BANCA MEDIOLANUM S.p.A.

2007 Annual Report

BANCA MEDIOLANUM

MEDIOLANUM BANKING GROUP

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

BANCA MEDIOLANUM S.p.A.

2007 Annual Report

Registered Office: Basiglio – Milano 3 - Via F. Sforza – Meucci Building
Capital Stock € 371,000,000 fully paid in
Tax Code and Reg. No. in the Milan Trade Companies Reg. 02124090164
VAT No. 10698820155

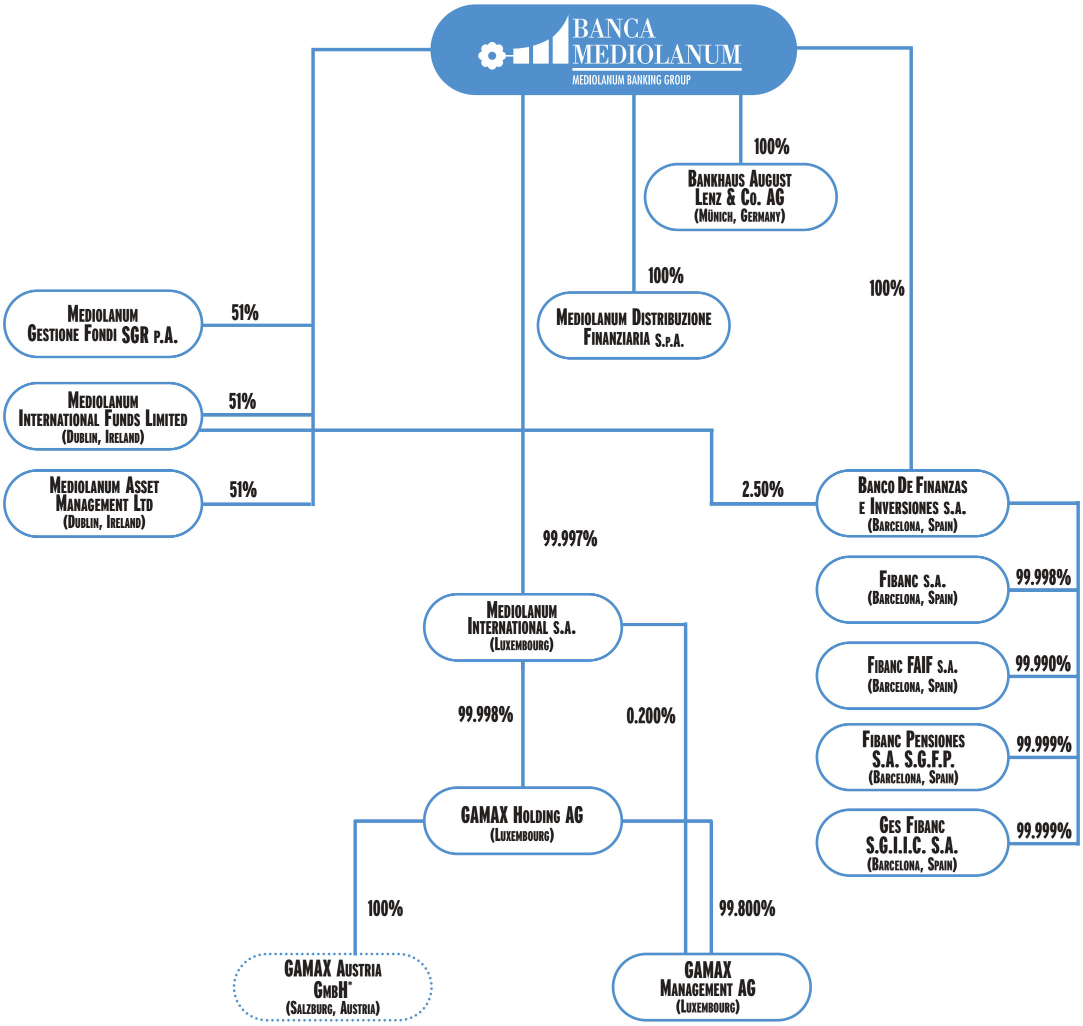
Financial highlights

€/m	2007	2006	Change
Assets under management & administration	27,370.5	26,943.9	+2%
Gross Inflows	7,493.1	6,375.5	+18%
Net inflows	1,689.1	1,809.6	-7%
Total Assets	7,706.7	6,223.7	+24%
Loans to customers (lending)	1,523.2	1,090.2	+40%
Due to customers (deposits)	5,044.0	4,145.4	+22%
Profit before tax	55.0	70.8	-20%
Tax	(3.9)	(1.2)	+225%
Net profit	51.0	69.6	-27%

Number			
Licensed Financial Advisors	5,040	4,011	+26%
Non Licensed Financial Advisors	1,342	2,162	-38%
Employees	1,322	1,181	+12%
Bank accounts	533,679	466,006	+14%

Group structure

As of December 31, 2007



* 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 Directors

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

Board of Statutory Auditors

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

Board Secretary

Luca Maria Rovere

Indipendent Auditors

Reconta Ernst & Young S.p.A.

BANCA MEDIOLANUM S.p.A.

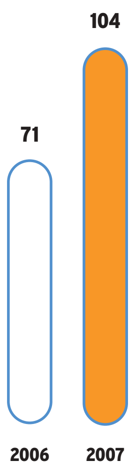
Separate Annual Financial Statements 2007

Directors' Report

Dear Shareholder,

For the year ended December 31, 2007, Your Bank reported net profit of €51,060 thousand (after €3,958 thousand tax) versus €69,628 thousand at December 31, 2006 (after €1,203 thousand tax).
In the recently ended financial year, net financial income grew significantly (up €37.1 million), although net commission income declined (down €19.7 million). That was primarily due to lower commissions earned on life business, especially pension plans, following the introduction of the new supplementary pension legislation, as a result of which commissions relating to retirement products changed materially. Operating expenses increased (up €23.2 million) in connection with the notable growth in the number of bank accounts and related services as well as the distribution of the new retirement products. Dividends from subsidiaries were down €5.1 million contributing to the decline in net profit.
In 2007, the macroeconomic environment was hallmarked by the slowdown in the global economy, high stock market volatility and rising interest rates. The Euro continued to strengthen against the US dollar and other currencies, while financial markets were shaken by the subprime mortgage crisis that severely hit the balance sheets of major American and European banks and other financial institutions.
In this difficult environment, Your Bank consolidated its growth in terms of inflows into asset management and retirement products as well as banking products and services.
Specifically, in 2007, gross inflows into mutual funds and managed accounts totalled €3,103.1 million versus €2,569 million in 2006, while gross inflows into insurance and retirement products amounted to €3,385 million versus €3,226 million in 2006.
At year end 2007, your Bank had over one million customers.
At December 31, 2007, total assets grew 23.8% to €7,707 million 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.

Net interest income
€/m



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 interbank 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 increased to €13.3 million from €9.0 million in the prior year.
Dividends amounted to €90.1 million versus €95.3 million at year end 2006.

Total income grew 4.2% to €301.7 million from €289.5 million in 2006.

Partly due to the increase in the number of bank accounts and required adjustments to organisational and operational structures, operating expenses increased 11.1% to €231.6 million from €208.4 million at December 31, 2006.
These efforts will generate increasing benefits in the coming years as new customers increase the assets they hold with the Bank.
The Bank headcount increased from 1,181 employees at December 31, 2006 to 1,322 employees at December 31, 2007.

MEDIOLANUM BANKING GROUP

At December 31, 2007, the composition of the Mediolanum Banking Group, of which your Bank is the Parent Company, remained substantially unchanged over the prior year, except for the sale of the Munich-based IFA company Gamax Broker Pool AG. The sale was part of the reorganisation of operations in the German market. Following the sale, the Group operates in Germany exclusively through Bankhaus August Lenz & Co. AG which avails itself of a network of tied agents and conducts business according to Banca Mediolanum's model.
In February 2008, also the Vienna-based distribution company Gamax Austria AG was sold pursuant to the sale agreement made in December 2007.

The macroeconomic environment

In 2007, the global economy grew at a slower pace. The International Monetary Fund reported global GDP growth of 5.2% versus 5.4% in 2006. In Europe economic growth showed a slight deceleration, while in Japan, and especially in the US, the slowdown was more marked.
Per-barrel oil prices averaged $72.5 versus $66.2 in 2006, rising 9.6% in the year.
In the Eurozone, CPI inflation averaged 2.2% (vs. 2.2% in 2006), a figure not far from the ECB target rate. In Italy inflation stood at 2%. In the US, the CPI stood at 2.8% down from 3.2% in the prior year. In Japan inflation was essentially nil versus 0.1% in 2006.
In 2007, the Euro strengthened against the US dollar and the Yen. Specifically, on an annual basis the euro/US dollar exchange rate averaged 1.370 versus 1.256 in 2006. The euro/yen exchange rate averaged 161.3 versus 146.1 in 2006.
In the US, the Fed cut interest rates over the year due to clear signs of a slowdown of the economy and the high market volatility connected with the subprime mortgage crisis. Specifically, the Federal Reserve cut Fed Funds rates three times from 5.25% at the end of 2006 to 4.25% at the end of 2007. In Europe, the ECB raised interest rates in the first half of the year to dampen any inflationary pressures arising from surging commodities prices, especially oil prices, and the cyclical recovery of Europe's economy. Specifically, the ECB progressively raised interest rates from 3.5% in December 2006 to 4% in June 2007, and then kept interest rates on hold for the rest of the year.
In 2007, Italy's GDP grew 1.8% versus 1.9% in 2006. ISTAT data show that in 2007 employment slightly improved (up 1.8% over 2006) in sync with GDP growth. The unemployment rate declined to 5.6% from 6.1% in 2006, remaining below the prevalent Eurozone rate.
The economic recovery brought about greater government revenues and a considerable improvement of Italy's public finances. The public deficit/GDP ratio was around 2% down 2.4% over the prior year.
The combined effect of reduced public deficit and GDP growth in nominal terms brought the public debt/GDP ratio down to about 105% from 106.8% in 2006.

In 2007, the performance of the world's equity markets was as follows: the NYSE S&P 500 was up 3.5%, the Nikkei 225 was down 11.1% and Europe's Dow Jones Euro Stoxx was down 1.4%.

In Italy, the Mibtel index was down 7.8%. At year end 2007, the Italian Stock Exchange capitalisation amounted to €733.6 billion. The Milan Stock Exchange capitalisation to GDP ratio stood at 48%. In 2007, the stocks listed on Italy's stock exchange increased to 375 from 346 in 2006.

In 2007, Italy's private-sector financial business further grew 2.3% to €2,712 billion. Bank deposits (up 3.2%), bank bonds (up 12.3%) and retirement savings products (insurance products up about 8% and pension funds up 2.6%) beat the market.

Reverse repurchase agreements with customers rose 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.

At December 2007, the NAV of Italian and foreign mutual funds and open-end investment vehicles (sicavs) declined 5.8% to €618.0 billion at year end 2007. The asset allocation analysis shows that Italian funds accounted for 56.5%, round-trip funds for 35.4% and foreign funds for 8%. In 2007, Italian mutual funds reported net outflows of €53.1 billion, further down from €18 billion in 2006.

At year end 2007, Italian banks reported further growth in funding, i.e. savings accounts, current accounts, certificates of deposit and bonds. Specifically, at year end 2007, funding rose to €1,270.5 billion, up 6.7% versus 8.1% at year end 2006. In the year under review, the stock of funding grew by 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 the Eurozone, short-term rates increased, at December 2007, 3-month EURIBOR was 4.85% versus 3.68% at December 2006. Long-term rates increased too. Specifically, at December 2007 rates averaged 4.38%, 48 basis points above the December 2006 figure.

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.

REVIEW OF OPERATIONS

The recently ended year was a year of growth for your Bank especially in banking products and services, namely, bank accounts and home loans.
An analysis of key organisational and operational developments is set out below.

Customers

The number of customers – either bank account holders or investors in financial/insurance products sold by Banca Mediolanum – grew from 995,300 at year end 2006 to 1,061,000 at year end 2007. 894,000 of these customers were primary account holders.
At December 31, 2007, the number of bank accounts grew 14.5% to 533,679 from 466,006 at year end 2006. They were held by 754,530 customers.
At year end 2007, the percentage of bank account holders grew to 71% of total customers, a percentage which confirms customer satisfaction with the quality, breadth and depth of the banking offering.

Funding

Inflows of customer assets into banking products continued to display significant growth as they rose 21.7% from €4,145 million at year end 2006 to €5,044 million at December 31, 2007.
The growth was much greater than the market and largely in connection with the considerable boost given to the sale of bank accounts and the subsequent greater penetration of banking products and services among customers.
You are reminded that the only forms of direct funding are bank accounts held by resident clients and, to a limited extent, repurchase agreements.
No funding is raised via bank bond issues or CDs.

Lending

At December 31, 2007, loans to customers – private individuals and financial institutions other than banks – grew 39.7% to €1,523.2 million from €1,090.2 million at December 31, 2006.
In 2007, loans to households grew considerably reflecting the overall growth in this market segment across Italy.
Since the Bank's lending products and services are exclusively offered to customers who already hold Mediolanum Group's financial products, the risks typically associated with fast growing loan demand, i.e. over-indebtedness and difficulties in honouring payments, are minimised.
The continuous growth in the number of new bank account holders entailed a significant increase also in related lending volumes. Your Bank, however, did not change its conservative approach to risk.
Specifically, personal loans stood at about €51.7 million versus €43.2 million in the prior year (+19.9%).
Although the total balance on customer bank accounts grew from €204.8 million in the prior year to €258.4 million, the number of clients borrowing on bank accounts increased significantly (+24.9%) from 19,665 in 2006 to 24,556 in 2007.

At year end 2007, repurchase agreements with institutional investors amounted to €362.3 million versus €100.5 million in the prior year.

In addition, your Bank participated in lending syndicates and granted loans to companies that are part of leading banking and insurance groups and also extended loans in the form of "hot money" to institutional customers for a total amount of €290.0 million versus €422.6 million in 2006.

At December 31, 2007, residential mortgage loans grew 77.8% to €514.5 million versus €289.4 million at December 31, 2006.

The year-on-year volume growth is primarily in connection with Banca Mediolanum's choice to be a direct lender and gradually replace other lenders' products with its own products.

Please note that the Bank has no subprime mortgage loans in its loan portfolio and, in 2007, confirming its disciplined lending policy, it did not enter into any transactions carrying a high level of credit risk.

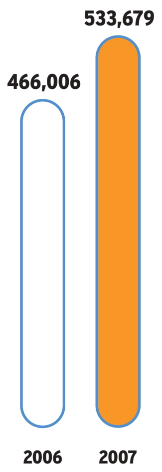
Banking products and services

In 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*).

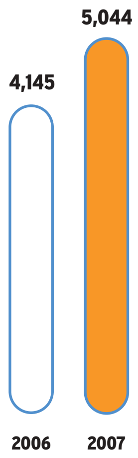
At December 31, 2007, the number of bank accounts grew 14.5% to 533,679 from 466,006 at year end 2006, the number of credit cards increased to 152,601 from 138,337 at December 31, 2006, and the number of debit cards to 375,321 from 304,561 at the end of the prior year.

The sale of these products was backed by a broad and diversified advertising campaign, whereby the bank was advertised almost uninterruptedly on all main media.

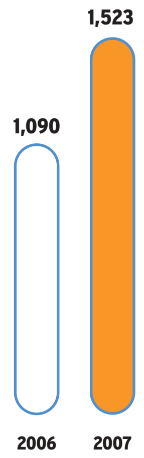
Number of current accounts



Direct funding
€/m



Lending to customers
€/m



Asset management products

Gross inflows into asset management products (mutual funds and life insurance products) grew 12% to €6,491.9 million from €5,783.5 million in the prior year.

Your Bank confirmed once again its ability to offer innovative products and services. This applies also to the novel retirement products introduced following the reform of employee post-employment benefits. 78,963 policies under the new individual pension plan "*Tax Benefit New*" were taken out partly using employee completion-of-service entitlements and partly via voluntary contributions.

Net inflows were positive across the year. At December 31, 2007 net inflows amounted to €706.9 million versus €1,223.6 million at year end 2006.

Managed Accounts

Assets invested in managed accounts declined significantly during 2007. That was mainly due to customers switching to other Group's asset management products.

At December 31, 2007, managed accounts amounted to €208 million, showing a marked decline on the prior year's figure.

Specifically, managed accounts investing in securities declined from €12.9 million at year end 2006 to €8.8 million at December 31, 2007.

Securities brokerage

The market turmoil triggered by the US subprime mortgage crisis and expectations of a halt in interest rate hikes caused bond yield spreads to widen in the second part of the year.

Investors began to show renewed interest in bonds and that drove traded bond volumes up 72% to €602 million at year end 2007 from €349 million in 2006.

The total value of securities brokered on the Italian stock markets grew 31% from €11,417 million in 2006 to €15,032 million in 2007, while the total value of securities brokered on foreign stock markets climbed 55% from €176.3 million in 2006 to €274.4 million in 2007.

At year end 2007, the total value of securities held by retail customers grew 9.5% to €1,755 million from €1,603 million at year end 2006. Specifically, they held €819 million in equities (vs. €914 million in 2006), of which €70 million in foreign equities, and €935 million in bonds (vs. €689 million in 2006).

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

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%).

This confirms the customer appreciation of the bank's multi-channel approach, the new functions and services provided through the direct channels.

In particular, 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.

Internet accesses were 67% of total accesses, up 31% over 2006. Particularly notable were text messages that skyrocketed (up 144%) compared to the prior year. Customer appreciated especially the new services introduced to further enhance security, e.g. alerts for ATM withdrawals, website log-ins, change in mobile phone numbers.

Phone calls to Banking Services Center representatives also rose significantly (up 23%).

As the use of direct channel increased in the year, customer orders through the direct channels grew too (up 46%).

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, it should be noted that, in spite of the notable increase in phone calls (up 23%), 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.

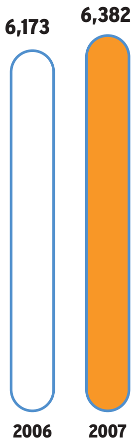
Sales network

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 2006).

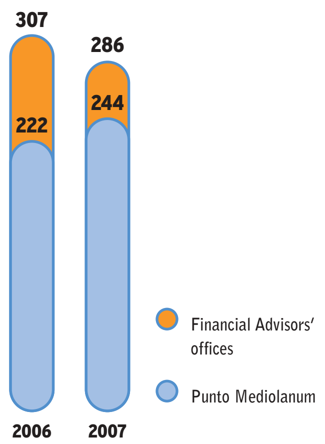
Sales Network offices and bank branches

At year end 2007, there were 530 Sales Network offices (*Punto Mediolanum* and Traditional Offices).
The steady rationalisation of local premises entailed the closure of certain offices that did not meet the qualitative and quantitative requirements of the company.

Number of financial advisors



Punto Mediolanum and Financial Advisors' offices



The Bank continued to expand its presence throughout Italy by opening new *Punto Mediolanum*. At December 31, 2007 there were 244 *Punto Mediolanum* versus 222 at year end 2006.
The opening of new *Punto Mediolanum* will continue in 2008 in accordance with the multi-year development plan 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).

	2007	2006	2005
Punto Mediolanum	244	222	160
Traditional offices	286	307	362
Total offices	530	529	522

In July 2007, the first Private Banking branch was opened in via San Paolo 1, Milan. In January 2008, another bank branch was opened in Rome.

The Bank also operates a bank branch at the Basiglio HQ.

Sales Network Training

In 2007, 256,764 hours of training were provided, up more than 60% compared to the previous year. The number of participants grew by 13.6% to 10,231 people.

Special attention is given to the training of new network members, who have to attend various courses proficiently at the beginning of their career, including: the Mediolanum Master's course in Banking and Sales techniques; Anti-money laundering (Act 197/91); Personal data protection (Act 675/96); Legislative Decree 231/2001; Rules of conduct of the Family Banker; Insurance and Pension; ISVAP course. The course for new advisors concludes this initial training period that lasts about 12 months.

The significant increase in the number of hours of training was due to, on the one hand, the increase in the number of courses in new subjects (managerial, commercial, sales and communication techniques) and, on the other hand, the increase in training hours dedicated to finance techniques, which is the subject prevalent in a number of courses designed to prepare non-licensed advisors for the licensing exam to be admitted to the Register of Financial Advisors.

A new methodological approach based on the involvement of the Sales Network management rounds out online and classroom training (including the participation of university professors).

In 2007, the exam pass rate for Registration in the Financial Advisor Register was excellent. The pass rate of the participants from Banca Mediolanum was much higher (over 50%) than the national average (30%). The role played in training by the Sales Network management strongly contributed to the achievement of this result.

Both the initial training for the new members and the continuous education of the entire Sales Network can be received on a personal computer through MedCampus, which is an ad-hoc application that, among other things, keeps track of the courses followed and the tests passed by individual participants.

In 2007, MedCampus had 135,559 accesses for a total of 67,780 hours of training.

In 2007, 60,797 training modules were completed, i.e. 60,797 participants completed their courses successfully.

In 2007, alongside the ongoing training activity focussing on what is new regarding products, new courses on managerial skills were initiated. The new courses covered various topics, from coaching to leadership, and involved 1,000 participants.

Work to develop MCU – Mediolanum Corporate University – was set underway in 2007 and the inauguration is slated for 2008.

Moreover, the MCU Scientific Committee was formed to promote research and disseminate innovative subject matters and principles with respect to training. The Committee put the development of each person's potential and also the management, the organisation and the sharing of the knowledge inside a company at the centre of its research and action. The Committee also has the task of interacting with the external community in order to develop a series of contacts and research in the economic and financial spheres in general as well as in the academic world to make sure that Mediolanum is involved in a continual exchange and always stays abreast of the latest topics and news concerning the development of the potential of the individual and of the organisation.

Employees

The analysis of the year's movement in Banca Mediolanum's employees in 2007 is set out below.

Category	Dec. 31, 2007	Dec. 31, 2006	Change	%	Average age
Senior management	59	61	+3	4.7%	46.8
Middle management	137	153	+15	11.5%	40.1
Non-management	985	1,108	+123	83.8%	32.5
Total	1,181	1,322	+141	100%	34

The increase by 141 people was mainly due to new staff being hired in Customer Care positions in connection with the increase in bank accounts, the distribution of individual pension plans and lending growth. New staff was also hired to fill organisational and training positions due to the growing sales network as well as control and compliance positions in the light of growing business volumes and regulatory changes. Upon recruitment special attention is given to high potential young university or high-school graduates.

Management and middle-management staff received dedicated training. Our people also received service quality, customer relationship management, teambuilding and teamwork, people and project management training. Training on technical and financial subjects as well as on regulatory changes is an ongoing process.

The 2007 edition of the employee climate survey, which is conducted every two years by an independent company, was taken by almost all employees and showed a high level of employee satisfaction.

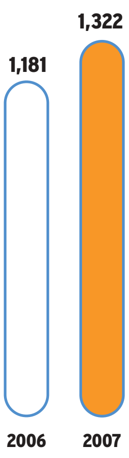
Our internal career development programmes entail the development of cross-functional skills, job rotation and internal career growth pathways which also include international assignments.

Many internships were reserved to students, especially those taking university or master's courses in financial markets, risk management, compliance, marketing and Customer Satisfaction.

The employees increasingly participated in the numerous activities organised at the HQ. In 2007, enrolment of employees' children in the company day care centre peaked, demonstrating employees greatly appreciate this service that helps them considerably.

