000	Dec. 31, 2007	Dec. 31, 2006
Debt securities		
- Governments and central banks	561,082	372,426
- Banks	100,340	62,166
- Other issuers	21,783	46,789
Equities		
- Banks	-	275,766
- Other issuers	426,447	33,116
Holdings in UCITS	228,959	169,452
Total	1,338,611	959,715

The time-to-maturity of available-for-sale financial assets is set out in the table below:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Time to maturity		
1-5 years	293,964	218,393
5-10 years	257,449	236,616
Over 10 years	31,436	26,559
Indefinite	755,762	478,147
Total	1,338,611	959,715

Financial assets at fair value through profit or loss

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2007	Dec. 31, 2006
Financial assets held for trading		
Debt securities	1,580,891	1,594,285
Equities	83	421
Holdings in UCITS	12,524	56,100
Assets sold but not derecognised	1,023,968	831,048
Trading derivatives	41,960	14,628
Total	2,659,426	2,496,482

Financial assets at fair value

€/'000	Dec. 31, 2007	Dec. 31, 2006
Debt securities	5,557,272	5,439,831
Holdings in UCITS	7,968,838	7,296,832
Total	13,526,110	12,736,663
Total financial assets at fair value through profit or loss	16,185,536	14,402,097

Following a more appropriate classification of financial assets, an amount of €831,048 thousand was reclassified to *Assets sold but not derecognised* for the prior year.

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2007	Dec. 31, 2006
Non-derivatives		
Debt securities		
- Governments and central banks	1,712,830	1,608,875
- Government agencies	-	4
- Banks	348,178	404,248
- Other Issuers	543,851	412,206
Equities		
- Banks	-	-
- Other issuers	83	421
Holdings in UCITS	12,524	56,100
Total non-derivatives	2,617,466	2,481,854
Derivatives		
- Banks	41,482	14,260
- Customers	478	368
Total derivatives	41,960	14,628
Total	2,659,426	2,496,482

Analysis of financial assets at fair value by debtor/issuer

€/'000	Dec. 31, 2007	Dec. 31, 2006
Debt securities		
- Banks	2,866,494	1,672,976
- Other issuers	2,690,778	3,766,855
Holdings in UCITS	7,968,838	7,296,832
Total	13,526,110	12,736,663

Financial assets held for trading: derivatives

€/'000	Interest Rate	Currencies & gold	Securities	Receivables	Other	Dec. 31, 2007
Listed derivatives						
Financial derivatives						
- Other derivatives	2	-	1	-	-	3
• Without exchange of principal						
- Options purchased	24,448	-	-	-	9,870	34,318
- Other derivatives	3,446	-	-	-	-	3,446
Total listed derivatives	27,896	-	1	-	9,870	37,767
Unlisted derivatives						
Financial derivatives						
• With exchange of principal						
- Other derivatives	-	1,451	-	-	-	1,451
• Without exchange of principal						
- Options purchased	936	-	335	-	18	1,289
- Other derivatives	1,453	-	-	-	-	1,453
Total unlisted derivatives	2,389	1,451	335	-	18	4,193
Total derivatives	30,285	1,451	336	-	9,888	41,960

OTHER ASSETS

Non-current assets and disposal groups

€/'000	Dec. 31, 2007	Dec. 31, 2006
Individual assets		
Equity investments	1,042	-
Tangible assets	-	414
Intangible assets	-	-
Total	1,042	414

The item "Non-current assets and disposal groups" for financial year ended December 31, 2007 relates to Gamax Austria AG., which was sold in February 2008.

Deferred tax assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Charge to the income statement	33,372	42,042
Charge to equity	4,994	3,139
Total	38,366	45,181

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Opening balance	42,042	39,590
Increases		
Deferred tax assets arisen in the year		
- relating to prior years	-	112
- changes in the accounting policies	1	-
- other	15,647	15,540
- new taxes or increased tax rates	987	-
- Other increases	416	-
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(3,414)	(5,015)
- others	(10)	-
- reduced tax rates	(5,606)	(299)
- other decreases	(16,691)	(7,886)
Closing balance	33,372	42,042

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Opening balance	3,139	257
Increases		
Deferred tax assets arisen in the year		
- changes in the accounting policies	-	-
- others	1,902	2,911
Decreases		
Deferred tax assets cancelled in the year		
- reversals	-	-
- reduced tax rates	(8)	(28)
- other decreases	(39)	(1)
Closing balance	4,994	3,139

Analysis of deferred tax assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Charge to the income statement	33,372	42,042
Provisions for risks and charges	26,669	23,150
Loan loss provision	404	698
Expenses deductible in future years	5,075	12,593
Taxed income relating to future years	1,224	2,680
Other	-	2,561
Charge to equity	4,994	3,139
Fair value measurement of AFS securities	4,994	3,139
Total	38,366	45,181

Other Assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Items in transit	113,922	92,114
Due from tax authorities	24,025	32,338
Security deposits	11,377	18,177
Receivables from financial advisors	29,234	9,600
Advances to suppliers and professionals	3,442	3,012
Other receivables	22,841	12,086
Prepayments	3,393	3,394
Others	12,221	21,268
Total	220,455	191,989

SHAREHOLDERS' EQUITY AND LIABILITIES

EQUITY

€/'000	Dec. 31, 2007	Dec. 31, 2006
Share capital	72,948	72,884
Capital reserves	51,277	52,561
Retained earnings and other equity reserves	523,613	439,761
Treasury shares	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	36,997	117,465
Group's profit (loss) for the year	212,243	223,678
Group's capital and reserves	895,033	904,304

Share capital is fully paid up and amounts to €72.947.592, divided into 729.475.929 ordinary shares. Treasury shares amount to 385,000. Please note that there are no equity holders other than the Group. For information on movements over the year, readers are referred to the Statement of Changes in Shareholders' Equity herein.

Gain (losses) on available-per-sale financial assets

€/'000	Dec. 31, 2007 Gains	Dec. 31, 2007 Losses	Dec. 31, 2006 Gains	Dec. 31, 2006 Losses
Debt securities	-	(10,031)	-	(5,029)
Equities	58,162	(10,617)	120,564	-
Holdings in UCITS	2,000	(2,517)	1,955	(25)
Total	60,162	(23,165)	122,519	(5,054)

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

€/'000	Debt securities	Equities	Holdings in UCITS	Total
Opening balance	(5,029)	120,564	1,930	117,465
Increases				
Increase in fair value	39	450	4,034	4,523
Reclassification to the income statement from reserves:				
- realised gains	484	-	-	484
other increases	533	3	2,132	2,668
Decreases	-	-	-	-
Decrease in fair value	(5,667)	(73,451)	(4,846)	(83,964)
Reclassification to the income statement from reserves:				
- realised losses	-	-	(2,872)	(2,872)
Other decreases	(391)	(21)	(895)	(1,307)
Closing balance	(10,031)	47,545	(517)	36,997

Earnings per share

Earnings per share

€/'000	Dec. 31, 2007	Dec. 31, 2006
Profit for the year	212,243	223,678
Weighted average number of shares outstanding	729,156	728,108
Earnings per share (in euro)	0.291	0.307

Diluited earnings per share

€/'000	Dec. 31, 2007	Dec. 31, 2006
Profit for the year	212,243	223,678
Weighted average number of shares outstanding	729,156	728,108
Adjustments for stock options with potential dilution effect	2,117	1,010
Weighted average number of shares outstanding for diluted earnings per share	731,273	729,118
Diluted earnings per share (in euro)	0.290	0.307

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

€/'000	Capital & reserves	Net Profit	Shareholders' Equity
Parent Company Accounts at Dec. 31, 2007	341,448	167,564	509,012
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	50,715	304,961	355,676
Differences on investments accounted for by the equity method	13,514	13,879	27,393
Intercompany dividends	273,333	(273,333)	-
Elimination of intercompany transaction effects	(2,015)	(1,207)	(3,222)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	6,626	422	7,048
Other	(831)	(43)	(874)
Consolidated accounts at Dec. 31, 2007	682,790	212,243	895,033

PROVISIONS

€/'000	Dec. 31, 2007	Dec. 31, 2006
Provision for tax claims	163	153
Other provisions	78,712	67,445
Total	78,875	67,598

Year's movements in provisions for risks and charges

€/'000	Tax claims	Other provisions
Opening balance	153	67,445
Increases		
- year's provision	10	20,543
- other increases	-	-
Decreases		
- Funds utilised in the year	-	(5,222)
- Other decreases	-	(4,054)
Closing balance	163	78,712

Analysis of other provisions

€/'000	Dec. 31, 2007	Dec. 31, 2006
Provision for other completion-of-service entitlements and similar obligations	1,265	1,695
Provision for sales network benefits	43,908	38,530
Provision for risks related to sales network's illegal actions	18,042	17,274
Other provisions for risks and charges	15,497	9,946
Total	78,712	67,445

"Other provisions for risks and charges" largely relate to litigation costs and future charges on distributed products.

TECHNICAL RESERVES

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mathematical reserves	1,268,031	1,255,651
Reserve for outstanding claims	130,414	78,039
Technical reserves for contracts under which the investment risk is borne by the policyholder and in connection with pension fund managemen	13,027,317	11,939,212
Other reserves	31,325	34,015
Of which for deferred liabilities to policyholders	-	-
Total	14,457,087	13,306,917

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit and loss

€/'000	Dec. 31, 2007	Dec. 31, 2006
Financial liabilities held for trading		
Short positions on debt securities	714,771	120,278
Trading derivatives	17,378	28,425
Other financial liabilities	282	1,149
Total Financial liabilities held for trading	732,431	149,852
Financial liabilities at fair value through profit or loss		
Liabilities arising on financial contracts issued by insurance companies:		
- under which the investment risk is borne by the policyholder	601,588	938,285
- in connection with pension fund management	13,206	11,703
Securities issued	2,974	1,153
Total financial liabilities at fair value through profit or loss	617,768	951,141
Total financial liabilities at fair value through profit or loss	1,350,199	1,100,993

Financial liabilities held for trading: derivatives

€/'000	Interest rate	Currencies & gold	Securities	Other	Dec. 31, 2007	Dec. 31, 2006
Listed derivatives						
Financial derivatives						
• With exchange of principal						
- Options issued	-	-	-	-	-	-
- Other derivatives	3	-	5	-	8	-
• Without exchange of principal						
- Options issued	-	-	-	154	154	-
- Other derivatives	15,579	-	-	-	15,579	26,344
Total listed derivatives	15,582	-	5	154	15,741	26,344
Unlisted derivatives						
Financial derivatives						
• With exchange of principal						
- Other derivatives	-	579	-	-	579	798
• Without exchange of principal						
- Options issued	-	-	209	18	227	735
- Other derivatives	831	-	-	-	831	548
Total unlisted derivatives	831	-	209	18	1,637	2,081
Total derivatives	16,413	579	214	172	17,378	28,425

Other financial liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
Banks	1,446,463	1,123,420
Banks customers	5,007,974	4,264,332
Securities outstanding	99,641	101,341
Total	6,554,078	5,489,093
Fair value	*6,554,078*	*5,489,093*

Financial liabilities: Banks

€/'000	Dec. 31, 2007	Dec. 31, 2006
Central banks	290,465	560,172
Other banks		
- Bank accounts and demand deposits	494,826	186,113
- Time deposits	99,464	103,937
- Loans	375,000	225,000
- Other liabilities	186,708	48,198
Total	1,446,463	1,123,420

The time-to-maturity of amounts due to banks is set out in the table below:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Time to maturity		
Up to one year	1,196,463	1,123,420
1-5 years	250,000	-
Total	1,446,463	1,123,420

The item "Financial liabilities: Banks" largely relates to financial liabilities with maturity within one year (€1,071,463 thousand) and residually to financial liabilities with maturity of no more than 18 months (€200,000 thousand).

Financial liabilities: Banking customers

€/'000	Dec. 31, 2007	Dec. 31, 2006
Bank accounts	3,897,118	3,619,336
Liabilities for assets that were sold but not derecognised	1,101,794	575,113
Other liabilities	9,062	69,883
Total	5,007,974	4,264,332

The item "Liabilities sold but not derecognised" relates to repurchase agreements in force at year end.

PAYABLES

Other payables

€/'000	Dec. 31, 2007	Dec. 31, 2006
Employee completion-of-service entitlements	12,249	14,772
Payables to suppliers	119,947	129,442
Due to tax authorities	48,214	51,212
Other payables	54,056	53,035
Total	234,466	248,461

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

€/'000	
Opening balance	14,772
Increases	
- Amounts set aside in the year	2,369
- Other increases	56
Decreases	
- Funds used in the year	(1,465)
- Other decreases	(3,483)
Closing balance	12,249

Other payables

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mediolanum Group associates	698	534
Social security agencies	5,049	4,768
Consultants, professionals, directors and statutory auditors	608	532
Suppliers	1,429	1,539
Companies within the Fininvest Group and the Doris Group	765	1,819
Employees	1,597	549
Tax payable by policyholders	1,495	1,539
Dividends payable to shareholders	6	8
Security deposits	22	217
Other	42,387	41,530
Total	54,056	53,035

OTHER LIABILITIES

Deferred tax liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
Charge to the income statement	9,776	11,671
Charge to equity	1,826	7,959
Total	11,602	19,630

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Opening balance	(11,671)	(10,688)
Increases		
Deferred tax liabilities arisen in the year		
- relating to prior years	(232)	-
- due to changes in the accounting policies	(507)	-
- other	(5,756)	(2,585)
Other increases	(3,855)	(818)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	1,165	2,416
- other	1,016	-
Reduced tax rates	464	4
Other decreases	9,600	-
Closing balance	(9,776)	(11,671)

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Opening balance	(7,959)	(6,753)
Increases		
Deferred tax liabilities arisen in the year		
- relating to prior years	-	-
- due to changes in the accounting policies	-	-
- other	-	(1,180)
Other increases	(1,125)	(1,125)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	-	1,095
- other	1,169	-
Reduced tax rates	955	4
Other decreases	5,134	-
Closing balance	(1,826)	(7,959)

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
Charge to the income statement	9,776	11,671
Income taxable in future years	5,330	6,717
Future expenses deductible in the year	1,531	1,396
Deducted expenses relating to future years	2,915	3,558
Charge to equity	1,826	7,959
Fair value measurement of AFS securities	1,826	7,959
Total	11,602	19,630

Other liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
Items in transit	98,888	78,146
Provision for staff costs	7,106	4,626
Agents' severance benefits	3,603	3,356
Security deposits	3,431	3,844
Security deposits	3,368	2,286
Other	18,958	32,137
Total	135,354	124,395

PART D - INFORMATION ON THE INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

As of December 31, 2007

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	3,534,933	(5,692)	3,529,241
Total premiums written	3,534,933	(5,692)	3,529,241
Gross claims paid less recoveries from reinsurers			
- Claims paid	(1,986,398)	8,999	(1,977,399)
- Change in reserve for outstanding Claims	(49,906)	(600)	(50,506)
- Change in mathematical reserves	(30,610)	(1,706)	(32,316)
- Change in other technical reserves	2,406	-	2,406
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(774,106)	-	(774,106)
Total claims paid and change in technical reserves	(2,838,614)	6,693	(2,831,921)
Life Insurance net income (expense)	696,319	1,001	697,320

Gross premiums written

€/'000	Dec. 31, 2007	Dec. 31, 2006
Gross premiums written		
Class III products	3,476,130	3,282,396
Traditional products	58,803	68,006
Total gross premiums written	3,534,933	3,350,402

As of December 31, 2006

Euro/migliaia	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	3,350,402	(6,072)	3,344,330
Total premiums written	3,350,402	(6,072)	3,344,330
Gross claims paid less recoveries from reinsurers			
- Claims paid	(1,454,562)	10,550	(1,444,012)
- Change in reserve for outstanding Claims	(21,621)	448	(21,173)
- Change in mathematical reserves	(73,234)	(3,010)	(76,244)
- Change in other technical reserves	796	-	796
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(1,980,430)	-	(1,980,430)
Total claims paid and change in technical reserves	(3,529,051)	7,988	(3,521,063)
Life Insurance net income (expense)	(178,649)	1,916	(176,733)

COMMISSION INCOME

€/'000	Dec. 31, 2007	Dec. 31, 2006
Guarantees issued	356	319
Credit derivatives	-	96
Management, brokerage and consulting services:	509,423	515,279
- Financial instruments brokerage	10,199	12,150
- Currency brokerage	3	3
- Asset management	427,233	438,048
- individual portfolio management	7,496	16,014
- collective portfolio management	419,737	422,034
- Securities in custody and under administration	3,877	5,848
- Custodian bank	848	852
- Sales of securities	902	399
- Order taking	8,575	7,446
- Consultancy	2	18
- Services to third parties	57,784	50,515
- asset management	1,170	504
- individual portfolio management	83	83
- collective portfolio management	1,087	421
- insurance products	50,296	42,557
- other products	6,318	7,454
Collection and payment services	28,477	26,249
Loadings on investment contracts	12,523	22,038
Other services	24,654	18,648
Total	575,433	582,629

COMMISSION EXPENSE

€/'000	Dec. 31, 2007	Dec. 31, 2006
Management, brokerage and consulting services	119,960	141,367
- Financial instruments brokerage	5,140	6,091
- Currency brokerage	-	-
- Asset management	11,299	18,352
- Securities in custody and under administration	976	965
- Off-premises sales of securities, products and services	102,545	115,959
Collection and payment services	26,762	24,901
Commissions on the acquisition of investment contracts	4,938	7,992
Other services	33,439	29,506
Total	185,099	203,766

Following a more appropriate classification of commission expense attributed to sales network members in relation to asset management products, the balances of the items '*asset management*' and '*off-premises sales of securities, products and services*' under *management, brokerage and consulting services* include a reclassified amount of €50,239 thousand.

INCOME ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This account, amounting to €13,879 thousand (vs. €8,180 thousand at December 31, 2006), relates exclusively to income from equity accounting for the 48.5% shareholding in Banca Esperia S.p.A.

NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

€/'000	Dec. 31, 2007	Dec. 31, 2006
Financial assets		
Interest income and other investment income:		
- from financial assets held for trading	92,484	56,706
- from financial assets at fair value through profit or loss	205,196	178,444
Net income from financial assets held for trading	(12,691)	1,534
Net income from financial assets at fair value through profit or loss	(563,066)	355,557
Financial liabilities		
Interest expense and similar chargers:		
- from financial assets held for trading	(18,544)	(3,205)
- from financial assets at fair value through profit or loss	(36,133)	(50,440)
Net income from financial liabilities held for trading	6,997	2,805
Net income from financial liabilities at fair value through profit or loss	(137,507)	(109,632)
Total	(463,264)	431,769

Analysis of net income from financial assets held for trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Financial assets held for trading					
Debt securities	4,195	28,493	(23,410)	(28,676)	(19,398)
Equities	-	307	(13)	(240)	54
Holdings in UCITS	163	922	(69)	(13)	1,003
Other	-	-	-	-	-
Other financial assets and liabilities: exchange differences	-	-	-	-	185
Derivatives					
Financial derivatives:					
- debt securities and interest rates	942	43,396	(1,121)	(39,747)	3,470
- equities and stock indices	-	12	-	(7)	5
- other	69,950	22	(67,727)	(255)	1,990
Total	75,250	73,152	(92,340)	(68,938)	(12,691)

Analysis of net income from financial assets through profit or loss

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	169,716	146,385	(477,521)	(62,992)	(224,412)
Equities	-	-	-	-	-
Holdings in UCITS	78,390	15,519	(367,075)	(65,488)	(338,654)
Total	248,106	161,904	(844,596)	(128,480)	(563,066)

Analysis of net income from financial liabilities held for trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	7,710	5,305	(2,147)	(3,871)	6,997

Net income from financial liabilities at fair value through profit or loss

The balance of this account amounting to €137,507 thousand (vs. €109,632 thousand at December 31, 2006), relates exclusively to profits/losses generated on investment contracts issued by the Group insurance companies.

INVESTMENT INCOME AND EXPENSE

Investment property

€/'000	Dec. 31, 2007	Dec. 31, 2006
Interest income	238,985	162,472
Other income	13,507	26,319
Realised gains	12,669	11,328
Unrealised gains	5,756	5,632
Total income	270,917	205,751
Interest expense and other charges	(144,029)	(94,012)
Realised losses	(723)	(7,600)
Unrealised losses	(12,001)	(9,271)
Total expense	(156,753)	(110,883)
Total net investment income	114,164	94,868
Net investment income from:		
Investment property	1,952	6,827
Held-to-maturity investments	23,737	24,567
Available-for-sale financial assets	45,698	39,228
Loans and receivables	186,486	117,320
Financial liabilities	(143,709)	(93,074)
Total net investment income	114,164	94,868

€/'000	Dec. 31, 2007	Dec. 31, 2006
Realised gains	2,166	7,673
Other income	158	211
Other expenses	(320)	(938)
Unrealised losses	(52)	(119)
Total	1,952	6,827

Held-to-maturity investments

€/'000	Dec. 31 2007	Dec. 31, 2006
Interest income	23,737	24,567
Total	23,737	24,567

Available-for-sale financial assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Interest income	22,991	17,099
Other income	13,325	26,063
Realised gains	10,503	3,655
Realised losses	(723)	(7,589)
Unrealised losses	(398)	-
Total	45,698	39,228

Loans and receivables

€/'000	Dec. 31, 2007	Dec. 31, 2006
Interest income	192,257	120,806
Other income	24	45
Realised gains	5,756	5,632
Realised losses	-	(11)
Unrealised losses	(11,551)	(9,152)
Total	186,486	117,320

Net income from financial liabilities

Net income from financial liabilities amounts to €143,709 thousand (vs. €93,074 thousand at December 31, 2006) relates exclusively to interest earned on banking products.

OTHER REVENUES

€/'000	Dec. 31, 2007	Dec. 31, 2006
Fixed duties on insurance products	15,546	16,242
Recoveries of expenses on contracts and services rendered	4,240	2,556
Miscellaneous compensation	7,027	6,762
Total	26,813	25,560

OPERATING EXPENSES

€/'000	Dec. 31, 2007	Dec. 31, 2006
Agents' Commissions and other acquisition costs	151,293	156,824
Investment management expenses	362	339
Other administrative expenses		
Employees	120,146	108,006
Advertising and promotions	21,185	19,801
Advisory services and collaborations	31,110	28,616
IT systems	36,156	35,742
Miscellaneous communications services	22,059	17,761
Other general expenses	51,410	44,866
Total other administrative expenses	282,066	254,792
Total	433,721	411,955

Average number of employees by category

Unità	Dec. 31, 2007	Dec. 31, 2006
Employees:		
a) senior management	111	106
b) middle management	232	209
c) other employees	1,425	1,285
Total employees	1,768	1,600
Other personnel	17	63
Total	1,785	1,663

OTHER COSTS

€/'000	Dec. 31, 2007	Dec. 31, 2006
Employees	4,609	3,915
Amortization of intangible assets	15,828	15,206
Depreciation of investment property and other assets	7,642	8,026
Provisions for risks and charges	16,758	16,819
Other miscellaneous expenses	25,228	21,490
Total	70,065	65,456

Provisions for risks and charges

€/'000	Dec. 31, 2007	Dec. 31, 2006
Provision for sales network benefits	6,081	12,758
Provision for risks related to financial advisors' illegal actions	2,024	1,681
Other provisions for risks and charges	8,653	2,380
Total	16,758	16,819

INCOME TAX

€/'000	Dec. 31, 2007	Dec. 31, 2006
Current taxes (-)	(57,074)	(63,027)
Change in prior years' current taxes (+/-)	530	87
Decrease in the year's current taxes (+)	-	11
Change in deferred tax assets (+/-)	(8,670)	2,452
Change in deferred tax liabilities (+/-)	1,895	(983)
Income tax charge for the year (-)	(63,319)	(61,460)

Reconciliation between theoretical and effective tax rates

€/'000	Dec. 31, 2007	Dec. 31, 2006
Theoretical tax rate	16.7%	17.8%
Profit for the year before tax	275,561	285,096
Theoretical tax expense	(46,018)	(50,636)
Non-deductible costs	(21,683)	(14,159)
Non-taxable income	9,954	10,808
Irap (regional business tax) and other taxes	(5,572)	(7,473)
Tax expense	(63,319)	(61,460)
Effective tax rate	22.98%	21.60%

PART E - SEGMENT REPORTING

This section presents consolidated financial data reported by segment.

