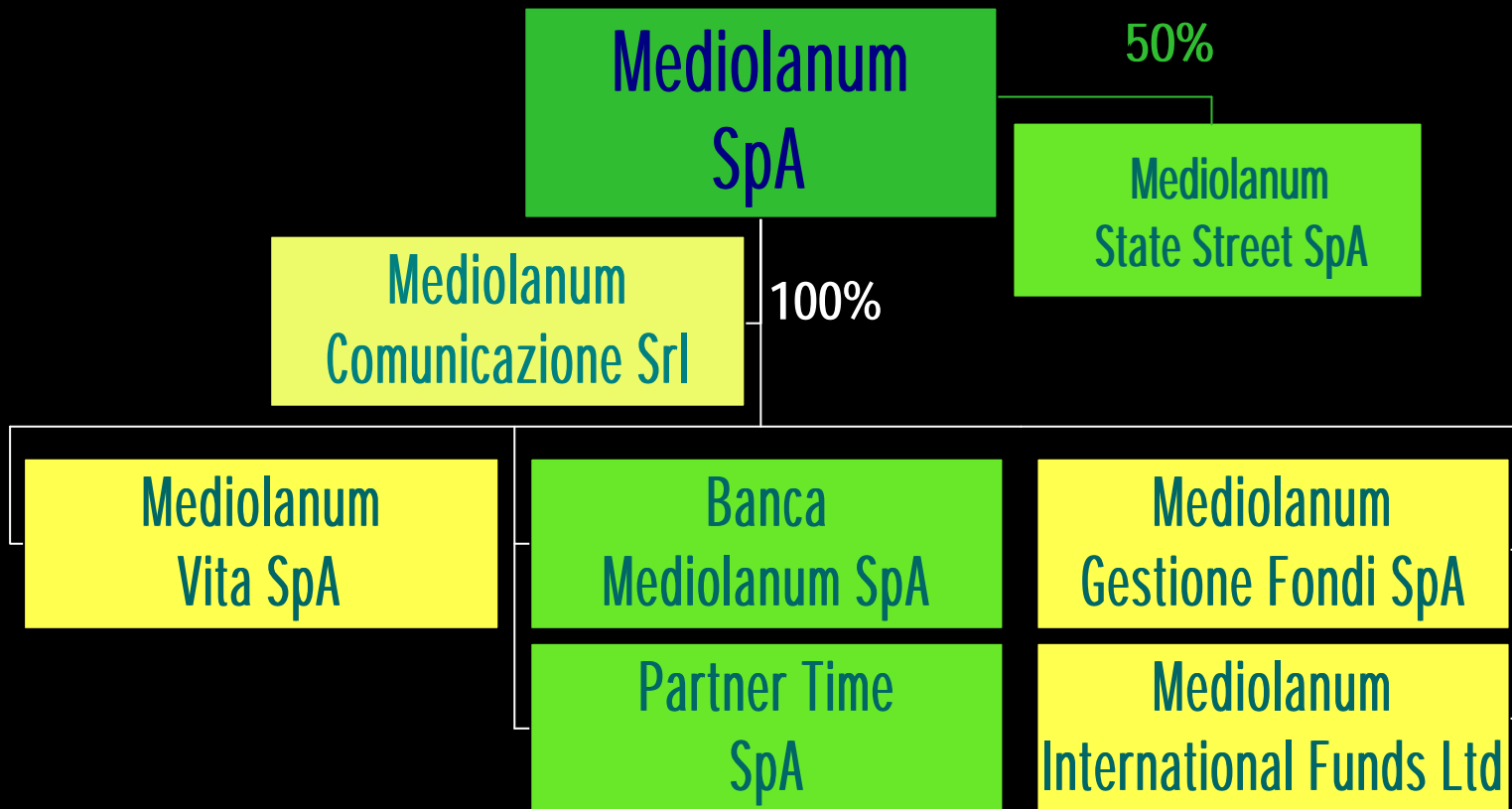


The Mediolanum Group

1998

Consolidated  
Results

# The Group's Structure



# Economist Intelligence Unit (\*)

1998  
Mediolanum  
came out  
6th  
on the Shareholders'  
Value Creation ranking  
among the World biggest 400 financial  
institutions

(\*) One of the most important Research Centre in UK

# Distribution Network

(No of Agents)	<u>31/12/97</u>	<u>31/12/98</u>
<b>Banca Mediolanum *</b>	<b>2954</b>	<b>3192</b>
Licensed Financial Advisors	<b>1885</b>	2200
Non-Licensed Fin. Advisors	<b>1069</b>	992
<i>* of which Financial Executives</i>	--	149
<b>Partner Time</b>	<b>415</b>	<b>478</b>
<b>Total Mediolanum</b>	<b>3369</b>	<b>3670</b>