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

Employees



Internal Audit and Network Inspection

At December 31, 2007, the Internal Audit department and the Network Inspection unit had a total of 44 staff versus 36 at December 31, 2006. The Network Inspection unit also avails itself of the assistance of Banking Services Center staff for customer information.
During the year the Internal Audit staff continued their audit work on the Bank activities, focusing on investment services as well as the assessment of the effectiveness and efficiency of the internal control system as implemented by the various departments. Under a service agreement, the Internal Audit department of the parent company Banca Mediolanum also performed audit work for the subsidiaries Mediolanum Distribuzione Finanziaria S.p.A. and Mediolanum Gestione Fondi SGR p.A., that do not have an internal audit department. In addition, as part of the parent company's duties of guidance and supervision, the Internal Audit department of Banca Mediolanum carried out on site inspections and held videoconferences with the officers of those foreign subsidiaries that have their own internal audit department. The Bank's management is committed to promptly remedying any anomalies which audits may reveal.
During the year the Network Inspection staff continued to carry out second level controls and checks on the sales network members to make sure their off-premises activities were in full compliance with the regulations in force. Upon completion of said work, actions were planned to remedy any irregularities found and, where necessary, sanctions were applied to the financial advisors involved or their mandate was revoked. In 2007, financial advisors irregularities reported to Supervisory Authorities were 77 (vs. 56 in 2006).
As further protection, in 2007, the Bank renewed the policy taken out to cover any illegal actions committed by the sales force to the detriment of customers.
In 2007, the Bank received 3,979 written complaints from customers (vs. 3,955 in 2006), of which 1,995 relating to investment services (vs. 1,923 in 2006).
Following the overall review of the complaints received in the year, no material procedural or organisational deficiency or misconduct was found, which required reporting to the Board of Directors and the Board of Statutory Auditors.

Operations and IT

In compliance with ABI's Transition-to-Smart-Cards project, in 2007 the Bank began issuing the new chip-based ATM cards which replace magnetic stripe cards. In the final quarter of the year the Bank began to send the new chip-based cards to existing magnetic stripe cardholders. The Personal Identification Number (PIN) will remain unchanged for current cardholders.
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.

The entry into effect of EU Payment Services Directive (PSD) which provides the legal framework for the Single Euro Payment Area (SEPA) entailed the introduction of significant changes in payment systems, in particular, the use of the International Bank Account Number (IBAN) in place of national bank account details became mandatory for wire transfers in January 2008.
In the Planning & Control area tools were introduced for the development and analysis of the income statement on an individual customer basis.
In the second half of 2007, the Bank signed the DR Service Level Agreement with Cedacri whereby the latter will provide resources and technology infrastructure for business continuity in case of serious disruption to business operations.
In November, the annual Disaster Recovery Testing of Banca Mediolanum's critical applications replicated at the Recovery site was carried out successfully.

Treasury management

At December 31, 2007, the net treasury balance amounted to €3,683 million versus €3,250 million at December 31, 2006. Specifically, at year end 2007, funding from banks amounted to €1,134 million versus €1,131 million at year end 2006, and repurchase agreements amounted to €457 million, of which €290 million relate to refinancing transactions with the European Central Bank (vs. €560 million at year end 2006).
The greater funds from bank accounts were equally invested in the interbank market and in securities, especially short-term, since the rate hikes subsequent to the financial market crisis delivered the greatest returns over this time horizon.
Loans to banks increased to €2,645 million from €2,105 million at year end 2006.
Loans to banks, as well as funding from banks, consist exclusively of 1-day to 6-months deposits.
The securities portfolio amounted to €2,888 million versus €2,398 million at year end 2006.
The analysis of the securities portfolio is set out in the table below.

€/m	2007	2006
Held-To-Maturity Financial Assets	373	332
Available-For-Sale Financial Assets	315	166
Financial Assets Held For Trading	2,200	1,900
Total	2,888	2,398

During the year under review "Available-For-Sale Financial Assets" notably increased from €166 million in 2006. The increase was in connection with the greater weight of longer-term investments over instruments held for trading.

Exposure to interest rate risk is immaterial as the bank entered into derivatives contracts to hedge said risk. Exposure to credit and currency risk is not significant since activities are focused on operational trading.
Again in 2007 our Bank was one of the top 10 domestic banks authorised to operate with the European Central Bank in main refinancing operations and fine tuning operations in connection with the compulsory reserve period.

Equity and capital ratios

At December 31, 2007 shareholders' equity, excluding net profit, amounted to €437.6 million up 4.5% from €418.8 million at December 31, 2006. The €18.8 million increase is the result of the appropriation of net profit for the year 2006 (+€19.6 million), the movements in equity reserves in connection with stock options (+€2.1 million) and the fair value measurement of available-for-sale financial assets (-€2.9 million).
If the General Meeting approves the appropriation of net profit for the year 2007 as proposed by the Board of Directors, equity will further increase by €11.1 million to €448.7 million.
This corresponds to a net book value of €1.21 (vs. €1.18 in 2006) for each €1 share.
Earnings per share (EPS) amount to €0.138 versus €0.188 in 2006.
Total capital ratio is 14.53%, well above the minimum requirement of 7%.

Equity investments

At December 31, 2007, the Bank's equity investments in Group companies increased to €360.6 million from €348.6 million in the prior financial year.
During the year, the Bank contributed €20 million to Bankhaus August Lenz to cover losses and future capital increases.
The bank reported impairment losses of €8.1 million relating to Bankhaus August Lenz & Co. AG.
Finally, we advise you that last October 25, the Board of Directors of the Bank resolved to establish a service company, which will provide ancillary services and focus on the provision and overall management of sales network training. The company will also own 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.

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

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 largely due to the exit of clients 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 638 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 was strengthened by 6 banking branches and 18 *Punto Fibanc*, that are similar to Italy's *Punto Mediolanum*.

Bankhaus August Lenz & Co.

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).

Mediolanum International S.A.

Based in Luxembourg, Mediolanum International S.A. is the ultimate holding company of the Gamax financial group, headed by Gamax Holding A.G.
For financial year 2007, the company reported net profit of €1.3 million versus a loss of €0.2 million in the prior year. The net profit for the year was primarily generated from the sale of fund holdings classified as available-for-sale financial assets.

Gamax Holding AG

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 €8.1 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.

Mediolanum Gestione Fondi SGR p.A.

For financial year 2007, 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 was largely in connection with the lower performance fees earned in the year (down €3.1 million).

Mediolanum International Funds Ltd

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 net inflows amounted to €585.1 million versus €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 was in connection with the 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, of which €52.5 million to Banca Mediolanum.

Mediolanum Asset Management Ltd

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, of which €3.8 million to Banca Mediolanum.

Mediolanum Distribuzione Finanziaria S.p.A.

For financial year 2007, its second full year of operation, Mediolanum Distribuzione Finanziaria S.p.A. reported net profit of €0.3 million versus a loss of €0.2 million in 2006.
In the recently ended financial year, the company's business was centred on the promotion and sale of Banca Mediolanum bank accounts, credit/debit carts, mortgage loans and personal loans to retail customers through its network of "Financial Agents", registered with Ufficio Italiano Cambi (Italian Foreign Exchange Office).
At year end 2007, the MDF sales network consisted of 1,148 "Financial Agents" versus 1,511 at year end 2006. The decline was partly in connection with financial agents passing the state exam and becoming licensed agents of the Banca Mediolanum's sales network.

Post balance sheet date events

In January 2008, the Board of Directors of the Bank 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.

In February 2008, Banca Mediolanum made an agreement with Santander Consumer Bank S.p.A. for the distribution of personal loans issued by the latter.
In February 2008, the shareholding in Gamax Austria GmBH was sold to the Argon AG Group for a consideration of €400 thousand.
At the end of February, the Bank of Italy authorised the formation of a company, 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 Bank.

Outlook

In the light of results recorded in the first months of 2008, the outlook for the current year is positive.

Acknowledgements

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

Appropriation of net profit

Your company's financial statements, which we submit to you for approval together with the directors' report, show net profit of €51,059,817.86.
We propose to appropriate net profit as follows:
- €40,000,000.00 as dividend, i.e. €0.10782 per share;
- €2,553,000.00 to the Legal Reserve;
- €8,506,817.86 to the Extraordinary Reserve.

Basiglio, March 17, 2008

For the Board of Directors
The Chairman
Ennio Doris

BANCA MEDIOLANUM S.p.A.

Accounts 2007

Balance sheet

Assets

€			Dec. 31, 2007		Dec. 31, 2006
10.	Cash and cash equivalents		1,403,128		1,642,611
20.	Financial assets held for trading		2,199,979,917		1,898,869,934
40.	Available-for-sale financial assets		315,168,361		165,774,750
50.	Held-to-maturity investments		373,023,902		332,912,304
60.	Loans to banks		2,645,104,375		2,104,605,480
70.	Loans to customers		1,523,235,552		1,090,235,659
100.	Equity investments		360,568,134		348,646,838
110.	Tangible assets		25,763,440		23,460,661
120.	Intangible assets		9,620,115		11,031,976
	of which:				
	- goodwill		-		-
130.	Tax assets		53,500,214		49,570,285
	a) current	22,857,327		15,418,343	
	b) deferred	30,642,887		34,151,942	
150.	Other assets		199,329,316		196,927,016
Total assets			7,706,696,454		6,223,677,514

Liabilities and Shareholders' Equity

€			Dec. 31, 2007		Dec. 31, 2006
10.	Due to banks		1,134,040,864		1,130,671,314
20.	Due to customers		5,044,037,716		4,145,368,867
40.	Financial liabilities held for trading		716,188,813		121,624,071
80.	Tax liabilities		6,778,454		9,440,267
	a) current	3,465,401		6,896,665	
	b) deferred	3,313,053		2,543,602	
100.	Other liabilities		233,277,710		255,287,541
110.	Employee completion-of-service entitlements		8,924,528		10,722,159
120.	Provisions for risks and charges:		74,786,590		62,156,009
	a) severance benefits and similar obligations	-		-	
	b) other provisions	74,786,590		62,156,009	
130.	Valuation reserves		(1,112,539)		1,816,554
160.	Reserves		67,714,500		45,962,733
180.	Share capital		371,000,000		371,000,000
200.	Net profit (loss) for the year (+/-)		*51,059,818*		*69,627,999*
Total liabilities and shareholders' equity			7,706,696,454		6,223,677,514

Income statement

€				Dec. 31, 2007		Dec. 31, 2006
10.	Interest income and similar income		264,025,222		163,730,410
20.	Interest expense and similar charges		(160,180,162)		(92,770,107)
30.	**Net interest income**		103,845,060		70,960,303
40.	Commission income		346,401,011		395,505,977
50.	Commission expense		(251,943,951)		(281,296,845)
60.	**Net commission income**		94,457,060		114,209,132
70.	Dividends and similar income		90,154,801		95,275,876
80.	Net income from trading		4,338,028		9,075,568
100.	Gains (losses) on sale or buyback of:		8,930,123		(41,360)
	a) loans and receivables	-		-	
	b) available-for-sale financial assets	*8,930,123*		*(41,360)*	
	c) held-to-maturity investments	-		-	
	d) financial liabilities	-		-	
120.	**Total income**		301,725,072		289,479,519
130.	Impairment losses on:		(7,010,346)		(2,293,914)
	a) loans	*(7,001,074)*		*(2,293,914)*	
	b) available-for-sale financial assets	-		-	
	c) held-to-maturity investments	-		-	
	d) other financial instruments	*(9,272)*		-	
140.	**Net income from financial operations**		294,714,726		287,185,605
150.	Administrative expenses		(218,106,236)		(192,312,860)
	a) staff costs	*(74,907,393)*		*(64,711,052)*	
	b) other administrative expenses	*(143,198,843)*		*(127,601,808)*	
160.	Provisions for risks and charges		(15,315,158)		(15,089,230)
170.	Depreciation and net impairment of tangible assets		(4,525,064)		(4,761,286)
180.	Amortisation and net impairment of intangible assets		(9,574,478)		(10,438,911)
190.	Other operating income		15,913,050		14,227,579
200.	**Operating expenses**		(231,607,886)		(208,374,708)
210.	Profit (loss) on equity investments		(8,078,704)		(7,983,564)
240.	Profit (loss) on disposal of investments		(10,377)		3,168
250.	**Profit (loss) before tax on continuing operations**		55,017,759		70,830,501
260.	Income tax expense on continuing operations		(3,957,941)		(1,202,502)
270.	**Profit (loss) after tax on continuing operations**		51,059,818		69,627,999
290.	**Profit (loss) after tax**		51,059,818		69,627,999
	Earning per share (EPS)		0.138		0.188

Cash Flow Statement

Indirect Method

€	Dec. 31, 2007	Dec. 31, 2006
A. OPERATING ACTIVITIES		
1. Operating activities	109,443,388	116,863,834
- Net profit (loss) for the year	51,059,818	69,627,999
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	5,873,645	563,474
- gains/losses on hedges (+/-)	-	-
- impairment losses/reversals (+/-)	7,010,347	2,293,914
- net write-downs/write-backs of tangible and intangible assets (+/-)	14,099,542	15,200,197
- provisions for risks and charges and other costs/revenues (+/-)	17,239,620	18,137,133
- unpaid taxes (+)	3,957,941	1,202,502
- net write-downs/write-backs of disposal groups after taxes (+/-)	-	-
- other adjustments (+/-)	10,202,475	9,838,615
2. Cash generated/used by financial assets	(1,540,260,437)	(889,645,841)
- financial assets held for trading	(306,983,628)	(803,302,166)
- financial assets at fair value	-	-
- available-for-sale financial assets	(152,322,704)	(163,994,506)
- loans to banks: on demand	242,232,093	85,562,667
- loans to banks: other loans	(782,730,988)	495,491,580
- loans to customers	(440,010,240)	(370,929,611)
- other assets	(100,444,970)	(132,473,805)
3. Cash generated/used by financial liabilities	1,465,524,828	608,880,947
- due to banks: on demand	-	-
- due to banks: other amounts due	3,369,550	(1,984,630)
- due to customers	898,668,849	474,849,955
- securities issued	-	-
- financial liabilities held for trading	594,564,742	59,783,594
- financial liabilities at fair value	-	-
- other liabilities	(31,078,313)	76,232,028
Net cash generated by/used in operating activities	34,707,779	(163,901,060)
B. INVESTING ACTIVITIES		
1. Cash from	110,261,504	261,356,699
- sale of equity investments	-	-
- dividends received from equity investments	90,154,801	95,275,876
- sale of held-to-maturity investments	20,000,000	166,076,883
- sale of tangible assets	106,703	3,940
- sale of intangible assets	-	-
- sale of business lines	-	-
2. Cash used for	(95,208,765)	(86,624,516)
- purchase of equity investments (including contributions to cover losses)	(20,000,000)	(74,093,353)
- purchase of held-to-maturity investments	(60,111,598)	-
- purchase of tangible assets	(7,009,548)	(5,377,334)
- purchase of intangible assets	(8,087,619)	(7,153,829)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	15,052,739	174,732,183
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	-	30,000,000
- issue/purchase of equity instruments	-	-
- dividend distribution and other	(50,000,000)	(40,920,000)
Net cash generated by/used in financing activities	(50,000,000)	(10,920,000)
NET CASH GENERATED/USED IN THE YEAR	(239,482)	(88,877)

RECONCILIATION

€	Dec. 31, 2007	Dec. 31, 2006
Financial item		
Cash and cash equivalents at beginning of the year	1,642,611	1,731,488
Total net cash generated /used in the year	(239,482)	(88,877)
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at end of the year	1,403,129	1,642,611

Statement of Changes in Equity

At December 31, 2006

€	Balance at Jan. 1, 2006	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	341,000,000	-	-
b) other shares	-	-	-
Share premium account	-	-	-
Reserves:			
a) retained earnings	(1,485,770)	40,258,736	-
b) others	5,365,505	-	-
Valuation reserves:			
a) AFS financial assets	(620)	-	-
b) Cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	81,178,736	(40,258,736)	(40,920,000)
Shareholders' equity	426,057,851	-	(40,920,000)

At December 31, 2007

€	Balance at Jan. 1, 2007	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	371,000,000	-	-
b) other shares	-	-	-
Share premium account	-	-	-
Reserves:			
a) retained earnings	38,772,966	19,627,999	-
b) others	7,189,767	-	-
Valuation reserves:			
a) AFS financial assets	1,816,554	-	-
b) Cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	69,627,999	(19,627,999)	(50,000,000)
Shareholders' equity	488,407,286	-	(50,000,000)

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec 31, 2006	Share-holders' equity at Dec 31, 2006
-	30,000,000	-	-	-	-	-	-	371,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	38,772,966
-	-	-	-	-	-	1,824,262	-	7,189,767
1,817,174	-	-	-	-	-	-	-	1,816,554
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(40,258,736)	-	-	-	-	-	-	69,627,999	69,627,999
(38,441,562)	30,000,000	-	-	-	-	1,824,262	69,627,999	488,407,286

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec 31, 2007	Share-holders' equity at Dec 31, 2007
-	-	-	-	-	-	-	-	371,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	58,400,965
-	-	-	-	-	-	2,123,768	-	9,313,535
(2,929,093)	-	-	-	-	-	-	-	(1,112,539)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	51,059,818	51,059,818
(2,929,093)	-	-	-	-	-	2,123,768	51,059,818	488,661,779

BANCA MEDIOLANUM S.p.A.

Notes to the Separate Annual Financial Statements 2007

Notes to the Separate Annual Financial Statements

These notes are structured as follows:

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

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

Section 1 – Compliance with the international accounting and reporting standards

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

The financial statements for the year ended December 31, 2007 were prepared following the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through the Circular Letter No. 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

In the preparation of these separate financial statements the Company applied the international accounting and financial reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 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.

Section 2 – Accounting basis

These separate 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.

In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency.

The amounts set out in the Accounts 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.

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

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.

Accounts

Balance Sheet and Income Statement

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

Statement of changes in equity

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

Statement of Cash Flows

The cash flow statement provides information on cash flows for the period under review and the prior period. It is prepared using the indirect method whereby in reporting cash flows from operating activities profit or loss is adjusted for the effects of non-cash transactions.

The cash flows are classified by operating, investing and financing activities.

The cash flows generated in the period are indicated with no sign, while the cash flows used in the period are shown within parentheses.

Content of the Notes

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

No explanatory note is provided for items with a nil balance for both the year under review and the prior year.

Section 3 - Post Balance Sheet Date Events

In the period between the end of financial year 2007 and the date on which these financial statements were approved no event took place which could materially affect the Bank's results of operation or business.

Section 4 - Other information

Information on the business and the results of operation for the year 2007 of the main subsidiaries is set out in the Directors' Report.
The financial statements of Banca Mediolanum S.p.A. were audited by Reconta Ernst & Young S.p.A., as per the resolution passed at the General Meeting of April 21, 2005 whereby Reconta Ernst & Young S.p.A. were appointed as independent auditors for the three-year period 2005- 2007.

Tax consolidation regime

In June 2007, the "tax consolidation regime" option was renewed. The tax consolidation regime is regulated by articles 117-129 of the Consolidated Income Tax Act introduced into Italy's tax legislation by Legislative Decree 344/2003. Under said regime the taxable profits or tax losses, including any withholding taxes, tax deductions and tax credits, of all participating Group companies are consolidated into the Parent Company. The Parent Company, as reporting entity, calculates the consolidated taxable profit by adding the taxable profits/losses of all participating Group companies to its own taxable profit/tax loss.

By choosing the "tax consolidation" option, participating Group companies calculate their own tax expense, while their taxable profit is consolidated into the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company.

A.2 - SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING POLICIES

This section sets out the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2007.
The accounting policies applied in the preparation of the separate financial statements, with respect to the clas-

sification, measurement, recognition and derecognition of the various items of assets and liabilities as well as the recognition of items of income and expense, are consistent with those applied in the preparation of the 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 held for trading

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

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.

(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.

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.

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 "past due" more than 180 days, in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements. Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at 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 collaterals as well as any costs of recovery. Future cash flows of loans which are expected to be recovered in the short term are not discounted.

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

The amount of the impairment loss is 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 subsidiaries and associates which are measured at cost.

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

If the recoverable amount is lower than the carrying amount, the resultant difference is 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.

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 primarily relate to software applications.

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

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.
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 held for trading

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

Financial liabilities are initially recognized at the time the policy is issued or amounts are received.
On initial recognition they are measured at the fair value of the financial instruments which originated the liabilities. The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly 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 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.

Provisions for risks and charges

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

Employee completion-of-service entitlements

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 Bank 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 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. Their fair value, and the corresponding increase in equity, is determined by reference to the fair value of the stock option measured at grant date over the period between the grant date and the vesting date (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:
- commissions are measured on an accrual basis;
- interest income and interest expense are recognised on an accrual basis;
- dividends are recognized in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognized in the income statement only when actually received.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

1.1 Analysis of cash and cash equivalents

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) Cash	1,403	1,643
b) Demand deposits with Central Banks	-	-
Total	1,403	1,643

Cash and cash equivalents amount to €1,403 thousand, of which €108 thousand in foreign currencies. Cash and cash equivalents consist of cash balances in euro and foreign currencies held at the Milano 3 branch as well as banknotes at ATMs located at the Head Office and at the offices of Banca Mediolanum financial advisors.