Segment reporting entailed the reclassification of certain income and expense items with respect to the Consolidated Income Statement included in the Consolidated Accounts at December 31, 2007.

In compliance with IAS 14, segment reporting reflects the management reporting system of the Mediolanum Group, and is consistent with the information disclosed to the market and to the various stakeholders.

The policies adopted in the reclassification of income and expense items include the presentation of balances by nature and the recognition of financial income/expense on policyholders' assets under "Amounts paid and change in technical reserves".

For the purpose of segment reporting of balance sheet information, the various companies were classified under their respective business segment. This entailed, on the one hand, the elimination of inter-company balances within the same segment and, on the other hand, including the balances the inclusion of inter-segment transaction balances.

Consolidated financial results are reported by business segment (primary format), i.e. Life Insurance, Banking, Asset Management and Other, and then by geographic segment (secondary segment) by reference to the Group markets, i.e. Domestic and Foreign markets.

The reconciliations of the consolidated balance sheet and income statement at December 31, 2007 to the reclassified balance sheet and income statement prepared for segment reporting purposes are set out below.

Reconciliation of the income statement at December 31, 2007 to the reclassified income statement for segment reporting purposes

€/'000	Consolidated income statements
1. Revenues	
1.1 Net premiums written	
1.1.1 Gross premiums written	3,534,933
1.1.2 Reinsurance premiums	(5,692)
Total premiums written	3,529,241
1.2 Commission income	575,433
1.3 Net income on financial instruments at fair value through profit and loss	(463,264)
1.4 Income on investments in sudsidiaries, associates and jvs	13,879
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	238,985
1.5.2 Other income	13,507
1.5.3 Realised gains	12,669
1.5.4 Unrealised gains	5,756
Total income on other financial instruments and investment property	270,917
1.6 Other revenues	26,813
Total revenues	3,953,019
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(2,838,614)
2.1.2 Reinsurers' share/recoveries from reinsurers	6,693
Net claims and benefits	(2,831,921)
2.2 Commission expense	(185,099)
2.3 Loss on other investments in subsidiaries, associats and jvs	-
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(143,596)
2.4.2 Other expenses	(433)
2.4.3 Realised losses	(723)
2.4.4 Unrealised losses	(12,001)
Loss on other financial instruments and investment property	(156,753)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(151,293)
2.5.2 Investment management costs/expenses	(362)
2.5.3 Other administrative expenses	(282,066)
Total operating expenses	(433,721)
2.6 Other costs	(70,065)
Total costs	(3,677,559)
Profit (loss) before tax for the period	275,460
3. Income tax	(63,319)
4. Profit (loss) from discountinued operations	101
Group net profit (loss) for the period	212,243
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as financial contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

RECLASSIFIED INCOME STATEMENT - REVENUES

Net premiums written	Entry fees	Interest income and similar income	Interest expense and similar charges	Net income on investments at fair value	Net income on other investments	Other revenues
3,534,933	-	-	-	-	-	-
(5,692)	-	-	-	-	-	-
3,529,241	-	-	-	-	-	-
-	575,433	-	-	-	-	-
-	-	297,680	(54,677)	(706,267)	-	-
-	-	-	-	-	13,879	-
-	-	238,985	-	-	-	-
-	-	13,349	-	-	158	-
-	-	-	-	-	12,669	-
-	-	-	-	-	-	-
-	-	252,334	-	-	12,827	-
-	-	-	-	-	-	26,813
3,529,241	575,433	550,014	(54,677)	(706,267)	26,706	26,813
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(143,596)	-	-	-
-	-	-	(113)	-	(320)	-
-	-	-	-	-	(723)	-
-	-	-	-	-	(1)	-
-	-	-	(143,709)	-	(1,044)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(143,709)	-	(1,044)	-
3,529,241	575,433	550,014	(198,386)	(706,267)	25,662	26,813
-	-	-	-	-	-	-
-	-	-	-	-	101	-
3,529,241	575,433	550,014	(198,386)	(706,267)	25,763	26,813
-	-	(239,055)	35,935	700,573	-	-
-	-	(13,325)	-	-	6,839	-
3,529,241	575,433	297,634	(162,451)	(5,694)	32,602	26,813

Reconciliation of the income statement at December 31, 2007 to the reclassified income statement for segment reporting purposes

€/'000	Consolidated income statements
1. Revenues	
1.1 Net premiums written	
1.1.1 Gross premiums written	3,534,933
1.1.2 Reinsurance premiums	(5,692)
Total premiums written	3,529,241
1.2 Commission income	575,433
1.3 Net income on financial instruments at fair value through profit and loss	(463,264)
1.4 Income on investments in sudsidiaries, associates and jvs	13,879
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	238,985
1.5.2 Other income	13,507
1.5.3 Realised gains	12,669
1.5.4 Unrealised gains	5,756
Total income on other financial instruments and investment property	270,917
1.6 Other revenues	26,813
Total revenues	3,953,019
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(2,838,614)
2.1.2 Reinsurers' share/recoveries from reinsurers	6,693
Net claims and benefits	(2,831,921)
2.2 Commission expense	(185,099)
2.3 Loss on other investments in subsidiaries, associats and jvs	-
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(143,596)
2.4.2 Other expenses	(433)
2.4.3 Realised losses	(723)
2.4.4 Unrealised losses	(12,001)
Loss on other financial instruments and investment property	(156,753)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(151,293)
2.5.2 Investment management costs/expenses	(362)
2.5.3 Other administrative expenses	(282,066)
Total operating expenses	(433,721)
2.6 Other costs	(70,065)
Total costs	(3,677,559)
Profit (loss) before tax for the period	275,460
3. Income tax	(63,319)
4. Profit (loss) from discountinued operations	101
Group net profit (loss) for the period	212,243
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as financial contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

RECLASSIFIED INCOME STATEMENT - EXPENSES AND INCOME TAX

Amounts paid and change in technical reserves	Acquisition costs & other commission expense	Net impairment of financial investments	G&A expenses	Amortisation and depreciation	Provision for risks and charges	Income tax	Net profit
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,756	-	-	-	-	-
-	-	5,756	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,756	-	.	-	-	-
(2,836,921)	-	-	(1,693)	-	-	-	-
6,693	-	-	-	-	-	-	-
(2,830,228)	-	-	(1,693)	-	-	-	-
-	(185,099)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(11,948)	-	(52)	-	-	-
-	-	(11,948)	-	(52)	-	-	-
-	(143,227)	-	(8,066)	-	-	-	-
-	-	-	(362)	-	-	-	-
-	-	-	(282,066)	-	-	-	-
-	(143,227)	-	(290,494)	-	-	-	-
-	-	(104)	(29,733)	(23,470)	(16,758)	-	-
(2,830,228)	(328,326)	(12,052)	(321,920)	(23,522)	(16,758)	-	-
(2,830,228)	(328,326)	(6,296)	(321,920)	(23,522)	(16,758)	-	-
-	-	-	-	-	-	(63,319)	-
-	-	-	-	-	-	-	-
(2,830,228)	(328,326)	(6,296)	(321,920)	(23,522)	(16,758)	(63,319)	-
(497,453)	-	-	-	-	-	-	-
(911)	-	-	7,397	-	-	-	-
(3,328,592)	(328,326)	(6,296)	(314,523)	(23,522)	(16,758)	(63,319)	212,243

INCOME STATEMENT AT DECEMBER 31, 2007

Segment Reporting by Business sector

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2007	2006	delta	2007	2006	delta
Net premiums written	3,529,241	3,344,330	184,911	-	-	-
Entry fees	-	-	-	53,752	56,547	(2,795)
Management fees	174,367	145,603	28,764	161,764	172,255	(10,491)
Performance fees	33,150	39,119	(5,969)	28,525	44,009	(15,484)
Banking service fees	-	-	-	1,011	1,295	(284)
Other fees	14,902	23,719	(8,817)	28,435	24,585	3,850
Total commission income	222,419	208,441	13,978	273,487	298,691	(25,204)
Interest income and similar income	31,542	20,800	10,742	4,738	2,874	1,864
Interest expense and similar charges	(4,598)	(4,625)	27	(121)	(505)	384
Net income on investments at fair value	(10,139)	(5,167)	(4,972)	99	54	45
Net financial income	16,805	11,008	5,797	4,716	2,423	2,293
Net income on other investments	1,519	9,716	(8,197)	895	290	605
Other revenues	15,907	16,618	(711)	636	1,002	(366)
TOTAL REVENUES	3,785,891	3.590,113	195,778	279,734	302,406	(22,672)
Amounts paid and change in technical reserves	(3,328,592)	(3,112,123)	(216,469)	-	-	-
Acquisition costs & other commission expense	(168,718)	(198,107)	29,389	(101,145)	(107,977)	6,832
Net impairment of financial investments	(302)	(396)	94	(2)	(185)	183
G&A expenses	(110,528)	(98,351)	(12,177)	(74,063)	(72,226)	(1,837)
Amortisation and depreciation	(7,616)	(6,852)	(764)	(4,327)	(4,855)	528
Provision for risks and charges	(9,402)	(9,974)	572	(5,304)	(4,398)	(906)
PROFIT BEFORE TAX	160,733	164,310	(3,577)	94,893	112,765	(17,872)
Income tax	-	-	-	-	-	-
NET PROFIT	-	-	-	-	-	-

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2007	2006	delta	2007	2006	delta	2007	2006	delta	2007	2006	delta
-	-	-	-	-	-	-	-	-	3,529,241	3,344,330	184,911
-	-	-	-	-	-	-	-	-	53,752	56,547	(2,795)
-	-	-	-	-	-	-	-	-	336,131	317,858	18,273
-	-	-	-	-	-	-	-	-	61,675	83,128	(21,453)
76,211	73,053	3,158	-	-	-	(867)	(1,369)	502	76,355	72,979	3,376
363	385	(22)	3,820	3,946	(126)	-	(518)	518	47,520	52,117	(4,597)
76,574	73,438	3,136	3,820	3,946	(126)	(867)	(1,887)	1,020	575,433	582,629	(7,196)
288,808	182,927	105,881	2,509	1,438	1,071	(29,963)	(21,777)	(8,186)	297,634	186,262	111,372
(173,714)	(102,402)	(71,312)	(13,983)	(10,731)	(3,252)	29,965	21,773	8,192	(162,451)	(96,490)	(65,961)
4,338	9,093	(4,755)	4	1	3	4	-	4	(5,694)	3,981	(9,675)
119,432	89,618	29,814	(11,470)	(9,292)	(2,178)	6	(4)	10	129,489	93,753	35,736
12,306	236	12,070	17,883	20,549	(2,666)	-	-	-	32,603	30,791	1,812
7,558	5,178	2,380	3,323	3,941	(618)	(611)	(1,178)	567	26,813	25,561	1,252
215,870	168,470	47,400	13,556	19,144	(5,588)	(1,472)	(3,069)	1,597	4,293,579	4,077,064	216,515
-	-	-	-	-	-	-	-	-	(3,328,592)	(3,112,123)	(216,469)
(54,735)	(47,522)	(7,213)	(3,734)	(3,042)	(692)	6	519	(513)	(328,326)	(356,129)	27,803
(5,927)	(2,993)	(2,934)	(66)	(7)	(59)	-	1	(1)	(6,297)	(3,580)	(2,717)
(129,552)	(109,881)	(19,671)	(1,847)	(2,014)	167	1,467	2,549	(1,082)	(314,523)	(279,923)	(34,600)
(11,451)	(11,492)	41	(127)	(154)	27	(1)	-	(1)	(23,522)	(23,353)	(169)
(1,882)	(2,206)	324	(170)	(241)	71	-	-	-	(16,758)	(16,819)	61
12,323	(5,624)	17,947	7,612	13,686	(6,074)	-	1	(1)	275,561	285,138	(9,577)
-	-	-	-	-	-	-	-	-	(63,318)	(61,460)	(1,858)
-	-	-	-	-	-	-	-	-	212,243	223,678	(11,435)

INCOME STATEMENT AT DECEMBER 31, 2007

Segment Reporting by Business sector / Domestic market

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2007	2006	delta	2007	2006	delta
Net premiums written	3,377,408	3,196,127	181,281	-	-	-
Entry fees	-	-	-	47,010	48,779	(1,769)
Management fees	174,367	145,603	28,764	143,911	153,413	(9,502)
Performance fees	33,150	39,119	(5,969)	25,722	41,346	(15,624)
Banking service fees	-	-	-	-	-	-
Other fees	8,659	15,966	(7,307)	27,816	23,688	4,128
Total commission income	216,176	200,688	15,488	244,459	267,226	(22,767)
Interest income and similar income	29,631	19,645	9,986	3,829	2,423	1,406
Interest expense and similar charges	(4,572)	(4,625)	53	(111)	(182)	71
Net income on investments at fair value	(8,911)	(5,656)	(3,255)	5	5	-
Net financial income	16,148	9,364	6,784	3,723	2,246	1,477
Net income on other investments	1,519	9,716	(8,197)	-	290	(290)
Other revenues	15,907	16,618	(711)	451	436	15
TOTAL REVENUES	3,627,158	3,432,513	194,645	248,633	270,198	(21,565)
Amounts paid and change in technical reserves	(3,197,112)	(2,981,951)	(215,161)	-	-	-
Acquisition costs & other commission expense	(156,381)	(185,785)	29,404	(87,873)	(92,741)	4,868
Net impairment of financial investments	(302)	(396)	94	(2)	(185)	183
G&A expenses	(104,152)	(92,708)	(11,444)	(63,253)	(60,706)	(2,547)
Amortisation and depreciation	(6,220)	(6,038)	(182)	(3,921)	(4,483)	562
Provision for risks and charges	(9,402)	(9,974)	572	(5,284)	(4,254)	(1,030)
PROFIT BEFORE TAX	153,589	155,661	(2,072)	88,300	107,829	(19,529)
Income tax	-	-	-	-	-	-
NET PROFIT	-	-	-	-	-	-

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2007	2006	delta	2007	2006	delta	2007	2006	delta	2007	2006	delta
-	-	-	-	-	-	-	-	-	3,377,408	3,196,127	181,281
-	-	-	-	-	-	-	-	-	47,010	48,779	(1,769)
-	-	-	-	-	-	-	-	-	318,278	299,016	19,262
-	-	-	-	-	-	-	-	-	58,872	80,465	(21,593)
44,404	41,056	3,348	-	-	-	(861)	(1,363)	502	43,543	39,693	3,850
33	6	27	3,820	3,946	(126)	-	-	-	40,328	43,606	(3,278)
44,437	41,062	3,375	3,820	3,946	(126)	(861)	(1,363)	502	508,031	511,559	(3,528)
264,026	163,730	100,296	2,509	1,438	1,071	(22,312)	(13,837)	(8,475)	277,683	173,399	104,284
(160,180)	(92,770)	(67,410)	(13,983)	(10,731)	(3,252)	22,312	13,837	8,475	(156,534)	(94,471)	(62,063)
4,338	9,076	(4,738)	4	1	3	-	-	-	(4,564)	3,426	(7,990)
108,184	80,036	28,148	(11,470)	(9,292)	(2,178)	-	-	-	116,585	82,354	34,231
11,772	130	11,642	17,883	20,549	(2,666)	-	-	-	31,174	30,685	489
6,227	3,642	2,585	3,323	3,941	(618)	-	-	-	25,908	24,637	1,271
170,620	124,870	45,750	13,556	19,144	(5,588)	(861)	(1,363)	502	4,059,106	3,845,362	213,744
-	-	-	-	-	-	-	-	-	(3,197,112)	(2,981,951)	(215,161)
(28,993)	(23,364)	(5,629)	(3,734)	(3,042)	(692)	-	-	-	(276,981)	(304,932)	27,951
(7,114)	(1,951)	(5,163)	(66)	(7)	(59)	-	-	-	(7,484)	(2,539)	(4,945)
(102,985)	(84,078)	(18,907)	(1,847)	(2,014)	167	861	1,363	(502)	(271,376)	(238,143)	(33,233)
(9,511)	(9,554)	43	(127)	(154)	27	-	-	-	(19,779)	(20,229)	450
(1,165)	(872)	(293)	(170)	(241)	71	-	-	-	(16,021)	(15,341)	(680)
20,852	5,051	15,801	7,612	13,686	(6,074)	-	-	-	270,353	282,227	(11,874)
-	-	-	-	-	-	-	-	-	(61,220)	(59,210)	(2,010)
-	-	-	-	-	-	-	-	-	209,133	223,017	(13,884)

INCOME STATEMENT AT DECEMBER 31, 2007

Segment Reporting by Business sector / Foreign market

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2007	2006	delta	2007	2006	delta
Net premiums written	151,833	148,203	3,630	-	-	-
Entry fees	-	-	-	6,742	7,768	(1,026)
Management fees	-	-	-	17,853	18,842	(989)
Performance fees	-	-	-	2,803	2,663	140
Banking service fees	-	-	-	1,011	1,295	(284)
Other fees	6,243	7,753	(1,510)	619	897	(278)
Total commission income	6,243	7,753	(1,510)	29,028	31,465	(2,437)
Interest income and similar income	1,911	1,155	756	909	451	458
Interest expense and similar charges	(26)	-	(26)	(10)	(323)	313
Net income on investments at fair value	(1,228)	489	(1,717)	94	49	45
Net financial income	657	1,644	(987)	993	177	816
Net income on other investments	-	-	-	895	-	895
Other revenues	-	-	-	185	566	(381)
TOTAL REVENUES	158,733	157,600	1,133	31,101	32,208	(1,107)
Amounts paid and change in technical reserves	(131,480)	(130,172)	(1,308)	-	-	-
Acquisition costs & other commission expense	(12,337)	(12,322)	(15)	(13,272)	(15,236)	1,964
Net impairment of financial investments	-	-	-	-	-	-
G&A expenses	(6,376)	(5,643)	(733)	(10,810)	(11,520)	710
Amortisation and depreciation	(1,396)	(814)	(582)	(406)	(372)	(34)
Provision for risks and charges	-	-	-	(20)	(144)	124
PROFIT BEFORE TAX	7,144	8,649	(1,505)	6.593	4,936	1,657
Income tax	-	-	-	-	-	-
NET PROFIT	-	-	-	-	-	-

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2007	2006	delta	2007	2006	delta	2007	2006	delta	2007	2006	delta
-	-	-	-	-	-	-	-	-	151,833	148,203	3,630
-	-	-	-	-	-	-	-	-	6,742	7,768	(1,026)
-	-	-	-	-	-	-	-	-	17,853	18,842	(989)
-	-	-	-	-	-	-	-	-	2,803	2,663	140
31,807	31,997	(190)	-	-	-	-	-	-	32,818	33,292	(474)
330	379	(49)	-	-	-	-	-	-	7,192	9,029	(1,837)
32,137	32,376	(239)	-	-	-	-	-	-	67,408	71,594	(4,186)
24,782	19,197	5,585	-	-	-	-	-	-	27,602	20,803	6,799
(13,534)	(9,632)	(3,902)	-	-	-	-	-	-	(13,570)	(9,955)	(3,615)
-	17	(17)	-	-	-	-	-	-	(1,134)	555	(1,689)
11,248	9,582	1,666	-	-	-	-	-	-	12,898	11,403	1,495
534	106	428	-	-	-	-	-	-	1,429	106	1,323
1,331	1,536	(205)	-	-	-	(171)	(478)	307	1,345	1,624	(279)
45,250	43,600	1,650	-	-	-	(171)	(478)	307	234,913	232,930	1,983
-	-	-	-	-	-	-	-	-	(131,480)	(130,172)	(1,308)
(25,742)	(24,158)	(1,584)	-	-	-	-	-	-	(51,351)	(51,716)	365
1,187	(1,042)	2,229	-	-	-	-	-	-	1,187	(1,042)	2,229
(26,567)	(25,803)	(764)	-	-	-	171	478	(307)	(43,582)	(42,488)	(1,094)
(1,940)	(1,938)	(2)	-	-	-	-	-	-	(3,742)	(3,124)	(618)
(717)	(1,334)	617	-	-	-	-	-	-	(737)	(1,478)	741
(8,529)	(10,675)	2,146	-	-	-	-	-	-	5,208	2,910	2,298
-	-	-	-	-	-	-	-	-	(2,098)	(2,250)	152
-	-	-	-	-	-	-	-	-	3,110	660	2,450

Reconciliation of the balance sheet at December 31, 2007 to the reclassified balance sheet for segment reporting purposes

€/'000	Book value	Intangible assets
1. Intangible assets		
1.1 Goodwill	161,422	161,422
1.2 Other intangible assets	13,963	13,963
Total intangible assets	175,385	175,385
2. Tangible assets		
2.1 Property	56,458	-
2.2 Other tangible assets	19,400	-
Total tangible assets	75,858	-
3. Reinsurers' share of technical reserves	100,870	-
4. Investments		
4.1 Investment property	4,214	-
4.2 Investments in subsidiaries, associates and jvs	53,205	-
4.3 Held to maturity investments	592,324	-
4.4 Loans and receivables	4,581,998	-
4.5 Available for sale financial assets	1,338,611	-
4.6 Financial assets at fair value through profit and loss	16,185,536	-
Total investments	22,755,889	-
5. Receivables		
5.1 Arising out of direct insurance business	11,504	-
5.2 Arising out of reinsurance business	-	-
5.3 Other receivables	1,839	-
Total receivables	13,343	-
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	1,042	-
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	38,366	-
6.4 Current tax assets	157,587	-
6.5 Other assets	220,455	-
Total other assets	417,449	-
7. Cash and cash equivalents	245,370	-
TOTAL ASSETS	23,784,163	175,385

Property	Securities	Financial assets to banks	Financial assets to customers	Other assets	Total
-	-	-	-	-	161,422
-	-	-	-	-	13,963
-	-	-	-	-	175,385
56,458	-	-	-	-	56,458
-	-	-	-	19,400	19,400
56,458	-	-	-	19,400	75,858
-	-	-	-	100,870	100,870
4,214	-	-	-	-	4,214
-	53,205	-	-	-	53,205
-	592,324	-	-	-	592,324
-	10,299	2,575,973	1,689,613	306,113	4,581,998
-	1,338,611	-	-	-	1,338,611
-	16,185,536	-	-	-	16,185,536
4,214	18,179,975	2,575,973	1,689,613	306,113	22,755,888
-	-	-	-	11,504	11,504
-	-	-	-	-	-
-	-	-	-	1,839	1,839
-	-	-	-	13,343	13,343
-	-	-	-	1,042	1,041,929
-	-	-	-	-	-
-	-	-	-	38,366	38,366
-	-	-	-	157,587	157,587
-	-	-	-	220,455	220,455
-	-	-	-	417,449	417,449
-	-	176,198	-	69,172	245,370
60,672	18,179,975	2,752,171	1,689,613	926,347	23,784,163

Reconciliation of the balance sheet at December 31, 2007 to the reclassified balance sheet for segment reporting purposes

€/'000	Book value	Financial liabilities due to banks	Financial liabilities due to customers
1. Shareholders' equity			
1.1 Group shareholders' equity			
1.1.1 Share capital	72,948	-	-
1.1.2 Other equity instruments	-	-	-
1.1.3 Capital reserves	53,322	-	-
1.1.4 Retained earnings and other equity reserves	521,568	-	-
1.1.5 Treasury shares (-)	(2,045)	-	-
1.1.6 Exchange difference reserves	-	-	-
1.1.7 Gains or losses on available for sale financial assets	36,997	-	-
1.1.8 Other gains or losses recognised directly in equity	-	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	212,243	-	-
Total capital and reserves attributable to the Group	895,033	-	-
1.2 Attributable to minority interests			
1.2.1 Capital and reserves attributable to minority interests	-	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-	-
Total capital and reserves attributable to minority interests	-	-	-
Total shareholders' equity	895,033	-	-
2. Provisions	78,875	-	-
3. Technical reserves	14,457,087	-	-
4. Financial liabilities			
4.1 Financial liabilities at fair value through profit and loss	1,350,199	-	-
4.2 Other financial liabilities	6,554,078	1,446,463	5,007,974
Total financial liabilities	7,904,277	1,446,463	5,007,974
5. Payables			
5.1 Arising out of direct insurance business	18,662	-	-
5.2 Arising out of reinsurance business	1,339	-	-
5.3 Other payables	234,466	-	-
Total payables	254,467	-	-
6. Other liabilities			
6.1 Liabilities of disposal groups held for sale	905	-	-
6.2 Deferred tax liabilities	11,602	-	-
6.3 Current tax liabilities	46,563	-	-
6.4 Other liabilities	135,354	-	-
Total other liabilities	194,424	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	23,784,163	1,446,463	5,007,974