# 1998: A Year of Big Changes

## **Product Offer:**

a thorough portfolio re-engineering

## **Information Technology:**

advances in systems applications to  
make us more proactive

# 1998 Main Projects

1. The Start-up of “Banca Mediolanum”
2. The launch of the Ireland-based Mutual Funds
3. The replacement of the “Completa” policy with the “Europension” unit-linked policy
4. A major upgrading of Information Technology

# The innovative Bank

## Convenience of Technology

Call Center

Information & Orders via Telephone & Fax



Teletext

Informations via Tv



## Value of face-to-face Contact

Global Consultants

# The New Mutual Funds

In 1998 alone 25 New Funds were launched in Ireland:

<b>Defender</b>	7 funds
<b>Challenge</b>	12 funds
<b>TopManagers</b>	6 funds



# The change in Life products

## **“Europension”:**

**unit-linked  
Individual Pension Plans**

‘Life Cycle’ approach

Individual’s propensity to risk

Competitive loadings

No guarantees on annuity level

# Information Technology Upgrading

Lap top computers provided to all financial advisors

**Comprehensive Call Center**

Upgrading of EDP systems for Euro and Y2K

**Implementation of SAP**

# 1998 Growth

16%

Gross Premium Income

46%

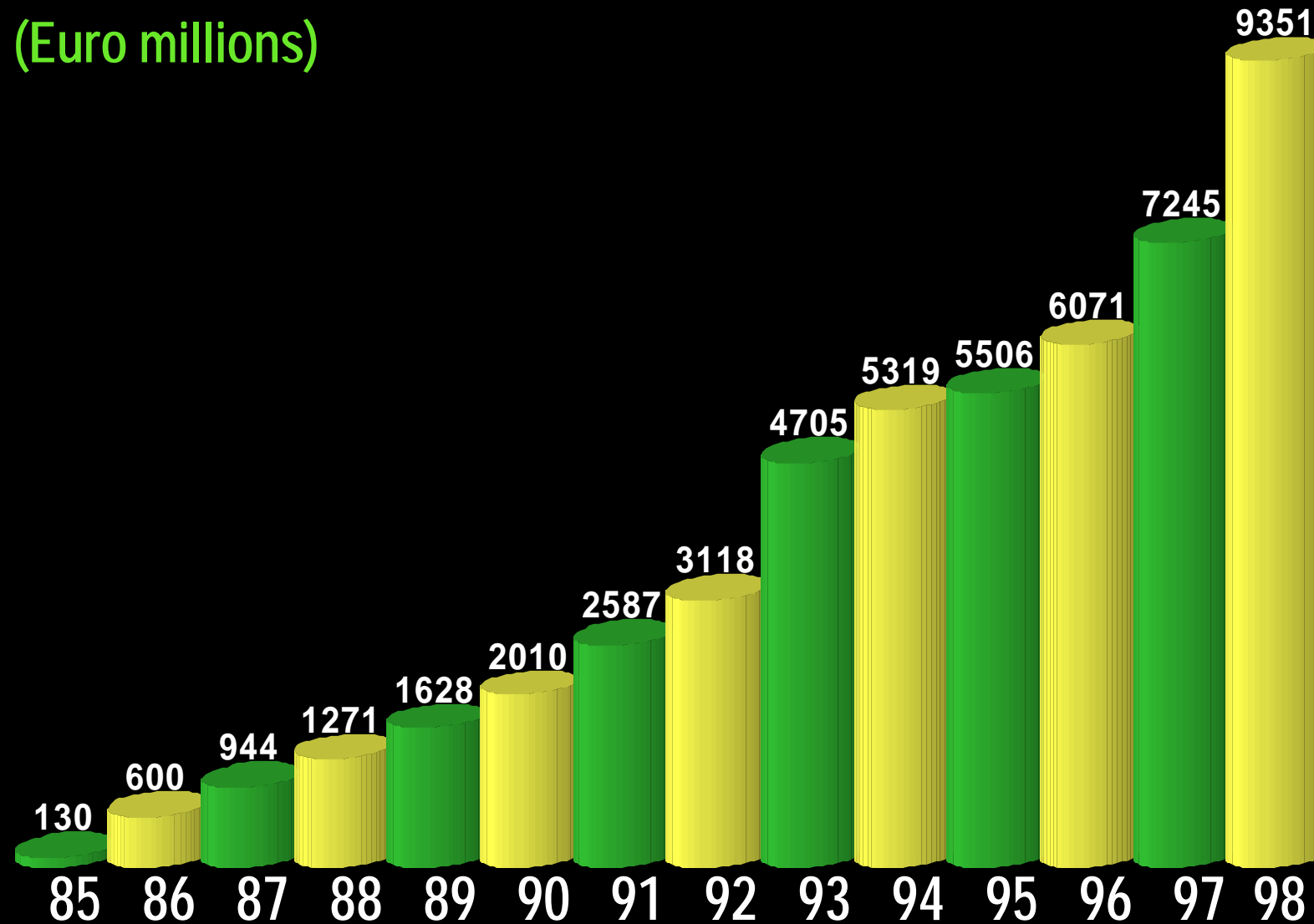
Gross Inflows into Mutual Funds

29%

Assets under Administration

# Total Assets under Administration

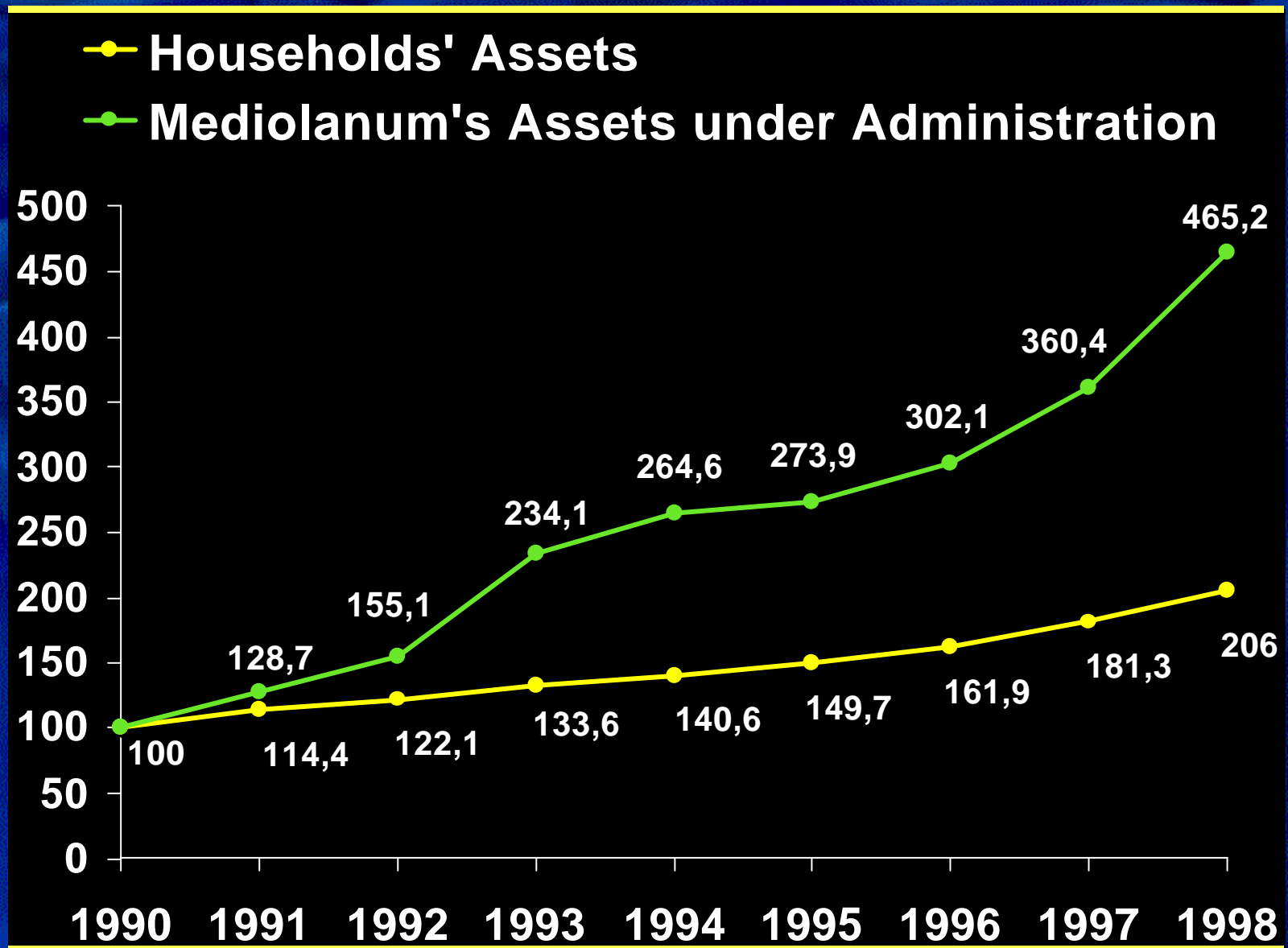
(Euro millions)