Section 2 – Financial assets held for trading – Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Listed	Unlisted	Listed	Unlisted
A. Non-derivatives				
1. Debt securities	1,171,993	92	703,420	359,482
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	1,171,993	92	703,420	359,482
2. Equities	73	10	412	9
3. Holdings in UCITS	-	-	-	-
4. Loans	-	-	-	-
4.1 repurchase agreements	-	-	-	-
4.2 others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognized	1,023,968	-	631,386	199,661
Total A	2,196,034	102	1,335,218	559,152
B. Derivatives				
1. Financial derivatives:	3	3,841	-	4,500
1.1 held for trading	3	3,841	-	4,500
1.2 measured at fair value	-	-	-	-
1.3 others	-	-	-	-
2. Credit derivatives:	-	-	-	-
2.1 held for trading	-	-	-	-
2.2 measured at fair value	-	-	-	-
2.3 others	-	-	-	-
Total B	3	3,841	-	4,500
Total (A+B)	2,196,037	3,943	1,335,218	563,652

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. NON-DERIVATIVES		
1. Debt securities	1,172,086	1,062,901
a) Governments and Central Banks	577,535	408,749
b) Government agencies	-	4
c) Banks	323,755	380,556
d) Other issuers	270,796	273,592
2. Equities	83	421
a) Banks	-	
b) Other issuers:	83	421
- insurance companies	-	-
- financial companies	1	-
- non financial companies	82	421
- others	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
6. Assets sold but not derecognized	1,023,967	831,048
a) Governments and Central Banks	907,004	811,165
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	116,963	19,883
Total A	2,196,136	1,894,370
B. DERIVATIVES		
a) Banks	3,366	4,133
b) Customers	478	367
Total B	3,844	4,500
Total (A+B)	2,199,980	1,898,870

2.3 Analysis of financial assets held for trading: derivatives

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Dec. 31, 2007	Dec. 31, 2006
A) Listed derivatives							
1. *Financial derivatives:*							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	2	-	1	-	-	3	-
• Without exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. *Credit derivatives:*							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total A	2	-	1	-	-	3	-
B) Unlisted derivatives							
1. *Financial derivatives:*							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	1,452	-	-	-	1,452	2,450
• Without exchange of principal							
- Options purchased	936	-	-	-	-	936	535
- Other derivatives	1,453	-	-	-	-	1,453	1,515
2. *Credit derivatives:*							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total B	2,389	1,452	-	-	-	3,841	4,500
Total (A+B)	2,391	1,452	1	-	-	3,844	4,500

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	1,062,901	421	-	-	1,063,322
B. Increases	12,068,727	32,412	5,916	-	12,107,055
B1. Additions	11,179,633	32,061	5,898	-	11,217,592
B2. Increases in fair value	9,875	-	-	-	9,875
B3. Reversal of impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	879,219	351	18	-	879,588
C. Decreases	11,959,542	32,750	5,916	-	11,998,208
C1. Disposals	10,790,601	32,485	5,904	-	10,828,990
C2. Redemptions	685,716	-	-	-	685,716
C3. Decreases in fair value	17,847	9	-	-	17,856
C4. Impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	465,378	256	12	-	465,646
D. Closing balance	1,172,086	83	-	-	1,172,169

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Listed	Unlisted	Listed	Unlisted
1. Debt securities	-	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	-	-	-
2. Equities	496	9,194	9	9,192
2.1 measured at fair value	496	-	9	-
2.2 measured at cost	-	9,194	-	9,192
3. Holdings in UCITS	-	204,662	4,059	152,515
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognized	100,816	-	-	-
Total	101,312	213,856	4,068	161,707

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Debt securities	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equities	9,690	9,201
a) Banks	-	-
b) Other issuers:	9,690	9,201
- insurance companies	-	-
- financial companies	1,943	1,455
- non financial companies	7,747	7,746
- others	-	-
3. Holdings in UCITS	204,662	156,574
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognized	100,816	-
a) Governments and Central Banks	100,816	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	315,168	165,775

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	-	9,201	156,574	-	165,775
B. Increases	302,436	15,952	212,652	-	531,040
B1. Additions	298,577	15,866	204,438	-	518,881
B2. Increases in fair value	-	86	2,679	-	2,765
B3. Write-backs	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	3,859	-	5,535	-	9,394
C. Decreases	302,436	15,463	164,564	-	482,463
C1. Disposals	198,145	15,443	160,108	-	373,696
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	1,364	-	4,436	-	5,800
C4. Impairment losses	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	102,927	20	20	-	102,967
D. Closing balance	-	9,690	204,662	-	214,352

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

5.1 Analysis of held-to-maturity investments

€/'000	Dec. 31, 2007		Dec. 31, 2006	
	Book Value	Fair value	Book Value	Fair value
1. Debt securities	79,242	79,054	133,116	132,298
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	79,242	79,054	133,116	132,298
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognized	293,782	293,411	199,796	199,965
Total	373,024	372,465	332,912	332,263

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Debt securities	79,242	133,116
a) Governments and Central Banks	68,985	122,852
b) Government agencies	-	-
c) Banks	10,257	10,264
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
3. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
4. Assets sold but not derecognized	293,782	199,796
a) Governments and Central Banks	293,782	199,796
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	373,024	332,912

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

€/'000	Debt securities	Loans	Total
A. Opening balance	133,116	-	133,116
B. Increases	74,807	-	74,807
B1. Additions	60,365	-	60,365
B2. Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	-	-	-
B4. Other	14,442	-	14,442
C. Decreases	128,681	-	128,681
C1. Disposals	-	-	-
C2. Redemptions	20,000	-	20,000
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	108,681	-	108,681
D. Closing balance	79,242	-	79,242

Section 6 - Loans to banks - Caption 60

Analysis of loans to banks

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Central Banks	21,438	18,808
1. Time deposits	-	-
2. Reserve requirements	21,438	18,808
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks	2,623,666	2,085,797
1. Current accounts and demand deposits	23,201	265,433
2. Time deposits	2,111,560	1,716,639
3. Others:	488,905	103,725
3.1 Repurchase agreements	441,165	74,072
3.2 Finance leases	-	-
3.3 Other	47,740	29,653
4. Debt securities:	-	-
4.1 Structured notes	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold but not derecognized	-	-
Total (book value)	2,645,104	2,104,605
Total (fair value)	2,644,709	2,104,570

Section 7 - Loans to customers - Caption 70

7.1 Analysis of loans to customers

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Current accounts	258,406	204,869
2. Repurchase agreements	362,293	100,538
3. Mortgage loans	514,519	289,363
4. Credit cards, personal loans and salary-guaranteed loans	51,668	43,191
5. Finance leases	-	-
6. Factoring	-	-
7. Other	322,369	443,917
8. Debt securities	-	-
8.1 Structured notes	-	-
8.2 Other debt securities	-	-
9. Impaired assets	13,981	8,358
10. Assets sold but not derecognized	-	-
Total (book value)	1,523,236	1,090,236
Total (fair value)	1,548,978	1,119,973

7.2 Analysis of customer loans by borrower category

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Debt securities	-	-
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
2. Loans:	1,509,255	1,081,878
a) Governments	-	-
b) Government agencies	-	-
c) Others	1,509,255	1,081,878
- non financial companies	44,159	30,443
- financial companies	568,989	504,063
- insurance companies	82,076	6,342
- other	814,031	541,030
3. Impaired assets:	13,981	8,358
a) Governments	-	-
b) Government agencies	-	-
c) Others	13,981	8,358
- non financial companies	88	1
- financial companies	-	-
- insurance companies	-	-
- other	13,893	8,357
4. Assets sold but not derecognized:	-	-
a) Governments	-	-
b) Government agencies	-	-
c) Others	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	1,523,236	1,090,236

At December 31, 2007 "Impaired Assets" amounted to €13,980 thousand, of which €9,618 thousand related to debtors that were past due more than 180 days. Positions that are past due more than 180 days began to be classified as impaired in financial year 2005 following the entry into effect of Bank of Italy's new requirements and the adoption of international accounting and financial reporting standards.
At December 31, 2007 non-performing loans accounted for 0.06% (€842,385 thousand) of total exposure versus 0.03% at December 31, 2006.

Section 10 - Equity investments - Caption 100

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

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

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

€/'000	Total assets	Total revenues	Net profit (loss)	Share-holders' equity	Book value	Fair value
A. Subsidiaries						
Mediolanum International S.A.	47,571	1,420	1,322	47,520	46,620	x
Bankhaus August Lenz & Co. AG	94,203	23,371	(8,079)	52,205	55,916	x
Banco de Finanzas e Inversiones S.A. (Fibanc)	616,879	74,370	3,144	116,377	252,617	x
Mediolanum Gestione Fondi S.G.R. p.A.	34,569	62,480	7,874	24,127	2,610	x
Mediolanum International Funds Ltd	67,009	336,397	141,294	41,372	1,346	x
Mediolanum Asset Management Ltd	7,842	36,537	12,404	5,974	459	x
Mediolanum Distribuzione Finanziaria S.p.A.	2,276	4,570	288	1,301	1,000	x
Total subsidiaries	-	-	-	-	360,568	
B. Joint ventures	-	-	-	-	-	
C. Companies under significant influence	-	-	-	-	-	

10.3 Year's movements in equity investments

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Opening balance	348,647	282,537
B. Increases	20,000	74,093
B1. Acquisitions	20,000	72,000
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other increases	-	2,093
C. Decreases	(8,079)	(7,983)
C1. Sales	-	-
C2. Write-downs	(8,079)	(7,983)
C4. Other decreases	-	-
D. Closing balance	360,568	348,647
E. Total revaluations	-	-
F. Total adjustments	113,363	105,284

Section 11 - Tangible assets - Caption 110

11.1 Analysis of tangible assets carried at cost

Asset/Value €/'000	Dec. 31, 2007	Dec. 31, 2006
A. Occupied/used		
1.1 owned	25,763	23,461
a) land	5,440	5,440
b) buildings	5,754	5,992
c) furnishings	1,744	1,417
d) electronic equipment	10,533	9,753
e) other	2,292	859
1.2 under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	25,763	23,461
B. Held for investment purposes		
2.1 Owned	-	-
a) land	-	-
b) buildings	-	-
2.2 Under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	25,763	23,461

11.3 Year's movements in occupied/used tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	5,440	8,224	4,626	32,755	3,386	54,431
A.1 Total net write-downs	-	(2,232)	(3,208)	(23,002)	(2,528)	(30,970)
A.2 Net opening balance	5,440	5,992	1,418	9,753	858	23,461
B. Increases:	-	7	935	4,241	1,903	7,086
B.1 Additions	-	7	935	4,163	1,903	7,008
B.2 Capitalized improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	78	-	78
C. Decreases:	-	(245)	(609)	(3,461)	(469)	(4,784)
C.1 Disposals (*net value*)	-	-	(20)	(9)	(77)	(106)
C.2 Depreciation	-	(245)	(589)	(3,452)	(239)	(4,525)
C.3 Impairment losses						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Decreases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:						
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	(153)	(153)
D. Net closing balance	5,440	5,754	1,744	10,533	2,292	25,763
D.1 Total net write-downs	-	-	-	-	-	-
D.2 Gross closing balance	5,440	5,754	1,744	10,533	2,292	25,763
E. Measured at cost	-	-	-	-	-	-

Tangible assets with unit value lower than €516.46 were fully depreciated in the year and amounted to €405 thousand. For higher value assets acquired during the financial year, the depreciation rate was reduced by 50% to reflect partial use during the year.

Section 12 - Intangible assets - Caption 120

12.1 Analysis of intangible assets

€/'000	Dec. 31, 2007 Finite life	Dec. 31, 2007 Indefinite life	Dec. 31, 2006 Finite life	Dec. 31, 2006 Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	9,620	-	11,032	-
A.2.1 Measured at cost:	9,620	-	11,032	-
a) internally generated assets	-	-	-	-
b) other assets	9,620	-	11,032	-
A.2.2 Measured at fair value:	-	-	-	-
a) internally generated assets	-	-	-	-
b) other assets	-	-	-	-
Total	9,620	-	11,032	-

12.2 Year's movements in intangible assets

€/'000	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening balance	-	-	-	103,783	-	103,783
A.1 Total net write-downs	-	-	-	(92,751)	-	(92,751)
A.2 Net opening balance	-	-	-	11,032	-	11,032
B. Increases	-	-	-	8,162	-	8,162
B.1 Additions	-	-	-	8,087	-	8,087
B.2 Increases in internal assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	75.00	-	75.00
C. Decreases:	-	-	-	(9,574)	-	(9,574)
C.1 Disposals	-	-	-	-	-	-
C.2 Write-downs	-	-	-	(9,574)	-	(9,574)
- Amortization	-	-	-	(9,470)	-	(9,470)
- Impairment losses	-	-	-	(104)	-	(104)
+ in equity	-	-	-	-	-	-
+ through profit or loss	-	-	-	(104)	-	(104)
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-		-	-
D. Net closing balance	-	-	-	9,620	-	9,620
D.1 Total net write-downs	-	-	-	-	-	-
E. Gross closing balance	-	-	-	9,620	-	9,620
F. Measured at cost	-	-	-	-	-	-

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

"*Current tax assets*" include tax advances amounting to €4,379 thousand and withholding taxes of €11,427 thousand paid during 2007. Since the Bank opted for the tax consolidation regime, IRES corporate income tax debits/credits will be consolidated into the parent company Mediolanum S.p.A. for the purpose of consolidated tax reporting.

13.1/13.2 Analysis of deferred tax assets/liabilities

€/'000	FY 2007 Temporary differences	FY 2007 Tax rate %	FY 2006 Temporary differences	FY 2006 Tax rate %
Deferred tax assets				
Valuation reserve relating to AFS securities	4,477	32.32%	-	-
Provision for risks and charges	50,876	32.32%	65,032	33.00%
Provision for risks and charges	27,897	27.50%	-	-
Expenses deductible in future years	808	27.50%	915	33.00%
Expenses deductible in future years	660	32.32%	-	-
Expenses deductible in future years	14,378	32.32%	25,694	38.25%
Other	-	27.50%	7,760	33.00%
Total	99,096	-	99,401	-
Deferred tax liabilities:				
Valuation reserve relating to AFS securities	2,833	32.32%	2,942	38.25%
Income deductible in future years	3,044	32.32%	-	33.00%
Future expenses deductible in the year	3,023	32.32%	3,432	38.25%
Future expenses deductible in the year	1,588	27.50%	-	-
Commission income taxable in future years	-	32.32%	276	38.25%
Total	10,488	-	6,650	-
Net deferred tax liabilities (assets)	-	27,330	-	31,608
Deferred tax arisen on tax losses for the year	-	-	-	-
Deferred tax arisen on tax losses for the prior year	-	-	-	-
Temporary differences excluded from the calculation of deferred tax liabilities (assets)	-	-	-	-
Tax losses to carry forward	-	-	-	-
Net amount	-	-	-	-

In compliance with the new tax provisions introduced by Act 244 of December 24, 2007 (2008 Budget Act), in the preparation of the 2007 annual financial statements, deferred tax assets and liabilities were re-calculated to reflect the new IRES and IRAP tax rates effective from January 1, 2008.

€/'000	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets		
Charge to the income statement	29,196	34,152
Charge to equity	1,447	-
Total deferred tax assets	30,643	34,152
Deferred tax liabilities		
Charge to the income statement	2,397	1,419
Charge to equity	916	1,125
Total deferred tax liabilities	3,313	2,544

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	34,152	27,166
2. Increases	15,284	14,871
2.1 Deferred tax assets arisen in the year	15,284	14,871
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) write-backs	-	14,871
d) other	15,284	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(20,240)	(7,885)
3.1 Deferred tax assets cancelled in the year	-	(7,885)
a) reversals	-	(7,885)
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	(5,276)	-
3.3 Other decreases	(14,964)	-
4. Closing balance	29,196	34,152

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	1,419	-
2. Increases	2,442	1,419
2.1 Deferred tax liabilities arisen in the year	2,442	1,419
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	2,442	1,419
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(1,464)	-
3.1 Deferred tax liabilities cancelled in the year	(1,016)	-
a) reversals	-	-
b) changes in the accounting policies	-	-
c) other	(1,016)	-
3.2 Reduced tax rates	(448)	-
3.3 Other decreases	-	-
4. Closing balance	2,397	1,419

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	-	-
2. Increases	1,447	-
2.1 Deferred tax assets arisen in the year	1,447	-
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	1,447	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
3.1 Deferred tax assets cancelled in the year	-	-
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	1,447	-

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	1,125	-
2. Increases	1,057	1,125
2.1 Deferred tax liabilities arisen in the year	1,057	1,125
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	1,057	1,125
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(1,266)	-
3.1 Deferred tax liabilities cancelled in the year	(1,098)	-
a) reversals	-	-
b) changes in the accounting policies	-	-
c) other	(1,098)	-
3.2 Reduced tax rates	(168)	-
3.3 Other decreases	-	-
4. Closing balance	916	1,125

Section 15 - Other assets - Caption 150

15.1 Analysis of other assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Items in transit	93,521	90,501
Commissions Oustanding	38,578	65,594
TBN sales commission bonus advances	9,597	-
Receivables from financial advisors	16,389	6,994
Receivables from tax authorities	8,761	7,407
Receivables from the parent company, subsidiaries and associates	4,777	9,444
Accruals	3,044	-
Prepayments	2,949	2,342
Advances to suppliers	2,598	1,841
Deposits	1,875	-
Receivables from companies of the Fininvest & the Doris Group	170	149
Other receivables from former financial advisors	2,995	1,965
Commissions and expenses to be recovered from customers	5,906	6,016
Other	8,169	4,674
Total	199,329	196,927

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

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

If any of the conditions above occurs, the commission bonus will be reversed. At year end "*TBN sales commission bonus advances*" amounted to €9,597 thousand.

"*Items in transit*" primarily relate to utilities payments not yet due to be debited to customers (€43,836 thousand), checks debited to customers in the first days of 2008 (€41,770 thousand) and miscellaneous items settled in January 2008 (€7,915 thousand).

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mediolanum Vita S.p.A.	17,315	-
Mediolanum International Life Ltd	14,157	12,804
Mediolanum International Funds Ltd	5,331	5,740
Mediolanum Gestione Fondi SGR p.A.	1,334	1,276
Mediolanum Assicurazioni S.p.A.	391	-
Duemme Hedge SGR p.A.	50	51
Mediolanum S.p.A.	-	45,723
Total	38,578	65,594

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mediolanum Group companies	4,777	9,444
parent company:		
- Mediolanum S.p.A.	269	624
subsidiares:		
- Mediolanum International Funds Ltd	268	139
- Mediolanum Gestione Fondi SGR p.A.	1,209	2,307
- Banco de Finanzas e Inversiones S.A. (Fibanc)	-	194
- Mediolanum Distribuzione Finanziaria	117	196
associates:		
- Mediolanum Vita S.p.A.	2,070	4,140
- Partner Time S.p.A.	156	401
- Mediolanum Comunicazione S.p.A.	514	1,029
- Mediolanum International Life Ltd	162	411
- PI Distribuzione S.p.A.	12	3
Fininvest Group and Doris Group:	170	149
- Mediolanum Assicurazioni S.p.A.	169	149
- AC Milan S.p.A.	1	-

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Prepaid stamp duties	8,749	7,398
Miscellaneous taxes/ other receivables	9	9
VAT	3	-
Total	8,761	7,407

"*Prepaid stamp duties*" consist of stamp duties advances paid in November 2007 and relating to stamp duties due in 2008. The balance due in 2008 amounts to €11,523 thousand.

"*Receivables from financial advisors*" primarily relate to commission advances for a total of €18,643 thousand which were written-down by €2,255 thousand.

"*Prepayments*" relate to the portion of payments made for miscellaneous services pertaining to future years.
"*Accruals*" relates to commissions on *Tax Benefit New* relating to future years.
"*Receivables from former financial advisors*" relate to the expenses borne to compensate customers who were damaged as a result of the misconduct of former financial advisors against whom legal actions are underway. The amount receivable carried at the nominal value of €9,242 thousand written down by €6,247 thousand represents the estimated realizable value calculated taking into account the insurance coverage for those risks.

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

"*Deposits*" relate to the earnest money deposit given under an agreement made in June to buy the property that will house the new sales network training complex.

"*Other receivables*" include outstanding fees (€2,543 thousand), expenses relating to different years for improvements to leasehold assets (€2,146 thousand), advances to employees and contract workers (€149 thousand), receivables from Directors (€163 thousand) and other miscellaneous receivables (€2,867 thousand).

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Central banks	290,465	560,172
2. Banks	843,576	570,499
2.1 Current accounts and demand deposits	576,880	367,993
2.2 Time deposits	100,097	154,308
2.3 Loans	-	-
2.3.1 Finance leases	-	-
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Liabilities in connection with assets sold but not derecognized	166,599	48,198
2.5.1 Repurchase agreements	166,599	48,198
2.5.2 Other	-	-
2.6 Other amounts due	-	-
Total	1,134,041	1,130,671
Fair value	1,134,041	1,130,671

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Current accounts and demand deposits	3,970,675	3,720,750
2. Time deposits	100,000	-
3. Third party assets under administration	-	-
4. Loans	-	-
4.1 Finance leases	-	-
4.2 Other	-	-
5. Commitments to buy back own equity instruments	-	-
6. Liabilities in connection with assets sold but not derecognized	965,517	417,497
6.1 Repurchase agreements	965,517	417,497
6.2 Other	-	-
7. Other amounts due	7,846	7,122
Total	5,044,038	4,145,369
Fair value	5,037,645	4,145,369

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Analysis of financial liabilities held for trading

€/'000	Dec. 31, 2007 NV	Dec. 31, 2007 FV L	Dec. 31, 2007 FV U	Dec. 31, 2007 FV*	Dec. 31, 2006 NV	Dec. 31, 2006 FV L	Dec. 31, 2006 FV U	Dec. 31, 2006 FV*
A. Non-derivatives								
1. Due to banks	37,327	37,695	-	-	-	-	-	-
2. Due to customers	666,649	677,046	-	-	113,365	72,362	47,916	-
3. Debt securities	-	30	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 structured notes	-	-	-	-	-	-	-	-
3.1.2 others	-	-	-	-	-	-	-	-
3.2 Other securities	-	30	-	-	-	-	-	-
3.2.1 structured notes	-	-	-	-	-	-	-	-
3.2.2 others	-	30	-	-	-	-	-	-
Total A	703,976	714,771	-	-	113,365	72,362	47,916	-
B. Derivatives								
1. Financial derivatives	-	8	1,410	-	-	-	1,346	-
1.1 held for trading	-	8	1,410	-	-	-	1,346	-
1.2 measured at fair value	-	-	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-	-	-
Total B	-	8	1,410	-	-	-	1,346	-
Total (A+B)	703,976	714,779	1,410	-	113,365	72,362	49,262	-

FV = Fair Value

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

NV = nominal value or notional amount

L = listed

U = unlisted

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

4.4 Analysis of financial liabilities held for trading: derivatives

€/'000	Interest rate	Currencies and gold	Equities	Loans	Other	Dec. 31, 2007	Dec. 31, 2006
A) Listed derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	3	-	5	-	-	8	-
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total A	3	-	5	-	-	8	-
B) Unlisted derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	579	-	-	-	579	798
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	831	-	-	-	-	831	548
2. Credit derivatives:							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total B	831	579	-	-	-	1,410	1,346
Total (A+B)	834	579	5	-	-	1,418	1,346

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

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

Section 8 - Tax liabilities - Caption 80

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

€/'000	Dec. 31, 2006	Amounts set aside in the year	Other changes	Funds used	Dec. 31, 2007
Corporate Income Tax (IRES)	2,871	-	-	(2,871)	-
Regional Business Tax (IRAP)	4,026	3,465	-	(4,026)	3,465
Total	6,897	3,465	-	(6,897)	3,465

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

Section 10 - Other liabilities - Caption 100

10.1 Analysis of other liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
Payables to financial advisors	98,888	78,146
Items in transit	58,896	78,982
Payables to Mediolanum Group companies	33,264	31,512
Payables to suppliers, consultants and other professionals	12,047	42,686
Payables to tax authorities	10,223	6,960
Payables to employees	5,454	3,297
Payables to social security agencies	4,120	3,957
Agents' severance benefits	3,240	3,058
Accrued expenses	2,322	2,186
Payables to companies of the Fininvest Group and Doris Group	1,371	2,204
Other sundry liabilities	3,453	2,299
Total	233,278	255,287

"*Payables to financial advisors*" relate to commissions accrued at the balance sheet date and payable to financial advisors in 2008.

"*Items in transit*" include customer transfer orders settled through the Interbank Network in the first days of 2007 (€19,253 thousand), pre-authorized payments (RID) (€32,555 thousand), ATM transactions (€8,865 thousand), Banco Posta transactions (€3,122 thousand) and other items settled in the first days of 2008 (€35,093 thousand).

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Mediolanum Group companies		
parent company:		
- Mediolanum S.p.A.	442	577
subsidiaries:		
- Mediolanum Gestione Fondi SGR p.A.	141	273
- Mediolanum Distribuzione Finanziaria S.p.A.	682	627
- Banco de Finanzas e Inversiones S.A. (Fibanc)	90	92
- Gamax Holding AG	28	-
- Bankhaus August Lenz & Co.	21	-
associates:		
- Mediolanum Comunicazione S.p.A.	1,034	1,448
- Mediolanum Vita S.p.A.	9,357	22,948
- Mediolanum International Life Ltd	-	16,679
- Partner Time S.p.A.	27	42
- PI Distribuzione S.p.A.	225	-
Total	12,047	42,686
Fininvest Group/Doris group companies:		
- Publitalia '80 S.p.A.	216	1,224
- Mediolanum Assicurazioni S.p.A.	1,044	740
- Pagine Italia S.p.A.	-	155
- Il Teatro Manzoni S.p.A.	-	2
- AC Milan S.p.A.	1	-
- Servizi Milan S.p.A.	-	36
- Mondadori Pubblicità S.p.A.	43	46
- Sperling & Kupfer Editori S.p.A.	15	-
- Promoservice Italia S.r.l.	51	-
- Alba Servizi Aerotrasporti S.p.A.	1	1
Total	1,371	2,204

"*Payables to suppliers, consultants and professionals*" relate to fees paid in 2008. The account also includes €144 thousand due to Directors and Statutory Auditors for their service which was not paid within the balance sheet date.

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
Substitute and withholding taxes	10,187	6,892
Other	36	68
Total	10,223	6,960

"Payables to social security agencies" relate to social security contributions of employees (€3,272 thousand) and financial advisors (€848 thousand).

"*Payables to employees*" relate to overtime payments, reimbursement of expenses, statutory leaves and vacations unused at December 31, 2007.

"Agents' severance benefits" represent the severance entitlements of financial advisors as accrued at the balance sheet date. That amount will be paid into the related Mediolanum Vita S.p.A. policy account within March 31, 2008 in accordance with the terms of the collective agreement.