Other financial liabilities	Other liabilities	Technical reserves	Provision for risks and charges	Shareholders' equity	Total
-	-	-	-	72,948	72,948
-	-	-	-	-	-
-	-	-	-	53,322	53,322
-	-	-	-	521,568	521,568
-	-	-	-	(2,045)	(2,045)
-	-	-	-	-	-
-	-	-	-	36,997	36,997
-	-	-	-	-	-
-	-	-	-	212,243	212,243
-	-	-	-	895,033	895,033
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	895,033	895,033
-	-	-	78,875	-	78,875
-	-	14,457,087	-	-	14,457,087
1,350,199	-	-	-	-	1,350,199
99,641	-	-	-	-	6,554,078
1,449,840	-	-	-	-	7,904,277
-	18,662	-	-	-	18,662
-	1,339	-	-	-	1,339
-	234,466	-	-	-	234,466
-	254,467	-	-	-	254,467
-	905	-	-	-	905
-	11,602	-	-	-	11,602
-	46,563	-	-	-	46,563
-	135,354	-	-	-	135,354
-	194,424	-	-	-	194,424
1,449,840	448,891	14,457,087	78,875	895.033	23,784,163

BALANCE SHEET AS AT DECEMBER 31, 2007

Segment Reporting by Business sector

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2007	2006	delta	2007	2006	delta
ASSETS						
Intangible Assets	3,130	6,275	(3,145)	30,887	32,152	(1,265)
Property	23,552	26,756	(3,204)	7,655	7,821	(166)
Securities	15,335,272	14,547,739	787,533	9,504	13,813	(4,309)
Financial assets to banks	447,135	293,842	153,293	80,594	69,285	11,309
Financial assets to customers	-	-	-	34,055	47,220	(13,165)
Other assets	326,427	337,495	(11,068)	7,559	4,895	2,664
Total assets	16,135,516	15,212,107	923,409	170,254	175,186	(4,932)
LIABILITIES						
Financial liabilities due to banks	390,078	237,320	152,758	-	791	(791)
Financial liabilities due to customers	-	-	-	626	469	157
Other financial liabilities	730,168	1,077,673	(347,505)	-	-	-
Technical reserves	14,457,087	13,306,917	1,150,170	-	-	-
Provisions for risks and charges	1,264	771	493	20	1,046	(1,026)
Other liabilities	206,936	228,931	(21,995)	40,886	38,566	2,320
Total liabilities	-	-	-	-	-	-
Minority interests	15,785,533	14,851,612	933,921	41,532	40,872	660
Shareholders' equity	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-
Total shareholders' equity and liabilities	-	-	-	-	-	-

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2007	2006	delta	2007	2006	delta	2007	2006	delta	2007	2006	delta
137,135	139,154	(2,019)	4,233	4,159	74	-	-	-	175,385	181,740	(6,355)
27,770	28,371	(601)	1,694	1,699	(5)	-	-	-	60,671	64,647	(3,976)
2,975,852	2,427,755	548,097	40	40	-	(140,693)	(178,282)	37,589	18,179,975	16,811,065	1,368,910
2,568,172	2,057,175	510,997	1,031	1,824	(793)	(344,761)	(233,306)	(111,455)	2,752,171	2,188,820	563,351
1,656,029	1,278,396	377,633	-	-	-	(461)	(1,642)	1,181	1,689,623	1,323,974	365,649
651,936	481,652	170,284	5,670	5,128	542	(65,254)	(82,303)	17,049	926,338	746,867	179,471
8,016,894	6,412,503	1,604,391	12,668	12,850	(182)	(551,169)	(495,533)	(55,636)	23,784,163	21,317,113	2,467,050
1,056,385	886,100	170,285	-	-	-	-	(791)	791	1,446,463	1,123,420	323,043
5,494,784	4,655,290	839,494	-	-	-	(487,436)	(391,427)	(96,009)	5,007,974	4,264,332	743,642
719,672	124,661	595,011	-	-	-	-	-	-	1,449,840	1,202,334	247,506
-	-	-	-	-	-	-	-	-	14,457,087	13,306,917	1,150,170
77,565	65,765	11,800	26	16	10	-	-	-	78,875	67,598	11,277
259,662	278,747	(19,085)	5,140	5,281	(141)	(63,733)	(103,315)	39,582	448,891	448,210	681
-	-	-	-	-	-	-	-	-	-	-	-
7,608,068	6,010,563	1,597,505	5,166	5,297	(131)	(551,169)	(495,533)	(94,223)	22,889,130	20,412,811	2,476,319
-	-	-	-	-	-	-	-	-	682,790	680,624	2,166
-	-	-	-	-	-	-	-	-	212,243	223,678	(11,435)
-	-	-	-	-	-	-	-	-	23,784,163	21,317,113	2,467,050

BALANCE SHEET AS AT DECEMBER 31, 2007

Segment Reporting by Geographic sector (Domestic/Foreign)

	DOMESTIC MARKET		
€/'000	2007	2006	delta
ASSETS			
Intangible Assets	16,914	21,451	(4,537)
Property	42,969	46,586	(3,617)
Securities	17,688,879	16,420,730	1,268,149
Financial assets to banks	2,712,434	2,009,319	703,115
Financial assets to customers	1,541,187	1,134,840	406,347
Other assets	588,784	529,018	59,766
Total assets	22,591,167	20,161,944	2,429,223
LIABILITIES			
Financial liabilities due to banks	1,509,080	1,360,829	148,251
Financial liabilities due to customers	4,544,072	3,734,429	809,643
Other financial liabilities	1,361,367	1,059,017	302,350
Technical reserves	14,151,867	13,108,464	1,043,403
Provisions for risks and charges	76,077	62,943	13,134
Other liabilities	396,275	388,418	7,857
Total liabilities	22,038,738	19,714,100	2,324,638
Shareholders' equity	-	-	-
Net profit for the year	-	-	-
Totale shareholders' equity and liabilities	-	-	-

FOREIGN MARKET			CONSOLIDATION ADJUSTMENTS			TOTAL		
2007	2006	delta	2007	2006	delta	2007	2006	delta
158,471	160,289	(1,818)	-	-	-	175,385	181,740	(6,355)
17,702	18,061	(359)	-	-	-	60,671	64,647	(3,976)
491,096	390,335	100,761	-	-	-	18,179,975	16,811,065	1,368,910
136,646	377,871	(241,225)	(96,909)	(198,370)	101,461	2,752,171	2,188,820	563,351
148,808	190,787	(41,979)	(382)	(1,661)	1,279	1,689,613	1,323,966	365,647
337,751	270,742	67,009	(187)	(52,885)	52,698	926,348	746,875	179,473
1,290,474	1,408,085	(117,611)	(97,478)	(252,916)	155,438	23,784,163	21,317,113	2,467,050
20,340	8,663	11,677	(82,957)	(246,072)	163,115	1,446,463	1,123,420	323,043
478,254	536,436	(58,182)	(14,352)	(6,533)	(7,819)	5,007,974	4,264,332	743,642
88,473	143,317	(54,844)	-	-	-	1,449,840	1,202,334	247,506
305,220	198,453	106,767	-	-	-	14,457,087	13,306,917	1,150,170
2,798	4,655	(1,857)	-	-	-	78,875	67,598	11,277
52,785	60,103	(7,318)	(169)	(311)	142	448,891	448,210	681
947,870	951,627	(3,757)	(97,478)	(252,916)	155,438	22,889,130	20,412,811	2,476,319
-	-	-	-	-	-	682,790	680,624	2,166
-	-	-	-	-	-	212,243	223,678	(11,435)
-	-	-	-	-	-	23,784,163	21,317,113	2,467,050

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk Management and Internal Control

The Group's internal control system consists of the set of rules, procedures and functions established to ensure the effectiveness and efficiency of corporate processes, the protection of the company's assets and the proper management of customer assets, the reliability and integrity of accounting and management information as well as the compliance of transactions with the law, the regulations issued by Supervisory Authorities, self-discipline and internal rules.
The various companies within the Mediolanum Group put in place a comprehensive, effective internal control system in accordance with applicable regulations and the business they conduct.

The Board of Directors and management play a key role in the establishment of an adequate risk management framework and the implementation of an effective internal control system.
Internal control, however, is not only the responsibility of certain functions or committees, but rather all departments are responsible to a different extent for the transactions they execute.
The internal control system is designed to encompass the following main lines of defence:

- Line controls. This first line of defence consists of controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. These controls are carried out by operational units or embedded in automated procedures, and they are part of back-office activities. The level of controls depends upon the size, nature and complexity of the business.
- Risk controls. These are specific 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. This second line of defence is tailored to the risk profile of the individual business. Specifically, it includes controls over credit risk, capital risk and investment risk, operational and reputational risks. It includes control of compliance with the law, the regulations issued by Supervisory Authorities and self-discipline rules (e.g. codes of conducts) as well as any with other rules applicable to the Company;
- Internal Audit. This third line of defence entails the periodic assessment of the completeness, effectiveness and adequacy of the internal control system in relation to the nature of the business and the level of risks undertaken. The Head of Internal Audit is appointed by the Board of Directors. The Internal Audit function is separate and independent of operating units. Due to the scope and sensitiveness of the internal audit work, expert knowledge is required of internal auditors.

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

Risk Management and Compliance

The "Risk Management and Compliance" function is responsible for ensuring the adequacy of risk management procedures for financial, operational and credit risks as well as regulatory compliance of the financial conglomerate.
The Group Risk Management and Compliance framework was developed from the models applied by the individual entities and taking into account the level of risk concentration/diversification originating from being part of the Group.
Specifically, the Group Risk Management and Compliance model sets out the policies for the risks managed directly by subsidiaries (underwriting, reserve, market, credit, liquidity, operational, legal, reputational risks) as well as the policies for the risks faced by individual entities as a result of being members of the Group, that are monitored and managed at Group level.
Policy statements set out the roles and responsibilities of risk management and control staff as well as the timing and manner of risk identification. The risk management processes are calibrated to the complexity of the individual businesses and their impact on cumulative risks.
The Group Risk Management and Compliance model, together with related corroborative information, was examined and approved by the Audit Committee, the Senior Management and the Board of Directors of the Parent Company. It was developed taking into account the nature of the business as well as statutory and regulatory requirements and is continually revised and upgraded to keep abreast of any changes.

Underlying principles

The following general principles form the bedrock of the Group risk management framework:

- identification and full coverage of all categories of risks within all companies;
- segregation of duties between the Risk Management function and Operating Units (hereinafter also "OU"). The risk management framework is designed to guarantee the segregation of duties between the Risk Management function and the Internal Audit function. However, temporary dispensations from this requirement may be obtained according to the complexity and volume of the business as well as potential risks;
- use of uniform, consistent models and methods for the collection of data and information as well as for the analysis and measurement of risks by all organisational units and/or companies within a Group;
- timely and consistent analysis and measurement of risk; subsequent preparation of reports to support control and decision-making processes;
- transparency and dissemination, in a structured way, of models, methods and criteria applied in the analysis and measurement of risks to promote a control culture within the organisation and understanding of the reasons underlying the choices made;
- delegation of risk management authorities and responsibilities from the Board of Directors to the Operating Units.

To ensure adherence to the principles above and have a comprehensive risk management framework, the Mediolanum Group has adopted a set risk policies.
The main purposes of risk policies are:

- to ensure that any material breaches/anomalies be promptly identified by the internal control system and adequate corrective/mitigating actions be taken;
- to ensure the consistent application of risk management principles and rules across the Group;
- to promote a risk management culture at all levels of the organisation and encourage consistent, knowledgeable operating choices and practices.

The "Risk Management and Compliance" function is organised into three main operating units: the Financial Risk Management Unit, the Operational Risk Management Unit, and the Compliance Unit.

Financial Risk and Credit Risk Management

The Financial and Credit Risk Management Unit is mainly responsible for:

- overseeing the definition of risk measurement methods applied by the risk management units of subsidiaries as well as monitoring and managing concentration of the exposures and the risk faced by individual companies as a result of being part of the Group;
- validating the flows of information needed to ensure timely control of exposure to operational and financial risks associated with assets managed by subsidiaries, and, when possible, prevention of any anomalies;
- preparing reports to the Audit Committee, the Board of Directors, Senior Management and heads of operating units on risk evolution within Group companies, including any proposed corrective measures;
- assisting the line control units of subsidiaries in assessing Asset Liability Management models and techniques for proper understanding and management of risk exposures arising from any asset/liability mismatch.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes or controls, technical or human errors, the use of technology – especially systems that enable remote access and transactions – or unpredictable events, that can be, at least partly, mitigated.

For both Mediolanum S.p.A. and its subsidiaries, the Operational Risk Management Unit is mainly responsible for:

- overseeing the definition of the operational risk measurement methods (scoring) applied by the risk management units of subsidiaries as well as the definition of the operational risk model of Mediolanum S.p.A.;
- validating the flows of information needed to ensure timely control of exposure to operational and financial risks associated with the assets managed by subsidiaries; taking mitigating actions and, whenever possible, preventing any anomalies;
- preparing reports to the Audit Committee, the Board of Directors, Senior Management and heads of operating units on risk evolution within Group companies, including any proposed corrective measures.

Compliance

The Compliance Unit is responsible for continuously monitoring the financial and insurance regulatory environment to anticipate the impact of statutes and regulations on the Group business. Compliance Unit staff provide advice and assistance to the Chief Executive Officers, the Chairman and the Secretary of the Board of Directors in their assessment of compliance of procedures and practices with applicable laws and regulations as well as in the timely introduction of amendments thereto, in case of regulatory changes.
Specifically, in relation to Mediolanum S.p.A., the compliance team:

- monitors the regulatory environment, assesses the impact of regulations on the business at Group level, and proposes changes to operating processes and/or procedures;
- reviews compliance of processes with the law, the regulations issued by Supervisory Authorities and self-discipline rules (e.g. codes of conducts) as well as with any other applicable rules. This is done working together with Internal Audit, Corporate Affairs and Organisation officers.

FINANCIAL RISK DISCLOSURES PURSUANT TO IFRS7

Although earlier adoption was possible, the application of the International Financial Reporting Standard 7 (**IFRS 7**) became mandatory beginning from financial year 2007. Under IFRS 7 entities are required to provide disclosures in their financial statements that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed, including credit risk, liquidity risk and market risk. IFRS 7 requires both qualitative and quantitative disclosures. Qualitative disclosures relate to the "*objectives, policies and processes for managing the risk and the methods used to measure the risk*", while quantitative disclosures relate to quantitative data about the entity's exposures to credit risk, liquidity risk and market risk.
Pursuant to IFRS7, this section provides disclosures on Mediolanum Group risk exposures by business segment, i.e. insurance, banking and asset management.
Pursuant to IFRS7 disclosures are provided in relation to liquidity risk, credit risk and market risk.

Financial Instruments' classification method and principles

Pursuant to IFRS7 there are three main types of risk:

1. **Liquidity risk** is typically the risk that arises from the difficulty of realising assets. More specifically, it is the risk that a financial instrument cannot be bought or sold without a material decrease/increase in its price (wide bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. The regulator requires banks to measure and manage liquidity risk under the Second Pillar.
2. **Credit risk** is the risk of loss arising from the deterioration in the creditworthiness up to default of both retail customers and institutional counterparties of whom the bank is a creditor in its investment activities, as a result of which debtors fail to meet all or part of their contractual obligations.
3. **Market risk** is the risk of potential losses, which may also be significant, from adverse movements in market rates and prices to which the Mediolanum Group companies are exposed in their investment activities. These include movements in interest rates, foreign currency exchange, equity prices, volatility, bond spreads.

Information on individual risks is set out by business segment.

Insurance - Financial Risk and Credit Risk

Introduction

The Group conducts insurance business through two subsidiaries: the Italian company Mediolanum Vita and the Irish company Mediolanum International Life LTD.
The risk management models are tailored to the complexity of the business and the characteristics of the products sold. In certain instances, e.g. class III products dealt with by both companies, control processes are geared to protect the policyholders who bear the investment risk thereof, through the validation of pricing model and control of the creditworthiness of the issuers. The Irish company has limited free capital which is mainly invested in term deposits held with other Mediolanum Group companies. Any payment obligation under residual index-linked policies following surrenders is promptly settled with the counterparties, thus free capital residual exposure to counterparty risk is marginal. For the Italian insurance company, overall portfolio risk is also monitored since it offers a broa-

der, more diversified portfolio of products (prevalence of class III products, class I products, and residual portfolio of products in class I i.e. *capitalisation plans*, and class VI i.e. *pension funds*).
Risk management and control activities are carried out by both the operating units of the individual insurance company and by second-line functions, e.g. the Risk Management and Compliance function.

Free Capital and Traditional Portfolio

The controls currently in place monitor the value of underlying assets ex-ante and ex-post. Frequency of controls is established at the level of each entity.
The risk of asset-liability mismatch in the traditional reserve portfolio is periodically assessed using a simplified Asset Liability Management model. In order to enhance current procedures, the implementation of an ALM stochastic model is planned for 2008.
Under the regulations in force, the insurance companies within the Group are authorised to use derivatives to hedge current positions or to anticipate movements in underlying assets or liabilities. Financial derivatives are primarily used to achieve operating targets with greater efficiency, flexibility and rapidity, to optimise portfolio management ("effective management") and to mitigate market risk arising on interest rate or foreign exchange rate movements.

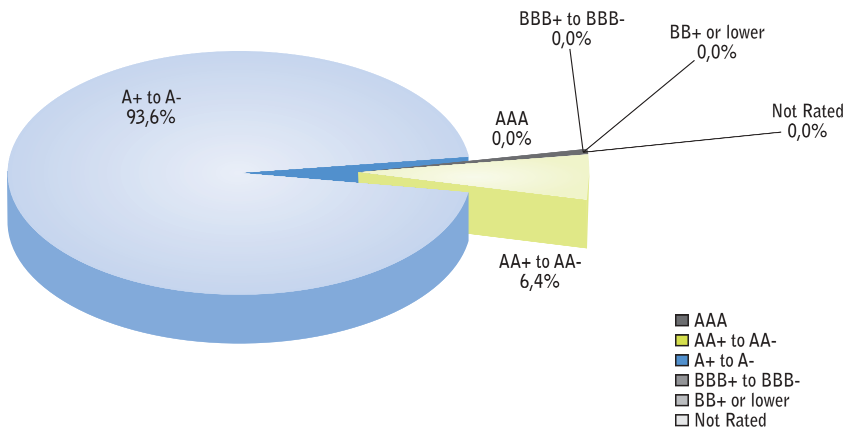
Liquidity risk

Free capital and the traditional portfolio liquidity risk is managed using gap analysis applied consistently across Group companies. The gap analysis is by maturity and rating. Maturity provides information for the management of liquidity risk and interest rate risk showing any mismatch by type of instrument and maturity (month or quarter):

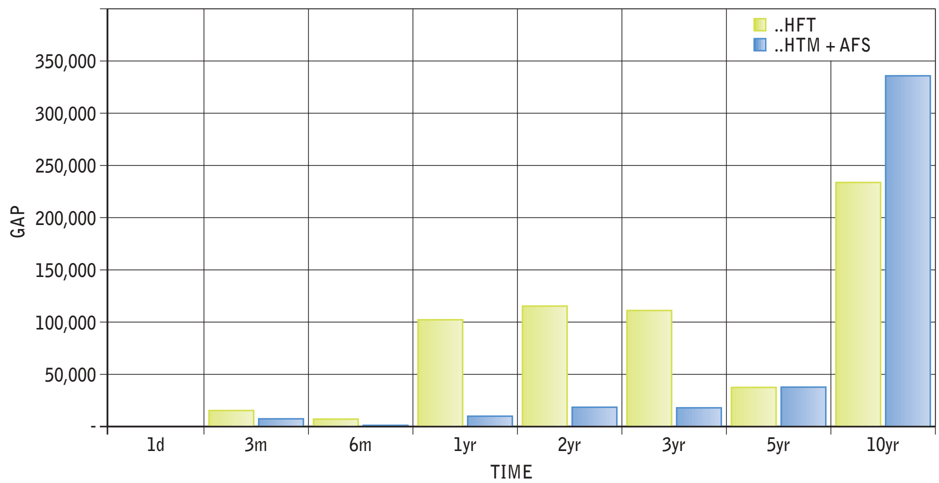
- for fixed-rate instruments it shows all cash flows (principal and interest) at maturity;
- for floating-rate instruments coupons are posted at maturity, while principal is posted at the first re-pricing date after the gap analysis.

Assets included in free capital and traditional technical reserves coverage are largely assets with a high rating, as shown in the chart below.

Analysis of insurance traditional portfolio by rating (2007)



Gap analysis of the insurance traditional portfolio (€/'000)



Market risk

In accordance with regulatory requirements and best market practice, the Group implemented a financial risk measurement system based on Value at Risk.

As to the exposure to interest rate risk in relation to the traditional portfolio, the tables below set out information about modified duration (the measure of the sensitivity of the price of a security to a 100bps movement in the discount curve) and residual time-to-maturity (the time between the measurement date and the maturity of the financial instrument, expressed in years):

Insurance Traditional Portfolio
HFT Portfolio[1] - MARKET RISK (As of December, 31)

€/'000	2007	2006	Change (%)
Nominal Value	569,913	593,871	-4%
Modified Duration	3.64	3.43	+6%
Residual Maturity	4.64	4.54	+2%
VaR99% - 1d	2,203	1,175	+88%
VaR99% - 1yr	35,519	18,940	+88%
Sensitivity + 50bps	-9,888	-10,210	-3%
Sensitivity +100bps	-19,513	-20,280	-4%

[1] Held for trading.

Insurance Traditional Portfolio

HTM+AFS Portfolio[1] - MARKET RISK (As of December, 31)

€/'000	2007	2006	Variazione (%)
Nominal Value	525,311	464,224	+13%
Modified Duration	5.54	7.10	-22%
Residual Maturity	8.95	9.47	-5%
VaR99% - 1d	2,530	2,054	+23%
VaR99% - 1yr	40,792	33,123	+23%
Sensitivity + 50bps	-14,327	-16,717	-14%
Sensitivity +100bps	-27,924	-32,523	-14%

[1] Held to maturity and available for sale.

Credit risk

As pointed out for liquidity risk, the quality of the underlying is also confirmed by the high credit rating as set out in the table below:

Insurance Traditional Portfolio

HFT Portfolio (S&P Equivalent - 2007 vs 2006) RATING COMPOSITION

Year	Tot. Portfolio	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ or lower	Not Rated
2007	100.0%	0.0%	6.4%	93.6%	0.0%	0.0%	0.0%
2006	100.0%	0.8%	4.0%	95.1%	0.0%	0.0%	0.0%

In addition, the information provided by rating expressed as expected loss on the traditional portfolio confirms that the probability of default is extremely low (PD equal to 39bps for the HFT portfolio and of 51bps for the HTM + AFS portfolio). The comparison with the previous year indicates a further improvement in the average quality of underlying securities, largely due to the lower weight of corporate securities and the greater weight of government securities.

Insurance Traditional Portfolio - CREDIT RISK (As of December, 31)

€/'000	2007	2006	Change (%)
HFT PORTFOLIO			
Probability of Default upon maturity (%)	0.39%	0.36%	+7%
Adjusted recovery default risk (€/000)	958	999	-4%
HTM + AFS PORTFOLIO			
Probability of Default upon maturity (%)	0.51%	0.83%	-39%
Adjusted recovery default risk (€/000)	1,553	2,003	-22%

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

These investments consists of holdings in Proprietary Insurance Funds (under Unit-Linked policies) and financial instruments – notes and derivative instruments – (under Index-Linked policies), where the amounts payable by Life Insurers are linked to changes in the value of units of one or more Proprietary Insurance Funds, which in turn depend on changes in the price of the underlying financial assets or in the price of the financial instruments.
The competent functions manage risk by ensuring that regulatory limits (exposure limits, asset quality and volatility, etc.) are not exceeded.
For class III products – Unit and Index-Linked policies – the use of derivatives is allowed to protect related technical reserves. Derivatives and the related assets approximate at best possible the value of technical reserves.
The company is exposed to counterparty risk on existing derivative positions. For listed instruments with daily remargining risk is residual.
For Over-The-Counter contracts, exposure to credit risk is represented by the fair value on the measurement date. Credit risk is regularly monitored by reviewing counterparty exposure limits and credit standing.
An evolutionary integrated risk management framework (market, credit and liquidity risks) is being implemented across the Group.