# Total Assets under Administration

(Euro millions)	<u>1998</u>	<u>1997</u>	<u>Change</u>
<b>Mutual Funds</b>	<b>4,990</b>	<b>4,336</b>	<b>15%</b>
Italy-based	3,747	4,291	<b>-13%</b>
Ireland-based	1,243	45	
<b>Life Reserves</b>	<b>4,164</b>	<b>3,288</b>	<b>27%</b>
Life Reserves in own Mutual Funds	-429	-462	<b>-7%</b>
Index-linked Reserves' adjustment to market value	-122	--	
<b>Bank Assets</b>	<b>748</b>	<b>83</b>	<b>801%</b>
<b>Consolidated Total</b>	<b>9,351</b>	<b>7,245</b>	<b>29%</b>

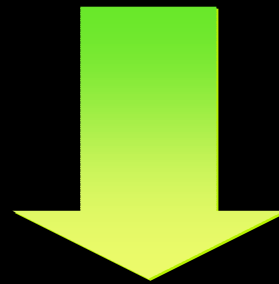
# Italian Financial Assets



# Mediolanum's Market Share

on Total Households' Assets

1990: 0.19%



1998: 0.42%

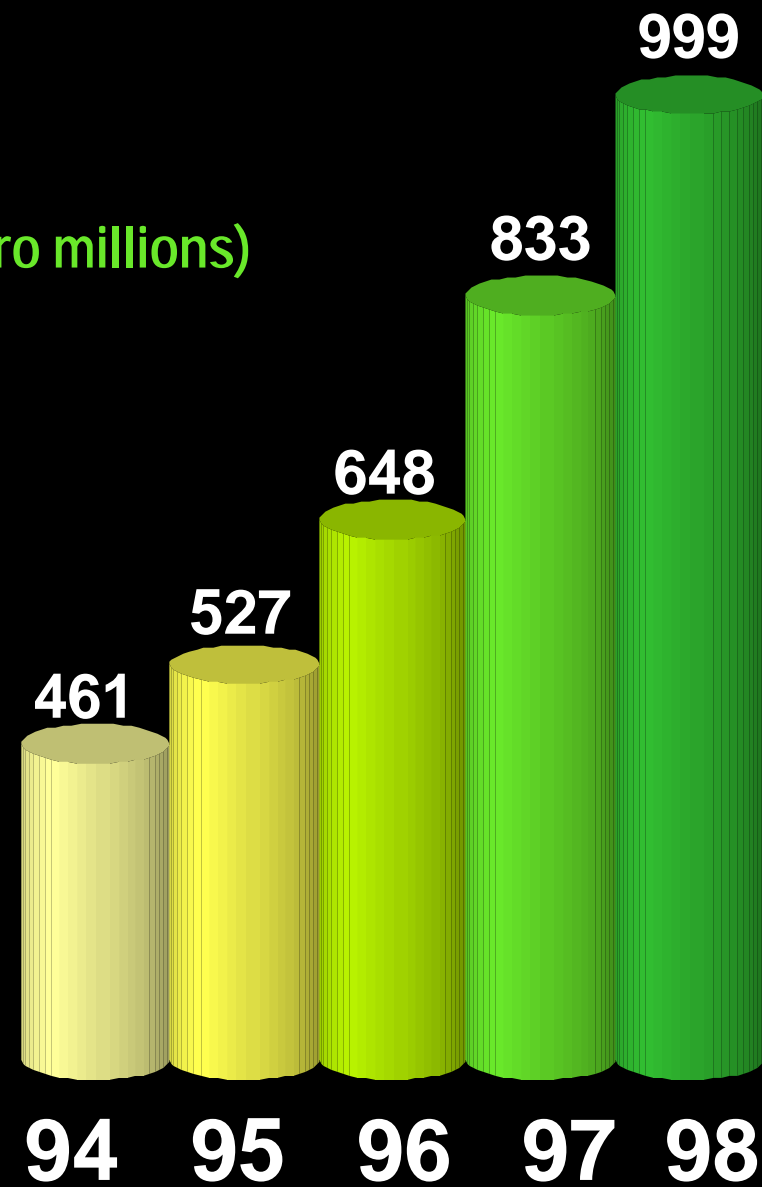
# Main 1998 Results

(Euro millions)	<u>1998</u>	<u>1997</u>	<u>Change</u>
<b>Total Revenues</b>	<b>999</b>	<b>833</b>	<b>20%</b>
<b>Profit before Tax &amp; E.I.</b>	<b>119</b>	<b>139</b>	<b>-14%</b>
Extraordinary Items	4	-10	
<b>Profit before Tax</b>	<b>123</b>	<b>129</b>	<b>-5%</b>
Income Tax	-48	-69	-30%
<b>Net Profit</b>	<b>75</b>	<b>60</b>	<b>25%</b>