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

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Opening balance	10,722	9,441
B. Increases	1,980	3,056
B.1 Amounts set aside in the year	1,924	3,048
B.2 Other increases	56	8
C. Decreases	(3,777)	(1,775)
C.1 Funds used in the year	(872)	(784)
C.2 Other decreases	(2,905)	(991)
D. Closing balance	8,925	10,722
Total	8,925	10,722

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Severance entitlements	-	-
2. Other provisions for risks and charges	74,787	62,156
2.1 legal proceedings	5,847	-
2.2 staff costs	-	900
2.3 other	68,940	61,256
Total	74,787	62,156

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other	Total
A. Opening balance	-	62,156	62,156
B. Increases	-	18,717	18,717
B.1 Amounts set aside in the year	-	18,717	18,717
B.2 Time-related increases	-	-	-
B.3 Increased discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	(6,086)	(6,086)
C.1 Funds used in the year	-	(2,684)	(2,684)
C.2 Decreased discount rate	-	-	-
C.3 Other decreases	-	(3,402)	(3,402)
D. Closing balance	-	74,787	74,787

12.4 Provisions for risks and charges – "other"

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

€/'000	Balance at Dec. 31, 2006	Amount set aside in the year	Other changes	Funds used	Balance at Dec. 31, 2007
- Legal proceedings	-	5,847	-	-	5,847
- Staff costs	900	-	-	(900)	-
- Other:					
Benefits to Top Managers	18,657	2,925	(2,473)	-	19,109
Risks related to FA illegal actions	16,374	2,732	(708)	(356)	18,042
FA customer base entitlements	10,989	2,562	-	(62)	13,489
FA portfolio entitlements	8,320	2,984	-	(685)	10,619
Product distribution	6,352	-	(221)	(636)	5,495
Tax Benefit new	-	1,435	-	-	1,435
Staff loyalty rewards	564	83	-	(45)	602
Tax Benefit old	-	129	-	-	129
Customer reward programs	-	20	-	-	20
Total	62,156	18,717	(3,402)	(2,684)	74,787

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

The provision for "*risks related to FA illegal actions*" covers the Bank's risk of future liabilities for claims below the deductible threshold of the insurance policy taken out to cover damage suffered by customers as a result of the misconduct of the Bank's financial advisors. On the basis of historical data and the claims received by the Bank at the balance sheet date, the amount of the provision adequately covers those risks.

The provision also includes amounts set aside to cover the risk of liabilities arising from legal claims made by customers against the Bank in relation to default securities.

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

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

The balances reported in the column "*other changes*" relate to the write-off of amounts no longer payable to financial advisors who were in breach of contract.

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

The provision for "*Staff loyalty rewards*" relates to the contractual obligation to pay benefits to staff providing support and assistance to the sales network when they leave the company. The payment of those benefits is conditional upon compliance with their non-competition obligation.

Section 14 - Shareholders' equity

14.1 Analysis of shareholders' equity

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Share capital	371,000	371,000
2. Share premium account	-	-
3. Reserves	67,715	45,963
- retained earnings	58,401	38,773
- other reserves	9,314	7,190
4. (Treasury shares)	-	-
5. Valuation reserves	(1,113)	1,816
6. Equity intruments	-	-
7. Net profit (loss) for the year	51,060	69,628
Total	488,662	488,407

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

At December 31, 2007 share capital amounted to €371,000 thousand, divided into 371,000,000 ordinary shares, fully subscribed and paid up.

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

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

14.4 Share capital: other information

The company does not hold any treasury shares.

14.5 Retained earnings: other information

For further details on Retained Earnings, readers are referred to Part F (information on equity) section 1 (company's equity).

14.7 Analysis of valuation reserves

Item/Value €/'000	Dec. 31, 2007	Dec. 31, 2006
1. Available-for-sale financial assets	(1,113)	1,816
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	(1,113)	1,816

14.8 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation statutes
A. Opening balance	1,816	-	-	-	-	-	-	-
B. Increases	6,239	-	-	-	-	-	-	-
B1. Increases in fair value	4,107	-	-	-	-	-	-	-
B2. Other increases	2,132	-	-	-	-	-	-	-
C. Decreases	(9,168)	-	-	-	-	-	-	-
C1. Decreases in fair value	(5,379)	-	-	-	-	-	-	-
C2. Other decreases	(3,789)	-	-	-	-	-	-	-
D. Closing balance	(1,113)	-	-	-	-	-	-	-

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

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	(924)	-	-
2. Equities	44	-	-	(1)
3. Holdings in UCITS	1,874	(2,107)	1,841	(24)
4. Loans	-	-	-	-
Total	1,918	(3,031)	1,841	(25)

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans
1 Opening balance	-	(1)	1,817	-
2. Increases	-	86	6,153	-
2.1 Increases in fair value	-	86	4,021	-
2.2 Reversal of negative reserves through profit or loss	-	-	-	-
- impairment losses	-	-	-	-
- disposals	-	-	-	-
2.3 Other increases	-	-	2,132	-
3. Decreases	(924)	(41)	(8,203)	-
3.1 Decreases in fair value	(924)	(20)	(4,436)	-
3.2 Reversal of positive reserves through profit or loss	-	-	(2,872)	-
3.3 Other decreases	-	(21)	(895)	-
4. Closing balance	(924)	44	(233)	-

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2007	Dec. 31, 2006
1) Financial guarantees		
a) Banks	3,500	4,500
b) Customers	-	-
2) Commercial guarantees		
a) Banks	10,722	10,673
b) Customers	9,483	6,326
3) Commitments to disburse funds		
a) Banks		
i) with certain drawdown	336,132	14,274
ii) with possible drawdown	13,269	15,748
b) Customers		
i) with certain drawdown	-	736
ii) with possible drawdown	97,328	52,168
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	-	-
Total	470,434	104,425

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Financial assets held for trading	1,023,967	831,048
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	100,816	-
4. Held-to-maturity investments	293,782	199,796
5. Loans to banks	-	-
6. Loans to customers	-	-
7. Tangible assets	-	-

4. Brokerage and asset management on behalf of customers

€/'000	Dec. 31, 2007
1. Securities brokerage	
a) Purchases	-
1. settled	
2. not settled	
b) Sales	-
1. settled	
2. not settled	
2. Asset management	
a) individual portfolio management	209,791
b) collective portfolio management	-
3. Securities in custody and under administration	
a) custodian bank services (other than managed assets)	
1. securities issued by the reporting entity	-
2. other securities	-
b) custodian bank services (other than managed assets)	3,436,260
1. securities issued by the reporting entity	-
2. other securities	3,436,260
c) third-party securities held by other custodians	2,616,550
d) own securities held by other custodians	3,699,200
4. Other services	-

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/'000	Performing financial assets		Impaired financial assets	Other assets	Dec. 31, 2007	Dec. 31, 2006
	Debt securities	Loans				
1. Financial assets held for trading	78,007	-	-	-	78,007	43,818
2. Available-for-sale financial assets	1,952	-	-	-	1,952	-
3. Held-to-maturity investments	13,924	-	-	-	13,924	14,634
4. Loans to banks	-	75,464	-	-	75,464	54,612
5. Loans to customers	-	57,626		-	57,626	35,022
6. Financial assets at fair value	-	-	-	-	-	-
7. Derivative hedging instruments	-	-	-	-	-	-
8. Financial assets sold but not derecognized	36,873	-	-	-	36,873	15,483
9. Other assets	-	-	-	179	179	161
Total	130,756	133,090	-	179	264,025	163,730

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

At December 31, 2007 interest income on financial assets denominated in foreign currencies amounted to €4,957 thousand.

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other liabilities	Total Dec. 31, 2007	Total Dec. 31, 2006
1. Due to banks	31,986	-		31,986	21,343
2. Due to customers	57,645	-	-	57,645	37,750
3. Securities issued	-	-	-	-	-
4. Financial liabilities held for trading	-	18,544	-	18,544	3,205
5. Financial liabilities in connection with assets sold but not derecognized	-	52,002	-	52,002	30,465
7. Other liabilities	-	-	3	3	7
8. Derivative hedging instruments	-	-	-	-	-
Total	89,631	70,546	3	160,180	92,770

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currencies

For the year under review interest expense on liabilities denominated in foreign currencies amounted to €13,039 thousand.

Section 2 - Commissions - Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) Garantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	320,769	373,356
1. brokerage of financial instruments	1,077	1,009
2. currency brokerage	-	-
3. asset management	6,075	14,612
3.1 individual portfolio management	6,075	14,612
3.2 collective portfolio management	-	-
4. securities in custody and under administration	3,072	3,310
5. custodian bank	-	-
6. sale of securities	189	172
7. order taking	8,576	7,448
8. consultancy	-	-
9. services to third parties	301,780	346,805
9.1 asset management	113,841	115,777
9.1.1 individual portfolio management	-	-
9.1.2 collective portfolio management	113,841	115,777
9.2 insurance products	181,942	223,915
9.3 other products	5,997	7,113
d) Payments and collections	8,408	7,814
e) Servicing for securitization transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Other services	17,224	14,336
Total	346,401	395,506

2.2 Commission income: distribution channels of products and services

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) through the company's own branches:	189	172
1. asset management	-	-
2. sale of securities	189	172
3. services and products of third parties	-	-
b) off-premises sales:	307,855	361,417
1. asset management	6,075	14,612
2. sale of securities	-	-
3. services and products of third parties	301,780	346,805
c) other distribution channels:	-	-
1. asset management	-	-
2. sale of securities	-	-
3. services and products of third parties	-	-

2.3 Analysis of commission expense

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	231,994	264,956
1. brokerage of financial instruments	-	21
2. currency brokerage	-	-
3. asset management:	4,024	8,739
3.1 own portfolio	-	-
3.2 third-party portfolios	4,024	8,739
4. securities in custody and under administration	616	552
5. sale of financial instruments	-	-
6. off-premises sale of financial instruments, products & services	227,354	255,644
d) payments and collections	10,345	8,299
e) other services	9,605	8,042
Total	251,944	281,297

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Dividends	Income from holdings in UCITS	Dividends	Income from holdings in UCITS
A. Financial assets held for trading	4	-	25	-
B. Available-for-sale financial assets	114	2,724	15	131
C. Financial assets at fair value	-	-	-	-
D. Equity investments	87,313	-	95,105	-
Total	87,431	2,724	95,145	131

This account almost entirely relates to dividends received from the subsidiaries Mediolanum International Funds Ltd, Mediolanum Asset Management Ltd. and Mediolanum Gestione Fondi S.G.R.p.A.. Dividends include the 2006 dividends amounting to €30,958 thousand, for which the distribution to shareholders was resolved and took place in 2007, as well as the 2007 interim dividends amounting to €56,355 thousand paid out by the subsidiaries Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd. in October 2007.

Section 4 - Net income from trading - Caption 80

4.1 Analysis of net income from trading

€/'000	Unrealized gains (A)	Realized trading profits (B)	Unrealized losses (C)	Realized losses (D)	Net income (A+B)-(C+D)
1. Financial assets held for trading	2,198	25,795	(15,640)	(20,477)	(8,124)
1.1 Debt securities	2,198	25,470	(15,627)	(20,225)	(8,184)
1.2 Equities	-	307	(13)	(240)	54
1.3 Holdings in UCITS	-	18	-	(12)	6
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	7,680	5,305	(2,147)	(3,871)	6,967
2.1 Debt securities	7,680	5,305	(2,146)	(3,871)	6,968
2.2 Other	-	-	(1)	-	(1)
3. Other financial assets and liabilities: exchange differences	-	-	-	-	80
4. Derivatives	70,149	42,759	(68,114)	(39,379)	5,415
4.1 Financial derivatives:	70,149	42,759	(68,114)	(39,379)	5,415
- debt securities					-
and interest rates	70,149	42,747	(68,114)	(39,372)	5,410
- equities					
and stock indices	-	12	-	(7)	5
- currencies and gold	-	-	-	-	-
- other	-	-	-	-	-
4.1 Credit derivatives	-	-	-	-	-
Total	80,027	73,859	(85,901)	(63,727)	4,338

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

6.1 Analysis of gains (losses) on sale/buyback

€/'000	Dec. 31, 2007 Gains	Losses	Net gains (losses)	Dec. 31, 2006 Gains	Losses	Net gains (losses)
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale	-	-	-	-	-	-
financial assets:	8,950	(20)	8,930	-	(41)	(41)
3.1 Debt securities	1,885	-	1,885	-	-	-
3.2 Equities	-	(20)	(20)	-	(41)	(41)
3.3 Holdings in UCITS	7,065	-	7,065	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	8,950	(20)	8,930	-	(41)	(41)
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Section 8 - Impairment losses - Caption 130

8.1 Analysis of impairment losses on loans

	Write-downs (1)			Write-backs (2)					
	Individual			Individual		Collective			
				A	B	A	B		
€/'000	Cancellations	Others	Collective	(interest)	(others)	(interest)	(others)	Dec. 31, 2007	Dec. 31, 2006
A. Loans to banks	-	-	-	-	-	-	-	-	-
B. Loans to customers	(735)	(6,131)	(2,853)	-	2,542	-	167	(7,010)	(2,294)
C. Total	(735)	(6,131)	(2,853)	-	2,542	-	167	(7,010)	(2,294)

8.4 Analysis of impairment losses on other financial operations

	Impairment			Reversal of Impairment					
	Individual			Individual		Collective			
				A	B	A	B		
€/'000	Cancellations	Others	Collective					Dec. 31, 2007	Dec. 31, 2006
A. Guarantees issued	-	-	(9)	-	-	-	-	(9)	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-	-
E. Total	-	-	(9)	-	-	-	-	(9)	-

Section 9 - Administrative expenses - Caption 150

9.1 Analysis of staff costs

€/'000	Dec. 31, 2007	Dec. 31, 2006
1) Employees		
a) wages and salaries	50,237	42,802
b) social security contributions	15,220	12,724
c) employee completion of service entitlements	-	-
d) social security contributions	-	-
e) provision for completion of service entitlements	1,924	3,048
f) provision for severance benefits and similar obligations:		
- defined contribution plan	-	-
- defined benefit plan	-	-
g) external supplementary pension funds:		
- defined contribution plan	557	91
- defined benefit plan	-	-
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	1,045	1,082
2) Other personnel	4,968	4,147
3) Directors	956	817
Total	74,907	64,711

9.2 Average number of employees by category:

Category	Dec. 31, 2007	Dec. 31, 2006
Employees		
a) Senior management	61	58
b) total managers	153	134
of whom:		
middle management	81	73
c) other employees	1,016	902
Other personnel		
project-based staff	6	15
temporary staff	11	38

9.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2007	Dec. 31, 2006
IT services	31,651	31,244
Advertising and promotions	19,974	18,591
Consultancy, education and training of the sales force	14,491	11,380
Television and Internet communication services	12,154	13,735
Rentals	8,945	7,394
Business Conventions	8,355	6,459
Postal and telephone	8,324	6,327
Other advisory services	4,511	3,704
Infoprovider services	3,821	2,629
Insurance	3,242	3,642
Financial services fees and other expenses	3,126	3,177
Consumables	2,771	2,639
Canteen	2,235	1,924
Contributions to "Punto Mediolanum" offices	2,128	834
Travel expenses	1,788	1,384
Repairs and maintenance	1,417	1,334
Utilities	1,123	971
Business expenses, gifts and donations	1,051	914
Market research	987	777
Personnel recruitment	904	818
Other miscellaneous services	9,164	6,191
Other administrative expenses	1,037	1,534
Total	143,199	127,602

Section 10 - Provisions for risks and charges - Caption 160

10.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2007	Dec. 31, 2006
Provision for risk and charges - other		
FA portfolio entitlements	2,984	4,249
FA customer base entitlements	2,562	3,584
Risks related to FA illegal actions	2,024	1,681
Tax Benefit new	1,435	-
Legal proceedings	5,847	-
Benefits to Top Managers	452	4,852
Tax Benefit old	129	-
Staff loyalty rewards	83	60
Customer reward programs	20	-
Personnel	-	900
Product distribution	(221)	(237)
Total	15,315	15,089

Section 11 - Write-downs of tangible assets - Caption 170

11.1 Write-downs of tangible assets

€/'000	Depreciation (A)	Impairment losses (B)	Write-backs (C)	Net write-downs (A+B-C)
A. Tangible assets				
A.1 owned	4,525	-	-	4,525
- held for use	4,525	-	-	4,525
- held for investment purposes	-	-	-	-
A.2 under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	4,525	-	-	4,525

Section 12 - Write-downs of intangible assets - Caption 180

12.1 Write-downs of intangible assets

€/'000	Amortization (A)	Impairment losses (B)	Write-backs (C)	Net write-downs (A+B-C)
A. Intangible assets				
A.1 owned	9,470	104	-	9,574
- internally generated	-	-	-	-
- others	9,470	104	-	9,574
A.2 under finance leases	-	-	-	-
Total	9,470	104	-	9,574

Section 13 - Other operating income - Caption 190

13.1/13.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2007	Dec. 31, 2006
Other operating expenses:		
Compensations and Settlements	(1,872)	(1,163)
Loan losses	(652)	(270)
Amortization of expenses for improvements of leasehold assets	(600)	(251)
Other expenses	(860)	(287)
Total other operating expenses	(3,984)	(1,971)
Other operating income		
Recoveries of expenses for services rendered to Mediolanum Group companies	13,284	12,610
Recoveries of expenses from employees	142	234
Recoveries of expenses from customers	2,299	1,655
Rentals on property	616	158
Recoveries of expenses from financial advisors	1,073	287
Other income	2,483	1,255
Total other operating income	19,897	16,199
Total other operating income (net)	15,913	14,228

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

14.1 Analysis of profit (loss) on equity investments

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Income	-	-
1. Revaluations	-	-
2. Gains on sale	-	-
3. Write-backs	-	-
4. Other	-	-
B. Expense	(8,079)	(7,983)
1. Write-downs	(8,079)	(5,890)
2. Impairment losses	-	-
3. Losses on sale	-	-
4. Other	-	(2,093)
Profit (loss)	(8,079)	(7,983)

At year end 2007, the value of the investment in the subsidiary Bankhaus August Lenz & Co. A.G. was written down by €8,079 thousand (€7,690 thousand in 2006).The write-down was made to align the carrying amount of that investment with the amount at which it is recognised in the consolidated financial statements. That carrying amount is considered to reflect the fair value of the German subsidiary.
The write-down was made to align the carrying amount of that investment with the amount at which it is recognized in the consolidated financial statements. That carrying amount is considered to reflect the fair value of the German subsidiary.

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

17.1 Analysis of profit (loss) on disposal of investments

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	(10)	3
- Gains on sale	20	7
- Losses on sale	(30)	(4)
Profit (loss)	(10)	3

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

18.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Current tax (-)	1,787	(6,858)
2. Change in the current tax for prior years (+/-)	190	88
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	(4,956)	6,986
5. Change in deferred tax liabilities (+/-)	(979)	(1,419)
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(3,958)	(1,203)

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

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

€/'000	rate %	taxable amout	tax expense
Calculation of taxable income (IRES)			
Pre-tax profit	-	55,018	-
Theoretical tax	33.00	-	18,156
Temporary differences taxable in future years	-	(6,604)	-
Temporary differences deductible in future years	-	30,703	-
Prior years' temporary differences	-	(36,837)	-
Permanent differences	-	(63,382)	-
Total taxable income	-	(21,102)	-
Current tax expense for the year	-	-	(6,964)
Adjustments due to application of tax consolidation regime	-	-	(88)
Net IRES income tax expense	-	-	(7,052)
Average rate on pre-tax profit	-	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	77,463	-
Costs which are not significant for the purpose of IRAP calculation	-	(4,160)	-
Theoretical value added	-	73,303	-
Theoretical tax expense (tax rate: 5.25%)	5.25	-	3,848
Temporary differences taxable in future years	-	(5,015)	-
Temporary differences deductible in future years	-	14,435	-
Prior years' temporary differences	-	(22,689)	-
Permanent differences	-	5,974	-
Total added value for taxation purposes	-	66,008	-
Net IRAP tax expense	-	-	3,465
Average rage on pre-tax-profit	4.73	-	-

PART D - SEGMENTAL INFORMATION

As parent company of the Mediolanum Banking Group, Banca Mediolanum S.p.A. prepared the consolidated financial statements for the year ended December 31, 2007. Segmental information is provided in the relevant section of the notes to the consolidated financial statements.

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

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

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General information

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

2. Credit risk management

2.1 Organisational Aspects

As part of its responsibilities for organising and directing the Group's affairs, Banca Mediolanum issued specific Lending Guidelines. The guidelines set out general principles and instructions on lending and on monitoring of the loan portfolio quality. The Parent Company is responsible for assessing overall exposure to credit risk and defining risk measurement policies for the whole Group.
Within its areas of responsibility, Banca Mediolanum also assesses credit risk exposure at the level of individual companies, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with capital requirements and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of Banca Mediolanum.
Banca Mediolanum has its own "Lending Policy", which was approved by its Board of Directors and sets out, inter alia, the authorities delegated to the various functions involved in the lending process, the type of collateral that can be accepted and the frequency of reports to Senior Management and the Board of Directors.

2.2 Risk measurement and management

The Banca Mediolanum's credit risk management system consists of the set of models and measurement tools as well as controls geared to ensure optimal management of the credit risk associated with the loan portfolio.

The credit risk management system ensures Banca Mediolanum is always current with its risk exposure in relation to each customer or group of customers, and takes prompt corrective actions, when needed, in accordance with related policies.

The credit risk management system pursues the following objectives:

- develop adequate processes for identifying, measuring and monitoring credit risk in relation to each counterparty and portfolio;
- ensure a steady flow of timely information to effectively monitor the composition and quality of the loan portfolio and promptly adjust loss estimates and capital charges;
- ensure compliance with the prudential requirements of domestic and international supervisory authorities;
- promote the adoption of policies and procedures for credit risk prudent management;
- support operational decisions of lending officers by providing the information needed to properly assess the borrower creditworthiness and type of financing;
- provide an adequate flow of information on credit risk exposures and mitigation techniques to senior management.

The credit risk management system reflects the specific characteristics of the banking lending business and any changes thereof in addition to any regulatory or statutory changes.

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

2.3 Credit risk mitigation techniques

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

2.4 Impaired financial assets

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

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

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Performing and impaired assets: balance, write-downs, developments, business and geographical distribution

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

€/'000	Non performing	Watch list	Restructured	Past due	Country Risk	Other Assets	Total
1. Financial assets held for trading		-	-	-	-	2,199,980	2,199,980
2. Available-for sale financial assets	-	-	-	-	-	315,168	315,168
3. Held-to-maturity investments	-	-	-	-	-	373,024	373,024
4. Loans to banks	-					2,645,104	2,645,104
5. Loans to customers	843	3,520	-	9,618	-	1,509,255	1,523,236
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at Dec. 31, 2007	843	3,520	-	9,618	-	7,042,531	7,056,512
Total at Dec. 31, 2006	374	2,000	-	5,984	-	5,584,040	5,592,398

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

	Impaired assets				Other assets			Total
€/'000	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Collective write-downs	Net exposure	net exposure
1. Financial assets held for trading	-	-	-	-	2,199,980	-	2,199,980	2,199,980
2. Available-for-sale financial assets	-	-	-	-	315,168	-	315,168	315,168
3. Held-to-maturity investments	-	-	-	-	373,024	-	373,024	373,024
4. Loans to banks	-	-	-	-	2,645,104	-	2,645,104	2,645,104
5. Loans to customers	21,420	(7,439)	-	13,981	1,510,882	(1,627)	1,509,255	1,523,236
6. Financial assets at fair value	-	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total at Dec. 31, 2007	21,420	(7,439)	-	13,981	7,044,158	(1,627)	7,042,531	7,056,512
Total at Dec. 31, 2006	12,238	(3,880)	-	8,358	5,584,861	(821)	5,584,040	5,592,398

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

€/'000	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. On balance sheet				
a) Non performing	-	-	-	-
b) Watch list	-	-	-	-
c) Restructured	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	-	-	-	-
f) Other	2,992,380	-	-	2,992,380
Total A	2,992,380	-	-	2,992,380
B. Off balance sheet				
a) Impaired	-	-	-	-
b) Other	366,501	-	-	366,501
Total B	366,501	-	-	366,501

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

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

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

At the balance sheet date there were no write-downs of bank loans.