Banking - Financial Risk and Credit Risk

Credit Risk

General

Lending, be it the provision of home loans or consumer credit, or in other forms to meet other financing needs, is part of the business of the Mediolanum Banking Group. Consistently with the Group mission, lending complements the Group primary business i.e. the distribution of banking, asset management and insurance and retirement savings products. The 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.

Credit risk management – Organizational Aspects

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

Credit risk measurement, management and control

Credit quality is monitored by regularly assessing, in each stage of the lending process, whether there is evidence of risk in accordance with entity-specific operating procedures.

In the lending process it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, each entity within the Group, as part of its loan application analysis, gathers all information needed to assess the consistency of the loan amount with the type and purpose of financing. In that examination, the entity 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 each Group entity. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors of the respective companies.

Credit risk mitigation techniques

Loans extended by Group entities 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.

Impaired financial assets

Each Group entity, within its sphere of independence, has its own effective 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 realizing 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.

In accordance with the discretionary guidance of national supervisory authorities, each entity within the Group classifies troubled positions according to their level of risk.

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

Retail Portfolio Expected Loss - CREDIT RISK (As of December, 31)

€/'000	2007	2006	Change (%)
TOTAL PORTFOLIO	1,633	842	+94%
Bank Accounts	1,215	749	+62%
Syndacated Loans	93	-	0%
Endorsements	9	5	+69%
Property Loans	182	57	+220%
Loans	134	31	+331%

Counterparty risk

Counterparty risk is part of credit risk. Counterparty risk is the risk that a party to a derivative contract may fail to perform on its contractual obligations and, when marked to market, the value of the derivative contract turns out to be positive for Banca Mediolanum. Counterparty risk relates to OTC derivative contracts and is calculated using the present value method. The replacement cost of each contract is its fair value, if positive. Fair value is positive if the bank is a net creditor of the counterparty.

Specific ISDA Master Agreements were made to hedge the derivatives contracts in force.

The mark-to-market value at December 31, 2007 of the derivatives portfolio by counterparty is set out in the table below:

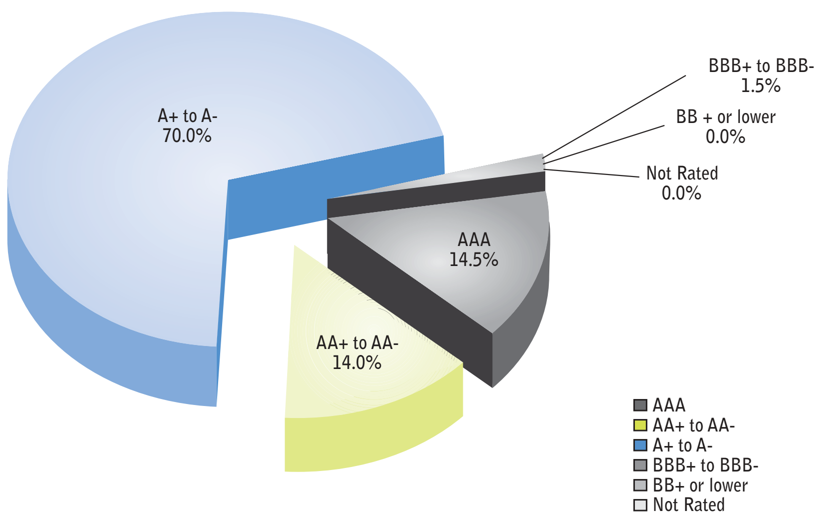
OTC derivatives - Counterparty risk (As of December 31, 2007)

€/'000	IRO	IRS	OIS	TOTAL
Counterparty	935.9	620.3	541.8	2,098.0
Banca IMI (Intesa Group)	0.4	-	146.0	146.4
Credit Agricole Indosuez	10.3	-	-	10.3
Deutsche Bank	-	-	255.9	255.9
HSBC Hldgs Plc	171.8	-	-	171.8
Mediobanca	58.8	-	-	58.8
Royal Bank of Scotland Plc	72.2	-	-	72.2
Unicredit Group	622.4	620.3	139.9	1,382.7

Analysis of the HFT Portfolio by rating (S&P Equivalent - As of December, 31)

€/'000	2007	2006	Change %
TOTAL PORTFOLIO	1,510,513	1,791,480	-16%
AAA	219,127	571,689	-62%
AA+ to AA-	211,795	151,582	+40%
A+ to A-	1,057,220	1,026,193	+3%
BBB+ to BBB-	22,370	29,513	-24%
BB+ or lower	-	-	0%
Not Rated	-	12,503	-100%

HFT Portfolio by rating (2007)



Market Risk

Interest Rate Risk and Pricing Risk - Trading book

General

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 authorized 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 cash instruments.

Interest Rate Risk and Pricing Risk - Measurement and Management

The Parent Company'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.

VaR tables

HFT portfolio - MARKET RISK (As of December, 31)

€/'000	2007	2006	Change (%)
Mkt Value*	1,533,950	1,814,504	-15%
Modified Duration	0.59	0.75	-21%
Residual Maturity	5.44	3.99	+36%
VaR99% - 1d	353	374	-6%
VaR99% - 1yr	5,692	6,031	-6%
Sensitivity + 50bps	-3,912	-5,953	-34%
Sensitivity + 100bps	-7,631	-11,674	-35%

Market value is calculated net of short positions. At year end 2007, short positions amounted to about €716 million.

HFT+HTM Portfolio - CREDIT RISK (Year on year)

	2007	2006	Change (%)
HFT PORTFOLIO			
Probability of Default upon maturity (%)	0.36%	0.19%	+93%
Adjusted recovery default risk (€/000)	4,757	1,657	+187%
HTM PORTFOLIO			
Probability of Default upon maturity (%)	0.09%	0.15%	-40%
Adjusted recovery default risk (€/000)	138	204	-32%

The increased credit risk in relation to the HFT portfolio (2007 vs. 2006) is due to two combined reasons:

1) the greater incidence of securities with BBB+ to BBB- rating compared to the total portfolio (from 1.6% in 2006 to 3.5% in 2007);
2) the longer weighted residual maturity (from 3.70 years in 2006 to 5.46 years in 2007).

Interest rate and pricing risks - Banking book

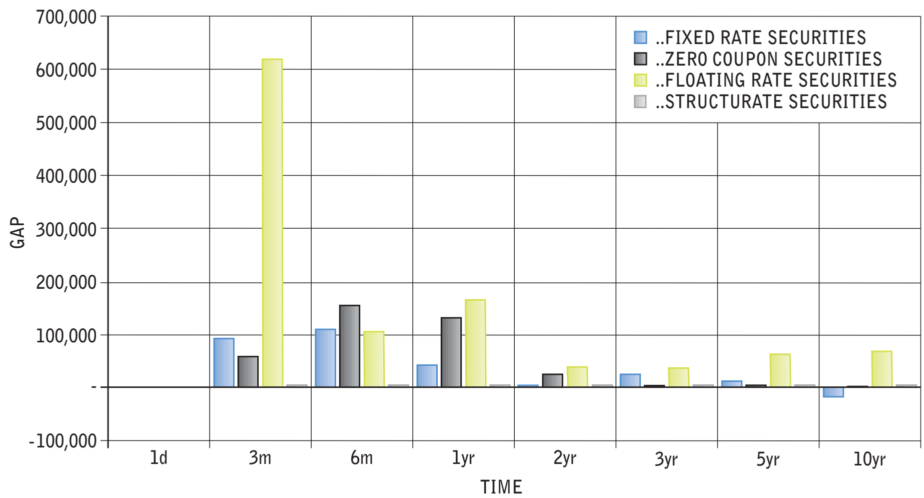
The Group's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans and held-to-maturity investments.
The Parent Company measures interest rate risk exposure of the banking book using a simplified static ALM model. A dynamic ALM model will be implemented in 2008. The dynamic ALM model will enable more accurate analyses also in relation to compliance with Basel II second pillar requirements.
Risk management activities include, *inter alia*, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of each entity within the Group in compliance with the Parent Company's guidelines.

Liquidity risk

Given the types of assets held, their duration as well as the type of funding, the Banking Group is not materially exposed to liquidity risk.
Liquidity risk is monitored by the Parent Company using liquidity gap analysis under a simplified static ALM model. In compliance with Basel II Second Pillar requirements the current procedures for liquidity risk management will be reviewed. Specifically, in 2008, the Risk Management and Compliance unit will implement stress testing procedures for all relevant risks, including liquidity risk.

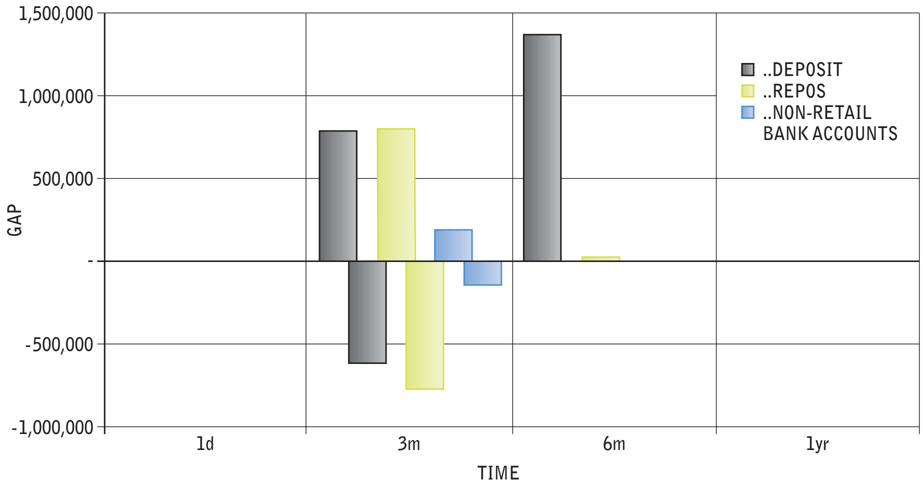
Gap analysis charts:

GAP Analysis by HFT instrument (€/'000)



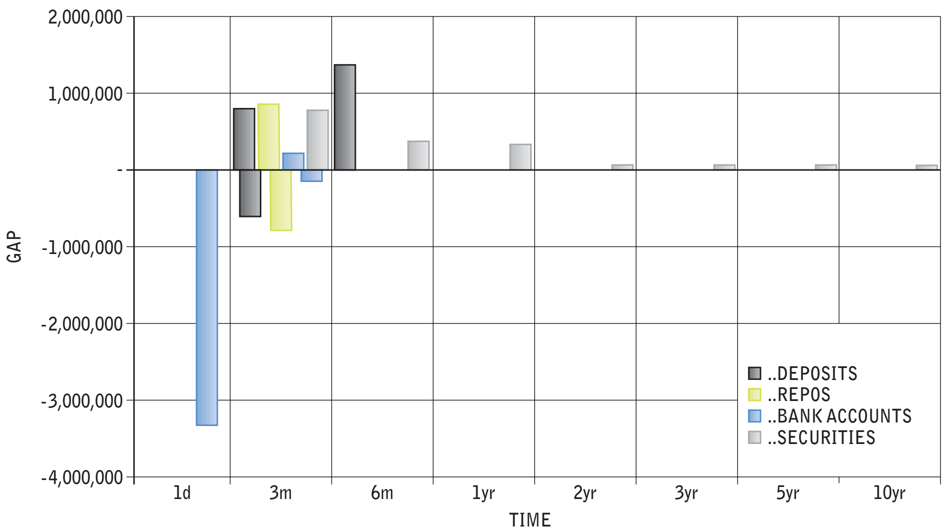
GAP Analysis of deposits, repos and bank accounts

(€/'000)



GAP Analysis by type of products

(€/'000)



Insurance contracts - Disclosures under IFRS7

Specific technical offices monitor the following risks:

- Longevity Risk is kept in check by monitoring developments in survival rates, on the basis of statistics and market analysis.
- Mortality Risk. When structuring a product, mortality risk is estimated based on reinsurers' mortality tables derived from tables.

The risk that the counterparty cancels the contract earlier (lapse risk) and the risk of inadequate loadings to cover the costs of contract acquisition and management (expense risk) are prudentially assessed when pricing a new product. Product pricing and profit testing are based on assumptions derived from the company's experience or the local market. To mitigate the risk of early contract cancellation by the counterparty, penalties are applied. Said penalties are calculated to compensate lost revenues, at least partly.

Guidelines for Product Classification

The main assumption adopted to classify a product as insurance, especially those markedly financial in content (index-linked and unit-linked contracts), is the obligation to pay benefits in case of death. Contracts were classified as insurance or financial contracts according to the significance of that obligation.

For the purpose of said classification the most important assumption is the "significance threshold", i.e. the difference between the benefit payable in case of death and the contract mathematical reserve (i.e. the value of the underlying financial asset for class III products).

For traditional products another key element was considered, i.e. the payment of life annuity and the presence of features which can be classified as "Discretionary Participation Features". Please note that in accordance with IFRS7 for contracts with "Discretionary Participation Features" information on the best estimate of their market value at year end is provided. Specifically, at year 2007 best estimate of market value was €840,000 thousand versus €964,400 thousand at December 31, 2006.

All contracts that met the requirements above were classified as "insurance contracts".

All new products launched in 2007 were classified as "insurance contracts".

Measurement assumptions

In accordance with the principle of prudence, the mortality tables and technical rates used to calculate and measure technical reserves (for class I contracts) were the same used to price premiums (Legislative Decree 174, art. 25 paragraph 11).

Mortality table technical rates

Type of product	Technical rates applied in the calculation of premiums	Technical rates applied in the calculation of reserves
Pure Endowment	S.I.M./F. 1971: 3% 4%	S.I.M./F. 1971: 3% 4%
Whole life	S.I.M./F. 1981: 3% 4%	S.I.M./F. 1981: 3% 4%
Mixed	S.I.M 1961 / 1981: 2% 3% 4%	S.I.M 1961 / 1981: 2% 3% 4%
Annuities	S.I.M./F. 1931 / 1951 /1971 /S.I.M./F. p.s. 1971: 2% 3% 4% RG48: 0%	S.I.M./F. 1931/1951/1971/S.I.M./F. p.s. 1971 / RG48: 2% 3% 4%
Term	S.I.M./F. 1961 / 1981 / 1992: 4%	S.I.M./F. 1961 / 1981 / 1992: 4%
Group	S.I.M./F. 1971 / S.I.M./F. 1971 p.s. / RG48: 3% 4%	S.I.M./F. 1971 / S.I.M./F. 1971 p.s. / RG48: 3% 4%
Index Linked		S.I.M./F.92
Unit Linked		S.I.M./F.92

Significant clauses

Certain class I contracts, specifically deferred life annuity contracts, guarantee the payment of minimum income benefits, calculated on the basis of the survival assumptions adopted by the Company when the contract is made. In relation to those contracts the Company constantly monitors survival trends and raises a specific reserve to cover the risk that technical reserves may be inadequate to cover the payment of those benefits.

Insurance Risk

Since the vast majority of insurance written by the Company relates to contracts (class III) under which the investment risk is borne by the policyholder, insurance risk is represented only by the risk of death of the policyholder. That risk is covered via treaty reinsurance arrangements (excess per risk treaties) which limits the Company's overall exposure per head insured. No such reinsurance protection is purchased for class III products since the Company judges it can cover the risk of death of the policyholder using its own equity.

Liability Adequacy Testing (LAT)

The company assessed the adequacy of technical reserves for Medinvest segregated funds, using a current estimate of future cash-flows from insurance contracts, net of deferred acquisition costs and intangible assets. Contracts were grouped on the basis of similar technical rate and future cash-flows were discounted at the risk-free interest rate. That exercise showed that the carrying amount of technical reserves is adequate.

No express quantitative testing was performed for class III contracts since liabilities coincide with underlying assets and other technical reserves are broadly covered by annual management fees and loadings (for coverage in case of death of the policyholder) or are calculated using a prudent estimate of actual operating costs (reserve for future expenses).

Solvency II Project

The insurance companies within the Group participate in the Quantitative Impact Studies (QIS) that are carried out to develop the new Solvency II system.
The European Commission requested the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) to coordinate work for the development of a new system to measure the capital requirements (Solvency II) to be applied to life insurance, non-life insurance and reinsurance undertakings beginning from 2010.
CEIOPS will gather evidence on possible quantitative impacts on solvency ratios through Quantitative Impact Studies (QIS) carried out on a voluntary basis by European insurance companies.
The results obtained from the Quantitative Impact Studies (QIS) will contribute to the formation of a future Solvency II Directive In 2007, the Group participated in the third Quantitative Impact Study with Mediolanum Vita, Mediolanum International Life Ltd. and at group level with Mediolanum Spa.

Operational Risk

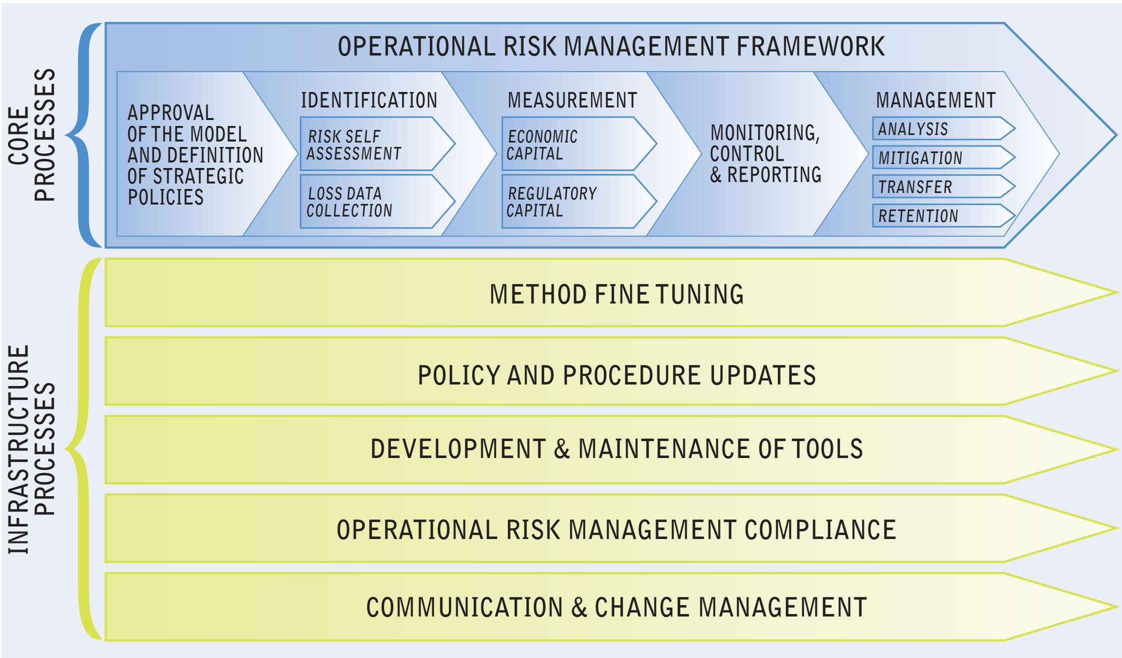
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."

Therefore, the identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the various companies within the Group, in addition to the activities conducted by the Parent Company.
The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the company's administrative activities.

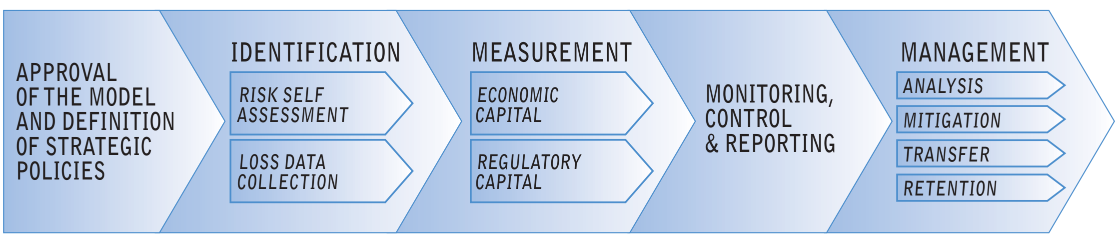
The Risk Self Assessment exercise conducted in past years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, *inter alia*, the introduction of a new qualitative measurement of exposure to operation risk of each organisational unit within the Group, i.e. 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:** ideal condition, minimum risk of operating loss;
- **B, moderate risk:** the risk of loss is not negligible; first red flag;
- **C, significant risk:** it indicates a critical condition; more in-depth analysis is recommended to assess the opportunity of mitigating actions;
- **D, untenable risk:** the situation is severe and mitigating actions need to be taken immediately.

Group Operational Risk Management is focused on both the assessment of the adequacy of risk management and monitoring procedures applied by the individual entities within the Group, in accordance with statutory and regulatory requirements and deadlines, as well as on the assessment of the specific operational risk to which the Parent Company may be exposed. These activities are conducted under the operational risk management framework set out in the diagram below:



Each main element in the diagram above indicates a macro-process which is divided into one or more sub-processes. In turn, these sub-processes consist of a series of steps and actions. For the sake of completeness readers are referred to the specific separate documents for full details on said steps and actions.



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

- "Risk Self Assessment": ex-ante assessment of exposure to operational risk of an organisational unit or process based on subjective estimates and self-assessment models applied by the risk officer. One of the main outcomes of the Risk Self Assessment exercise is rating, which is the concise indication of the level of operational risk the organisational unit/process is exposed to;
- "Loss Data Collection": ex-post collection of internal data on actual losses including any information that is relevant to risk measurement and management (including 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 (Basel 2 for the Banking Group; ISVAP Circular 577/D, solvency margins and Solvency II for insurance businesses; changes in supplementary capital requirements for the Group).

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

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

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

- "Management analysis"
- "Risk mitigation"
- "Management of risk transfer techniques"
- "Risk Retention Management"

The Operational Risk Management framework is rounded off with the following processes **that cut across business lines**:

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

Under the Operational Risk Management framework outlined above, in 2007 over 2,800 processes and about 190 organisational units within the Group were examined to assess their exposure to operational risk and the effectiveness of controls that are in place also in terms of related documentation.
Said work was conducted by the operational risk management unit of each consolidated entity also through the assistance of local officers of subsidiaries who are responsible for liasing with the correspondent unit of the Parent Company for guidance and control. In fulfilling said exercise, staff used an integrated database used by each subsidiary for both operational risk management and assessment of statutory and regulatory compliance.
The activities carried out are subject to regular audit by an independent organisational structure.
The tests and analyses performed within the Mediolanum Group show the adequacy of the Group regulatory capital vis-à-vis operational risk, measured applying not only the standardised approach but also internal statistical analyses of processes and probability of adverse events.
As part of risk self assessment, the controls in place at Mediolanum Group companies are reviewed to assess their completeness and effectiveness also in relation to the tools used.
No material aspect emerged from controls carried out.

Over 1,300 checkpoints were identified. About 80% of checkpoints were judged to be adequate or required just to be better formalised.

Operational Risk Management activities were also focused on commencing and, in certain instances, conducting mitigation actions geared to enhance existing controls, improve their effectiveness or reduce exposure to potential sources of operational risk.

Legal Risk

The risk of non-compliance with statutory/regulatory requirements, such as the risk of legal penalties or fines, significant financial losses or reputational damage resulting from failed compliance with statutes, regulations, self-discipline or internal rules.
Legal risk cuts across the entire organisation and its effective management requires close collaboration with the Operational Risk Management unit, especially in relation to activities geared to improve corporate processes and mitigate the risk arising from procedures/processes that are not compliant with law provisions. The operational risk management framework includes the analysis of possible legal risk and the adoption of related mitigating actions.

Reputational risk

Reputational risk is considered to be a "secondary" risk compared to Operational Risk and Legal Risk, since it arises from an event connected to these risks.
Corporate reputation and brand value are key to the survival of the company in the medium term. Thus, reputational risk management and control involves many actors, each responsible for managing possible sources of said risk.
Assessment and monitoring of reputational risk, for the part more closely connected to business and management decisions, is an integral part of corporate governance and guidance as well as of risk management and control processes carried out by the Risk Management and Compliance unit. The reputational risk management and control models primarily set out procedures and processes for the identification and qualitative assessment of said risk.