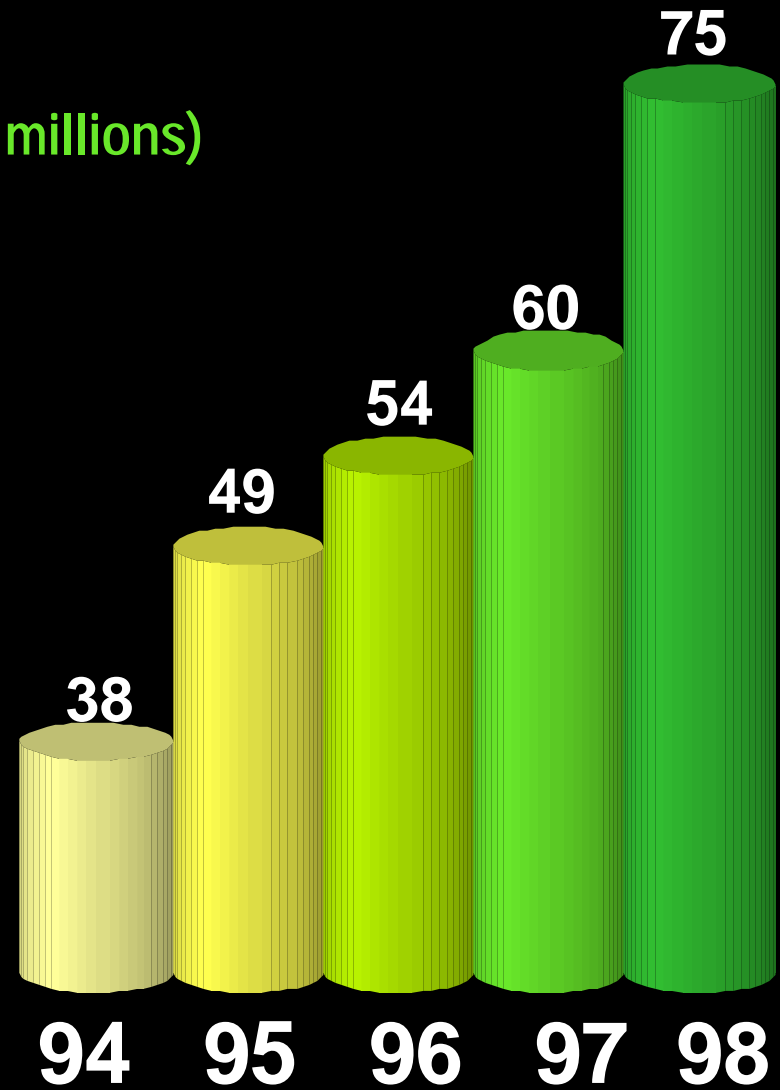
# Revenues

(Euro millions)



# Net profits

(Euro millions)



# Profitability by Business Lines

<u>(Euro millions)</u>	<u>1998</u>	<u>1997</u>	<u>Change</u>
Life Insurance	72	81	<b>-11%</b>
Mutual Funds	55	61	<b>-10%</b>
Bank	-11	-5	
Other operations	4	3	<b>33%</b>
<b>Profit before Tax &amp; E.I.</b>	<b>119</b>	<b>139</b>	<b>-14%</b>

# Total Revenues

(Euro millions)	<u>1998</u>	<u>1997</u>	<u>Change</u>
Gross Premiums Written	882	762	16%
(Reinsurance ceded)	-48	-51	-6%
Commissions from Mutual Funds	143	113	27%
Bank Revenues	13	--	
Other Commissions & Other Revenues	9	9	
<b>Total Revenues</b>	<b>999</b>	<b>833</b>	<b>20%</b>

# Gross Premiums Written

<b>(Euro millions)</b>	<b><u>1998</u></b>	<b><u>1997</u></b>	<b><u>Change</u></b>
<b>Recurring policies</b>	<b>67</b>	<b>81</b>	<b>-17%</b>
Pension Plans	<b>59</b>	<b>62</b>	<b>-5%</b>
<i>of which 'Europension' (Unit-linked)</i>	<b>7</b>		
'Oro'/ 'DiPiù' Pac - 1st year	<b>8</b>	<b>19</b>	<b>-58%</b>
<b>Single premium policies</b>	<b>430</b>	<b>325</b>	<b>32%</b>
Tradit. & Group Policies	<b>17</b>	<b>14</b>	<b>21%</b>
Unit-linked Pic	<b>2</b>	<b>--</b>	
'Oromoney'	<b>223</b>	<b>--</b>	
'Oro' Pic	<b>55</b>	<b>87</b>	<b>-37%</b>
'DiPiù' Pic	<b>133</b>	<b>223</b>	<b>-40%</b>
<b>Total New Business</b>	<b>497</b>	<b>406</b>	<b>22%</b>
Policies in force	<b>331</b>	<b>302</b>	<b>10%</b>
'Oro'/ 'DiPiù' Pac in force	<b>54</b>	<b>54</b>	
<b>Total Business In Force</b>	<b>385</b>	<b>356</b>	<b>8%</b>
<b>Total Gross Premiums</b>	<b>882</b>	<b>762</b>	<b>16%</b>