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

€/'000	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. On balance sheet				
a) Non performing	3,339	(2,496)	-	843
b) Watch list	6,423	(2,903)	-	3,520
c) Restructured	-	-	-	-
d) Past due	11,658	(2,040)	-	9,618
e) Country risk	-	-	-	-
f) Other	4,047,935	-	(1,627)	4,046,308
Total A	4,069,355	(7,439)	(1,627)	4,060,289
B. Off balance sheet				
a) Impaired	246	-	-	246
b) Other	105,547	-	(9)	105,538
Total B	105,793	-	(9)	105,784

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

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

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Opening gross balance	2,133	3,999	-	6,106	-
- of which: loans sold but not derecognized	-	-	-	-	-
B. Increases	1,883	7,210	-	14,995	-
B.1 reclassified from performing loans	326	4,492	-	12,414	-
B.2 reclassified from other impaired loan categories	1,550	1,328	-	168	-
B.3 other increases	7	1,390	-	2,413	-
C. Decreases	(677)	(4,786)	-	(9,443)	-
C.1 reclassified to performing loans	-	(365)	-	(3,112)	-
C.2 cancellations	(470)	-	-	-	-
C.3 receipts	(207)	(2,715)	-	(4,991)	-
C.4 proceeds from sale	-	-	-	-	-
C.5 reclassified to other impaired loan categories	-	(1,706)	-	(1,340)	-
C.6 other decreases	-	-	-	-	-
D. Closing gross balance	3,339	6,423	-	11,658	-
- of which: loans sold but not derecognized	-	-	-	-	-

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

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

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Write-downs at beginning of the year	1,759	1,999	-	122	-
- of which: loans sold but not derecognized	-	-	-	-	-
B. Increases	1,501	2,547	-	2,013	-
B.1 write-downs	785	2,538	-	1,993	-
B.2 reclassified from other impaired loan categories	716	9	-	20	-
B.3 other increases	-	-	-	-	-
C. Decreases	(764)	(1,643)	-	(95)	-
C.1 revaluations	(175)	(171)	-	(43)	-
C.2 repayments	(118)	(736)	-	(42)	-
C.3 cancellations	(471)	(1)	-	-	-
C.4 reclassified to other impaired loan categories	-	(735)	-	(10)	-
C.5 other decreases	-	-	-	-	-
D. Write-downs at end of the year	2,496	2,903	-	2,040	-
- of which: loans sold but not derecognized	-	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

	External rating							
€/'000	AAA AA-	A+ A-	BBB+ BBB-	BB+ BB-	B+ B-	Worse than a B-	Unrated	Total
A. On balance sheet exposures	1,923,421	3,159,284	80,931	125,645	-	-	1,763,387	7,052,668
B. Derivatives	2,631	2,366	-	-	-	-	-	5,532
B.1 Financial derivatives	2,631	2,366	-	-	-	-	535	5,532
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	23,705	23,705
D. Commitments to disburse funds	2,681	331,393	-	-	-	-	108,974	443,048
Total	1,928,733	3,493,043	80,931	125,645	-	-	1,896,066	7,524,953

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

At the balance sheet date this information was not available.

A.3 Analysis of secured loans by type of collateral

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

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Governments	Govern. agencies	Banks	Others	Governments	Govern. agencies	Banks	Others	Total (1 + 2)
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	531,475	503,133	2,435	2,016	-	-	-	-	-	-	-	23,310	530,894
2.1 entirely secured	512,534	503,036	-	-	-	-	-	-	-	-	-	9,498	512,534
2.2 partly secured	18,941	97	2,435	2,016	-	-	-	-	-	-	-	13,812	18,360

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

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Governments	Gov. agencies	Banks	Others	Governments	Gov. agencies	Banks	Others	Total (1 + 2)
1. Secured exposures to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:	99	-	-	-	-	-	-	-	-	-	-	99	99
2.1 entirely secured	99	-	-	-	-	-	-	-	-	-	-	99	99
2.2 parzialmente garantite	-		-	-	-	-	-	-	-	-	-	-	-

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

			Guarantees (fair value)																	
			Real guarantees			Personal guarantees														
						Credit derivatives							Endorsements							
€/'000	Exposure	Secured amount	Property	Securities	Other assets	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Total	Guarantee fair value excess
1. Exposures to banks secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposures to customers secured:	1,416	1,416	1,409	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	1,416	-
2.1 over 150%	741	741	739	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	741	-
2.2 100% to 150%	603	603	603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	603	-
2.3 50% to 100%	72	72	67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	72	-
2.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

	Gov. & Central Banks				Gov. Agencies				Financial companies			
€/'000	gross exposure	individual write-downs	collective write-downs	net exposure	gross exposure	individual write-downs	collective write-downs	net exposure	gross exposure	individual write-downs	collective write-downs	net exposure
A. On balance sheet												
A.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Others	1,911,361	-	-	1,911,361	-	-	-	-	1,081,539	-	(88)	1,081,451
Total	1,911,361	-	-	1,911,361	-	-	-	-	1,081,539	-	(88)	1,081,451
B. Off balance sheet												
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Others	-	-	-	-	-	-	-	-	390	-	-	390
Total	-	-	-	-	-	-	-	-	390	-	-	390
Total at Dec. 31, 2007	1,911,361	-	-	1,911,361	-	-	-	-	1,081,929	-	(88)	1,081,841
Total at Dec. 31, 2006	1,542,539	-	-	1,542,539	4	-	-	4	938,956	-	(51)	938,905

Insurance companies				Non financial companies				Others			
gross exposure	individual write-downs	collective write-downs	net exposure	gross exposure	individual write-downs	collective write-downs	net exposure	gross exposure	individual write-downs	collective write-downs	net exposure
-	-	-	-		-	-	-	3,339	(2,496)	-	843
-	-	-	-	60	(30)	-	30	6,363	(2,873)	-	3,490
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	69	(12)	-	57	11,589	(2,028)	-	9,561
86,504	-	(21)	86,483	159,460	-	(34)	159,426	809,071	-	(1,484)	807,587
86,504	-	(21)	86,483	159,589	(42)	(34)	159,513	830,362	(7,397)	(1,484)	821,481
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	246	-	-	246
6	-	-	6	14,970	-	(1)	14,969	90,182	-	(8)	90,174
6	-	-	6	14,970	-	(1)	14,969	90,428	-	(8)	90,420
86,510	-	(21)	86,489	174,559	(42)	(35)	174,482	920,790	(7,397)	(1,492)	911,901
11,632	-	-	11,632	73,610	-	(18)	73,592	590,015	(3,880)	(758)	585,377

B.2 Analysis of loans to non-financial companies registered in Italy

a) Other wholesale and retails services:	7,065
b) Construction and public works:	3,269
c) Wholesale, retail and repair services:	423
d) Transportation:	323
e) Communications services:	254
f) Others:	779

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

	Italy		Other European countries		America		Asia		Rest of the world	
€/'000	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On balance sheet										
A.1 Non performing	3,337	842	2	1	-	-	-	-	-	-
A.2 Watch list	6,423	3,520	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	11,657	9,617	1	1	-	-	-	-	-	-
A.5 Others	2,887,298	2,885,694	1,143,987	1,143,964	16,649	16,649	1	1	-	-
Total	2,908,715	2,899,673	1,143,990	1,143,966	16,649	16,649	1	1	-	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	246	246	-	-	-	-	-	-	-	-
B.4 Others	105,395	105,386	152	152	-	-	-	-	-	-
Total	105,641	105,632	152	152	-	-	-	-	-	-
Total at Dec. 31, 2007	3,014,356	3,005,305	1,144,142	1,144,118	16,649	16,649	1	1	-	-
Total at Dec. 31, 2006	2,462,930	2,458,226	678,480	678,476	15,344	15,344	-	-	-	-

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

	Italy		Other European countries		America		Asia		Rest of the world	
€/'000	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	1,401,459	1,401,459	1,563,880	1,563,880	26,810	26,810	25	25	206	206
Total	1,401,459	1,401,459	1,563,880	1,563,880	26,810	26,810	25	25	206	206
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	227,194	227,194	139,305	139,305	2	2	-	-	-	-
Total	227,194	227,194	139,305	139,305	2	2	-	-	-	-
Total at Dec. 31, 2007	1,628,653	1,628,653	1,703,185	1,703,185	26,812	26,812	25	25	206	206
Total at Dec. 31, 2006	1,653,430	1,653,430	879,942	879,942	11,358	11,358	47	47	-	-

B.5 Large exposures

a) amount:	€ 145,000	thousand
b) number:	3	

C. SECURITIZATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitization transactions

Qualitative information

During the year Banca Mediolanum traded exclusively in securitised notes.

Quantitative information

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

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment
A. Own underlying assets:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets:	176,405	177,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	176,405	177,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

		On-balance sheet exposures						Guarantees issued						Credit lines					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000		Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment
A.1	SCCI/TV 20190730 S10 SEN	20,275	(146)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables from National Social Security & Pension Agency	-	-																
A.2	SCCI/TV 20160730 CL 7A SEN	25,451	(32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables from National Social Security & Pension Agency	-	-																
A.3	SCCI/TV 20160731 S8	5,085	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables from National Social Security & Pension Agency	-	-																
A.4	SCCI/TV 20180730 S9 SEN	20,274	(136)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables from National Social Security & Pension Agency	-	-																
A.5	ATLANTIDE/TV 20160825 CL A1	20,141	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivable from Latium hospitals	-	-																
A.6	ATLANTIDE/TV 20160825 CL A2	20,141	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivable from Latium hospitals	-	-																
A.7	F-E MORTGAGES/TV 20431030 CL A	5,104	(17)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.8	CORDUSIO RMBS/TV 20330630 CL A2	13,002	(57)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.9	BPM SEC 2/TV 20430715 CL A2	14,076	(71)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.10	VELA HOME/TV 20400730 CL A S3	8,207	(37)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under mortgage loans	-	-																
A.11	TRICOLORE FUND/TV 20200715 CL A	4,031	(18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under equipment, machinery and property leases	-	-																
A.12	LOCAT SV3/TV 20261212 CL A2	14,972	(78)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables under leases	-	-																
A.13	SUNRISE/TV 20300827 CL A SEN	6,990	(45)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Receivables, consumer credit																		

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

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Dec. 31, 2007	Dec. 31, 2006
1. On-balance sheet exposures							
- "Senior"	177,750	-	-	-	-	177,750	201,052
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
- "Senior"	-	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-

C.2 Sale of assets

C.2.1 Analysis of financial assets sold but not derecognised

	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Total	
€/'000	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 07	Dec. 31, 06
A. On-balance sheet assets																			1.418,565	1,030,843
1. Debt securities	1,023,967	-	-	-	-	-	100,816	-	-	293,782	-	-	-	-	-	-	-	-	1,418,565	1,030,843
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2007	1,023,967	-	-	-	-	-	100,816	-	-	293,782	-	-	-	-	-	-	-	-	1,418,565	1,030,843
Total at Dec. 31, 2006	831,047	-	-	-	-	-	-	-	-	199,796	-	-	-	-	-	-	-	-	-	1,030,843

Legend:
A: Financial assets sold, fully recognised on the balance sheet (book value)
B: Financial assets sold, partly recognised on the balance sheet (book value)
C: Financial assets sold, partly recognised on the balance sheet (full value)

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

Liabilities/Category of financial assets €/'000	Financial assets held for trading	Financial assets at fair value thorugh profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Due to customers	574,688	-	100,882	289,947	-	-	965,517
a) against assets fully recognised on the balance sheet	574,688	-	100,882	289,947	-	-	965,517
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
2. Due to banks	452,932	-	604	3,528	-	-	457,064
a) against assets fully recognised on the balance sheet	452,932	-	604	3,528	-	-	457,064
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2007	1,027,620	-	101,486	293,475	-	-	1,422,581
Total at Dec. 31, 2006	309,663	-	-	156,032	-	-	465,695

SECTION 2 – MARKET RISK

2.1 Interest rate and pricing risk – Trading book

Qualitative information

A. General aspects

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

B. Interest Rate Risk and Pricing Risk - Measurement and Management

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

Exposure to interest rate risk and pricing risk is measured using:

- Daily Var
- Portfolio analysis in terms of:
  - Exposure limits
  - Characteristics of the instrument
  - Characteristics of the issuer
  - Capital at Risk calculated under the rating-based Standardized Approach
  - Gap Analysis;
  - Sensitivity Analysis.

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

VaR corresponds to the maximum loss on a portfolio in the next business day (one-day holding period) at a 99% confidence level. Var is calculated using Riskmetrics for the following risks: interest rate, stock prices and indices, volatility.

The Gap Analysis measures the impact of pre-set shocks in the interest rate curve based on how closely the lending and funding exposure matches interest rates.

The Sensitivity Analysis quantifies the sensitivity of the financial portfolio to adverse interest rate movements.

These analyses are performed assuming as adverse movement a parallel uniform shift by 50, 100 and 200 bps in the interest rate curve.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	138,494	666,074	371,020	178,746	299,957	363,101	67,201	111,460
1.1 Debt securities	138,494	666,074	371,020	178,746	299,957	363,101	67,201	111,460
- with early redemption option	-	70,032	214	-	-	-	-	14,978
- others	138,494	596,042	370,806	178,746	299,957	363,101	67,201	96,482
USD	138,494	596,042	370,806	178,731	299,176	363,100	67,201	96,482
GBP	-	-	-	-	673	1	-	-
EUR	-	-	-	5	66	-	-	-
OTHER	-	-	-	10	42	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	1,024,870	12,533	-	241,634	397,282	50,530	15,542
2.1 Repurchase agreements	-	1,024,870	2,750	-	-	-	-	-
2.2 Other liabilities	-	-	9,783	-	241,634	397,282	50,530	15,542
EUR	-	-	9,783	-	241,634	397,282	50,530	15,542
3. Financial derivatives	763,822	733,373	1,364	100,151	100,260	116	25	-
3.1 with underlying securities	444	44	-	151	260	116	19	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	444	44	-	151	260	116	19	-
+ Long positions	1	-	-	1	1	1	-	-
+ Short positions	443	44	-	150	259	115	19	-
EUR	443	41		150	237	89	19	-
USD	-	3	-	-	-	-	-	-
OTHER CURRENCIES	-	-	-	-	22	26	-	-
3.2 without underlying securities	763,378	733,329	1,364	100,000	100,000	-	6	-
- Options	6	-	-	-	-	-	6	-
+ Long positions	-	-	-	-	-	-	6	-
+ Short positions	6	-	-	-	-	-	-	-
- Others	763,372	733,329	1,364	100,000	100,000	-	-	-
+ Long positions	317,748	389,192	682	100,000	50,000	-	-	-
EUR	249,818	243,747	-	100,000	50,000	-	-	-
USD	67,930	141,292	-	-	-	-	-	-
GBP	-	4,097	682	-	-	-	-	-
CHF	-	-	-	-	-	-	-	-
OTHER	-	56	-	-	-	-	-	-
+ Short positions	445,624	344,137	682	-	50,000	-	-	-
EUR	343,729	181,220	-	-	50,000	-	-	-
USD	101,895	162,113	682	-	-	-	-	-
GBP	-	30	-	-	-	-	-	-
CHF	-	3	-	-	-	-	-	-
OTHER	-	771	-	-	-	-	-	-

2.2 Interest rate risk - Banking book

Qualitative information

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

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

B. Fair Value Hedges

There are no fair value hedges as defined under IAS.

C. Cash Flow Hedges

There are no cash flow hedges as defined under IAS.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	755,723	2,189,419	1,428,090	1,448	121,452	16,811	106,958	22,281
1.1 Debt securities	40,968	188,341	83,605	-	110,467	-	50,460	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	40,968	188,341	83,605	-	110,467	-	50,460	-
1.2 Loans to banks	70,941	1,208,877	1,343,848	-	-	-	-	21,438
EUR	56,425	1,116,145	1,321,221	-	-	-	-	21,438
USD	11,928	68,484	22,627	-	-	-	-	-
GBP	561	-	-	-	-	-	-	-
YEN	29	6,088	-	-	-	-	-	-
CAD	36	-	-	-	-	-	-	-
CHF	246	18,160	-	-	-	-	-	-
OTHERS	1,716	-	-	-	-	-	-	-
1.3 Loans to customers	643,814	792,201	637	1,448	10,985	16,811	56,498	843
- current accounts	269,814	-	-	-	-	-	-	-
EUR	269,792	-	-	-	-	-	-	-
USD	22	-	-	-	-	-	-	-
- other loans	374,000	792,201	637	1,448	10,985	16,811	56,498	843
- with early redemption option	250,012	429,908	637	1,448	10,985	16,811	56,498	1
EUR	250,012	429,908	637	1,448	10,985	16,811	56,498	1
- other	123,988	362,293	-	-	-	-	-	842
EUR	123,988	362,293	-	-	-	-	-	842
2. Non derivative liabilities	4,547,555	480,741	14,318	-	-	-	-	107,846
2.1 Due to customers	3,970,675	390,829	-	-	-	-	-	107,846
- current accounts	3,970,675	-	-	-	-	-	-	-
EUR	3,948,605	-	-	-	-	-	-	-
USD	21,876	-	-	-	-	-	-	-
GBP	194	-	-	-	-	-	-	-
- other payables	-	390,829	-	-	-	-	-	107,846
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	-	390,829	-	-	-	-	-	107,846
2.2 Due to banks	576,880	89,912	14,318	-	-	-	-	-
- current accounts	91,880	-	-	-	-	-	-	-
EUR	91,837	-	-	-	-	-	-	-
OTHER CURRENCIES	43	-	-	-	-	-	-	-
- other	485,000	89,912	14,318	-	-	-	-	-
EUR	485,000	68,107	-	-	-	-	-	-
USD	-	11,620	13,685	-	-	-	-	-
GBP	-	4,098	633	-	-	-	-	-
YEN	-	6,087	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-					-	
3. Financial derivatives	-	-	-	-	-	-	-	-

2.3 Pricing risk - Trading book

Qualitative information

A. General

Banca Mediolanum's Trading Book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.

Specifically, the trading book consists of positions held by the Bank's functions authorized to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors.
The trading book primarily consists of positions in equities and mutual funds.

B. Pricing risk – measurement and management

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

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

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the price of traded financial instruments as a result of adverse market movements.
Information on VaR at December 31, 2007 is set out below together with 2006 comparative figures.

HFT Portfolio – Market Risk

As of December 31 €/'000	2007	2006	Change
Market Value	1,533,950	1,814,504	-15%
Modified Duration	0,59	0,75	-21%
Residual maturity	5,44	3,99	+36%
VaR99% 1g	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.

Quantitative information

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

	Book Value	
€/'000	Listed	Unlisted
A. Equity instruments		
A.1 Shares	73	10
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	-	-
- reserved funds	-	-
- hedge funds	-	-
B.2 Registered in other EU countries		
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	-
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	73	10

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

	Listed			
€/'000	Italy	USA	Other countries	Unlisted
A. Equity instruments				
- long positions	72	-	1	10
- short positions	30	-	-	-
B. Not yet settled purchases and sales of equity instruments				
- long positions	45	-	1,565	-
- short positions	447	-	4	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-

2.4 Pricing risk - Banking book

Qualitative information

A. Pricing Risk - General information, Measurement and Management

The Bank measures the pricing risk exposure of the banking book applying the same methods used to measure interest rate risk.

B. Hedges

There are no hedges as defined under IAS.

Quantitative information

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

	Book Value	
€/'000	Listed	Unlisted
A. Equity instruments	486	369,772
A.1 Shares	486	369,772
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	974	44,909
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	974	40,873
- reserved funds	-	-
- hedge funds	-	4,036
B.2 Registered in other EU countries	-	158,779
- harmonised open-end funds	-	24,798
- non harmonised open-end funds	-	133,981
- non harmonised closed-end funds	-	-
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	1,460	573,460

2.5 Currency risk

Qualitative information

A. Pricing Risk - General information, Measurement and Management

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

B. Hedge

There are no hedges as defined under IAS.

Quantitative information

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

€/'000	Currency					
	US dollar	Sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets						
A.1 Debt securities	674	70	-	-	-	53
A.2 Equities	-	486	1	-	-	-
A.3 Loans to banks	103,039	561	6,117	36	18,406	1,716
A.4 Loans to customers	22	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	458	23	-	10	34	11
C. Financial liabilities						
C.1 Due to banks	(25,305)	(4,730)	(6,087)	-	-	(43)
C.2 Due to customers	(21,876)	(194)	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
D. Other liabilities	(395)	-	-	-	-	(11)
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Others						
+ Long positions	39,394	4,779	-	-	-	8
+ Short positions	(94,798)	(30)	-	-	(18,377)	(743)
Total assets	143,587	5,919	6,118	46	18,440	1,788
Total liabilities	(142,374)	(4,954)	(6,087)	-	(18,377)	(797)
Net position (+/-)	1,213	965	31	46	63	991

2. Internal models and other sensitivity analysis methods

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

2.6 Derivative financial instruments

A. Financial derivatives

A.1 Trading book: year-end notional amounts

€/'000	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2007		Total at Dec. 31, 2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	541,129	-	-	-	-	-	-	-	541,129	-	909,753
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	106,141	-	-	-	106,141	-	256,822
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Commodity swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	11,289	-	-	-	-	-	-	-	11,289	-	-
9. Caps	-	30,056	-	-	-	-	-	-	-	30,056	-	22,715
- Purchased	-	30,056	-	-	-	-	-	-	-	30,056	-	22,715
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	-	-	-	-	-	-	-	-	-	-	1,000
- Purchased	-	-	-	-	-	-	-	-	-	-	-	1,000
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	1,101	65	2,056	-	-	28,207	-	-	3,157	28,272	6,864	9,713
- Purchase	551	32	1,609	-	-	902	-	-	2,160	934	4,779	5,565
- Sale	550	33	447	-	-	8,285	-	-	997	8,318	2,085	4,148
- Valute contro valute	-	-	-	-	-	19,020	-	-	-	19,020	-	-
13. Cross-currency contracts	-	169,825	-	-	-	-	-	-	-	169,825	-	-
Total	1,101	752,364	2,056	-	-	134,348	-	-	3,157	886,712	6,864	1,200,003
Average values												

A.3 Financial derivatives: purchase and sale of underlying

€/'000	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2007		Total at Dec. 31, 2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book	-	-	-	-	-	-	-	-	-	-	-	-
1. with exchange of principal	1,101	65	2,056	-	-	134,348	-	-	3,157	134,413	6,864	262,037
- purchases	551	32	1,609	-	-	20,388	-	-	2,160	20,420	4,779	103,791
- sales	550	33	447	-	-	90,168	-	-	997	90,201	2,085	158,246
- cross-currency contracts	-	-	-	-	-	23,792	-	-	-	23,792	-	-
2. without exchange of principal	-	752,300	-	-	-	-	-	-	-	752,300	-	933,468
- purchases	-	276,620	-	-	-	-	-	-	-	276,620	-	301,000
- sales	-	475,680	-	-	-	-	-	-	-	475,680	-	632,468
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book	-	-	-	-	-	-	-	-	-	-	-	-
B1. Hedges	-	-	-	-	-	-	-	-	-	-	-	-
1. with exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
2. With exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
B2. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. with exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-
2. without exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-	-	-

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

Counterparty/Underlying €/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments & central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	2,331	-	924	-	-	-	1,033	-	867	-	-	-	-	-	-
A.4 Financial companies	59	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	2	-	3	-	-	-	413	-	68	-	-	-	-	-	-
Total A (Dec. 31, 2007)	2,392	-	927	-	-	-	1,446	-	935	-	-	-	-	-	-
Total (Dec. 31, 2006)	2,050	-	654	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book															
B.1 Governments & central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Dec. 31, 2006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments & central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	617	-	448	-	-	5	560	-	378	-	-	-	-	-	-
A.4 Financial companies	214	-	125	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A (Dec. 31, 2007)	832	-	573	-	-	5	560	-	378	-	-	-	-	-	-
Total (Dec. 31, 2006)	548	-	313	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book															
B.1 Governments & central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Dec. 31, 2006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

€/'000	Less than 1 year	1 to 5 years	Over 5 years	Total
A. Trading Book				
A.1 Debt securities and interest rates	572,088	105,690	64,353	742,131
A.2 Equities and stock indices	1,560	-	-	1,560
A.3 Exchange rates and gold	134,348	-	-	134,348
A.4 Other	-	-	-	-
B. Banking Book				
B.1 Debt securities and interest rates	-	-	-	-
B.2 Equities and stock indices	-	-	-	-
B.3 Exchange rates and gold	-	-	-	-
B.4 Other	-	-	-	-
Total (Dec. 31, 2007)	707,996	105,690	64,353	878,039
Total (Dec. 31, 2006)	1,073,750	103,057	30,060	1,206,867

B. Credit derivatives

During the year the Bank did not trade in credit derivatives and at December 31, 2005 it did not hold any positions in those instruments.