PART G - BUSINESS COMBINATIONS

1. Transactions concluded during the year

In 2007 there were no transactions requiring disclosure under IFRS 3.

2. Post-balance sheet date transactions

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

PART H - RELATED PARTY TRANSACTIONS

Transactions with related parties are part of the ordinary business of companies within the Group. These transactions are made at arm's length and in the interests of the individual entities.
In accordance with IAS 24, the following parties are Mediolanum S.p.A. Group related parties:

- the parent company Mediolanum S.p.A.;
- the subsidiaries under its direct or indirect control;
- associates (Banca Esperia S.p.A. Group).

The following parties also fall within the definition of related parties:

- the members of the Boards of Directors of Group companies;
- Mediolanum S.p.A key management officers.

As part of its ordinary business, the Group has commercial and financial relationships with companies that are related parties. As part of its distribution and solicitation of investment business, the Group made contracts for the sale of asset management, insurance and banking products and services through the sales networks of Group companies. As part of its banking business, the Group made bank account, custodian, administration and securities intermediation services contracts. As part of its asset management business, the Group made asset management contracts. In addition the Group made contracts for the organisation of events, television communication, IT services, rental, personnel secondment and other minor activities with Mediolanum Group companies.

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/ General Managers	Other key managers
Emoluments & social security contributions	5,288	1,262
Non-cash benefits	10	-
Share-based awards (stock options)	1,173	313

2. Related Party Transactions

Balance sheet information relating to transactions with related parties other than companies consolidated on a line-by-line basis is set out below.

Balance Sheet

€/'000	Parent Company	Other related parties
Loans to customers	-	2,778
Loans to banks	-	-
Amounts due from customers	(26)	(23,096)
Guarantees issued	-	4,442

Income Statement

Income statement information relating to transactions with related parties other than companies consolidated on a line-by-line basis is set out below.

€/'000	Associates	Other related parties
Goods acquired/sold	-	(7,392)
Services provided/received	-	(1,498)
Commission income/expense	104	(3,838)
Interest income	2,248	-
Interest expense	(11)	(327)

In the year under review the subsidiary Mediolanum Vita S.p.A. sold properties, previously let to third parties, to certain related parties:

- to the Chairman of the Board of Directors of Mediolanum Vita S.p.A. for a sale price of €500 thousand (€163 thousand gain realised by the company);
- to a Chief Executive Officer for a sale price of €540 thousand (€172 thousand gain realised by the company);
- to other related parties for a sale price of €2,860 thousand (€1,132 thousand gain realised by the company).

The sales above were made at arm's length according to valuations made by independent valuers.

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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 can be implemented on multiple occasions and in different years.
The exercise price of the stock options granted to employees shall be the arithmetic mean of the MEDIOLANUM S.p.A. share prices in the 30 days preceding the date on which the Board of Directors resolves to implement the stock option plan.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees are 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 shall 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 shall be exercisable upon the condition that the closing price of Mediolanum ordinary shares on the Exercise Date is not lower than the closing price of Mediolanum S.p.A. on the Grant Date. If that condition is met, the exercise price shall 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 are 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 shall 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 can be implemented on multiple occasions and in different years.
The stock options granted to employees shall 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 is subject to the satisfaction of the Vesting Conditions which will be 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 are 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 shall 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 shall 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. The exercise of the Options granted to Directors and Contract Workers is subject to the satisfaction of at least one of the following conditions:
(i) that on the Vesting Date the closing price of Mediolanum S.p.A. ordinary shares be not lower than the closing price of Mediolanum S.p.A. ordinary shares on the Grant date; or
(ii) that the change in the closing price of Mediolanum S.p.A. ordinary shares in the period between the Grant Date and the Vesting Date (the "Vesting Period") be not lower than the arithmetic mean of the changes recorded in the Vesting Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the "Indices"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Vesting Period; the adjusted mean change in the Indices will 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 are 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 shall 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.

At its meeting held on May 10, 2007, the Board of Directors resolved:
- to increase share capital for a consideration by a maximum amount of €76,025.00 through the issue of up to 760,250 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the employees of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph eight of the Italian Civil Code and article 134, paragraph three, of Legislative Decree 58/98. Those shares will be offered for subscription at a share price, including share premium, equal to the arithmetic mean of the MEDIOLANUM S.p.A. share prices on the electronic trading system of Borsa Italiana S.p.A. (Italian Stock Exchange) in the period from the tenth day of the preceding calendar month to May 10, 2007;
- to increase share capital for a consideration by a maximum amount of €90,731.00 through the issue of up to 907,311 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to contract workers of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price of 1.30 including a share premium of €1.20 per share (price determined in accordance with the EGM resolution);
- to increase share capital for a consideration by a maximum amount of €78,380.00 through the issue of up to 783,800 dividend-bearing ordinary shares, par value of €0.1 each, to be allotted to the Directors of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1 of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to article 2441 paragraph five, of the Italian Civil Code. Those shares will be offered for subscription at a share price of €1.30 including a share premium of €1.20 per share (price determined in accordance with the EGM resolution);

- that the subscription to the share capital increases above is to be made on a single occasion in the first five business days of each of the sixty calendar months subsequent to the expiration of the two-year term, except for any exceptional circumstances as set out in the regulations. The final term for exercising the Options with respect to the share capital increases above, is the fifth business day in the sixtieth month subsequent to the expiration of the two-year term. In the event that the capital increases are not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date.

In accordance with art. 79 of Consob Regulation 11971 of May 14, 1999 the interests of Directors and Statutory Auditors in ordinary shares of the company and its subsidiaries are set out in Schedule 3 below prepared pursuant to Annex 3C of said regulation.

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.

3. Changes occurred in the year

In the year 2007, 640,612 stock options granted in 2003, 2004 and 2005 were exercised for a total of 641,612 shares.
The year's movements in option holdings are set out in the table below.

Number of options and exercise price	December 31, 2007 Number of options	Average exercise price	Average expiration	December 31, 2006 Number of options	Average exercise price	Average expiration
A. Opening balance	4,655,816	4.11800	Oct-2010	4,200,984	3.69000	March-2008
B. Increases	2,451,361	-		1,910,500	-	
B.1. New issues	2,451,361	2.86680	Jan-2014	1,910,500	3.14000	Aug-2013
B.2 Other	-	-	x	-	-	x
C. Decreases	(1,405,113)	-		(1,455,668)	-	
C.1. Cancelled	(40,000)	5.75905	x	-	-	x
C.2. Exercised (*)	(640,613)	1.47729	x	(1,455,389)	1.59900	x
C.3 Lapsed	(724,500)	7.33700	x	(279)	1.59900	x
C.4 Other	-	-	x	-	-	x
D. Closing balance	5,702,064	3.45099	Jan-2013	4,655,816	4.11800	Oct-2010
E. Options exercisable at year end	1,358,203	4.98167	x	1,444,876	6.24396	x

(*) Average unit market price at exercise date is €5.4292

4. 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 €3,026 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 18, 2008

For the Board of Directors
The Chairman
(Roberto Ruozi)

SCHEDULES

SCHEDULES

This section presents financial information in accordance with the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP under Regulation No. 2404 of December 22, 2005, exercising its authority as per art. 9 of Legislative Decree No. 38/2005, pursuant to ISVAP Regulation No. 2460 of August 10, 2006 (Interim financial reporting rules. Amendments to ISVAP Regulation No. 1207-G of July 6, 1999).

In accordance with the regulations mentioned above, for segment reporting purposes, the various companies were allocated to their respective business segment. That entailed, on the one hand, the elimination of inter-company balances within the same segment and, on the other hand, the inclusion of inter-segment transaction balances.
This presentation of segment results is different from the presentation of financial information in the section "Segment Reporting" of the Notes to the consolidated accounts at December 31, 2007 since segment reporting in that section reflects the management reporting system of the Mediolanum Group which entails, *inter alia*, a different classification of income and expense items.

BALANCE SHEET AS AT DECEMBER 31, 2007

Segment Reporting by Business sector (ISVAP)

	LIFE INSURANCE	
€/'000	2007	2006
1. Intangible assets	3,130	6,276
2. Tangible assets	19,654	20,260
3. Reinsurers' share of technical reserves	100,870	103,176
4. Investments	15,694,854	14,923,938
4.1 Investment property	4,214	6,967
4.2 Investments in subsidiaries, associates and joint ventures	408,564	408,556
4.3 Held-to-maturity investments	219,300	234,632
4.4 Loans and receivables	10,309	11,346
4.5 Available-for-sale financial assets	930,284	753,707
4.6 Financial assets at fair value through profit or loss	14,122,183	13,508,730
5. Receivables	11,622	30,571
6. Other assets	213,741	201,386
6.1 Deferred acquisition costs	-	-
6.2 Other	213,741	201,386
7. Cash and cash equivalents	453,346	300,039
Total assets	16,497,217	15,585,646
1. Shareholders' equity	-	-
2. Provisions	1,264	771
3. Technical reserves	14,457,087	13,306,917
4. Financial liabilities	1,120,246	1,314,993
4.1 Financial liabilities at fair value through profit or loss	630,527	976,332
4.2 Other financial liabilities	489,719	338,661
5. Payables	134,393	148,826
6. Other liabilities	78,888	84,419
Total liabilities and shareholders' equity	15,791,878	14,855,926

BANKING		OTHER		INTERSEGMENT		TOTAL	
2007	2006	2007	2006	2007	2006	2007	2006
147,968	151,027	115	41	24,172	24,397	175,385	181,741
53,495	51,837	1,808	1,862	901	901	75,858	74,860
-	-	-	-	-	-	100,870	103,176
7,576,184	5,743,036	40	40	(515,190)	(548,502)	22,755,889	20,118,512
-	-	-	-	-	-	4,214	6,967
-	-	-	-	(355,359)	(369,230)	53,205	39,326
373,024	332,912	-	-	-	-	592,324	567,544
4,590,827	3,301,459	-	-	(19,138)	(990)	4,581,998	3,311,815
408,287	205,968	40	40	-	-	1,338,611	959,715
2,204,046	1,902,697	-	-	(140,693)	(178,282)	16,185,536	15,233,145
322	207	1,399	920	-	(16,678)	13,343	15,020
283,765	276,076	3,247	3,138	(83,304)	(97,808)	417,449	382,792
-	-	-	-	-	-	-	-
283,765	276,076	3,247	3,138	(83,304)	(97,808)	417,449	382,792
138,826	379,640	1,040	1,830	(347,842)	(240,497)	245,370	441,012
8,200,560	6,601,823	7,649	7,831	(921,263)	(878,187)	23,784,163	21,317,113
-	-	-	-	-	-	895,033	904,304
77,585	66,811	26	16	-	-	78,875	67,598
-	-	-	-	-	-	14,457,087	13,306,917
7,289,673	5,673,544	-	-	(505,642)	(398,451)	7,904,277	6,590,086
719,672	124,661	-	-	-	-	1,350,199	1,100,993
6,570,001	5,548,883	-	-	(505,642)	(398,451)	6,554,078	5,489,093
176,673	223,348	4,706	4,922	(61,305)	(113,483)	254,467	263,613
139,195	121,364	434	359	(24,092)	(21,547)	194,424	184,595
7,683,126	6,085,067	5,166	5,297	(591,039)	(533,481)	23,784,163	21,317,113

INCOME STATEMENT AS AT DECEMBER 31, 2007

Segment Reporting by Business sector (ISVAP)

	LIFE INSURANCE	
€/'000	2007	2006
1 Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	3,534,933	3,350,402
1.1.2 Reinsurance premiums	(5,692)	(6,072)
Total premiums written	3,529,241	3,344,330
1.2 Commission income	123,028	118,427
1.3 Net income on financial instruments at fair value through profit and loss	(518,260)	385,466
1.4 Income on investments in sudsidiaries, associates and jvs	13,879	8,180
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	44,557	35,804
1.5.2 Other income	11,684	27,055
1.5.3 Realised gains	2,172	10,446
1.5.4 Unrealised gains	116	-
Total income on other financial instruments and investment property	58,529	73,305
1.6 Other revenues	16,739	17,356
Total revenues and income	3,223,156	3,947,064
2 Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(2,839,539)	(3,529,822)
2.1.2 Reinsurers' share	6,693	7,988
Net claims and benefits	(2,832,846)	(3,521,834)
2.2 Commission expense	(7,493)	(10,220)
2.3 Losses on investments in subsidiaries, associates and jvs	-	-
2.4 Loss on other financial instruments and investment property		
2.4.1 Interest expense	(15,981)	(11,644)
2.4.2 Other expenses	(320)	(930)
2.4.3 Realised losses	(501)	(6,712)
2.4.4 Unrealised losses	(527)	(296)
Loss on other financial instruments and investment property	(17,329)	(19,582)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(203,540)	(244,366)
2.5.2 Investment management expenses	(3,539)	(2,743)
2.5.3 Other administrative expenses	(31,645)	(28,815)
Total operating expenses	(238,724)	(275,924)
2.6 Other costs	(14,487)	(11,629)
Total costs	(3,110,879)	(3,839,189)
Profit (loss) before tax for the period	112,277	107,875
3 Income tax	(31,371)	(29,455)
Profit(loss) for the period	80,906	78,419
4 Profit (loss) from discontinued operations	-	-
Consolidated profit (loss) for the period	80,906	78,419
of which pertaining to the Group	80,906	78,419
of which pertaining to minority interests	-	-

BANKING		OTHER		INTERSEGMENT		TOTAL	
2007	2006	2007	2006	2007	2006	2007	2006
-	-	-	-	-	-	3,534,933	3,350,402
-	-	-	-	-	-	(5,692)	(6,072)
-	-	-	-	-	-	3,529,241	3,344,330
707,989	756,886	249	19	(255,833)	(292,703)	575,433	582,629
63,908	51,052	-	-	(8,912)	(4,749)	(463,264)	431,769
-	-	-	-	-	-	13,879	8,180
209,008	133,563	54	33	(14,634)	(6,928)	238,985	162,472
2,905	419	-	-	(1,082)	(1,155)	13,507	26,319
10,475	882	-	-	22	-	12,669	11,328
5,640	5,632	-	-	-	-	5,756	5,632
228,028	140,496	54	33	(15,694)	(8,083)	270,917	205,751
17,455	13,997	19,080	17,107	(26,461)	(22,900)	26,813	25,560
1,017,380	962,431	19,383	17,159	(306,900)	(328,435)	3,953,019	4,598,219
-	-	-	-	925	771	(2,838,614)	(3,529,051)
-	-	-	-	-	-	6,693	7,988
-	-	-	-	925	771	(2,831,921)	(3,521,063)
(239,349)	(245,597)	(11)	(11)	61,754	52,062	(185,099)	(203,766)
(147,023)	(91,258)	(8)	(28)	19,416	10,040	(143,596)	(92,890)
(113)	(184)	-	(8)	-	-	(433)	(1,122)
(222)	(888)	-	-	-	-	(723)	(7,600)
(11,466)	(8,969)	(8)	(6)	-	-	(12,001)	(9,271)
(158,824)	(101,299)	(16)	(42)	19,416	10,040	(156,753)	(110,883)
(143,962)	(153,150)	-	-	196,209	240,692	(151,293)	(156,824)
-	-	-	-	3,177	2,404	(362)	(339)
(273,797)	(246,684)	-	-	23,376	20,707	(282,066)	(254,792)
(417,759)	(399,834)	-	-	222,762	263,803	(433,721)	(411,955)
(38,200)	(37,774)	(19,420)	(17,811)	2,043	1,759	(70,065)	(65,456)
(854,132)	(784,505)	(19,447)	(17,864)	306,900	328,435	(3,677,559)	(4,313,123)
163,248	177,926	(64)	(705)	-	-	275,460	285,096
(31,701)	(31,883)	(247)	(122)	-	-	(63,319)	(61,460)
131,548	146,044	(312)	(827)	-	-	212,142	223,636
101	42	-	-	-	-	101	42
131,649	146,086	(312)	(827)	-	-	212,243	223,678
131,649	146,086	(312)	(827)	-	-	212,243	223,678
-	-	-	-	-	-	-	-

Subsidiaries consolidated line by line

Number	Company	Country	Method (1)
1	Mediolanum Vita S.p.A.	086	G
2	Partner Time S.p.A.	086	G
3	Mediolanum International S.A.	092	G
4	Banca Mediolanum S.p.A.	086	G
6	Mediolanum Comunicazione S.p.A.	086	G
8	Mediolanum Gestione Fondi SGR p.A.	086	G
9	Mediolanum International Funds Ltd	040	G
12	Mediolanum Asset Management Ltd	040	G
13	P.I. Distribuzione S.p.A.	086	G
23	Banco de Finanzas e Inversiones S.A.	067	G
27	Fibanc Faif S.A.	067	G
29	Fibanc Pensiones S.G.F.P. S.A.	067	G
31	Fibanc S.A.	067	G
32	Ges Fibanc S.G.I.I.C. S.A.	067	G
36	Mediolanum International Life Ltd	040	G
37	Bankhaus August Lenz & Co. AG	094	G
38	Gamax Holding AG	092	G
39	Gamax Management AG	092	G
42	Gamax Austria GmbH	008	G
49	Mediolanum Distribuzione Finanziaria S.p.A.	086	G

(1) Consolidation method: Line-by-line consolidation method = G; Proportionate consolidation method = P; Line-by-line consolidation method arising from joint management = U
(2) 1=italian insurance companies; 2 = EU insurance companies UE; 3 = non EU insurance companies; 4 = insurance holding companies; 5 = EU reinsurance companies; 6 = non EU reinsurance companies; 7 = banks; 8 = asset management companies; 9 = holding companies; 10 = real estate companies; 11 = other
(3) Net Gruop partecipation percentage
(4) Total shareholding % different from direct/indirect shareholding %

Non-consolidated subsidiaries and associated companies

(Values in euro)

Number	Company	Country	Method (1)
21	Banca Esperia S.p.A.	086	7

(1) Consolidation method: Line-by-line consolidation method = G; Proportionate consolidation method = P; Line-by-line consolidation method arising from joint management = U
(2) 1 = italian insurance companies; 2 = EU insurance companies UE; 3 = non EU insurance companies; 4 = insurance holding companies; 5 = EU reinsurance companies; 6 = non EU reinsurance companies; 7 = banks; 8 = asset management companies; 9 = holding companies; 10 = real estate companies; 11 = other
(3) Net Gruop partecipation percentage
(4) Total shareholding % different from direct/indirect shareholding %

Activity (2)	Direct Shareholding %	Indirect Shareholding % (3)	Total (4)	Group Equity Ratio
1	100.00	100.00	100.00	100.00
11	100.00	100.00	100.00	100.00
9	0.00	100.00	100.00	100.00
7	100.00	100.00	100.00	100.00
11	100.00	100.00	100.00	100.00
8	49.00	100.00	100.00	100.00
8	46.50	100.00	100.00	100.00
11	49.00	100.00	100.00	100.00
11	100.00	100.00	100.00	100.00
7	0.00	100.00	100.00	100.00
11	0.00	100.00	100.00	100.00
8	0.00	100.00	100.00	100.00
11	0.00	100.00	100.00	100.00
8	0.00	100.00	100.00	100.00
2	100.00	100.00	100.00	100.00
7	0.00	100.00	100.00	100.00
9	0.00	100.00	100.00	100.00
8	0.00	100.00	100.00	100.00
11	0.00	100.00	100.00	100.00
11	0.00	100.00	100.00	100.00

Activity (2)	Direct Shareholding %	Indirect Shareholding % (3)	Total (4)	Book Value
b	45.70	48.50	45.70	53,205,000,00

Analysis of tangible and intangible assets

€/'000	At cost	Remeasured or at fair value	Book value
Investment property	4,214.00	0.00	4,214.00
Other property	56,458.00	0.00	56,458.00
Other tangible assets	19,400.00	0.00	19,400.00
Other intangible assets	13,963.00	0.00	13,963.00

Analysis of financial assets

	Held-to-maturity investments		Loans and receivables	
€/'000	FY 2007	FY 2006	FY 2007	FY 2006
Equity instruments and derivatives at cost	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt instruments	298,542	367,748	-	-
of which listed	298,542	367,748	-	-
Holdings in UCITS	-	-	-	-
Loans to and receivables from banking customers	-	-	1,689,613	1,323,966
Loans to and receivables from banks	-	-	2,882,087	1,976,514
Deposits with cedents	-	-	-	-
Financial assets of insurance contracts	-	-	-	-
Other loans and receivables	-	-	10,298	11,335
Trading derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	293,782	199,796	-	-
Total	592,324	567,544	4,581,998	3,311,815

		Financial assets at fair value through profit or loss					
Available-for-sale financial assets		Financial assets held for trading		Financial assets at fair value through profit or loss		Book value	
FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
-	-	-	-	-	-	-	-
426,447	308,882	83	421	-	-	426,530	309,303
400,247	284,070	73	412	-	-	400,320	284,482
582,389	481,381	1,580,891	1,594,285	5,214,667	4,842,369	7,676,489	7,285,783
578,395	480,415	1,575,795	1,224,971	5,211,693	4,841,216	7,664,425	6,914,350
228,959	169,452	12,524	56,100	7,968,838	7,296,832	8,210,321	7,522,384
-	-	-	-	-	-	1,689,613	1,323,966
-	-	-	-	-	-	2,882,087	1,976,514
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	10,298	11,335
-	-	41,960	14,628	342,605	597,462	384,565	612,090
-	-	-	-	-	-	-	-
100,816	-	1,023,968	831,048	-	-	1,418,566	1,030,844
1,338,611	959,715	2,659,426	2,496,482	13,526,110	12,736,663	22,698,469	20,072,219

Assets and liabilities relating to contracts issued by insurance companies under which the investment risk is borne by the policyholder and to pension fund management

€/'000	Investment funds & indices		Pension funds		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
On-balance sheet assets	13,509,929	12,718,984	13,206	11,703	13,523,135	12,730,687
Intercompany assets *	120,693	184,901	-	-	120,693	184,901
Total Assets	13,630,622	12,903,885	13,206	11,703	13,643,828	12,915,588
On-balance sheet financial assets	601,588	964,223	13,206	11,703	614,794	975,926
On-Balance Sheet Technical Reserves	13,027,317	11,939,212	-	-	13,027,317	11,939,212
Intercompany liabilities *	-	-	-	-	-	-
Total Liabilities	13,628,905	12,903,435	13,206	11,703	13,642,111	12,915,138

* Asset and liabilites eliminated upon consolidation

Analysis of reinsurers' share of technical reserves

€/'000	Insurance		Reinsurance		Book value	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Life business reserves	100,870	103,176	-	-	100,870	103,176
Outstanding claims	1,216	1,816	-	-	1,216	1,816
Mathematical reserves	99,654	101,360	-	-	99,654	101,360
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Total reinsurers' share of technical reserves	100,870	103,176	-	-	100,870	103,176

Analysis of technical reserves

€/'000	Insurance FY 2007	Insurance FY 2006	Reinsurance FY 2007	Reinsurance FY 2006	Book value FY 2007	Book value FY 2006
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
Life business reserves	14,457,087	13,306,917	-	-	14,457,087	13,306,917
Outstanding claims	130,414	78,039	-	-	130,414	78,039
Mathematical reserves	1,268,031	1,255,651	-	-	1,268,031	1,255,651
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	13,027,317	11,939,212	-	-	13,027,317	11,939,212
Other reserves	31,325	34,015	-	-	31,325	34,015
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
of which deferred liabilities to policyholders	-	-	-	-	-	*10,607*
Total Technical Reserves	14,457,087	13,306,917	-	-	14,457,087	13,306,917

Analysis of financial liabilities

	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss	
€/'000	FY 2007	FY 2006	FY 2007	FY 2006
Quasi-equity instruments	-	-	-	-
Subordinated liabilities	-	-	-	-
Liabilities under financial contracts issued by insurance companies of which	-	-	614,794	949,988
contracts under which the investment risk is borne by the policyholder	-	-	601,588	938,285
pension fund management	-	-	13,206	11,703
other contracts	-	-	-	-
Deposits received from reinsureres	-	-	-	-
Financial liabilities of insurance contracts	-	-	-	-
Debt securities issued	-	-	2,974	1,153
Amounts due to banking customers	-	-	-	-
Amounts due to banks	-	-	-	-
Other financing received	-	-	-	-
Trading derivatives	17,378	28,425	-	-
Hedging derivatives	-	-	-	-
Other financial liabilities	715,053	121,427	-	-
Total	732,431	149,852	617,768	951,141