# Commissions from Mutual Funds

(Euro millions)	<u>1998</u>	<u>1997</u>	<u>Change</u>
<b>Entry Fees</b>	61	33	85%
<i>of which Irish Funds</i>	22		
<b>Management Fees</b>	64	53	21%
<i>of which Irish Funds</i>	12		
<b>Performance Fees</b>	18	27	-33%
<b>Total Commissions</b>	143	113	27%

# Gross Inflows into Mutual Funds \*

(Euro millions)	<u>1998</u>	<u>1997</u>	<u>Change</u>
<b>Italy-based Funds</b>	<b>1,395</b>	<b>1,531</b>	<b>-9%</b>
Equity Funds	550	<b>468</b>	17%
Bond Funds	504	<b>555</b>	-9%
Money Market Funds	341	<b>508</b>	-33%
<b>Ireland-based Funds</b>	<b>844</b>	--	
Equity Funds	33	--	
Bond & Money Funds	32	--	
Protected Funds	779	--	
<b>Total Gross Inflows</b>	<b>2,239</b>	<b>1,531</b>	<b>46%</b>

\* Inflows from Mediolanum Vita not included

# Costs

<u>(Euro millions)</u>	<u>1998</u>	<u>1997</u>	<u>Change</u>
Claims, benefits paid, changes in Reserves	822	670	23%
(Recov. from Reinsurers)	-66	-77	-14%
Acquisition costs	106	81	31%
G&A expenses	92	71	30%
Depreciation	11	8	37%



# Benefits paid & Changes in Reserves

(Euro millions)	<u>1998</u>	<u>1997</u>	<u>Change</u>
<b>Benefits paid</b>			
Claims & Maturities	84	72	<b>17%</b>
"Pull in our Nets"	132	--	
Surrenders	97	78	<b>24%</b>
<b>Changes in Life Reserves</b> (less Policyholders' interests)	509	520	<b>-2%</b>
<b>Total</b>	<b>822</b>	<b>670</b>	<b>23%</b>