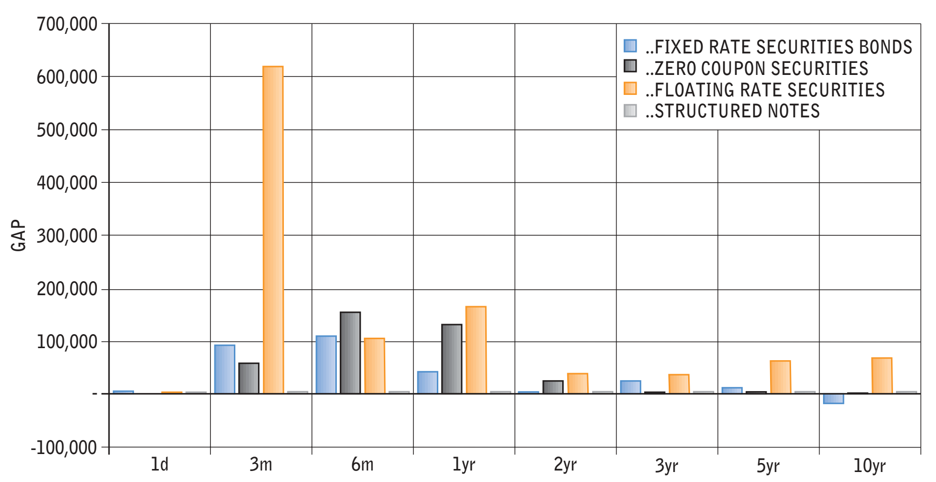
SECTION 3 – LIQUIDITY RISK

Qualitative information

A. Pricing Risk - General information, Measurement and Management

Given the types of assets held, their duration as well as the type of funding, Banca Mediolanum is not materially exposed to liquidity risk. Liquidity risk is monitored using liquidity gap analysis under a simplified static ALM model.
The liquidity gap analysis by type of HFT instrument at December 31, 2007 is set out below:

GAP Analysis by type of HFT instrument (€/'000)



Qualitative information

1. Time-to-maturity of financial assets and liabilities

Item/Time to maturity €/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	over 5 years
On balance sheet assets									
A.1 Government securities	-	-	76,323	78,967	17,126	262,390	248,453	581,568	646,534
- EUR	-	-	76,323	78,967	17,126	262,390	248,443	581,568	646,533
- USD	-	-	-	-	-	-	-	-	1
- Other currencies	-	-	-	-	-	-	10	-	-
A.2 Listed debt securities	4,387	-	-	-	2,044	3,259	13	226,052	307,903
- EUR	4,387	-	-	-	2,044	3,259	8	225,271	307,903
- USD	-	-	-	-	-		-	673	-
- GBP	-	-	-	-	-	-	5	66	-
- Other currencies	-	-	-	-	-	-	-	42	-
A.3 Other debt securities	-	-	-	-	5,217	5,033	36,018	64,897	103,709
- EUR	-	-	-	-	5,217	5,033	36,018	64,897	103,709
- USD	-	-	-	-	-	-	-	-	-
A.4 Holdings in UCITS	204,662	-	-	-	-	-	-	-	-
A.5 Loans to	358,493	961,525	633,741	252,348	55,087	1,351,173	14,127	93,168	448,679
- Banks	44,639	601,518	514,878	115,145	25,077	1,343,848	-	-	-
- EUR	30,123	560,347	490,630	87,832	25,077	1,321,221	-	-	-
- USD	11,928	41,171	-	27,313	-	22,627	-	-	-
- GBP	561	-	-	-	-	-	-	-	-
- YEN	29	-	6,088	-	-	-	-	-	-
- CAD	36	-	-	-	-	-	-	-	-
- CHF	246	-	18,160	-	-	-	-	-	-
- Other currencies	1,716	-	-	-	-	-	-	-	-
- Customers	313,854	360,007	118,863	137,203	30,010	7,325	14,127	93,168	448,679
- EUR	313,832	360,007	118,863	137,203	30,010	7,325	14,127	93,168	448,679
- USD	22	-	-	-	-	-	-	-	-

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

Item/Time to maturity €/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	over 5 years
Non derivative liabilities									
B.1 Deposits	4,547,555	74,875	6,087	100,000	4,818	14,318	-	-	-
- Banks	576,880	74,875	6,087	-	4,818	14,318	-	-	-
- EUR	576,837	63,975	-	-	-	-	-	-	-
- USD	-	6,802	-	-	4,818	13,685	-	-	-
- GBP	-	4,098	-	-	-	633	-	-	-
- YEN	-	-	6,087	-	-	-	-	-	-
- Other currencies	43	-	-	-	-	-	-	-	-
- Customers	3,970,675	-	-	100,000	-	-	-	-	-
- EUR	3,948,605	-	-	100,000	-	-	-	-	-
- USD	21,876	-	-	-	-	-	-	-	-
- GBP	194	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	21,905	982,570	246,416	69,732	121,112	12,533	-	241,634	447,812
- EUR	21,905	982,570	246,416	69,732	121,112	12,533	-	241,634	447,812
- USD	-	-	-	-	-	-	-	-	-
- GBP	-	-	-	-	-	-	-	-	-
- CHF	-	-	-	-	-	-	-	-	-
- Other currencies	-	-	-	-	-	-	-	-	-
Off balance sheet items									
C.1 Financial derivatives									
with exchange of capital									
- Long positions	-	27,561	68,409	11,787	28,267	682	183	241	99
- EUR	-	2,442	50,034	11,787	28,264	-	183	241	99
- USD	-	21,022	18,375	-	3	-	-	-	-
- GBP	-	4,097	-	-	-	682	-	-	-
- Other currencies	-	56	-	-	-	-	-	20	24
- Short positions	-	28,464	68,438	11,548	27,175	672	149	232	110
- EUR	-	23,012	74				149	232	110
- USD	-	5,419	49,990	11,548	27,175	672	-	-	-
- GBP	-	30	-	-	-	-	-	-	-
- CHF	-	3	18,374	-	-	-	-	-	-
- Other currencies	-	789	-	-	-	-	-	21	24
C.2 Deposits and financing to be received									
- Long positions (EUR)	-	129,203	-	4,479	7,140	-	-	-	-
- Short positions (EUR)	-	129,203	-	4,479	7,140	-	-	-	-
C.3 Firm commitments to disburse funds									
- Long positions (EUR)	-	213,092	118,788	2,194	-	-	-	-	-
- Short positions (EUR)	-	213,092	118,788	2,194	-	-	-	-	-

2. Analysis of financial liabilities by counterparty

€/'000	Governments & Central Centrali	Government Banks	Financial agencies	Insurance companies	Non Financial companies	Others companies
1. Due to customers	2,218	201,682	662,930	478,197	79,877	3,619,134
2. Securities issued	-	-	-	-	-	-
3. Financial liabilities held for trading	560,938	2	9,848	-	143,983	-
4. Financial liabilities at fair value	-	-	-	-	-	-
Total at Dec. 31, 2007	563,156	201,684	672,778	478,197	223,860	3,619,134
Total at Dec. 31, 2006	74,784	156,594	349,052	377,795	37,429	3,270,258

3. Geographical analysis of financial liabilities

€/'000	Italy	Other european countries	America	Asia	Rest of the world
1. Due to customers	5,013,144	30,851	30	13	-
2. Due to banks	907,707	226,334	-	-	-
3. Securities issued	-	-	-	-	-
4. Financial liabilities held for trading	73,746	612,069	28,955	-	-
5. Financial liabilities at fair value	-	-	-	-	-
Total at Dec. 31, 2007	5,994,597	869,254	28,985	13	-
Total at Dec. 31, 2006	4,952,229	419,117	26,317	2	-

SECTION 4 – OPERATIONAL RISK

Qualitative information

A. General aspects, operational risk measurement and management

Regulations and statutes place increasing emphasis on the identification and management of financial, credit and operational risks. In particular, the new Basel Capital Accord (International Convergence of Capital Measurements and Capital Standards) and the EU Capital Requirement Directive (CRD) placed greater importance on operational risk classifying it as a separate risk category which requires a specific capital charge as well as the adoption of specific risk measurement and mitigation techniques.

Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.

Banca Mediolanum defines operational risk as "the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events".

The internal control system of Banca Mediolanum S.p.A. entails defense at different levels in accordance with the Group organizational structure.

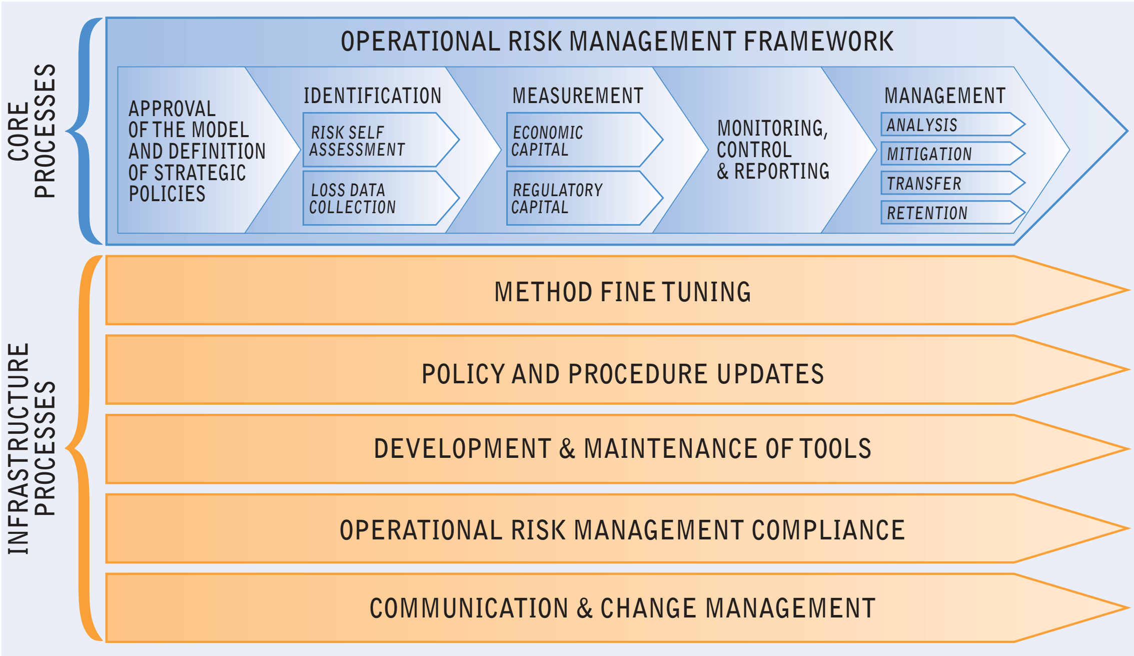
Specifically, for operational risk line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organizational unit or function. Risk controls (second level) are controls performed by units other than operating units; they contribute to the definition of operating limits and risk measurement methods and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of remit.

The Operational Risk Management Unit, within the Risk Management and Compliance function, is responsible for identifying, measuring and assessing operational risk. The unit's staff work together with the Finance and Accounting Department to verify capital adequacy vis-à-vis operational risk capital requirements.
The Operational Risk Control unit will be separate and independent of operations and report directly to the Parent Company's Senior Management.

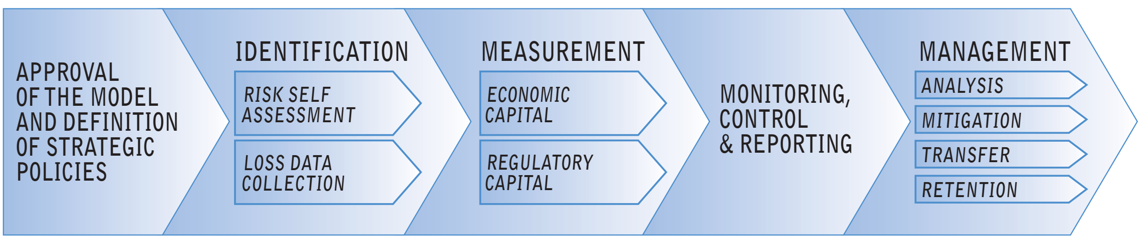
In consideration of the characteristics and the type of business conducted by Banca Mediolanum, special attention is given to risks arising in connection with the operation of the Sales Network and the multiple channels, i.e. also those channels which enable access and transaction from a remote location. These risks are managed, inter alia, through local controls and procedures for risk assessment, management, prevention and mitigation.
The operational risk management framework entails a central control unit, i.e. Banca Mediolanum's operational risk unit, and local control units, especially for those operations that are more exposed to operational risk, i.e. the direct channels, the sales network inspectors, Group Information Systems and Organisation, also to facilitate coordination in relation to Business Continuity & Disaster Recovery Plans.
Close coordination with the Compliance function is also envisaged.
The identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the Company.
The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the company's administrative activities.
During 2006 the analysis of operational risk exposures conducted in prior years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, inter alia, the introduction of a new qualitative measurement of exposure to operation risk of each organisational unit within the Company, 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.

In 2006, Banca Mediolanum completed the project for improving operational risk management. After being approved by the Board of Directors in December 2006, the project was rolled out.
In 2007, the company conducted the first full Risk Self Assessment of its organisational units and established the operational loss data collection process needed to support the statistics-based system that should be launched in 2008. 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 (Bank of Italy's Circular Letter 263 of December 27, 2006 on new capital requirements for Banks). Based on the self assessment results examined by the Board of Directors at its meeting of November 7, 2007, Banca Mediolanum resolved to apply the standardised approach to operational risk capital measurements on an individual basis. The resolution was taken considering that Banca Mediolanum meets the requirements for the adoption of said approach. In December 2007, the related notice was filed with the Bank of Italy.

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

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

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

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

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

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

LEGAL RISK

The risk of non-compliance with statutory/regulatory requirements, i.e. 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.

The responsibility for managing legal risk rests with the Compliance unit, within the Risk Management and Compliance function. To ensure effective management of this risk, Banca Mediolanum S.p.A. had adopted a legal risk management framework that is being fined tuned.

REPUTATIONAL RISK

The Basel Committee expressly excluded reputational risk from the scope of Operational 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 F - INFORMATION ON CAPITAL

SECTION 1 – CAPITAL

A. Qualitative information

B. Quantitative information

€/'000	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:	371,000				
Capital reserves of which:					
Retained earnings of which to:					
- legal reserve	16,909	B	16,909	-	-
- extraordinary reserve	107,016	A B C	107,016	-	-
- FTA reserve	(65,524)	A B C	-	-	-
- Other reserves	6,129	A B C	-	-	-
Other reserves of which:					
- Merger reserve	3,185	A B C	3,185	-	-
Valuation reserve	(1,113)	-	-	-	-
Total	437,602	-	127,110	-	-
Of which undistributable	-	-	16,909	-	-
Of which distributable	-	-	-	-	-

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

SECTION 2 - CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

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

A. Qualitative information

The capital base is the sum of core capital (Tier 1 capital), included in the calculation without restrictions, supplementary capital (Tier 2), which cannot exceed the amount of Tier 1 capital, before deductions, and Tier 3 capital. Tier 3 capital can be used only to cover market risk (net of counterparty risk and settlement risk in the banking book) and up until 71.4% of minimum capital requirements for market risk. Tier 3 capital cannot exceed 250% of Tier 1 capital. Shareholdings, non-innovative, innovative, hybrid capital instruments and subordinated assets held in other banks and financial companies, shareholdings in and subordinated instruments issued by insurance companies are deducted from said aggregates.

At December 31, 2007, Tier 1 capital consisted of share capital, equity reserves, net profit for the period (after dividend) less any intangible assets and negative valuation reserves. Tier 1 prudential filters are equal to the negative balance of valuation reserves (after tax) relating to equities, holdings in UCITS and debt instruments classified as "available-for-sale financial assets".

At December 31, 2007, Banca Mediolanum's capital did not include any instruments falling within Tier 2 nor Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Tier 1 before solvency filters	440,155	425,559
B. Tier 1 solvency filters	(1,113)	-
B.1 Positive IAS/IFRS solvency filters	-	-
B.2 Negative IAS/IFRS solvency filters	(1,113)	-
C. Tier 1 after solvency filters	439,042	425,559
D. Deductions from tier 1	-	-
E. Total TIER 1	439,042	425,559
F. Tier 2 before solvency filters	-	317
G. Tier 2 solvency filters	-	(908)
G.1 Positive IAS/IFRS solvency filters	-	-
G.2 Negative IAS/IFRS solvency filters	-	(908)
H. Tier 2 after solvency filters	-	(591)
I. Deductions from tier 2	-	-
L. Total TIER 2	-	(591)
M. Deductions from tier 1 and tier 2	-	-
N. Total capital (E+L+M)	439,042	424,968
O. Total TIER 3	-	-
P. Total capital including TIER 3	439,042	424,968

2.2 Capital adequacy

A. Qualitative Information

At December 31, 2007 Banca Mediolanum's Tier 1 capital ratio was 14.53% and Total capital ratio was 14.53%, above the minimum requirement of 7%.

B. Quantitative Information

	Not Weighted		Weighted/requirement	
€/'000	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
A. Risk assets				
A.1 Credit risk	5,115,932	4,286,231	2,264,858	2,089,685
Standardized method				
On balance sheed assets	4,681,443	4,232,419	2,096,308	2,056,187
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	3,731,335	3,555,378	1,406,473	1,525,595
1.1 Governments and central banks	570,655	412,191	-	-
1.2 Government agencies	10,257	10,264	2,051	2,053
1.3 Banks	2,182,501	2,011,726	436,500	402,345
1.4 Others	967,922	1,121,197	967,922	1,121,197
2. Residential mortgage loans	514,464	289,297	257,232	144,649
3. Non-residential mortgage loans	-	-	-	-
4. Shares, equity investments and subordinated assets	370,258	357,848	370,258	357,848
5. Other assets	65,386	29,896	62,345	28,095
Off balance sheet assets	434,489	53,812	168,550	33,498
1. Guarantees and commitments to (or guaranteed by):	434,489	53,812	168,550	33,498
1.1 Governments and central banks	233,990	10,045	-	-
1.2 Government agencies	-	-	-	-
1.3 Banks	39,936	12,836	7,987	2,567
1.4 Others	160,563	30,931	160,563	30,931
2. Derivative contracts with (or guaranteed by):	-	-	-	-
2.1 Governments and central banks	-	-	-	-
2.2 Government agencies	-	-	-	-
2.3 Banks	-	-	-	-
2.4 Others	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk	-	-	158,540	146,278
B.2 Market risk	-	-	52,968	35,123
1. *Standardized method*	-	-	52,968	35,123
of which:				
+ risk of positions in debt securities	-	-	50,638	34,713
+ risk of positions in equities	-	-	129	410
+ currency risk	-	-	1,558	-
+ other risks	-	-	643	-
2. *Internal models*	-	-	-	-
of which:				
+ risk of positions in debt securities	-	-	-	-
+ risk of positions in equities	-	-	-	-
+ currency risk	-	-	-	-
B.3 Other prudential requirements	-	-	-	-
B.4 Total prudential requirements (A1+A2+A3)	-	-	211,508	181,401
C. Risk assets and capital ratios				
C.1 Risk-weighted assets *	-	-	3,021,543	2,591,443
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	-	-	14.53%	16.42%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)	-	-	14.53%	16.40%

(*) Total prudential requirements multiplied by the reciprocal of the mandatory minimum coefficient for credit risk (7%)

PART G - BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

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

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

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

PART H - RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/ General Managers	Other key managers
Emoluments & social security contributions	755	1,712
Other pension benefits and insurance	-	44
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	-	360

2. Information on related party transactions

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

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

In addition personnel was seconded to and from other companies within the Mediolanum Group.
All transactions are made on an arm's length basis at market conditions, except for personnel seconded from Banca Mediolanum to other Group companies and vice versa, that is charged on the basis of actual costs incurred.

An analysis of related party balances at December 31, 2007 by related party category is set out in the table below.

€/'000	AFS financial assets	HTM investments	Loans to customers	Loans to banks	Due to customers	Due to banks	Guarantees issued
(a) Parent company	-	-	-	-	14,324	-	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-	-
(c) Subsidiaries	-	-	-	-	25,147	82,957	5,000
(d) Associates	-	-	-	-	-	-	-
(e) Joint venture	-	-	-	-	-	-	-
(f) Key managers	-	-	279	-	45	-	36
(g) Other related parties	-	-	19,158	-	491,784	14,416	3,965
Total	-	-	19,437	-	531,300	97,373	9,001

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

€/'000	Income
Interest income and similar income	
Banca Esperia S.p.A.	2,248
Mediolanum International Life Ltd	53
Commission income on the sale of insurance products:	
Mediolanum Vita S.p.A.	133,767
Mediolanum International Life Ltd	44,327
Mediolanum Assicurazioni S.p.A.	3,819
Commission income on the sale of mutual funds:	
Mediolanum International Funds Ltd	79,440
Mediolanum Gestione Fondi SGR p.A.	34,054
Duemme Hedge S.p.A.	104
Commission income on the sale of pension funds:	
Mediolanum Vita S.p.A.	69
Commission income on collection, payment and other services:	
Mediolanum Vita S.p.A.	838
Mediolanum Assicurazioni S.p.A.	19
Mediolanum International Life Ltd	15
Dividends from Group companies:	
Mediolanum International Funds Ltd	76,653
Mediolanum Asset Management	5,355
Mediolanum Gestione Fondi SGR p.A.	5,305
Income on key personnel:	
Mediolanum Vita S.p.A.	1,602
Banco de Finanzas e Inversiones (Fibanc) SA	946
Mediolanum Gestione Fondi SGR p.A.	757
Mediolanum International Funds Ltd	634
Mediolanum Comunicazione S.p.A.	603
Mediolanum S.p.A.	573
Mediolanum Assicurazioni S.p.A.	408
Partner Time S.p.A.	282
Mediolanum International Life Ltd	157
Mediolanum Distribuzione Finanziaria S.p.A.	20
Recoveries of expenses from Group companies for centrally provided services:	
Mediolanum Vita S.p.A.	5,653
Mediolanum Gestione Fondi SGR p.A.	4,165
Mediolanum Comunicazione S.p.A.	1,084
Mediolanum S.p.A.	874
Mediolanum International Life Ltd	498
Partner Time S.p.A.	497
Mediolanum Distribuzione Finanziaria S.p.A.	357
Mediolanum Assicurazioni S.p.A.	121
PI Distribuzione S.p.A.	35
Recoveries of expenses from Group companies for centrally provided services:	
Mediolanum S.p.A.	191
Mediolanum Gestione Fondi SGR p.A.	164
Mediolanum Assicurazioni S.p.A.	129
Partner Time S.p.A.	127
Mediolanum Vita S.p.A.	54
Banco de Finanzas e Inversiones (Fibanc) S.A.	18

€/'000	Expenses
Interest expense and similar charges	
Mediolanum Vita S.p.A.	15,453
Banco de Finanzas e Inversiones (Fibanc) S.A.	6,179
Mediolanum S.p.A.	2,093
Mediolanum International Life Ltd	1,721
Bankhaus August Lenz AG	933
Mediolanum Gestione Fondi SGR p.A.	477
Mediolanum Assicurazioni S.p.A.	327
Gamax Management AG	270
Gamax Holding AG	259
Mediolanum Comunicazione S.p.A.	40
Partner Time S.p.A.	32
Mediolanum Distribuzione Finanziaria S.p.A.	23
PI Distribuzione S.p.A.	14
Banca Esperia S.p.A.	11
Commissions payable for third-party asset management:	
Mediolanum Gestione Fondi SGR p.A.	287
Commissions payable on off-premises sale of financial instruments:	
Mediolanum Distribuzione Finanziaria S.p.A.	4,531
Net expense for key personnel	
Mediolanum S.p.A.	1,455
Mediolanum Vita S.p.A.	1,189
Mediolanum Assicurazioni S.p.A.	993
Mediolanum Gestione Fondi SGR p.A.	355
Mediolanum Comunicazione S.p.A.	302
Partner Time S.p.A.	104
Bankhaus August Lenz AG	22
Television and internet communications - expenses for technical services:	
Mediolanum Comunicazione S.p.A.	10,484
Promoservice	434
Publitalia S.p.A.	353
Rentals:	
Mediolanum Vita S.p.A.	846
Mediolanum Gestione Fondi SGR p.A.	398
Miscellaneous insurance expenses:	
Mediolanum Assicurazioni S.p.A.	1,255
Miscellaneous insurance expenses:	
Publitalia S.p.A.	3,682
Mediolanum Comunicazione S.p.A.	1,182
Mondadori Pubblicità S.p.A.	294
Milan Entertainment	150
Promoservice	42
Organisation of exhibitions and conventions:	
Mediolanum Comunicazione S.p.A.	3,806
Organisation of exhibitions and conventions:	
Mediolanum Comunicazione S.p.A.	433
Organisation of exhibitions and conventions:	
Mediolanum Comunicazione S.p.A.	287
Mediolanum S.p.A.	260
Personnel training	
Mediolanum Comunicazione S.p.A.	54

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

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

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

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

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2007 314,012 stock options granted in 2003 and 2005 were exercised for a total of 314,012 Mediolanum S.p.A. shares.
The table below shows movements in option holdings in the year as per Bank of Italy's Circular Letter 262/2005.