Analysis of technical account items

	FY 2007		
€/'000	Gross	Reinsurers' share	Net
General Business			
PREMIUMS WRITTEN	-	-	-
a Premiums written	-	-	-
b Change in unearned premiums reserve	-	-	-
CLAIMS INCURRED	-	-	-
a Claims paid	-	-	-
b Change in outstanding claims reserve	-	-	-
c Change in recoveries	-	-	-
d Change in other technical reserves	-	-	-
Life Business			
PREMIUMS WRITTEN	3,534,933	5,692	3,529,241
AMOUNTS PAID AND CHANGE IN TECHNICAL RESERVES	2,838,614	6,693	2,831,921
a Amounts paid	1,986,398	8,999	1,977,399
b Change in outstanding claims reserve	49,906	(600)	50,506
c Change in mathematical reserves	30,610	(1,706)	32,316
d Change in technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	774,106	-	774,106
e Change in other technical reserves	(2,406)	-	(2,406)

Other financial liabilities		Book value	
FY 2007	FY 2006	FY 2007	FY 2006
-	-	-	-
-	-	-	-
-	-	614,794	949,988
-	-	601,588	938,285
-	-	13,206	11,703
-	-	-	-
99,641	101,341	99,641	101,341
-	-	-	-
-	-	2,974	1,153
5,007,974	4,264,332	5,007,974	4,264,332
1,446,463	1,123,420	1,446,463	1,123,420
-	-	-	-
-	-	17,378	28,425
-	-	-	-
-	-	715,053	121,427
6,554,078	5,489,093	7,904,277	6,590,086

FY 2006		
Gross	Reinsurers' share	Net
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,350,402	6,072	3,344,330
3,529,051	7,988	3,521,063
1,454,562	10,550	1,444,012
21,621	448	21,173
73,234	(3,010)	76,244
1,980,430	-	1,980,430
(796)	-	(796)

Analysis of net interest income and investment income

€/'000	Interest income (expense)	Other income	Other expense
Investment income	413,677	13,594	320
a from investment property	-	158	320
b from investments in subsidiaries, associates and joint ventures	-	-	-
c from held-to-maturity investments	23,737	-	-
d from loans and receivables	69,356	24	-
e from available-for-sale financial assets	22,991	13,325	-
f from financial assets held for trading	92,484	-	-
g from financial assets at fair value through profit or loss	205,109	87	-
Income on amounts receivable	37,609	-	-
Net cash and cash equivalents	85,292	-	-
Loss on financial liabilities	(120,438)	-	-
a on financial liabilities held for trading	(18,544)	-	-
b on financial liabilities at fair value through profit or loss	(36,133)	-	-
c on other financial liabilities	(65,761)	-	-
Expense on amounts payable	(77,835)	-	113
Total	338,305	13,594	433

Insurance - Analysis of expenses

	General Business		Life Business	
€/'000	FY 2007	FY 2006	FY 2007	FY 2006
Gross agents' commissions & other acquisition costs	-	-	203,540	243,287
a Acquisition commissions	-	-	129,597	174,236
b Other acquisition costs	-	-	10,014	6,514
c Change in deferred acquisition costs	-	-	-	-
d Collection commissions	-	-	63,929	62,537
Commissions and profit sharing from reinsurers	-	-	-	(1,079)
Investment management expenses	-	-	3,539	2,743
Other administrative expenses	-	-	31,645	28,815
Total	-	-	238,724	273,766

			Unrealised gains		Unrealised losses				
Realised gains	Realised losses	Total	Gains on measurement	Reversal of impairment	Losses on measurement	Impairment losses	Total	Net income (loss) for FY 2007	Net income (loss) for FY 2006
261,789	198,141	490,599	323,356	5,756	936,936	12,001	(619,825)	(129,226)	710,787
2,166	-	2,004	-	-	-	52	(52)	1,952	6,827
13,879	-	13,879	-	-	-	-	-	13,879	8,180
-	-	23,737	-	-	-	-	-	23,737	24,567
-	-	69,380	-	5,756	-	11,551	(5,795)	63,585	39,746
10,503	723	46,096	-	-	-	398	(398)	45,698	39,229
73,337	68,938	96,883	75,250	-	92,340	-	(17,090)	79,793	58,240
161,904	128,480	238,620	248,106	-	844,596	-	(596,490)	(357,870)	533,998
-	-	37,609	-	-	-	-	-	37,609	16,225
-	-	85,292	-	-	-	-	-	85,292	61,348
5,305	3,871	(119,004)	7,710	-	139,654	-	(131,944)	(250,948)	(202,424)
5,305	3,871	(17,110)	7,710	-	2,147	-	5,563	(11,547)	(400)
-	-	(36,133)	-	-	137,507	-	(137,507)	(173,640)	(160,071)
-	-	(65,761)	-	-	-	-	-	(65,761)	(41,953)
-	-	(77,948)	-	-	-	-	-	(77,948)	(51,121)
267,094	202,012	416,548	331,066	5,756	1,076,590	12,001	(751,769)	(335,221)	534,815

Consolidated Financial Statements Certification Pursuant to art. 81-ter of Consob Regulation 11971/1999

Consolidated Financial Statements
Certification Pursuant to art. 81-ter of Consob Regulation 11971
of May 14, 1999, as subsequently amended and supplemented

The undersigned Ennio Doris, in his capacity of Chief Executive Officer, and Luigi Del Fabbro, in his capacity of Officer responsible for preparing Mediolanum S.p.A. accounting and financial reporting documents, also pursuant to section 154 bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998, hereby certify:

- the adequacy in relation to the characteristics of the business and
- the effective application

of accounting and financial reporting procedures for the preparation of the consolidated financial statements in financial year 2007.

The assessment of the adequacy of accounting and financial reporting procedures for the preparation of the consolidated financial statements for the year ended December 31, 2007 was based on a process defined by Mediolanum in accordance with the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is an internationally accepted framework.

It is also hereby certified that the consolidated financial statements for the year ended December 31, 2007:

- reflect the accounting entries and records;
- were prepared applying the International Financial Reporting Standards (IFRS) adopted by the European Union as well as the implementation rules relating to section 9 of Legislative Decree38/2005, and give a true and fair view of the financial position, result of operations and cash flows of the issuer and of consolidated entities.

Basiglio, March 18, 2008

The Chief Executive Officer
Ennio Doris

The Officer responsible for preparing
accounting and financial reporting
documents
Luigi Del Fabbro

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Mediolanum S.p.A.

1. We have audited the consolidated financial statements of Mediolanum S.p.A. and its subsidiaries (the Mediolanum Group) as of and for the year ended December 31, 2007, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards 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 consolidated 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.

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 3, 2007.

3. In our opinion, the consolidated financial statements of Mediolanum S.p.A. at December 31, 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Mediolanum S.p.A. (the Mediolanum Group) for the year then ended.

Milan, April 4, 2008

Reconta Ernst & Young S.p.A.
Signed by: Natale Freddi, Partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.303.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10381 del 16/7/1997

MEDIOLANUM S.p.A.

Separate Annual Financial Statements 2007

Directors' Report

Dear Shareholder,

The financial statements for the year ended December 31, 2007 we present for your approval show net profit of €167,564 thousand, after income tax recoveries of €6,092 thousand, versus net profit €193,740 thousand, after income tax recoveries of €186 thousand in the prior year.

Profit before tax declined from €193,554 thousand at year end 2006 to €161,472 thousand at the end of the year under review. In analysing financial results, it should be noted than in the prior year the company had benefited from gains on the sale of shareholdings to Group companies (€24,968 thousand) and commissions from its now discontinued insurance agent operations (€4,218 thousand), while in the year under review it was impacted by greater interest expense (-€3,438 thousand).

BUSINESS REVIEW

As you know, from January 1, 2007 the parent company is a pure holding company heading the Mediolanum Group financial conglomerate.

The main even which took place in 2007 was the acquisition of a further 1.5% interest in Mediobanca S.p.A., of which 0.75% acquired directly by Mediolanum S.p.A. and 0.75% by the subsidiary Mediolanum Vita S.p.A.

On December 17, 2007, Mediolanum S.p.A. and Mediolanum Vita S.p.A. acquired 6,143,236 Mediobanca ordinary shares each, corresponding to a 0.75% shareholding, at a share price of €15.85 for a total amount of €97,516 thousand, including taxes, duties and commissions.

The Mediolanum Group therefore acquired a total of 12,286,472 Mediobanca ordinary shares, corresponding to a shareholding in Mediobanca of 1.5%, for a total investment of €195,032 thousand.

Given the strategic significance of the investment in Mediobanca S.p.A. for the Mediolanum Group, and in order to ensure that the subsidiary Mediolanum Vita S.p.A. be able to dispose of its shareholding in that entity if needed, the company undertook an irrevocable commitment to buy the shareholding acquired by Mediolanum Vita S.p.A. at market price at any moment in time.

Following said acquisition, Mediolanum S.p.A. now holds a total interest of 3.38% in Mediobanca S.p.A., of which 2.63% held directly and 0.75% through the subsidiary Mediolanum Vita S.p.A..

In December 2007, a new credit line was extended to the company by Banca Intesa in the amount of €125 million and at the same time the company's exposure to Mediolanum Vita S.p.A. under the credit facility extended by that subsidiary was reduced by €80 million.

At December 31, 2007 amounts due to banks were €375,670 thousand, up €148,670 thousand from €227,000 thousand at year end 2006. At year end 2007, amounts due to Mediolanum Vita S.p.A., recognised under 'other financial liabilities at amortised cost', totalled €13,621 thousand down €80,000 thousand from €93,621 thousand in the prior year.

As a result of the progressive interest rate hikes, in 2007 interest expense increased to €14,192 thousand from €10,754 thousand at year end 2006. Likewise, interest income increased to €2,389 thousand from €1,374 thousand at year end 2006.

Dividends from subsidiaries amounted to €183,263 thousand versus €190,191 thousand in 2006, when dividends received from subsidiaries, especially from Mediolanum International Funds Ltd had been greater.

Dividends from available-for-sale financial assets declined to €10,478 thousand from €25,863 thousand in the prior year, when this item had benefited from the extraordinary dividend distributed by Consortium S.r.l. for a total of €16,461 thousand, of which €12,695 thousand upon the liquidation of that company. We also remind you that the carrying amount of the investment in Consortium S.r.l. was written down and an impairment loss of €6,701 thousand was recognised in the income statement for financial year 2006.

At December 31, 2007, the company reported impairment of €59 thousand.

As already mentioned above, in financial year 2006 the company income statement had benefited from the €24,968 thousand gain realised upon the sale of the 2.5% shareholding in Mediolanum International Funds Ltd to the indirectly controlled subsidiary Banco de Finanzas e Inversiones, S.A.

At December 31, 2007, staff costs and other administrative expenses amounted to €13,836 thousand versus €13,327 thousand at the end of the prior year.

Other expenses amounted to €6,497 thousand and related to commitments under the Banca Esperia S.p.A. stock options plan (vs. €8,295 thousand at December 31, 2006).

For information on the results of operation of the companies that are part of the Mediolanum Group, readers are referred to the Directors' Report in the consolidated financial statements.

Post balance sheet date event

No material event took place after December 31, 2007.

Outlook

In the light of results reported by subsidiaries in the recently ended financial year and the dividend distribution proposed by the Boards of Directors of the respective companies, the outlook for financial year 2008 is positive.

Information on Stock Option Plans

Exercising the authority delegated to it by the shareholders at the Extraordinary General Meeting of April 26, 2005, at its Meeting held on May 10, 2007 the Board of Directors resolved:

- to increase share capital for a consideration by a maximum amount of €76,025.00 through the issue of up to 760,250 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the employees of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph eight of the Italian Civil Code and article 134, paragraph three, of Legislative Decree 58/98. Those shares will be offered for subscription at a share price, including share premium, equal to the arithmetic mean of the MEDIOLANUM S.p.A. share prices on the electronic trading system of Borsa Italiana S.p.A. (Italian Stock Exchange) in the period from the tenth day of the preceding calendar month to May 10, 2007;

- to increase share capital for a consideration by a maximum amount of €90,731.10 through the issue of up to 907,311 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to contract workers of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price of €1.30 including a share premium of €1.20 per share (price determined in accordance with the EGM resolution);

- to increase share capital for a consideration by a maximum amount of €78,380.00 through the issue of up to 783,800 dividend-bearing ordinary shares, par value of €0.1 each, to be allotted to the Directors of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1 of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to article 2441 paragraph five, of the Italian Civil Code. Those shares will be offered for subscription at a share price of €1.30 including a share premium of €1.20 per share (price determined in accordance with the EGM resolution);

- that the subscription to the share capital increases above is to be made on a single occasion in the first five business days of each of the sixty calendar months subsequent to the expiration of the two-year term, except for any exceptional circumstances as set out in the regulations. The final term for exercising the Options with respect to the share capital increases above, is the fifth business day in the sixtieth month subsequent to the expiration of the two-year term. In the event that the capital increases are not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date.

In accordance with art. 79 of Consob Regulation 11971 of May 14, 1999 the interests of Directors and Statutory Auditors in ordinary shares of the company and its subsidiaries are set out in Schedule 3 below prepared pursuant to Annex 3C of said regulation.

Dear Shareholders,

We assure you that the financial statements for the year ended December 31, 2007 presented to you for examination and approval were prepared in compliance with the law in force.
In requesting your approval of the financial statements including this report, we propose the following appropriation of the year's net profit of €167,564,087.81:

- distribution of a full-year dividend of €0.2 per share (par value of €0.10) to the shareholders, including the interim dividend of €0.085 paid in November 2007. The final dividend of €0.115 per share will be due for payment from May 22, 2008, (ex-dividend date May 19, 2008). Said dividend will not be payable for treasury shares held after the close of business on May 16, 2008;
- the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit.

Basiglio, March 18, 2008

For the Board of Directors
The Chairman
(Roberto Ruozi)

Accounts 2007

Balance sheet

Assets

€	Dec. 31, 2007	Dec. 31, 2006
Non current assets		
Fixed assets		
Intangible assets	30,242	124,735
Tangible assets	229,934	302,004
Investments in subsidiaries and associates	550,750,434	550,809,118
Available-for-sale financial assets	327,995,622	299,465,421
Total Non current assets	879,006,232	850,701,278
Current assets		
Receivables from		
Subsidiaries	758,478	37,995,253
Related parties	11,986	264,086
Others	15,495,370	17,377,027
Total Receivables	16,265,834	55,636,366
Cash and cash equivalents		
Bank deposits	16,998,441	27,664,748
Cash	12,817	12,817
Total Cash and cash equivalents	17,010,628	27,677,565
Tax Assets		
Current	67,279,305	56,474,713
Deferred	94,427	166,477
Total Tax Assets	67,373,732	56,641,190
Other assets	60,313	60,069
Total Current assets	100,710,507	140,015,190
TOTAL ASSETS	979,716,739	990,716,468

Shareholders' equity and liabilities

€	Dec. 31, 2007	Dec. 31, 2006
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	72,947,593	72,883,532
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	51,277,388	50,484,670
Retained earnings	161,436,788	112,648,114
Valuation reserve for AFS financial instruments	57,831,234	120,485,331
Net profit (loss) for the period	167,564,088	193,739,971
Total Capital and reserves	509,011,975	548,196,502
Non current liabilities		
Completion-of-service entitlements	1,225,350	1,679,544
Total Non current liabilities	1,225,350	1,679,544
Liabilities		
Due to banks	375,669,654	226,999,684
Other financial liabilities at amortised cost	13,620,518	93,620,518
Due to suppliers	779,934	919,371
Other payables	2,014,270	47,881,821
Tax liabilities		
Current	60,517,490	54,924,506
Deferred	834,896	6,716,243
Other liabilities	16,042,652	9,778,279
Current liabilities	469,479,414	440,840,422
TOTAL LIABILITIES	470,704,764	442,519,966
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	979,716,739	990,716,468

Income Statement

€	Dec. 31, 2007	Dec. 31, 2006
Commission income	-	185,633,640
Commission expense		
acquisition of insurance contracts	-	(181,365,180)
other	-	(50,020)
Interest income and similar income	2,388,923	1,373,741
Interest expense and similar charges	(14,192,341)	(10,753,854)
Gains/losses from trading	243	1,598
Income from equity investments		
dividends from subsidiaries	183,263,073	175,911,038
gains on sale of equity investments	-	24,967,660
Income from other financial instruments		
Dividends from available-for-sale financial assets	10,478,146	25,862,986
Gains from available-for-sale financial assets	12,035	69,706
Losses on other financial instruments		
refunded losses on subsidiaries	(700,000)	-
Impairment		
loans	(58,442)	-
equity investments	(58,684)	(6,700,968)
Other income	972,652	802,333
Staff costs	(6,531,412)	(6,325,680)
Other administrative expenses	(7,304,507)	(7,001,811)
Other expenses	(6,497,411)	(8,294,574)
Amortisation and depreciation		
intangible assets	(97,267)	(260,465)
tangible assets	(202,951)	(316,532)
Tax expense		
current	6,192,712	136,465
deferred	(100,681)	49,888
Total tax expense	6,092,031	186,353
NET PROFIT (LOSS) FOR THE PERIOD	167,564,088	193,739,971
EARNING PER SHARE	0.230	0.266

Cash flow statement

Indirect method

€/'000	Dec. 31, 2007	Dec. 31, 2006
Profit (loss) before tax for the period	161,472	193,554
Changes in non-monetary items		
Completion-of-service entitlements	111	42
Amortisation and depreciation	300	577
Stock Options	793	711
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	6,623	19,110
Income tax paid	(6,580)	(15,102)
NET CASH FROM OPERATING ACTIVITIES	162,719	198,892
Net cash from subsidiaries, associates and joint ventures	59	(29,968)
Net cash from available-for-sale financial assets	(97,094)	7,873
Net cash from tangible and intangible assets	(134)	(53)
NET CASH FROM INVESTING ACTIVITIES	(97,169)	(22,148)
Net cash from equity instruments	857	2,316
Distribution of dividends	(145,745)	(145,522)
Net cash from other financial liabilities	68,671	(19,733)
NET CASH FROM FINANCING ACTIVITIES	(76,217)	(162,939)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	27,678	13,873
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,667)	13,805
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17,011	27,678

Statement of changes in shareholders' equity

€	Balance at Jan. 1, 2006	Appropriation of prior year's profit	
		Reserves	Dividends and other
Share capital	72,737,993	-	-
Share premium account	48,313,300	-	-
Reserves:			
a) retained earnings	65,893,705	107,960,466	-
b) other	-	-	-
Valuation reserves:			
a) AFS fin. instruments	102,948,811	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	191,564,883	(107,960,466)	(83,604,417)
Shareholders' equity	479,413,576	-	(83,604,417)

€	Balance at Jan. 1, 2006	Appropriation of prior year's profit	
		Reserves	Dividends and other
Share capital	72,883,532	-	-
Share premium account	50,484,670	-	-
Reserves:			
a) retained earnings	112,648,114	109,968,185	-
b) other	-	-	-
Valuation reserves:			
a) AFS fin. instruments	120,485,331	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	193,739,971	(109,968,185)	(83,771,786)
Shareholders' equity	548,196,502	-	(83,771,786)

	Movements in the year							
		Shareholders' Equity						
	Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2006	Shareholders' equity at Dec. 31, 2006
	-	145,539	-	-	-	-	-	72,883,532
	-	2,171,370	-	-	-	-	-	50,484,670
	-	-	-	(61,917,513)	-	711,456	-	112,648,114
	-	-	-	-	-	-	-	-
	17,536,520	-	-	-	-	-	-	120,485,331
	-	-	-	-	-	-	-	(2,045,116)
	-	-	-	-	-	-	193,739,971	193,739,971
	17,536,520	2,316,909	-	(61,917,513)	-	711,456	193,739,971	548,196,502

	Movements in the year							
		Shareholders' Equity						
	Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2007	Shareholders' equity at Dec. 31, 2007
	-	64,061	-	-	-	-	-	72,947,593
	-	792,718	-	-	-	-	-	51,277,388
	-	-	-	(61,972,729)	-	793,218	-	161,436,788
	-	-	-	-	-	-	-	-
	(62,654,097)	-	-	-	-	-	-	57,831,234
	-	-	-	-	-	-	-	(2,045,116)
	-	-	-	-	-	-	167,564,088	167,564,088
	(62,654,097)	856,779	-	(61,972,729)	-	793,218	167,564,088	509,011,975

Notes to the Separate Annual Financial Statements 2007

Notes to the Separate Annual Financial Statements

These notes are structured as follows:

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

PART A - ACCOUNTING BASIS

Pursuant to Legislative Decree No. 38 of February 28, 2005 the Mediolanum separate financial statements for the year ended December 31, 2006 were prepared in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

In the preparation of the financial statements the company applied the International Accounting and Financial Reporting Standards (IAS/IFRS) (including SIC and IFRIC interpretations) in effect at December 31, 2007, 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.

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows (Accounts) and these Explanatory Notes, which set out the information required under art. 2427 and other articles of the Italian Civil Code on financial reporting as well as other applicable statutes.

The financial statements also include the Directors' Report.

In accordance with art. 5 of Legislative Decree 38/2005 the financial statements were prepared using the euro as reporting currency.
The amounts set out in the Accounts are presented in units of euro, while the amounts set out in the Notes and the Directors' Report are presented in thousands of euro except where otherwise stated.

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

The accounts and the notes also include comparative information for the year ended December 31, 2006.

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2007.

The accounting policies applied in the preparation of the separate financial statements, with respect to the classification, 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, 2006.

However, following the entry into effect on January 1, 2007, under the 2007 Budget Act, of the new supplementary pension legislation as per Legislative Decree 252 of December 5, 2005, the accounting policies now incorporate the new accounting rules for employee completion-of-service entitlements, as well as IFRS 7 Financial Instruments: Disclosures adopted by the European Commission by Regulation (EC) 108/2006.

Equity investments

This account relates to investments in subsidiaries and associates.

On initial recognition these investments are measured at cost, i.e. the fair value of the investment, plus any directly attributable transaction costs or income.

After initial recognition equity investments continue to be carried at cost.

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

If the recoverable amount is lower than the carrying amount, the resultant difference is recognized 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 recognized, the impairment loss is reversed and the reversal recognized in the income statement.

Investments are derecognized 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

This account relates to shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures.

Available-for-sale financial assets are initially recognized on the settlement date.

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.

After initial recognition available-for-sale financial assets continue to be measured at fair value. The gains or losses arising from a change in their fair value are recognized in a specific equity reserve until the financial asset is

derecognized or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognized in equity is recognized in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Company assesses whether there is objective evidence of any impairment loss.
If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed and the reversal recognized 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 amortized cost would have been had the impairment loss not been recognized at the date the impairment is reversed.
Available-for-sale financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and receivables

This account relates to trade receivables.
A receivable is initially recognized on the billing date or due date.
At each interim and annual reporting date the Company assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition.
An impaired account is individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount at the time of assessment and the present value of estimated future cash flows.
Future cash flows are estimated taking into account the expected time of recovery, the realizable value of any collaterals as well as any costs of recovery. Future cash flows of receivables which are expected to be recovered in the short term are not discounted.
The amount of the impairment loss is recognized in the income statement.
If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed and the reversal recognized in the income statement.
The reversal shall not result in a carrying amount of the financial asset that exceeds what the cost would have been had the impairment loss not been recognized at the date the impairment is reversed.

Tangible assets

Tangible assets include furnishings, fixtures, fittings, plant and equipment.
These are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one period.
Tangible assets are initially recognized 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 recognized in the carrying amount of the asset, while the costs of day-to-day servicing are recognized in the income statement.
Tangible assets are carried at cost less any accumulated depreciation and impairment losses.
Tangible assets are systematically depreciated on a straight-line basis over their useful lives.
At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount

of the asset is compared to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognized 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 recognized at the date the impairment is reversed.

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

Intangible assets

Intangible assets include expenditure on the renovation of leasehold property and the costs of software used over more than one year.

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

Other intangible assets are carried at cost less any accumulated amortization 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 recognized as an expense in the income statement in the year in which it was incurred.

Intangible assets are amortized on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortized, but periodically tested for impairment by comparing their recoverable amount with their carrying amount. Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

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

An intangible asset is derecognized on disposal or when no future economic benefits are expected from it.

Financial liabilities

Other financial liabilities include the various forms of funding from banks and companies within the Group. Those financial liabilities are initially recognised when amounts are received.