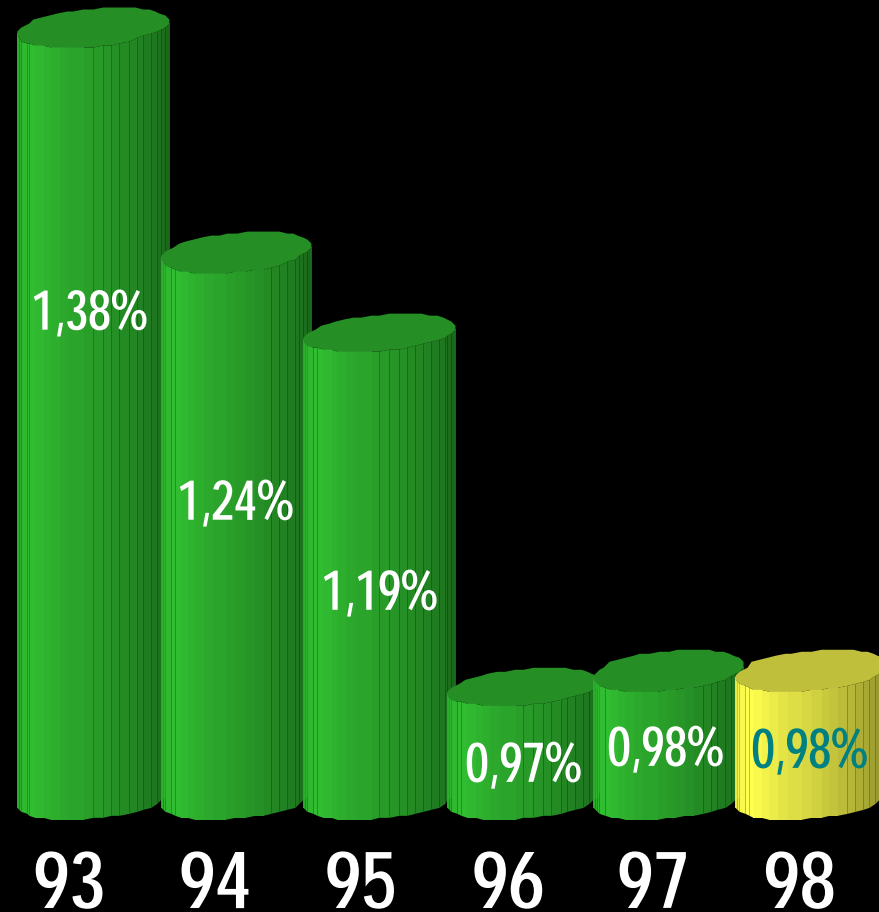
# Bank Income Statement

(Euro millions)	<u>1998</u>
Revenues	13
Acquisition costs	-5
G&A Expenses	-18
Depreciation	-2
Investment Income	1
<b>Result</b>	<b>-11</b>

# Evolution of G&A Expenses

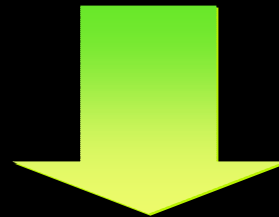
Weight of G&A Expenses \*  
on Assets under Administration

\*Not including Depreciation



# Income Tax Rate

1997: 53.5%



1998: 38.7%

Ireland effect:

Euro mill. 2.6

Irap effect:

Euro mill. 12.9

# Dividends

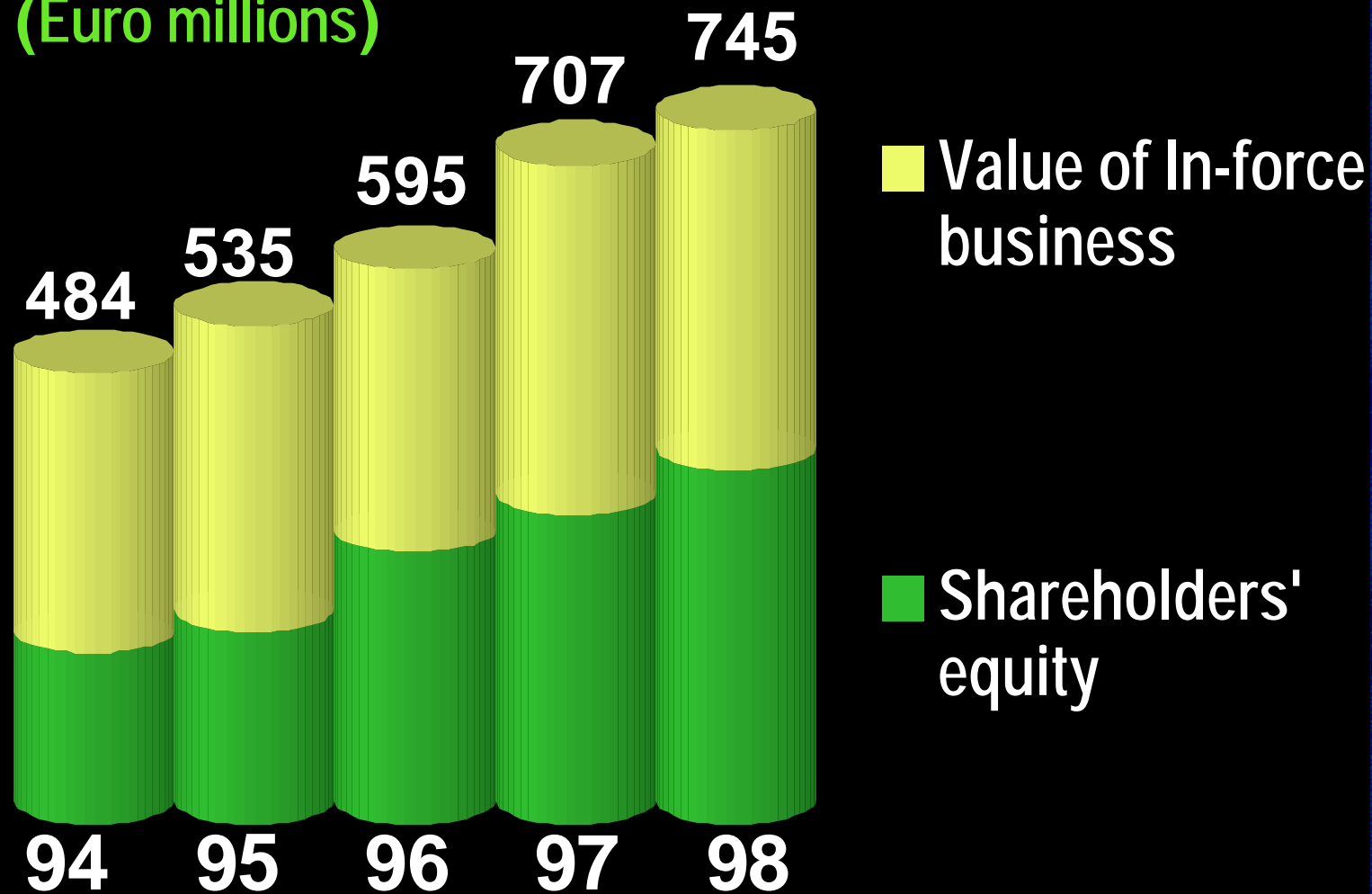
**0.057 Euro per share**

41 million Euro approximately

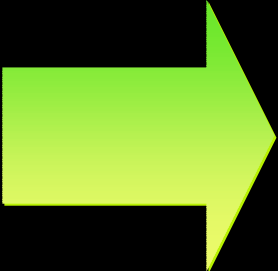
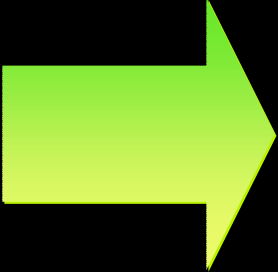
Dividend payout: 55%

# Embedded Value

(Euro millions)



# Embedded Value Assumptions

	<u>1997</u>		<u>1998</u>
Discount Rate	8.00%		6.50%
Investment Return	5.75%		4.25%

# Embedded Value Earnings

(Euro millions)	<u>1998</u>	<u>1997</u>
<b>Change over the year</b>	<b>38</b>	<b>112</b>
Dividend paid	34	27
<b>Embedded Value Earnings</b>	<b>71</b>	<b>138</b>



# Embedded Value Earnings

(Euro millions)	<u>1998</u>	<u>1997</u>
• Expected increase in EV	46	45
• Change in assumptions/discount rate	-53	-39
• Change in income tax	6	85
<b>Change from existing business</b>	<b>-1</b>	<b>91</b>
• New Business - Life	36	37
• New Business - Funds	36	10
<b>Value of New Business</b>	<b>72</b>	<b>47</b>
<b>Embedded Value Earnings</b>	<b>71</b>	<b>138</b>

# 1999 Projects

## Life Business

Transformation of "Completa" portfolio:  
more than 80,000 policies transformed  
in four months

"Europension": new sales are going well

Italian Government might increase fiscal  
incentives on pension plans

Bancassurance agreement with Banca  
Popolare Vicentina

## 1999 Projects

### **Mutual Funds business**

Launch of "TopManagers" funds

Launch of Personalised Service of Assets Administration in Fund Units

# 1999 Projects

## **Bank business**

Start up Internet banking

## 1999 Projects

### **Pension Funds business**

**Mediolanum State Street:**

more than 250 million Euro funds  
collected to date

## 1999 Projects

### **Distribution Network**

Financial Executives

450 expected by year end

Cross selling to Partner Time's clients  
(10,000)

Cross selling to Mediolanum  
Assicurazioni's clients (190,000)

## 1999 Projects

### **Productivity Improvement**

Common Prospectus for all  
Italy-based Funds  
already approved

Similar sought for Ireland-based  
Funds

# The Mutual Funds Assets

<u>(Euro millions)</u>	<u>1998</u>	<u>1997</u>	<u>Change</u>
<b>Mutual Funds</b>	<b>4,990</b>	<b>4,336</b>	<b>15%</b>
<b>Italy-based</b>	<b>3,747</b>	<b>4,291</b>	
Equity Funds	1,678	1,894	
Bond Funds	1,621	1,841	
Money Market Funds	448	556	
<b>Ireland-based</b>	<b>1,243</b>	<b>45</b>	
Equity Funds	35	--	
Bond Funds	326	--	
Money Market Funds	3	--	
Protected Funds	879	45	



# The Insurance Assets

<b>(Euro millions)</b>	<b><u>1998</u></b>	<b><u>1997</u></b>	<b><u>Change</u></b>
<b>Life Reserves</b>	<b>4,164</b>	<b>3,288</b>	<b>27%</b>
Index-linked	508	457	11%
Index-linked Reserves' adjustment to market value	122	--	
Traditional annuities	3,528	2,831	25%
Unit-linked	6	--	
<b>Life Reserves in own Mutual Funds</b>	<b>-429</b>	<b>-462</b>	<b>-7%</b>

# The Bank Assets

(Euro millions)	<u>1998</u>	<u>1997</u>	<u>Change</u>
<b>Bank Assets</b>	<b>748</b>	<b>83</b>	<b>801%</b>
Cash under Deposit	377	55	
Securities under Deposit	295	22	
<b>GPM</b>	54	1	
Repurchase Agreements	22	5	