€/'000	Dec. 31, 2007			Dec. 31, 2006		
Items / number of options & exercise price	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity
A. Opening balance	2,778,916	4.21163	Jun.-2011	2,497,456	3.65000	Mar-2008
B. Increases	1,394,951	-		1,141,500	-	
B.1. New issues	1,394,951	2.92249	Dec.-2013	1,141,500	3.19146	Ott-2013
B.2 Other		-	x	-	-	x
C. Decreases	(759,012)	-		(860,040)	-	
C.1. Cancelled	-	-	x	-	-	x
C.2. Exercised (*)	(314,012)	1.66149	x	(857,911)	1.25900	x
C.3 Lapsed	(445,000)	7.33700	x	(2,129)	1.25900	x
C.4 Other	-	-	x	-	-	x
D. Closing balance	3,414,855	3.50379	Feb-2013	2,778,916	4.21163	Giu-2011
E. Options exercisable at year end	878,403	4.83280	x	901,976	6.17379	x

(*) Average unit market price at exercise date is €5,4292

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €2,124 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 17, 2008

For the Board of Directors
The Chairman
Ennio Doris

SCHEDULES

ANNEX

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

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

Consolidated financial statements for the year ended December 31, 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	159
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	-
Other	Entities in the Ernst & Young network	-
Total		159

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	527
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	54
Other	Entities in the Ernst & Young network	132
Total		713

In addition to the amounts above, entities that are part of the Ernst & Young's network also invoiced an additional total amount of €701 thousand, of which €235 thousand in relation to Italian funds and €466 thousand in relation to international funds.

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

Dear Shareholder,

In accordance with article 153 of Legislative Decree No. 58 of February 24, 1998 and article 2429, paragraph 3 of the Italian Civil Code, at the meeting convened to approve the financial statements for the year ended December 31, 2007, we report to you on our supervisory activities pursuant to article 149 of the Legislative Decree above.

Supervision and control

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

- we saw to compliance with the law and the bylaws as well as adherence to principles of proper management; we gathered information and saw to the adequacy of the company's organisational structure, accounting and reporting system. In relation to the latter, we also held regular meetings with the independent auditors during which we gathered information to satisfy ourselves that these systems reliably and accurately reflect the Bank's affairs;
- we attended General Meetings and Board of Directors Meetings. We did not become aware of any violations of the law or the bylaws, nor of any transactions which could represent a conflict of interest, were manifestly imprudent or risky or put the company's equity at risk;
- we regularly obtained information from Directors on the company's operations, outlook and main transactions.
- we assessed the effectiveness and efficiency of the internal control system, especially in relation to risk management. Assisted by internal audit staff and the independent auditors we satisfied ourselves of the effective operation of the main operational and management units
- we also ascertained compliance with anti-money laundering regulations, the regular update of the security policy document, the regular update of the "Safety Health & Environment Policy Document" to improve safety and health in the workplace, that intercompany transactions were made at an arm's length and examined complaints lodged by customers;
- we noted the activities conducted by the Supervisory Body including those relating to the introduction of amendments and supplements to the "Organisation, Management and Control Model" pursuant to Legislative Decree 231 of June 8, 2001;

Following our examination, we did not become aware of any material aspects requiring disclosure herein or reporting to the supervisory authorities.
In our capacity of statutory auditors of the Parent Company we participated in videoconferences held by the Head of Internal Audit with the heads of functions and the officers of Group companies for the mutual exchange of information on issues of common interest.
During the year we visited the offices of the Irish, Spanish and German subsidiaries and met the heads of their operational units to build a relationship of mutual exchange and confirm the information on the organisation and management structure, accounting and financial reporting system gathered at Parent Company's Board of Directors Meetings.
We were regularly advised by the heads of the various functions of any resolutions taken by the respective committees with regard to actions taken to remedy any irregularities found in the conduct of the company's affairs.
We continued the mutual exchange of information on our respective supervisory and control activities with the independent auditors Reconta Ernst & Young S.p.A, that are responsible for auditing the accounting records and the financial statements in accordance with art. 155 et seq. of Legislative Decree No. 58 of February 24, 1998.
The independent auditors reported to us on their audit work in accordance with art. 155, paragraph 1, letter a) of Legislative Decree 58/1998 and advised us that they did not become aware of any irregularities or events which required reporting to the control functions or to the supervisory authorities.

The financial statements and their approval

In relation to the separate financial statements for the year ended December 31, 2007, and the schedules attached thereto, which are presented to you for approval, we advise you that:

- the Directors' Report sets out information on the company's operations including subsidiaries, with details on actions, transactions and projects involving the parent company and the entire banking group;
- we oversaw the preparation of the financial statements, their compliance with the law, in terms of both form and structure; in that respect we assure you that the financial statements for the year ended December 31, 2007 were prepared in accordance with the international accounting and financial reporting standards (IAS/IFRS);
- the accounts and the notes are compliant with requirements set out in the Bank of Italy's Circular 262 of December 22, 2005. The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report. They also include comparative information for the prior year;
- the independent auditors completed their audit of the financial statements and they will issue their report with no remark.

In consideration of the foregoing, we express our favourable opinion on the approval of the financial statements for the year ended December 31, 2007, which show net profit of €51,059,817.86 and the appropriation of net profit for the year as proposed by the Board of Directors.
Finally, we would like to express our sincere appreciation to the directors, the general management, senior and middle management, all employees and other staff of the Bank and of Group companies and thank them for the commitment, collaboration and professionalism they showed to us in the performance of our duties.

Milan, April 1, 2008

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

Independent Auditors' Report

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
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INDEPENDENT AUDITORS' REPORT
pursuant to articles 156 and 165 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

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

1. We have audited the financial statements of Banca Mediolanum S.p.A. as of and for the year ended December 31, 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 Banca 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 2, 2007.

3. In our opinion, the financial statements of Banca 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 Banca Mediolanum S.p.A. for the year then ended.

Milan, April 2, 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.
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BANCA MEDIOLANUM S.p.A.

Ordinary General Meeting of April 18, 2008

RESOLUTION ABSTRACT

Ordinary General Meeting of April 18, 2008

RESOLUTIONS ABSTRACT

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

1. to approve the Directors' Report included in the separate financial statements for the year ended December 31, 2007;
   - to approve the separate financial statements for the year ended December 31, 2007;
   - to appropriate the net profit for the year amounting to €51,059,817.86 as follows:
   - distribution of a dividend of €0.10782 for each of the 371,000,000 shares to shareholders, for a total amount of €40,000,000.00;
   - €2,553,000.00 to the legal reserve;
   - €8,506,817.86 to the Extraordinary Reserve.

2. to elect Massimo Antonio Doris as Board Director coterminous with the other members of the Board of Directors, whose term expires on the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2008;
   - to fix the aggregate annual gross compensation of the members of the Board of Directors at €534,000.00, until a new resolution is passed in relation to that matter. The Board of Directors shall be responsible for distributing said compensation among its members. Said compensation can be withdrawn during the year, also on different occasions.

BANCA MEDIOLANUM S.p.A.

Consolidated Annual Financial Statements 2007

Directors' report

Signori Azionisti,

The consolidated financial statements for the year ended December 31, 2007 of the Mediolanum Banking Group show net profit before minority interests of €131,216 thousand versus €145,802 thousand in the prior year.
The year-on-year decline in net profit is largely in connection with the lower level of performance fees earned in the period, which stood at €61,675 thousand versus €83,128 thousand in 2006.
Excluding the impact of this revenue item, the Group recorded significant growth, largely thanks to the growth in assets under management.
At December 31, 2007, net profit attributable to the Banking Group amounted to €55,679 thousand versus €63,922 thousand in the prior year.
The consolidated financial statements for the year ended December 31, 2007 include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with art. 64 of the Consolidated Banking Act.
The methods and scope of consolidation are detailed in the notes to the consolidated financial statements.
The financial statements for the year ended December 31, 2007 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

THE MARKET ENVIRONMENT

For information on the international environment in which the Mediolanum Banking Group operated in the year under review, readers are referred to the Directors' Report contained in the 2007 separate financial statements prepared by the Parent Company.

REVIEW OF OPERATIONS

For the year ended December 31, 2007, the Banking Group reported profit before tax of €163,494 thousand versus €177,938 thousand in the prior year.
As already mentioned in the introduction, net profit for financial year 2007 was impacted by the decline in performance fees earned in the period. Excluding the impact of this revenue item, profit before tax on continuing operations increased to €101,819 thousand from €94,810 thousand in the prior year.

At December 31, 2007, total consolidated assets amounted to €8,246 million versus €6,647 million at December 31, 2006.
At year end 2007, securities held in portfolio amounted to €2,985 million versus €2,442 million at December 31, 2006, while loans to banks were equal to €2,981 million versus €2,319 million in the prior year.

Inflows of customer assets into banking products increased by a notable 17.9% from €4,663 million at December 31, 2006 to €5,499 million at year end 2007. This item largely relates to the parent company Banca Mediolanum.

Consolidated net interest income climbed 44.6% to €121,370 thousand from €83,928 thousand in 2006. Net income from trading, gains on sale of available-for-sale financial assets and dividends totalled €17,534 thousand versus €9,484 thousand at year end 2006 (up 85%).

Net commission income declined from €358,139 thousand in the prior year to €324,903 thousand at December 31, 2007. This was primarily due to the lower level of performance fees (down €21,453 thousand) and 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.

At December 31, 2007, administrative expenses amounted to €273,790 thousand versus €246,683 thousand in the prior year. The account was impacted by the increase in staff costs (up €11,085 thousand) and in other administrative expenses (up €16,022 thousand), in connection with the strong growth in the number of bank accounts and related services to support the distribution of the new retirement products.

Despite the lower net profit, the tax expense remained essentially in line with the prior year as it amounted to €32,278 thousand versus €32,136 thousand at the end of the prior year.

Business volumes

An analysis of business volumes in the main segments is set out below.

Inflows

€/m		Dec. 31, 2007	Dec. 31, 2007	Change
Italy				
- Life insurance products	gross premiums written	3,388.8	3,214.6	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%

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

Consolidated assets under management and under administration (*)

€/m	Dec. 31, 2007	Dec. 31, 2007	Change
Italy - (Banca Mediolanum)	27,370.5	26,943.9	2%
Spain - (Fibanc)	2,352.6	2,493.3	-6%
Germany - (Gamax* + Lenz)	355,6	404.2	12%
Total	30,078.7	29,841.4	1%

(*) 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 sales networks

Number		Dec. 31, 2007	Dec. 31, 2006
Italy	Banca Mediolanum S.p.A.:		
	- Licensed financial advisors	5,040	4,011
	- Non-Licensed financial advisors	1,342	2,089
	- Credit executive	0	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.

Performance of group companies

For information on the performance of Mediolanum Banking Group companies in the year under review, readers are referred to the section "Equity Investments" in the Directors' Report contained in the 2007 separate financial statements prepared by the Parent Company.

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.

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.
In February 2008, 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.

In the same month, the shareholding in Gamax Austria GmBH was sold to the Argon AG Group for a consideration of €400 thousand.
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 Banking Group.

Outlook

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

Basiglio, March 17, 2008

For the Board of Directors
The Chairman
Ennio Doris

BANCA MEDIOLANUM S.p.A.

Consolidated Accounts 2007

Balance Sheet

Assets

€/'000		Dec. 31, 2007	Dec. 31, 2006
10.	Cash and cash equivalents	40,007	36,853
20.	Financial assets held for trading	2,201,072	1,901,544
30.	Financial assets at fair value	2,974	1,153
40.	Available-for-sale financial assets	408,287	205,968
50.	Held-to-maturity investments	373,024	332,912
60.	Loans to banks	2,980,895	2,319,290
70.	Loans to customers	1,708,751	1,324,956
80.	Hedging derivatives	-	-
90.	Changes in value of macro-hedged financial assets (+/-)	-	-
100.	Equity investments	-	-
110.	Reinsurers' share of technical reserves	-	-
120.	Tangible assets	54,760	53,076
130.	Intangible assets	192,581	195,640
	of which:		
	- goodwill	181,597	182,509
140.	Tax assets		
	a) current	29,145	19,798
	b) deferred	32,062	38,810
150.	Non-current assets and disposal groups	1,042	414
160.	Other assets	221,609	216,994
Total assets		8,246,209	6,647,408

Liabilities and Shareholders' Equity

€/'000		Dec. 31, 2007	Dec. 31, 2006
10.	Due to banks	1,071,444	886,102
20.	Due to customers	5,498,556	4,662,781
30.	Securities issued	-	-
40.	Financial liabilities held for trading	716,698	123,508
50.	Financial liabilities at fair value	2,974	1,153
60.	Hedging derivatives	-	-
70.	Changes in value of macro-hedged financial liabilities (+/-)	-	-
80.	Tax liabilities		
	a) current	11,581	17,054
	b) deferred	7,504	9,286
90.	Liabilities associated with disposals group	905	-
100.	Other liabilities	287,937	308,063
110.	Employee completion-of-service entitlements	9,514	11,438
120.	Provisions for risks and charges:		
	a) severance benefits and similar obligations	1,265	1,695
	b) other provisions	76,320	65,116
130.	Technical reserves	-	-
140.	Valuation reserves	(2,004)	1,251
150.	Redeemable shares	-	-
160.	Equity instruments	-	-
170.	Reserves	102,847	86,603
180.	Share premium account	-	-
190.	Share capital	371,000	371,000
200.	Treasury shares (-)	-	-
210.	Minority interests (+/-)	33,989	38,436
220.	Net profit (loss) for the year (+/-)	55,679	63,922
Total liabilities and shareholders' equity		8,246,209	6,647,408

Income Statement

€/'000		Dec. 31, 2007	Dec. 31, 2006
10.	Interest income and similar income	287,050	178,575
20.	Interest expense and similar charges	(165,680)	(94,647)
30.	**Net interest income**	121,370	83,928
40.	Commission income	707,989	756,886
50.	Commission expense	(383,086)	(398,747)
60.	**Net commission income**	324,903	358,139
70.	Dividends and similar income	2,847	200
80.	Net income from trading	4,434	9,290
90.	Net income from hedging	-	-
100.	Gains (losses) on sale or buyback of:		
	a) loans and receivables	-	-
	b) available-for-sale financial assets	10,253	(6)
	c) held-to-maturity investments	-	-
	d) financial liabilities	-	-
110.	Net income from financial assets and financial liabilities at fair value	-	-
120.	**Total income**	463,807	451,551
130.	**Impairment losses on:**		
	a) loans	(5,819)	(3,338)
	b) available-for-sale financial assets	(6)	-
	c) held-to-maturity investments	-	-
	d) other financial instruments	-	-
140.	**Net income from financial operations**	457,982	448,213
150.	Net premiums written	-	-
160.	Other income from insurance operations	-	-
170.	**Net income from financial and insurance operations**	457,982	448,213
180.	Administrative expenses		
	a) staff costs	(102,949)	(91,864)
	b) other administrative expenses	(170,841)	(154,819)
190.	Provisions for risks and charges	(16,052)	(16,567)
200.	Depreciation and net impairment of tangible assets	(6,437)	(6,632)
210.	Amortisation and net impairment of intangible assets	(10,773)	(11,663)
220.	Other operating income	12,564	11,270
230.	**Operating expenses**	(294,488)	(270,275)
240.	Profit (loss) on equity investments	-	-
250.	Gains (Losses) on fair value measurement of tangible and intangible assets	-	-
260.	Impairment losses on goodwill	-	-
270.	Profit (loss) on disposal of investments	-	-
280.	**Profit (loss) before tax on continuing operations**	163,494	177,938
290.	Income tax expense on continuing operations	(32,278)	(32,136)
300.	**Profit (loss) after tax on continuing operations**	131,216	145,802
310.	Profit (loss) after tax of non current assets pending disposal	101	42
320.	**Net Profit (Loss) for the year**	131,317	145,844
330.	Net Profit (Loss) for the year pertaining to minority interests	(75,638)	(81,922)
340.	**Net Profit (Loss) for the year pertaining to the parent company**	55,679	63,922
	Earnings per share	0.150	0.172

Consolidated cash flow statement

Indirect Method

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. OPERATING ACTIVITIES		
1. Operating activities	79,189	94,300
- Net profit (loss) for the year	55,679	63,922
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	(5,723)	1,079
- gains/losses on hedges (+/-)	-	-
- impairment losses/reversals (+/-)	5,825	3,338
- net write-downs/write-backs of tangible and intangible assets (+/-)	17,210	18,295
- provisions for risks and charges and other costs/revenues (+/-)	16,052	16,567
- unpaid taxes (+)	(9,854)	(8,901)
- net write-downs/write-backs of disposal groups after taxes (+/-)	-	-
- other adjustments (+/-)	-	-
2. Cash generated/used by financial assets	(1,553,980)	(863,697)
- financial assets held for trading	(299,528)	(803,907)
- financial assets at fair value	(1,821)	(1,153)
- available-for-sale financial assets	(202,319)	(158,767)
- loans to banks: on demand	(661,605)	466,042
- loans to banks: other loans	-	-
- loans to customers	(383,795)	(348,080)
- other assets	(4,912)	(17,832)
3. Cash generated/used by financial liabilities	1,589,705	662,491
- due to banks: other amounts due	185,342	(37,287)
- due to customers	835,775	556,528
- securities issued	-	-
- financial liabilities held for trading	593,190	60,312
- financial liabilities at fair value	1,821	1,153
- other liabilities	(26,423)	81,785
Net cash generated by/used in operating activities	114,914	(106,906)
B. INVESTING ACTIVITIES		
1. Cash from	(39,094)	166,653
- sale of equity investments	-	-
- dividends received from equity investments	-	-
- sale of held-to-maturity investments	(40,112)	166,077
- sale of tangible assets	106	576
- sale of intangible assets	912	-
- sale of business lines	-	-
2. Cash used for	(17,286)	(38,292)
- purchase of equity investments (including contributions to cover losses)	-	-
- purchase of held-to-maturity investments	-	-
- purchase of tangible assets	(8,656)	(6,397)
- purchase of intangible assets	(8,630)	(31,895)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	(56,380)	128,361
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	-	-
- issue/purchase of equity instruments	(5,380)	23,171
- dividend distribution and other	(50,000)	(40,920)
Net cash generated by/used in financing activities	(55,380)	(17,749)
NET CASH GENERATED/USED IN THE YEAR	3,154	3,706

RECONCILIATION

€/'000	Dec. 31, 2007	Dec. 31, 2006
Financial item		
Cash and cash equivalents at beginning of the year	36,853	33,147
Total net cash generated/used in the year	3,154	3,706
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at end of the year	40,007	36,853

Statement of changes in equity

€/'000	Balance at Jan. 1, 2006	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	341,000	-	-
b) other shares	-	-	-
Share premium account	177	-	-
Reserves:			
a) retained earnings	56,407	25,344	-
b) others	3,185	-	-
Valuation reserves:			
a) AFS financial assets	(477)	-	-
b) cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	66,264	(25,344)	(40,920)
Shareholders' equity	466,379	-	(40,920)

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

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of Treasury Shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec. 31, 2006	Share-holders' equity at Dec. 31, 2006
-	30,000	-	-	-	-	-	-	371,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(297)	-	-	-	-	-	1,964	-	83,418
	-	-	-	-	-	-	-	3,185
1,728	-	-	-	-	-	-	-	1,251
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	63,922	63,922
1,431	30,000	-	-	-	-	1,964	63,922	522,776

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

Notes to the Consolidated Annual Financial Statements 2007

Notes to the Consolidated Annual Financial Statements

These notes are structured as follows:

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

PART A - ACCOUNTING POLICIES

A.1 - General

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

Pursuant to Legislative Decree No. 38 of February 28, 2005 the consolidated financial statements for the year ended December 31, 2007 were prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002. The financial statements for the year ended December 31, 2007 were prepared following the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular Letter No. 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

Section 2 - Accounting basis

In the preparation of the financial statements the Banking Group applied the international accounting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2007, as adopted by the European Commission and set out in the schedule attached hereto.

In that respect, it should be noted that by Regulation (EC) 108/2006 the European Commission adopted IFRS 7 Financial Instruments: Disclosures.

These separate 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.
In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency.

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

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.
To provide clearer and more accurate financial information, following the clarifications received in the current year on the application of IAS/IFRS, certain items of comparative information at December 31, 2006 were reclassified. The reclassified amounts and the related effects are commented in the notes to the individual items to which they refer.

Accounts

Balance Sheet and Income Statement

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

Statement of changes in equity

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

Statement of Cash Flows

The cash flow statement provides information on cash flows for the period under review and the prior period. It is prepared using the indirect method whereby in reporting cash flows from operating activities profit or loss is adjusted for the effects of non-cash transactions.

The cash flows are classified by operating, investing and financing activities.
The cash flows generated in the period are indicated with no sign, while the cash flows used in the period are shown within parentheses.

Content of the Notes

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

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

Section 3 - Scope and methods of consolidation

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

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

€/'000	Share Capital	% holding	Registered Office	Business
Mediolanum Distribuz. Finanz. S.p.A.	1,000	100.000%	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR p.A.	5,165	51.000%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	51.000%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.000%	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	66,032	100.000%	Barcelona	Banking
Mediolanum International S.A.	71,500	99.997%	Luxembourg	Sub-holding company
Bankhaus August Lenz & Co. AG	20,000	100.000%	Munich	Banking

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

€/'000	Share Capital	% holding	Registered Office	Business
Ges Fibanc SGIIC S.A.	2,506	100.000%	Barcelona	Fund management
Fibanc S.A.	301	100.000%	Barcelona	Financial Advice
Fibanc Pensiones S.G.F.P. S.A.	902	100.000%	Barcelona	Pension funds management
Fibanc Faif S.A.	60	100.000%	Barcelona	Financial Advice
Mediolanum International Funds Ltd	150	2.500%	Dublin	Fund management

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

€/'000	Share Capital	% holding	Registered Office	Business
Gamax Holding AG	5,618	100.000%	Luxembourg	Sub-holding company

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

€/'000	Share Capital	% holding	Registered Office	Business
Gamax Management AG	155	100.000%	Luxembourg	Fund management
Gamax Austria GmbH	40	100.000%	Salzburg	Fund distribution

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

Methods of consolidation

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

Consolidation on a line-by-line basis

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

Any resulting difference, if positive, after recognition of the assets or liabilities of the subsidiary, is recognised as goodwill under "Intangible Assets" on first-time consolidation, and under "Other Reserves" thereafter. Negative differences are recognised in the income statement.

Intercompany assets, liabilities, income and expenses are eliminated in full.

The income and expenses of a subsidiary acquired during the reporting period are included in the consolidated financial statements from the date of acquisition. Accordingly, the income and expenses of a subsidiary disposed of in the reporting period are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary.
Any difference between the consideration for the disposal of the subsidiary and its carrying amount as of the date of disposal is recognised in the income statement.