They are initially measured at fair value, i.e. generally the amount received, plus any additional costs/income directly attributable to the individual funding transaction. Internal administrative costs are not added.

The fair value of any financial liabilities issued below market value is subjects 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.

Employee completion-of-service entitlements

Pursuant to the new supplementary pension legislation (Legislative Decree 252/2005) completion-of-service entitlements accrued up until December 31, 2006 remain with the employer, while from January 1, 2007 the employee may decide to either keep them with the employer, that, in turn will transfer them to INPS (Italian Social Security and Pension Agency) or allocate them to a private supplementary pension plan.
The introduction of the new supplementary pension legislation entails certain changes in accounting for completion-of-service entitlements, i.e.

- entitlements accrued up until December 31, 2006 are accounted for based on actuarial values,
- entitlements accrued from January 1, 2007, allocated either to INPS or private pension plans, are accounted for on the basis of contributions due for each year.

Entitlements accrued up until December 31, 2006 are defined benefit payment obligations. The change in accounting policy over reporting periods prior to December 31, 2006, relates to actuarial assumptions, which are to include 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) and can no longer be based on the company's assumptions.
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.
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 difference resulting from the change in accounting policy over the amounts reported in the financial statements at December 31, 2006 is posted to the income statement as a single entry.

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 recognized in the income statement.

Tax assets and liabilities

The Company recognizes current and deferred taxes applying the tax rates in effect in the countries where consolidated subsidiaries are incorporated.
Income taxes are recognized 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 – under Italy's tax consolidation regime – is expected to continue to generate sufficient taxable income against which temporary differences can be utilized.
Deferred tax assets and deferred tax liabilities are not netted, and are separately recognized in the Balance Sheet under "Tax assets" and "Tax liabilities" respectively.
Deferred tax liabilities arising on consolidation are recognized to the extent that it is probable that a related tax expense will materialize in the future for one of the consolidated companies.
Those deferred tax liabilities are essentially connected to the deferred tax assets recognized for positive differences arisen on consolidation of subsidiaries.
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.

Share-based payments

Stock options are share-based payments. These plans, 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.

Income Statement

Revenue is recognized 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 dividens are recognised in the income statement when their distribution to shareholders is established.

PART C - INFORMATION ON THE BALANCE SHEET

ASSETS

Intangible assets

€/'000	Dec. 31, 2007 Assets measured at cost	Dec. 31, 2007 Assets measured at fair value	Dec. 31, 2006 Assets measured at cost	Dec. 31, 2006 Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
B.1 Internally generated	-	-	-	-
B.2 Other	30	-	125	-
Total	30	-	125	-

Year's movements in intangible assets

€/'000				Total
A. Opening balance	-	-	-	125
B. Increases				
B.1 Additions	-	-	-	2
B.2 Reversal of impairment	-	-	-	-
B.3 Increases in fair value	-	-	-	-
- in equity	-	-	-	-
- through profit or loss	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases				
C.1 Sells	-	-	-	-
C.2 Value adjustments	-	-	-	-
- Amortization	-	-	-	97
- Impairment	-	-	-	-
- in equity	-	-	-	-
- through profit or loss	-	-	-	-
C.3 Decreases in fair value	-	-	-	-
- in equity	-	-	-	-
- through profit or loss	-	-	-	-
C.4 Other changes	-	-	-	-
D. Closing balance	-	-	-	30

Tangible assets

€/'000	Dec. 31, 2007 Assets measured at cost	Dec. 31, 2007 Assets measured at fair value	Dec. 31, 2006 Assets measured at cost	Dec. 31, 2006 Assets measured at fair value
1. owned	230	-	302	-
- furnishings	163	-	69	-
- electronic equipment	4	-	32	-
- other	63	-	201	-
2. under finance lease	-	-	-	-
Total (at cost and revalued)	230	-	302	-

Year's movements in tangible assets

€/'000	Furnishings	Electronic equipment	Other	Total
A. Opening balance	69	32	201	302
B. Increases				
B.1 Additions	150	-	4	154
B.2 Reversal of impairment	-	-	-	-
B.3 Increases in fair value	-	-	-	-
Imputate a:				
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases				
C.1 Sales	10	-	13	23
C.2 Amortization	46	28	129	203
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 Other changes	-	-	-	-
D. Closing balance	163	4	63	230

Investments in subsidiaries and associates

€/'000	Dec. 31, 2007	Dec. 31, 2006
Subsidiaries:		
Banca Mediolanum S.p.A.	371,239	371,239
Mediolanum Vita S.p.A.	116,681	116,681
Mediolanum International Life Ltd	25,131	25,131
Mediolanum Gestione Fondi SGR p.A.	2,507	2,507
Mediolanum International Funds Ltd	1,261	1,261
Mediolanum Comunicazione S.p.A.	6,786	6,786
PI Distribuzione S.p.A.	516	516
Mediolanum Asset Management Ltd	441	441
Partner Time S.p.A.	374	433
Mediolanum International S.A.	2	2
Total subsidiaries	524,938	524,997
Associates:		
Banca Esperia S.p.A.	25,812	25,812
Total associates	25,812	25,812
TOTAL	550,750	550,809

At year end the carrying amount of the investment in Partner Time S.p.A. was written down by €59 thousand to reflect the value of that company's equity at December 31, 2007.

Available-for-sale financial assets

	31.12.2007		31.12.2006	
€/'000	Book value	of which: Equity reserve	Book value	of which: Equity reserve
Mediobanca S.p.A.	304,517	57,121	275,766	125,886
Assicurazioni Generali S.p.A.	8,251	1,516	8,049	1,316
Sia S.p.A.	6,204	-	6,204	-
Istituto Europeo di Oncologia	4,703	-	4,703	-
Cedacri S.p.A.	4,250	-	4,250	-
Nomisma S.p.A.	71	-	71	-
Consortium S.r.l.	-	-	422	-
Total	327,996	58,637	299,465	127,202

An analysis of holdings is set out in the table below:

€ Company	Share Capital	% hoding	Registered office
Mediobanca S.p.A.	409,549,083	2.637	Piazzetta E. Cuccia 1 Milano
Assicurazioni Generali S.p.A.	1,409,506,052	0.020	Piazza Duca degli Abruzzi 2 Trieste
Sia SSB S.p.A.	22,091,287	1.282	Via Farabelli 14 Milano
Istituto Europeo di Oncologia	79,071,770	4.700	Via Ripamonti 435 Milano
Cedacri S.p.A.	12,609,000	5.004	Via del Conventino 1 Collecchio (PR)
Nomisma S.p.A.	5,345,327	1.320	Strada Maggiore 44 Bologna (BO)

In 2007 the company sold to Mediobanca S.p.A. its entire shareholding in Consortium S.r.l. (4.1%). The sale generated a €12,000 gain.
On December 10, 2007, the Mediolanum Group agreed to acquire additional Mediobanca S.p.A. shares. On December 17, 2007 Mediolanum S.p.A. acquired 6,143,236 Mediobanca shares for a total price of €97,516 thousand.
The investment in Assicurazioni Generali S.p.A. increased by 24,195 shares following the bonus grant to shareholders of one ordinary share every ten ordinary shares held, under the resolution passed at the Assicurazioni Generali S.p.A General Meeting held on April 28, 2007.

CURRENT ASSETS

RECEIVABLES

Receivables from subsidiaries:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Trade receivables		
Mediolanum Vita S.p.A.	-	37,075
Central functions and personnel		
Mediolanum Vita S.p.A.	117	129
Banca Mediolanum S.p.A.	441	577
Mediolanum Gestione Fondi SGR p.A.	123	141
Mediolanum Comunicazione S.p.A.	38	33
Partner Time S.p.A.	30	30
PI Distribuzione S.p.A.	2	2
Mediolanum International Life Ltd	3	3
Mediolanum Distribuzione Finanziaria S.p.A.	4	5
Total	758	37,995

"*Trade receivables*" largely relate to services provided by the Tax and Corporate Affairs staff.

Receivables from related parties:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mediolanum Assicurazioni S.p.A.	3	257
Other	9	7
Total	12	264

Receivables from Mediolanum Assicurazioni S.p.A. relate to services provided by the Tax and Corporate Affairs staff.

Receivables from others:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Due within one year		
Crediti verso erario in attesa di rimborso	13,093	15,170
Other	2,402	2,207
Total	15,495	17,377

CASH AND CASH EQUIVALENTS

€/'000	Dec. 31, 2007	Dec. 31, 2006
Bank deposits	16,999	27,665
Cash	12	13
Total	17,011	27,678

"Bank deposits" relate to bank accounts balances including interest accrued at year end. Cash held with the subsidiary Banca Mediolanum S.p.A. amounts to €14,411 thousand.

TAX ASSETS

Current Tax Assets:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Tax consolidation regime		
Mediolanum Vita S.p.A.	27,577	18,492
Mediolanum Gestione Fondi SGR p.A.	4,364	5,785
PI Distribuzione S.p.A.	37	-
Mediolanum Distribuzione Finanziaria S.p.A.	36	-
Banca Mediolanum S.p.A.	-	2,831
Partner Time S.p.A.	-	20
Total tax consolidation regime	32,014	27,128
IRS		
IRES advances	8,911	11,076
IRES carried forward	6,195	136
Withholding tax under the tax consolidation regime	19,592	17,843
Withholding tax on bank interest	567	292
IRAP advances	35,265	29,347
Total IRS	67,279	56,475

OTHER ASSETS

Other assets consist of prepayments amounting to €60 thousand (vs. €60 thousand at December 31, 2006) and relating to amounts due in the following year for services rendered and repairs made.

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITAL AND RESERVES

Share Capital

Share capital is fully paid up and amounts to €72,947,592.90 divided into 729,475,929 ordinary shares.
In 2007 to service the Stock Options Plans, capital was increased by €64.061,20 which corresponds to 640,612 shares.

Share premium account

The balance on the share premium account increased from €50,485 thousand at December 31, 2006 to €51,277 thousand at the end of the year under review. The increase relates to the subscriptions for the shares issued under the Stock Option Plan.

Retained earnings

€/'000	Dec. 31, 2007	Dec. 31, 2006
Legal reserve	17,363	17,363
Extraordinary reserves	324,930	276,879
FTA reserve	(112,407)	(112,407)
2007 interim dividend	(61,973)	(61,918)
Other	(6,476)	(7,269)
TOTAL	161,437	112,648

The legal reserve remained unchanged since it had already reached the statutory limit.

Revaluation reserve for Available-for-sale financial assets

The Revaluation reserve relating to available-for-sale financial assets amounted to €57,831 thousand. (vs. €120,485 thousand at December 31, 2006) The reserve includes the effect of fair value measurement of investments in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. (€58.637 thousand vs. €127,202 thousand at December 31, 2006), after deferred tax liabilities which amounted to €806 thousand (vs. €6,716 thousand at December 31, 2006).

NON CURRENT LIABILITIES

EMPLOYEE COMPLETION-OF-SERVICE ENTITLEMENT

An analysis of the year's movements in this account is set out in the table below:

€/'000	
Balance at December 31, 2006	1,680
Amount accrued and posted to the income statement	111
Benefits paid during the year	(9)
Advances made in the year	(316)
Transferred to other Mediolanum Group companies	(37)
Invested in Pension Funds	(173)
Contributions transferred to INPS	(31)
Balance at December 31, 2007	1,225

CURRENT LIABILITIES PAYABLES

Due to banks

This account relates to €375,000 thousand due under credit facilities provided by banks plus the related interest expense at year end.

Other financial liabilities at amortised cost

This account relates to amounts due to the subsidiary Mediolanum Vita S.p.A. under a 3-month EURIBOR plus 30 bps credit facility renewed in the year and maturing on June 30, 2009. At December 31, 2007 the balance due amounted to €13,621 thousand.

Due to suppliers

The balance on this account of €780 thousand (vs. €919 thousand at December 31, 2006), primarily relates to the supply of goods and the provision of services.

Other payables

An analysis of other payables is set out in the table below:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Trade payables		
Mediolanum Vita S.p.A.	503	-
Banca Mediolanum S.p.A.	266	46,347
Alba Servizi Aerotrasporti S.p.A.	26	23
Fininvest S.p.A.	15	15
Mediolanum Comunicazione S.p.A.	-	1
Others	1	2
Other payables		
IRS - withholding tax	406	948
Social security agencies	229	237
Directors/statutory auditors	184	184
Shareholders	6	8
Others	378	117
Total	2,014	47,882

Amounts payable to the subsidiary Mediolanum Vita S.p.A. relate to interest accrued in the fourth quarter 2007 on the credit facility granted by the subsidiary.
Other payables include withholding taxes on wages, salaries and professional fees, paid in January, 2008.
Amounts payable to social security agencies are paid when they become due.

TAX LIABILITIES

Current Tax Liabilities:

€/'000	Dec. 31, 2007	Dec. 31, 2006
IRS		
Ires	24,678	27,065
Total IRS	24,678	27,065
Tax consolidation regime		
Banca Mediolanum S.p.A.	18,479	12,081
Mediolanum Vita S.p.A.	13,813	12,706
Mediolanum Gestione Fondi SGR p.A.	2,923	2,992
Mediolanum Distribuzione Finanziaria S.p.A.	307	-
Partner Time S.p.A.	303	1
Mediolanum Comunicazione S.p.A.	10	4
PI Distribuzione S.p.A.	4	76
Total	35,839	27,860
Total current tax liabilities	60,517	54,925

Current tax liabilities under the tax consolidation regime primarily relate to withholding taxes and tax recoveries to be recognised to Group companies upon payment of 2007 taxes.

Deferred tax liabilities:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Deferred tax liabilities	835	6,716
Total	835	6,716

Deferred tax liabilities refer to IRES on the valuation reserve for available-for-sale financial assets.

OTHER LIABILITIES

Other liabilities amounted to €16,043 thousand (vs. €9,778 thousand at December 31, 2006) of which commitments under the Banca Esperia S.p.A. stock options plan amounted to €15,508 thousand (vs. €9,294 thousand at December 31, 2006).

PART D - INFORMATION ON THE INCOME STATEMENT

COMMISSION INCOME/EXPENSE

Commission income was nil (vs. €185,634 thousand at December 31, 2006). From January 1, 2007 the company no longer provides insurance agent services to Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A., therefore no commission was recorded for financial year 2007.

INTEREST INCOME AND SIMILAR INCOME

An analysis of interest income and similar income is set out below.

€/'000	Dec. 31, 2007	Dec. 31, 2006
On bank accounts	2,098	1,082
On receivables from IRS	291	291
Other interest income	-	1
Total	2,389	1,374

"Bank deposits" relate to current account balances including interest accrued at year end.

INTEREST EXPENSE AND SIMILAR EXPENSE

Interest expense and similar charges amounted to €14,192 thousand (vs. €10,754 thousand at December 31, 2006) and primarily relates to interest accrued on financing received in the year and amounting to €13,939 thousand of which €2,396 thousand due to the subsidiary Mediolanum Vita S.p.A.

INCOME FROM EQUITY INVESTMENTS

The account includes dividends from subsidiaries amounting to €183,263 thousand (vs. €175,911 thousand at December 31, 2006).

INCOME ON OTHER FINANCIAL INSTRUMENTS

The account includes dividends received from investments classified as available-for-sale financial assets, in the amount of €10,478 thousand, largely from Mediobanca S.p.A. (€10,025 thousand).

OTHER INCOME

€/'000	Dec. 31, 2007	Dec. 31, 2006
Central functions:		
- subsidiaries	668	663
- companies that are part of the Fininvest Group and of the Doris Group	10	10
Other	295	129
Total	973	802

Central functions relate to corporate affairs and tax management services provided by Mediolanum S.p.A.

STAFF COSTS

An analysis of staff costs is set out below:

€/'000	Dec. 31, 2007	Dec. 31, 2006
Wages and salaries	4,018	4,224
Social security contributions	1,322	1,362
Completion-of-service entitlements	517	726
Remuneration of Directors	1,401	1,381
Directors' benefits	782	700
Key personnel	(1,535)	(2,080)
Pension fund	26	13
Total	6,531	6,326

Average number of employees

An analysis of the average number of employees by category is set out in the table below.

Category	Dec. 31, 2007
Senior management	8
Middle management	8
Other personnel	17
Total	33

OTHER ADMINISTRATIVE EXPENSES

€/'000	Dec. 31, 2007	Dec. 31, 2006
Advisory and other professional services	2,063	1,485
Vehicle rental	1,290	967
Utilities	526	526
Banca Mediolanum central functions	464	456
Miscellaneous services	935	949
Property rental/management costs	197	232
Emoluments of corporate officers	131	131
Donations	88	98
Other	1,611	2,158
Total	7,305	7,002

Advisory and other professional services include fees for legal counselling, technical and administrative expertise, audit of financial statements by independent auditors and other professional services.

OTHER EXPENSES

Other expenses amounted to €6,497 thousand and related to commitments under the Banca Esperia S.p.A. stock options plan.

INCOME TAX

Income tax relates to the IRES (corporate income tax) and IRAP (regional business tax) tax expense for the year calculated in accordance with tax rules and rates.

€/'000	Dec. 31, 2007	Dec. 31, 2006
Current tax expense (IRES)	(6,193)	(136)
Change in deferred tax assets (IRES)	46	(45)
Total tax expense for the year (IRES)	(6,147)	(181)
Current tax expense (IRAP)	-	-
Change in deferred tax assets (IRAP)	5	(5)
Utilization of tax provisions (IRAP)	-	-
Total tax expense for the year (IRAP)	5	(5)
Change in deferred tax liabilities	50	-
Total	6,092	186

Since the company and certain subsidiaries applied the tax consolidation regime, in the year under review Mediolanum S.p.A. benefited from a 5% tax allowance on dividends from subsidiaries for a total amount of €1,439 thousand.

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

€/'000	Rate %	Taxable amount	Tax expense
Calculation of taxable income (IRES)			
Profit before tax	-	161,472	-
Theoretical tax	33	-	53,305
Temporary differences taxable in following years	-	(181)	-
Temporary differences deductible in following years	-	112	-
Prior years' temporary differences	-	(196)	-
Permanent differences	-	(179,973)	-
Total taxable income	-	(18,766)	-
Taxable income (33%)	-	(18,766)	-
Current tax expenses for the year	-	-	(6,193)
Average rate on profit before tax	(3.84)	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	(24,897)	-
Costs which are not significant for the purpose of IRAP calculation	-	(45)	-
Total	-	(24,942)	-
Theoretical tax	5.25	-	-
Temporary differences taxable in following years	-	-	-
Temporary differences deductible in following years	-	45	-
Prior years' temporary differences	-	(104)	-
Permanent differences	-	7,044	-
Taxable income (at a rate of 4.25%)	-	(17,957)	-
Current tax expense for the year	-	-	-

PART E - SEGMENT REPORTING

No disclosure is provided in this section as segmental information is not significant.

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

For information on risks and risk management readers are referred to the same section of the consolidated financial statements. No additional information is provided herein in consideration of the immateriality of risk inherent in the company's positions at year end.

PART G - BUSINESS COMBINATIONS

Transactions concluded during the year

In 2007 there were no transactions requiring disclosure under IFRS 3.

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	1,555	1,233
Other pension benefits and insurance	-	29
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock option)	400	313

The Board of Directors consists of 14 members and the Board of Statutory Auditors of 3 members.

2. Information on related party transactions

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

- with the subsidiary Banca Mediolanum S.p.A. in relation to the intermediation services provided on our behalf, bank accounts held with Banca Mediolanum and services provided by central functions e.g. internal audit, IT systems management, organization and HR, general affairs, legal affairs, central procurement and management of suppliers, risk management and compliance function.

In addition personnel was seconded to other companies within the Mediolanum Group.
All transactions are made on an arm's length basis at market conditions, except for personnel seconded to other companies and services provided by central functions which are charged on the basis of actual costs incurred.

For companies that are within the scope of the tax consolidation regime, related party transactions include also amounts receivable and payable as a result of the application of said tax regime.

Analysis of related party balances at December 31, 2007 by related party category

€/'000	Tax assets	Receivables	Cash	Other payables	Tax liabilities	Other financial liabilities
(a) Parent company	-	-	-	15	-	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-
(c) Subsidiaries	32,014	758	14,411	770	35,839	13,621
(d) Associates	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-
(f) Key managers	-	-	-	-	-	-
(g) Other related parties	-	3	-	26	-	-

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

€/'000

Interest Income on current acounts	
Banca Mediolanum S.p.A.	2,093
Interest expense on other financial liabilities	
Mediolanum Vita S.p.A.	2,396
Central tax and corporate affairs services charged	
Mediolanum Vita S.p.A.	260
Banca Mediolanum S.p.A.	260
Mediolanum Gestione Fondi SGR p.A.	60
Partner Time S.p.A.	40
Mediolanum Comunicazione S.p.A.	15
Mediolanum Distribuzione Finanziaria S.p.A.	15
Mediolanum Assicurazioni S.p.A.	10
PI Distribuzione S.p.A.	8
Other incomes	
Mediolanum Gestione Fondi SGR p.A.	30
Partner Time S.p.A.	20
Banca Mediolanum S.p.A. central services:	
IT Services	410
Other administratives services	474
Office rental:	
Banca Mediolanum S.p.A.	179
Aircraft rental:	
Alba Servizi Aerotrasporti S.p.A.	975
Key personnel:	
Charged by Banca Mediolanum S.p.A.	573
Charged by Banca Mediolanum S.p.A.	1,455
Charged by Mediolanum Gestione Fondi SGR p.A.	398
Charged by Mediolanum Vita S.p.A.	199
Charged by Mediolanum Comunicazione S.p.A.	113
Charged by Mediolanum Assicurazioni S.p.A.	16
Other costs:	
Fininvest S.p.A.	15
Finedim Italia S.p.A.	21

The information required under art. 78 of Consob Regulation 11971 of May 14, 1999 is set out in Schedule 1 and Schedule 2 below prepared pursuant to Annex E of said regulation.

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

For information on equity-settled share-based payment transactions readers are referred to the same section of the consolidated financial statements.

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 €793 thousand and entailed a corresponding increase in the Company's equity reserves.

SCHEDULES

Additional information is provided in the Schedules listed below which form an integral part of these notes.

Basiglio, 18 March, 2008

For the Board of Directors
The Chairman
(Roberto Ruozi)

SCHEDULES

SCHEDULE 1

Analysis of equity reserves

Type / description	Amount	Possible utilization (A, B, C)	Usable amount	Utilization in the prior three years: loss coverage	Utilization in the prior three years: other
Share capital:	72,947,593	-	-	-	-
Capital reserves:					
- share premium account	51,277,388	A B C	51,277,388	-	-
Retained earnings:					
- legal reserve	17,362,794	B	17,362,794	-	-
- other reserves	142,028,879	A B C	142,028,879	-	-
- **Valuation reserves:**					
- AFS fin. instruments	57,831,234		-	-	-
Total	341,447,888		210,669,061	-	-
of which undistributable	-		17,362,794	-	-
of which distributable	-		193,306,267	-	-

Legend:

A: capital increase

B: loss coverage

C: distribution to shareholders

SCHEDULE 2

Analysis of deferred taxation

	FY 2006		FY 2007	
	Amount of temporary differences	Tax rate applied	Amount of temporary differences	Tax rate applied
Deferred tax assets:				
Impairment losses on tangible assets	-	-	-	-
Impairment losses on intangible assets	-	-	-	-
Provisions for risks and charges	25,046	33.00%	-	-
Business expenses	289,738	37.25%	235,376	32.3176%
Remuneration of Directors	67,074	37.25%	66,768	27.50%
Adjustment to FTA reserve	76,672	33.00%	-	-
Total	458,530	-	302,144	-
Deferred tax liabilities:				
Accelerated depreciation and amortization	-	-	-	-
Excess depreciation and amortization	-	-	-	-
Write-downs of loans	-	-	-	-
Available-for-sale financial assets	20,352,252	33.00%	2,931,875	27.50%
Adjustment to completion-of-service entitlements under IAS	-	-	104,111	27.50%
Total	20,352,252	-	3.035.986	-
Net deferred tax liabilities (assets)	-	6,549,764	-	740,467
Deferred tax assets on tax losses for the year	-	-	-	-
Deferred tax assets on tax losses for the prior year	-	-	-	-
Temporary differences excluded from the calculation of deferred tax liabilities (assets):	(19,473)	-	-	-
Tax losses carried forward:	-	-	-	-
Net amount	(19,473)	-	-	-

SCHEDULE 3

Analysis of directly and indirectly controlled subsidiaries and associates

€/'000		Equity	
Name	Share capital	Total	Share
Subsidiary			
Banca Mediolanum S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	371,000	488,662	488,662
Mediolanum Vita S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	87,720	283,137	283,137
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	24,127	11,822
Mediolanum Comunicazione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	775	1,866	1,866
Partner Time S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	520	374	374
PI Distribuzione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	517	610	610
Mediolanum International S.A. 180, rue des Aubèpines L - 1145 Luxembourg	71,500	47,520	1
Mediolanum International Life Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	1,395	71,750	71,750
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	5,974	2,927
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	41,372	19,238

(1) The amount includes the share of profit of subsidiaries indirectly controlled by the Group.

	Net profit			
	Total	Share	% holding	Carrying amount
	51,060	51,060 (1)	100	371,239
	49,388	49,388	100	116,681
	7,874	3,858	49	2,507
	(279)	(279)	100	6,786
	(1,138)	(1,138)	100	374
	(14)	(14)	100	516
	1,322	-	0.003	2
	32,690	32,690	100	25,131
	12,404	6,078	49	441
	141,294	65,702	46.5	1,261

Analysis of directly and indirectly controlled subsidiaries and associates (continued)

€/'000		Equity	
Name	Share capital	Total	Share
Subsidiary			
Mediolanum Distribuzione Finanziaria S.p.A. P.zzo Meucci Basiglio (MI)	1,000	1,301	1,301
Gamax Holding AG 47 Boulevard Royal L-2449 Luxembourg	5,618	12,836	12,836
Gamax Austria GmbH Rainerstrabe 7 A-5020 Salzburg Austria	40	280	280
Gamax Management AG 69, route d'Esch 1470 Luxembourg	125	8,295	8,295
Bankhaus August Lenz & Co. AG Holbeinstrasse 11 81679 Munich	20,000	52,205	52,205
Banco de Finanzas e Inversiones S.A. Avenida Diagonal 668/670 Barcelona	66,032	116,377	116,377
Fibanc Faif S.A. Avenida Diagonal 668/670 Barcelona	60	42	42
Fibanc Pensiones S.G.F.P., S.A. Avenida Diagonal 668/670 Barcelona	902	1,436	1,436
Fibanc S.A. Avenida Diagonal 668/670 Barcelona	301	414	414
Ges Fibanc S.G.I.I.C., S.A. Calle Enteza 325/335 Barcelona	2,506	3,545	3,545
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	24,127	12,305
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	5,974	3,047
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	41,372	22,134
Mediolanum International S.A. 180, rue des Aubèpines L - 1145 Luxembourg	71,500	47,520	47,519
Associates			
Banca Esperia S.p.A. Via Del Lauro, 7 Milan	13,000	109,701	53,205

Net profit			
Total	Share	% holding	Carrying amount
288	288	100	-
1,026	1,026	100	-
(298)	(298)	100	-
3,233	3,233	100	-
(8,079)	(8,079)	100	-
3,144	3,144	100	-
(11)	(11)	100	-
90	90	100	-
7	7	100	-
369	369	100	-
7,874	4,016	51	-
12,404	6,326	51	-
141,294	75,592	53.5	-
1,322	1,322	99.997	-
28,636	13,888	48.5	25,812

SCHEDULE 4

Analysis of significant investments under art. 125 of Consob Regulation No. 11971/1999

As of December 31, 2007

Company name	Country	Total holding %
Banca Esperia S.p.A. (1)	Italy	45.700
Banca Mediolanum S.p.A.	Italy	100.000
Banco de Finanzas e Inversiones, S.A.	Spain	100.000
Bankhaus August Lenz & Co. AG	Germany	100.000
Fibanc Faif, S.A.	Spain	99.990
Fibanc Pensiones, S.A., S.G.F.P.	Spain	99.999
Fibanc, S.A.	Spain	99.998
Gamax Austria GmbH (2)	Austria	100.000
Gamax Holding AG	Luxembourg	99.998
Gamax Management AG	Luxembourg	100.000
Ges. Fibanc S.G.I.I.C., S.A.	Spain	99.999
Mediolanum Asset Management Limited	Ireland	100.000
Mediolanum Comunicazione S.p.A.	Italy	100.000
Mediolanum Distribuzione Finanziaria S.p.A.	Italy	100.000
Mediolanum Gestione Fondi SGR p.A.	Italy	100.000
Mediolanum International Funds Limited	Ireland	100.000
Mediolanum International Life Limited	Ireland	100.000
Mediolanum International S.A.	Luxembourg	100.000
Mediolanum Vita S.p.A.	Italy	100.000
Partner Time S.p.A.	Italy	100.000
PI Distribuzione S.p.A.	Italy	100.000

(1) Shareholding to be increased by 2.80% in connection with Banca Esperia Stock Options, under an irrevocable commitment to buy.

(2) Sold to third parties effective from December 17, 2007 subject to a condition precedent which occured on February 11, 2008.

% holding	Shareholder	% holding
direct ownership	Mediolanum S.p.A.	45.700
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.990
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.999
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.998
indirect ownership	Gamax Holding AG	100.000
indirect ownership	Mediolanum International, S.A.	99.998
indirect ownership	Gamax Holding AG	99.800
indirect ownership	Mediolanum International, S.A.	0.200
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.999
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	49.000
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	49.000
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	46.50
indirect ownership	Banco de Finanzas e Inversiones, S.A.	2.500
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	99.997
direct ownership	Mediolanum S.p.A.	0.003
direct ownership	Mediolanum S.p.A.	100.000
direct ownership	Mediolanum S.p.A.	100.000
direct ownership	Mediolanum S.p.A.	100.000

SCHEDULE 5

Remuneration of directors, general managers and other corporate governance officers

(A)	(B)	(C)
Surname and name	Position	Period
RUOZI ROBERTO	Chairman of the Board of Directors of Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
MESSINA ALFREDO	Deputy Chairman of Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
LOMBARDI EDOARDO	Executive Deputy Chairman of Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Apr 20, 2007/Dec. 31, 2007
DORIS ENNIO	Chief Executive Officer Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
BERLUSCONI LUIGI	Director Mediolanum S.p.A.	Apr 20, 2007/Dec. 31, 2007
BERLUSCONI MARINA	Director Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
CANNATELLI PASQUALE	Director Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
CARFAGNA MAURIZIO	Director Mediolanum S.p.A.	Apr 20, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
DORIS MASSIMO ANTONIO	Director Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
ERMOLLI BRUNO	Director Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
MOLTENI MARIO	Director Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Member of the Audit Committee	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Dec. 13, 2007/Dec. 31, 2007
RENOLDI ANGELO	Director Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Chairman of the Supervisory Board (Legislative Decree 231/2001) of Mediolanum S.p.A	Jan 1, 2007/Jun 27, 2007
	Member of the Audit Committee	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
SCIUME' PAOLO	Director Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Member of the Audit Committee	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
ZUNINO ANTONIO	Director Mediolanum S.p.A	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
MAURI ARNALDO	Chairman of the Board of Statutory Auditors of Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
FRATTINI ACHILLE	Standing Auditor of Mediolanum S.p.A.	Jan 1, 2007/Jun 27, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
VITTADINI FRANCESCO	Standing Auditor of Mediolanum S.p.A.	Jun 27, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
GIAMPAOLO FRANCESCO ANTONIO	Standing Auditor of Mediolanum S.p.A.	Jan 1, 2007/Dec. 31, 2007
	Other positions held in subsidiaries	Jan 1, 2007/Dec. 31, 2007
KEY MANAGEMENT (***)		Jan 1, 2007/Dec. 31, 2007

(*) The expiration date is the date of the AGM called to approve the financial statements for that year.

(**) Amount transferred to the company the officer belongs to.

(***) Information relating to Key Management Officers is indicated in the aggregate.

(a) services provided by a company controlled by the officer

(b) fees to associated professionals

(D) Expiration (*)	(1) Emoluments received for the position held in the reporting company	(2) Non cash benefits	(3) Bonuses and other incentives	(4) Other
Dec. 31, 2007	100,000.00			
Dec. 31, 2007	200,000.00			
	21,500.00			
Dec. 31, 2007	300,000.00			(a) 168,030.47
	580,833.34			
Dec. 31, 2007	600,000.00			
	190,000.00			
Dec. 31, 2007	10,000.00			
Dec. 31, 2007	15,000.00			
Dec. 31, 2007	15,000.00 (**)			
Dec. 31, 2007	10,000.00			
	2,000.00			
Dec. 31, 2007	15,000.00			
	367,160.00	652.00	62,400.00	
Dec. 31, 2007	15,000.00			
Dec. 31, 2007	15,000.00			
	12,000.00			
	1,666.67			
Dec. 31, 2007	15,000.00			
	25,000.00			
	12,000.00			
	61,666.67			
Dec. 31, 2007	15,000.00			(b) 302,541.23
	12,000.00			
	12,000.00			
Dec. 31, 2007	15,000.00			
	204,000.00			
Dec. 31, 2007	45,000.00			
	45,115.00			
Dec. 31, 2007	15,000.00			
	20,650.00			
	15,000.00			
	30,000.00			
Dec. 31, 2007	30,000.00			
	28,816.45			
	762,158.28	7,692.72	158,646.00	

SCHEDULE 6

Stock options granted to members of the board of directors and general managers

(A)	(B)	Options held at the beginning of the year (1)	(2)	(3)
Name	Position	No. of options	Average exercise price	Average expiration
MESSINA ALFREDO	Deputy chairman	126,000	1.166	2,173
LOMBARDI EDOARDO	Executive Deputy Chairman	397,500	1.175	2,203
KEY MANAGEMENT (*)		382,500	3.286	1,511

Please Note:

Unlike previous versions, average expiration now includes the option exercise period.

Average expiration runs from December 31, 2007 for both options granted during the year and options held at year end.

(*) Information relating to Key Management Officers is indicated in the aggregate.

Notes: Each option corresponds to the subscription for or the purchase of one share.

Any bonus stock option shall be recorded as a stock option granted and exercised at a nil price.

The table is prepared for all Directors and General Managers to whom options are granted under a stock option plan including those who are employees of the company.

SCHEDULE 7

Interests of directors, general managers and other corporate governance officers

Surname and name	Company		No of Shares held at the end of the prior year (Dec. 31, 2006)
MESSINA ALFREDO	MEDIOLANUM S.p.A.	(pd)	40,000
LOMBARDI EDOARDO	MEDIOLANUM S.p.A.	(pd)	330,500
DORIS ENNIO	MEDIOLANUM S.p.A.	(pd)	23,119,070
		(pi)	148,354,557
		(u) (*)	46,260,000
		(c)	33,413,895
CANNATELLI PASQUALE	MEDIOLANUM S.p.A.	(pd)	-
CARFAGNA MAURIZIO	MEDIOLANUM S.p.A.	(pd)	97,500
		(c)	2,000
DORIS MASSIMO ANTONIO	MEDIOLANUM S.p.A.	(pi)	14,507,180
		(c)	7,000
ERMOLLI BRUNO	MEDIOLANUM S.p.A.	(c)	14,500
MAURI ARNALDO	MEDIOLANUM S.p.A.	(pd)	500
		(c)	300
FRATTINI ACHILLE	MEDIOLANUM S.p.A.	(c)	6,000
KEY MANAGEMENT (**)	MEDIOLANUM S.p.A.		167,000

(so) exercise of stock options
(pd) direct holding
(pi) indirect holding
(u) usufruct
(c) spouse
(*) joint usufruct with spouse Tombolato Lina
(**) stock options granted by the company the officer belongs to

Options granted during the year			Options exercised during the year			Options lapsed during the year	Options held at the end of the year		
(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
No. of options	Average exercise price	Average expiration	No. of options	Average exercise price	Average mkt price upon exercise	No. of options	No. of options	Average exercise price	Average expiration
73,000	1.300	2,317	60,000	1.118	5.915	-	139,000	1.257	2,144
247,500	1.300	2,317	150,000	1.118	5.305	-	495,000	1.255	2,135
139,100	1.300	2,317	85,000	1.118	5.482	80,000	356,600	2.120	1,787.1

No. of shares acquired in 2007	No. of shares sold in 2007	No. of shares held at the end of the current year (Dec. 31, 2007)
60,000 (so)	-	100,000
150,000 (so)	-	480,500
-	-	23,119,070
835,000	180,000	149,009,557
-	-	46,260,000
10,966,000	-	44,379,895
40,000 (so)	40,000 (so)	-
-	-	97,500
-	-	2,000
-	-	14,507,180
-	-	7,000
-	-	14,500
-	-	500
-	-	300
-	-	6,000
6,750 85,000 (so)	10,000 20,000 (so)	- 228,750

SCHEDULE 8

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

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

Separate Financial Statements for the year ended December 31, 2007

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee (€/'000)
Audit	Reconta Ernst & Young S.p.A. and other entities that are part of their network	259
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	-
Other	Entities in the Ernst & Young network	315
Total		574

Consolidated Financial Statements for the year ended December 31, 2007

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee (€/'000)
Audit	Reconta Ernst & Young S.p.A. and other entities that are part of their network	1,135
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	94
Other	Entities in the Ernst & Young network	469
Total		1,698

In addition to the amounts above, entities that are part of the Ernst & Young's network also invoiced an additional total amount of €833 thousand, of which €367 thousand in relation to Italian funds and €466 thousand in relation to international funds.

Separate Financial Statements Certification Pursuant to art. 81-ter of Consob Regulation 11971/99

Separate Financial Statements
Certification
Pursuant to art. 81-ter of Consob Regulation 11971
of May 14, 1999, as subsequently amended and supplemented

The undersigned Ennio Doris, in his capacity of Chief Executive Officer, and Luigi Del Fabbro, in his capacity of Officer responsible for preparing Mediolanum S.p.A. accounting and financial reporting documents, also pursuant to section 154 bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998, hereby certify:

- the adequacy in relation to the characteristics of the business and
- the effective application

of accounting and financial reporting procedures for the preparation of the separate financial statements in financial year 2007.

The assessment of the adequacy of accounting and financial reporting procedures for the preparation of the separate financial statements for the year ended December 31, 2007 was based on a process defined by Mediolanum in accordance with the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is an internationally accepted framework.

It is also hereby certified that the separate financial statements for the year ended December 31, 2007:

- reflect the accounting entries and records;
- were prepared applying the International Financial Reporting Standards (IFRS) adopted by the European Union as well as the implementation rules relating to section 9 of Legislative Decree 38/2005, and give a true and fair view of the financial position, result of operations and cash flows of the issuer.

Basiglio, March 18, 2008

The Chief Executive Officer
Ennio Doris

The Officer responsible for preparing
accounting and financial reporting documents
Luigi Del Fabbro

Separate Financial Statements Certification pursuant to section 154-bis of Legislative Decree 58/98

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, 2007 (art. 153, Legislative Decree 58/98)

Dear Shareholder,

The financial statements for the year ended December 31, 2007, we received from the Board of Directors on last March 18, submitted for your approval, show net profit of €167,564,088.

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity, Explanatory Notes in nine sections in addition to the Directors' Report and the Analysis of significant investments pursuant to art. 125 of Consob Regulation No. 11971/99, as subsequently amended.

Pursuant to section 2428 of the Italian Civil Code, in their Report the Directors presented the business conducted and related performance, including information on the activities carried out through subsidiaries, as well as information on financial position, result of operations and cash flows, outlook, intercompany relationships, risk management – which is the responsibility of functions other than operational units and is aimed at reducing risk exposures in relation to both Insurance and Banking – with respect to financial, credit, capital, investment, operational and reputational risks as well as regulatory compliance of the financial conglomerate.

For the second year in a row, the company prepared the Mediolaum Group Social Report. In connection therewith the "Intangible Assets Management" unit was established for the purpose of promoting and enhancing the value of the intangible assets of the Mediolanum Group.

During the year we performed our statutory supervisory duties as required by the law and in accordance with the procedures recommended by the National Council of Accountants.

Specifically:

- we saw to compliance with the law and the articles of incorporation as well as adherence to principles of proper management;
- we attended General Meetings as well as Meetings of the Board of Directors and Board Committees. We regularly obtained information from Directors on the company's operations, outlook and transactions material to income, equity and finances. We satisfied ourselves that resolutions and their subsequent implementation were not manifestly imprudent or risky, did not represent a potential conflict of interest, were not in contrast with the resolutions passed at General Meetings and did not put the company's equity at risk;
- we examined the company's organisational structure, within the scope of our authority, to assess its adequacy. This was achieved by inspection, collection of information and regular meetings with the independent auditors Reconta Ernst & Young SpA, during which we also mutually exchanged information. No material aspect requiring disclosure emerged from our examination;
- we examined the internal control system and internal audit work to assess their adequacy. We also examined the account-

ing system and satisfied ourselves that it is reliable and accurately reflects transactions. This work was performed by obtaining information, examining corporate documents, analysing the results of the work of the independent auditors. We held regular meetings with the Head of Internal Audit during which we also exchanged information on the outcome of audits conducted at subsidiaries'. We also attended the meetings of the Audit Committee;

- we supervised the implementation of corporate governance rules in accordance with the principles set forth in the Code of Conduct for listed companies issued by Borsa Italiana Spa.
  Specifically:
  i) we verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of Board members;
  ii) we satisfied ourselves that external auditors are independent in their work;
  iii) we verified adherence to independence standards for statutory auditors;
- we examined the instructions given to subsidiaries to assess their adequacy. Those instructions enabled subsidiaries to provide timely information to the Parent Company for its compliance with statutory disclosure requirements;
- by direct verification and by requesting information from the independent auditors, we satisfied ourselves that the consolidated and separate financial statements for the year ended December 31, 2007, prepared applying the International Accounting and Financial Reporting Standards (IAS/IFRS), including directors' reports, comply with statutory requirements.

During our audit work we did not find any omissions, inconsistencies or irregularities which required reporting to the supervisory authorities or disclosure herein.

In its 2007 Report on the implementation of the organisational, management and control model pursuant to Legislative Decree 231/2001, the Supervisory Board presented the work it conducted in the year, updates and actions taken to ensure the effectiveness of said model as well as regulatory changes (Act 123 of August 3, 2007). No irregularities were reported by the Supervisory Board.

Likewise, in its Annual Report on corporate governance the Board of Directors did not reveal any issue that needs to be brought to your attention.

In addition, in compliance with CONSOB recommendations and instructions, the Statutory Auditors also advise you that:

- the company did not engage in any atypical and/or unusual inter-company or related party transactions;
- the Board of Directors provided adequate information also with regard to inter-company or related party transactions. Specifically, related party-transactions were in connection and expedient to the achievement of the company's purpose. The terms and conditions as well as the economic effects of transactions with related parties are disclosed in the notes to the financial statements. Those transactions were carried out on an arm's length basis, were fair and in the best interests of the company. There were no transactions which could represent a conflict of interest or could have a material impact on the financial position, result of operations or cash-flows of the company;
- as set out in the Report of the Board of Directors on corporate governance, the company adhered to the Corporate Governance Code for listed companies issued by Borsa Italiana SpA in 2000. Corporate governance rules are continuously reviewed and fine-tuned to bring them in line with regulatory changes;
- during the year:
  – the board of statutory auditors held regular meetings and mutually exchanged information with the independent auditors Reconta Ernst & Young SpA, and, even if the board of statutory auditors has not yet received the independent auditors' report on the consolidated and separate financial statements, it has reasons to believe that the report will not contain any remarks;

- the board of statutory auditors expressed an opinion pursuant to art. 2389, paragraph 3, of the Italian Civil Code, on the occasion of the Board of Directors Meeting of May 5, 2007. Said opinion related to the remuneration of Board Members pursuant to the resolution of the General Meeting held on April 19, 2007;
- the Board of Directors held 8 meetings and the Board of Statutory Auditors held 14 meetings;
- the company mandated Reconta Ernst & Young SpA, the independent auditors responsible for auditing the interim and annual consolidated and separate financial statements – and members of its international network – to perform additional work for a fee of €315,000, as detailed in the annexes to the annual report pursuant to art. 160 paragraph 1/bis of legislative Decree 58/98;
- no notices or complaints under art. 2408 of the Italian Civil Code were lodged with the board of statutory auditors.

In consideration of the foregoing, within the scope of its authority, the Board of Statutory Auditors expresses its favourable opinion on the approval of the financial statements for the year ended December 31, 2007, which show net profit of €167,564,088 and on the distribution of dividends as proposed by the Board of Directors, also in consideration of equity reserves.

Finally, we remind you that our term in office as well as the term of the Board of Directors expire with the approval of these financial statements. We thank you for your trust and invite you to elect the new members.

Milan – April 1, 2008

The Board of Statutory Auditors
(Arnaldo Mauri)
(F. Antonio Giampaolo)
(Francesco Vittadini)

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Mediolanum S.p.A.

1. We have audited the financial statements of Mediolanum S.p.A. as of and for the year ended December 31, 2007, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the 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.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 3, 2007.

3. In our opinion, the financial statements of Mediolanum S.p.A. at December 31, 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Mediolanum S.p.A. for the year then ended.

Milan, April 4, 2008

Reconta Ernst & Young S.p.A.
Signed by: Natale Freddi, Partner

MEDIOLANUM S.p.A.

Ordinary General Meeting of April 22, 2008

RESOLUTIONS ABSTRACT

Ordinary General Meeting of April 22, 2008

RESOLUTIONS ABSTRACT

The General Meeting was attended by shareholders representing 63.33% of share capital. By majority of votes the shareholders resolved:

1) to approve the financial statements for the year ended December 31, 2007, which reported net profit of €167,564,087.81, including the Directors' Report;
   - to appropriate net profit for the year amounting to €167,564,087.81 as follows:
     - distribution of a full-year dividend of €0.2 per share (par value of €0.10) to the shareholders, including the 2007 interim dividend of €0.085 paid in November 2007. The final dividend of €0.115 (before withholding tax) per share will not be payable for treasury shares held after the close of business on May 16, 2008;
     - the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit;
     - the final dividend will be due for payment from May 22, 2008 (coupon No. 16);

2) to assign the management of the company to a Board of Directors composed of 14 members;
   - to fix the term of the Board of Directors at three financial years and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2010;
   - to fix the aggregate annual gross compensation of the members of the Board of Directors, including the compensation of those directors who hold special positions, at €1,520,000.00 (one million five hundred twenty thousand) until a new resolution is passed in relation to that matter. The Board of Directors shall be responsible for distributing said compensation among its members. Said compensation can be withdrawn during the year, also on different occasions;
   - to appoint the following directors:
     - LUIGI BERLUSCONI;
     - PASQUALE CANNATELLI;
     - MAURIZIO CARFAGNA;
     - ENNIO DORIS;
     - MASSIMO ANTONIO DORIS;
     - BRUNO ERMOLLI;
     - EDOARDO LOMBARDI;
     - ALFREDO MESSINA;
     - MARIO MARCO MOLTENI;
     - DANILO PELLEGRINO;
     - ANGELO RENOLDI;
     - ROBERTO RUOZI;
     - PAOLO SCIUME';
     - ANTONIO ZUNINO

- to confirm the Chairman of Board Prof. Roberto Ruozi;

3) Pursuant to the law, to fix the term of the Board of Statutory Auditors at three financial years and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2010;
   - to fix the aggregate annual gross compensation of the members of the Board of Statutory Auditors, in addition to reimbursement of expenses incurred in the performance of their duties, as follows:
     – €60,000 to the Chairman of the Board of Statutory Auditors;
     – €40,000 to each standing auditor.
   - To appoint for a term of three years and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2010 the following members of the Board of Statutory Auditors:
     – Ezio Maria Simonelli, chairman;
     – Maurizio Dallocchio, standing auditor;
     – Riccardo Perotta, standing auditor;
     – Francesco Vittadini, alternate auditor;
     – Ferdinando Giuseppe Gatti, alternate auditor.
   - To authorise the Board of Directors to purchase and sell up to 8,000,000 treasury shares with par value of €0.10 each, which correspond to 1.10% of share capital, within the limit amount of €80 million, for a period of one year and in any case up until the date of the General Meeting convened to approve the financial statements for the year 2008.

   - The Board of Directors at its Meeting held on April 23, 2008 confirmed the following officers:
     - Ennio Doris – Chief Executive Officer;
     - Alfredo Messina – Deputy Chairman;
     - Edoardo Lombardi – Executive Deputy Chairman.