The financial statements of the Parent Company and those of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date.
When a company within the Group uses different accounting policies, in preparing the consolidated financial statements adjustments are made to make them uniform with the accounting policies adopted by the Group.

Equity Method

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

Any differences between the carrying amount and the equity of the investee are treated like differences arising on line-by-line consolidation.

The investor's share of the profit or loss of the investee is recognised under the relevant item in the consolidated income statement.

If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resulting difference is recognised in the income statement.

In applying the equity method to the accounts of associates, their approved annual financial statements were used.

For those associates that have not adopted the international accounting standards yet, the equity method was applied to the financial statements prepared under the national GAAP, after ascertaining that the estimated differences between national accounting standards and IAS/IFRS were immaterial.

Section 4 - Post Balance Sheet Date Events

In the period between the end of financial year 2007 and the date on which these financial statements were approved no event took place which could materially affect the Bank's results of operation or business.

Section 5 - Other information

Information on the business and the results of operation for the year 2007 of the main subsidiaries is set out in the Directors' Report.
The financial statements of Banca Mediolanum S.p.A. were audited by Reconta Ernst & Young S.p.A.

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 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.

A.2 - Significant accounting policies

Accounting Policies

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets held for trading are initially 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 held for trading* are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.
After initial recognition *financial assets held for trading* are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation (bid/ask or average price). If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.
Financial assets are 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.
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 "past due" in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements. Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at 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 collaterals as well as any costs of recovery. Future cash flows of loans which are expected to be recovered in the short term are not discounted.

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

The amount of the impairment loss is 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.

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 primarily relate to software applications.
Other intangible assets are recognized if they are identifiable as such and arise from contractual or other legal rights.
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.
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 held for trading

Financial liabilities held for trading include:

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

Financial liabilities are initially recognized at the time the policy is issued or amounts are received.
On initial recognition they are measured at the fair value of the financial instruments which originated the liabilities.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly 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 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.

Provisions for risks and charges

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

Employee completion-of-service entitlements

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 Bank 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 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. Their fair value, and the corresponding increase in equity, is determined by reference to the fair value of the stock option measured at grant date over the period between the grant date and the vesting date (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:
- commissions are measured on an accrual basis;
- dividends are recognized in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognized in the income statement only when actually received.

PART B - INFORMATION ON CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

1.1 Analysis of cash and cash equivalents

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) Cash	37,389	34,723
b) Demand deposits with Central Banks	2,618	2,130
Total	40,007	36,853

Section 2 – Financial assets held for trading – Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Listed	Unlisted	Listed	Unlisted
A. Non-derivatives				
1. Debt securities				
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	1,172,505	92	703,831	359,481
2. Equities	73	10	412	9
3. Holdings in UCITS	228	-	935	-
4. Loans				
4.1 repurchase agreements	-	-	-	-
4.2 others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognized	1,023,968	-	631,387	199,661
Total (A)	2,196,774	102	1,336,565	559,151
B. Derivatives				
1. Financial derivatives:				
1.1 held for trading	3	4,193	-	5,828
1.2 measured at fair value	-	-	-	-
1.3 others	-	-	-	-
2. Credit derivatives:				
2.1 held for trading	-	-	-	-
2.2 measured at fair value	-	-	-	-
2.3 others	-	-	-	-
Total (B)	3	4,193	-	5,828
Total (A+B)	2,196,777	4,295	1,336,565	564,979

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Non-derivatives		
1. Debt securities		
a) Governments and Central Banks	578,046	409,160
b) Government agencies	-	4
c) Banks	323,755	380,556
d) Other issuers	270,796	273,592
2. Equities		
a) Banks	-	-
b) Other issuers:		
- insurance companies	-	-
- financial companies	1	-
- non financial companies	82	-
- others	-	421
3. Holdings in UCITS	228	935
4. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
5. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
6. Assets sold but not derecognized		
a) Governments and Central Banks	907,005	811,165
b) Government agencies	-	-
c) Banks	-	-
d) Others	116,963	19,883
Total (A)	2,196,876	1,895,716
B. Derivatives		
a) Banks	3,718	5,461
b) Customers	478	367
Total (B)	4,196	5,828
Total (A+B)	2,201,072	1,901,544

2.3 Analysis of financial assets held for trading: derivatives

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Dec. 31, 2007	Dec. 31, 2006
A) Listed derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	2	-	1	-	-	3	-
• Without exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total (A)	2	-	1	-	-	3	-
B) Unlisted derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	1,451	-	-	-	1,451	2,813
• Without exchange of principal							
- Options purchased	936	-	335	-	18	1,289	1,500
- Other derivatives	1,453	-	-	-	-	1,453	1,515
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total (B)	2,389	1,451	335	-	18	4,193	5,828
Total (A+B)	2,391	1,451	336	-	18	4,196	5,828

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balances	1,063,312	421	935	-	1,064,668
B. Increases					
B1. Additions	11,180,135	32,061	5,929	-	11,218,125
B2. Increases in fair value	9,875	-	30	-	9,905
B3. Other	879,229	351	19	-	879,599
C. Decreases					
C1. Disposals	(10,790,601)	(32,484)	(6,663)	-	(10,829,748)
C2. Redemptions	(686,127)	-	-	-	(686,127)
C3. Decreases in fair value	(17,847)	(10)	-	-	(17,857)
C4. Other	(465,379)	(256)	(22)	-	(465,657)
D. Closing balance	1,172,597	83	228	-	1,172,908

Section 3 – Financial assets at fair value - Caption 30

3.1 Analysis of financial assets at fair value

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	2,974	-	1,153
2. Equities	-	-	-	-
3. Holdings in UCITS	-	-	-	-
4. Loans				
4.1 structured loans	-	-	-	-
4.2 others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognized	-	-	-	-
Total	-	2,974	-	1,153
Cost	-	-	-	-

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Debt securities		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	2,974	1,153
d) Other issuers	-	-
2. Equities		
a) Banks	-	-
b) Other issuers:		
- insurance companies	-	-
- financial companies	-	-
- non financial companies	-	-
- others	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others		-
5. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
6. Assets sold but not derecognized		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Others	-	-
Total	2,974	1,153

3.3 Year's movements in financial assets at fair value

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balances	1,153	-	-	-	1,153
B. Increases					
B1. Additions	1,989	-	-	-	1,989
B2. Increases in fair value	61	-	-	-	61
B3. Other	-	-	-	-	-
C. Decreases					
C1. Disposals	(229)	-	-	-	(229)
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	-	-	-	-	-
C4. Other	-	-	-	-	-
D. Closing balance	2,974	-	-	-	2,974

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

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
1.1 Structured notes	-	3,993	-	12,484
1.2 Other debt securities	79,350	-	14,585	-
2. Equities				
2.1 measured at fair value	737	259	247	7
2.2 measured at cost	-	9,194	-	9,192
3. Holdings in UCITS	-	213,938	4,059	165,394
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognized	100,816	-	-	-
Total	180,903	227,384	18,891	187,077

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, certain items were reclassified from "structured notes" to "other debt securities" .

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Debt securities		
a) Governments and Central Banks	40,421	3
b) Government agencies	-	-
c) Banks	42,070	26,194
d) Other issuers	852	872
2. Equities		
a) Banks	-	-
b) Other issuers:	10,190	9,446
- insurance companies	-	-
- financial companies	1,943	1,455
- non financial companies	7,754	7,753
- others	493	238
3. Holdings in UCITS	213,938	169,453
4. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognized		
a) Governments and Central Banks	100,816	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	408,287	205,968

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, an amount equal to €21,180 thousand was reclassified from "Debt securities/Banks" to "Debt securities/other issuers".

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	27,069	9,446	169,453	-	205,968
B. Increases					
B1. Additions	919,943	22,730	205,343	-	1,148,016
B2. Increases in fair value	-	86	2,679	-	2,765
B3. Write-backs	1,167	305	-	-	1,472
- through profit or loss	-	-	-	-	-
- in equity	1,167	305	-	-	-
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	3,859	-	5,535	-	9,394
C. Decreases					
C1. Disposals	(758,063)	(22,335)	(164,400)	-	(944,798)
C2. Redemptions	(5,006)	-	-	-	(5,006)
C3. Decreases in fair value	(1,369)	-	(4,653)	-	(6,022)
C4. Impairment losses	(1,330)	(22)	-	-	(1,352)
- through profit or loss	(6)	-	-	-	(6)
- in equity	(1,324)	(22)	-	-	(1,346)
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	(102,927)	(20)	(19)	-	(102,966)
D. Closing balance	83,343	10,190	213,938	-	307,471

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

5.1 Analysis of held-to-maturity investments

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Book Value	Fair value	Book Value	Fair value
1. Debt securities				
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	79,242	79,054	133,116	132,298
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognized	293,782	293,411	199,796	199,965
Total	373,024	372,465	332,912	332,263

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Debt securities		
a) Governments and Central Banks	68,985	122,852
b) Government agencies	-	-
c) Banks	10,257	10,264
d) Other	-	-
2. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other	-	-
3. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other	-	-
4. Assets sold but not derecognized		
a) Governments and Central Banks	293,782	199,796
b) Government agencies	293,782	199,796
c) Banks	-	-
d) Other issuers	-	-
Total	373,024	332,912

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

€/'000	Debt securities	Loans	Total
A. Opening balance	133,116	-	133,116
B. Increases			
B1. Additions	60,365	-	60,365
B2. Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	-	-	-
B4. Other	14,442	-	14,442
C. Decreases			
C1. Disposals	-	-	-
C2. Redemptions	(20,000)	-	(20,000)
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	(108,681)	-	(108,681)
D. Closing balance	79,242	-	79,242

Section 6 - Loans to banks - Caption 60

6.1 Analysis of loans to banks

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Central Banks	28,116	25,548
1. Time deposits	-	-
2. Reserve requirements	28,116	25,548
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks	2,952,779	2,293,742
1. Current accounts and demand deposits	98,818	342,787
2. Time deposits	2,241,765	1,726,331
3. Others:	-	-
3.1 Repurchase agreements	559,690	190,360
3.2 Finance leases	-	-
3.3 Other	52,506	34,264
4. Debt securities		
4.1 Structured notes	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold but not derecognized	-	-
Total (book value)	2,980,895	2,319,290
Total (fair value)	*2,980,895*	*2,319,255*

Section 7 - Loans to customers - Caption 70

7.1 Analysis of loans to customers

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Current accounts	285,126	207,175
2. Repurchase agreements	362,293	100,538
3. Mortgage loans	573,801	351,739
4. Credit cards, personal loans and salary-guaranteed loans	63,290	84,165
5. Finance leases	1,274	1,504
6. Factoring	-	-
7. Other	408,316	560,112
8. Debt securities	-	-
8.1 Structured notes	-	-
8.2 Other debt securities	-	-
9. Impaired assets	14,651	19,723
10. Assets sold but not derecognized	-	-
Total (book value)	1,708,751	1,324,956
Total (fair value)	*1,734,493*	*1,354,693*

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, an amount equal to €3,140 thousand was reclassified from "Other" to "Impaired assets".

7.2 Analysis of customer loans by borrower category

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Debt securities		
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers		
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
2. Loans:		
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers		
- non financial companies	86,535	83,508
- financial companies	602,421	546,726
- insurance companies	84,013	7,025
- others	921,130	667,974
3. Impaired assets:		
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers		
- non financial companies	262	8,224
- financial companies	26	-
- insurance companies	-	-
- others	14,364	11,499
4. Assets sold but not derecognized:		
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers		
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
Total	1,708,751	1,324,956

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, certain amounts were reclassified from "Loans" to "Impaired assets".

Section 12 – Tangible assets – Caption 120

12.1 Analysis of tangible assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Occupied/used		
1.1 owned		
a) land	9,290	9,290
b) buildings	27,401	28,141
c) furnishings	2,716	2,654
d) electronic equipment	11,661	10,579
e) other	3,692	2,412
1.2 under finance leases		
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	54,760	53,076
B. Held for investment purposes		
2.1 owned		
a) land	-	-
b) buildings	-	-
2.2 under finance leases		
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	54,760	53,076

12.3 Year's movements in occupied/used tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	9,290	33,264	7,936	39,909	8,643	99,042
A.1 Total net write-downs	-	5,123	5,283	29,329	6,231	45,966
A.2 Net opening balance	9,290	28,141	2,653	10,580	2,412	53,076
B. Increases:	-	914	1,067	4,949	2,711	9,641
B.1 Additions	-	7	1,067	4,871	2,711	8,656
B.2 Capitalized improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	907	-	-	-	907
B.4 Increases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property						-
B.7 Other increases	-	-	-	78	-	78
C. Decreases:	-	(1,653)	(1,004)	(3,869)	(1,431)	(7,957)
C.1 Disposals (*net value*)	-	-	(20)	(9)	(77)	(106)
C.2 Depreciation	-	(773)	(980)	(3,850)	(834)	(6,437)
C.3 Impairment losses						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Decreases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:						
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	(7)	(7)
C.7 Other decreases	-	(880)	(4)	(10)	(513)	(1,407)
D. Net closing balance	9,290	27,402	2,716	11,660	3,692	54,760
D.1 Total net write-downs	-	5,677	5,976	29,868	6,627	48,148
D.2 Gross closing balance	9,290	33,079	8,692	41,528	10,319	102,908
E. Measured at cost	-	-	-	-	-	-

Section 13 – Intangible assets – Caption 120

13.1 Analysis of intangible assets

Assets/Value €/'000	Dec. 31, 2007 Finite life	Dec. 31, 2007 Indefinite life	Dec. 31, 2006 Finite life	Dec. 31, 2006 Indefinite life
A.1 Goodwill				
A.1.1 Group	-	181,597	-	182,509
A.1.2 minorities	-	-	-	-
A.2 Other intangible assets:				
A.2.1 measured at cost				
a) internally generated assets	-	-	-	-
b) other assets	10,984	-	13,131	-
A.2.2 Measured at fair value:				
a) internally generated assets	-	-	-	-
b) other assets	-	-	-	-
Total	10,984	181,597	13,131	182,509

Following the sale of the shareholding in the Gamax Holding AG's wholly owned subsidiary Gamax Broker Pool AG goodwill declined by €912 thousand over the prior year.

13.2 Year's movements in intangible assets

€/'000	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening balance	182,509	-	-	105,882	-	288,391
A.1 Total net write-downs	-	-	-	(92,751)	-	(92,751)
A.2 Net opening balance	182,509	-	-	13,131	-	195,640
B. Increases						
B.1 Additions	-	-	-	8,630	-	8,630
B.2 Increases in internal assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value						
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases:						
C.1 Disposals	(912)	-	-	-	-	(912)
C.2 Write-downs						
- Amortization	-	-	-	(10,669)	-	(10,669)
- Impairment losses						
+ in equity	-	-	-	-	-	-
+ through profit or loss	-	-	-	(104)	-	(104)
C.3 Decreases in fair value						
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(4)	-	4
D. Net closing balance	181,597	-	-	10,984	-	192,581
D.1 Total net write-downs	-	-	-	103,528	-	103,528
E. Gross closing balance	181,597	-	-	114,512	-	89,053
F. Measured at cost	-	-	-	-	-	-

The year-on-year decline in "goodwill" is due to the sale of the company Gamax Broker Pool AG.

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

14.1/14.2 Analysis of tax assets and tax liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets		
charge to the income statement	30,148	38,444
charge to equity	1,914	366
Total deferred tax assets	32,062	38,810
Deferred tax liabilities		
charge to the income statement	(6,485)	(8,044)
charge to equity	(1,019)	(1,242)
Total deferred tax liabilities	(7,504)	(9,286)

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	38,444	32,347
2. Increases		
2.1 Deferred tax assets arisen in the year		
a) relating to prior years	(1,613)	112
b) due to changes in the accounting policies	-	-
c) write-backs	-	14,871
d) other	15,325	669
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	39	-
3. Decreases		
3.1 Deferred tax assets cancelled in the year		
a) reversals	(1,482)	(9,256)
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	(5,461)	(299)
3.3 Other decreases	(15,104)	0
4. Closing balance	30,148	38,444

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, an amount equal to - €7,866 thousand was reclassified from "Other decreases" to "Deferred tax assets cancelled in the year/reversals".

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	(8,044)	(6,543)
2. Increases		
2.1 Deferred tax liabilities arisen in the year		
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(6,386)	(1,481)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	(1,240)	(818)
3. Decreases		
3.1 Deferred tax liabilities cancelled in the year		
a) reversals	16	-
b) changes in the accounting policies	-	-
c) other	1,016	794
3.2 Reduced tax rates	463	4
3.3 Other decreases	7,690	-
4. Closing balance	(6,485)	(8,044)

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	366	325
2. Increases		
2.1 Deferred tax assets arisen in the year		
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	1,595	69
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax assets cancelled in the year		
a) reversals	-	-
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	(39)	(27)
3.3 Other decreases	-	-
a) input exchange differences	-	-
b) calculated exchange differences	-	-
c) other	(8)	(1)
4. Closing balance	1,914	366

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Opening balance	(1,242)	(132)
2. Increases		
2.1 Deferred tax liabilities arisen in the year		
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	(1,125)	(1,195)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax liabilities cancelled in the year		
a) reversals	-	81
b) changes in the accounting policies	-	-
c) other	1,169	-
3.2 Reduced tax rates	179	4
3.3 Other decreases	-	-
4. Closing balance	(1,019)	(1,242)

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, an amount equal to - €1,125 thousand was reclassified from "Other increases" to "Deferred tax assets arisen in the year/other".

14.7 Other information

Analysis of deferred tax assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
charge to the income statement	30,148	38,444
provision for risks and charges	25,373	22,927
loan loss provision	293	526
expenses deductible in future years	4,482	12,430
other	-	2,561
charge to equity	1,914	366
fair value measurement of AFS securities	1,914	366
Total	32,062	38,810

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
charge to the income statement	(6,485)	(8,044)
income deductible in future years	(4,983)	(6,648)
future expenses deductible in the year	(1,502)	(1,396)
charge to equity	(1,019)	(1,242)
fair value measurement of AFS securities	(1,019)	(1,242)
Total	(7,504)	(9,286)

Section 15 - Non-current assets and disposal groups and associated liabilities - Caption 150 (assets) and Caption 90 (liabilities)

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Individual assets		
A.1 Equity investments	-	-
A.2 Tangible assets	7	414
A.3 Intangible assets	-	-
A.4 Other non-current assets	-	-
Total A	7	414
B. Disposal groups		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity investments	-	-
B.5 Loans to banks	990	-
B.6 Loans to customers	36	-
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Other assets	9	-
Total B	1,035	-
C. Commissions associated with non-current assets held for sale		
C.1 Amounts due	(778)	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	(778)	-
D. Liabilities associated with disposal groups held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	(127)	-
Total D	(127)	-

Section 16 – Other assets – Caption 150

16.1 Analysis of other assets

€/'000	Dec. 31, 2007	Dec. 31, 2006
Commissions outstanding	31,523	58,578
Receivables from tax authorities	8,874	7,512
Receivables from financial advisors	28,994	8,936
Advances to suppliers and professionals	3,007	2,019
Security deposits	11,372	18,134
Receivables from companies within the Fininvest Group and the Doris Group	561	149
Receivables from subsidiaries and associates	3,238	6,660
Receivables from employees	152	164
Items in transit	113,922	92,114
Accrued income	3,141	47
Prepayments	3,051	2,456
Other	13,774	20,225
Total	221,609	216,994

LIABILITIES

Section 1 – Amounts due to banks – Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Central banks	290,465	560,172
2. Banks		
2.1 Current accounts and demand deposits	494,807	173,795
2.2 Time deposits	99,464	152,135
2.3 Loans		
2.3.1 Finance leases	-	-
2.3.2 Other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Liabilities in connection with assets sold but not derecognized		
2.5.1 Repurchase agreements	186,708	-
2.5.2 Other	-	-
2.6 Other amounts due	-	-
Total	1,071,444	886,102
Fair value	*1,071,444*	*886,102*

Section 2 – Amounts due to customers – Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Current accounts and demand deposits	4,237,826	4,017,785
2. Time deposits	149,675	56,118
3. Third party assets under administration	-	-
4. Loans		
4.1 Finance leases	-	-
4.2 Other	200	-
5. Commitments to buy back own equity instruments	-	-
6. Liabilities in connection with assets sold but not derecognized		
6.1 Repurchase agreements	1,101,794	575,113
6.2 Other	-	-
7. Other amounts due	9,061	13,765
Total	5,498,556	4,662,781
Fair value	*5,498,556*	*4,662,781*

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, an amount equal to €56,118 thousand was reclassified from "Other amounts due" to "Time deposits".

Section 4 – Financial liabilities held for trading – Caption 40

4.1 Analysis of financial liabilities held for trading

	Dec. 31, 2007				Dec. 31, 2006			
	NV	FV		FV*	NV	FV		FV*
€/'000		L	U			L	U	
A. Non-derivatives								
1. Due to banks	37,327	37,696	-	-	-	-	-	-
2. Due to customers	666,931	677,045	282	-	114,514	72,362	49,065	-
3. Debt securities								
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 structured notes	-	-	-	-	-	-	-	-
3.1.2 others	-	-	-	-	-	-	-	-
3.2 Other securities								
3.2.1 structured notes	-	-	-	-	-	-	-	-
3.2.2 others	-	30	-	-	-	-	-	-
Total A	704,258	714,771	282	-	114,514	72,362	49,065	-
B. Derivatives								
1. Financial derivatives								
1.1 held for trading	1,645	8	1,637	-	-	-	2,081	-
1.2 measured at fair value	-	-	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-	-	-
2. Credit derivatives								
2.1 held for trading	-	-	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-	-	-
Total B	1,645	8	1,637	-	-	-	2,081	-
Total (A+B)	705,903	714,779	1,919	-	114,514	72,362	51,146	-

Legend
FV = Fair Value
FV*= Fair Value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue
NV = Nominal value or notional amount
L = Listed
U = Unlisted

4.4 Analysis of financial liabilities held for trading: derivatives

€/'000	Interest rate	Currencies and gold	Equities	Loans	Other	Dec. 31, 2007	Dec. 31, 2006
A) Listed derivatives							
1. *Financial derivatives:*							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	3	-	5	-	-	8	-
2. *Credit derivatives:*							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total A	3	-	5	-	-	8	-
B) Unlisted derivatives							
1. *Financial derivatives:*							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	579	-	-	-	579	798
Without exchange of principal							
- Options issued	-	-	209	-	18	227	735
- Other derivatives	831	-	-	-	-	831	548
2. *Credit derivatives:*							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total B	831	579	209	-	18	1,637	2,081
Total (A+B)	834	579	214	-	18	1,645	2,081

Section 5 - Financial liabilities at fair value through profit or loss - Caption 50

5.1 Analysis of financial liabilities at fair value through profit or loss

€/'000	Dec. 31, 2007				Dec. 31, 2006			
	NV	FV		FV*	NV	FV		FV*
		L	U			L	U	
1. Due to banks								
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-	-	-
2. Due to customers								
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
3. Securities issued								
3.1 Structured	-	-	-	-	-	-	-	-
3.2 Other	2,974	-	2,974	-	1,153	-	1,153	-
Total	2,974	-	2,974	-	1,153	-	1,153	-

Legend
FV = fair value
FV*= Fair Value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue
NV = Nominal value or notional amount
L = Listed
U = Unlisted

5.3 Year's movements in financial liabilities at fair value through profit or loss other than those sold and not derecognised and other than impaired assets

€/'000	Due to banks	Due to customers	Securities issued	Total
A. Opening balances	-	-	1,153	1,153
B. Increases				
B1. Additions	-	-	1,989	1,989
B2. Disposals	-	-	-	-
B3. Increases in fair value	-	-	30	30
B4. Other	-	-	-	-
C. Decreases				
C1. Disposals	-	-	(198)	(198)
C2. Redemptions	-	-	-	-
C3. Decreases in fair value	-	-	-	-
C4. Other	-	-	-	-
D. Closing balance	-	-	2,974	2,974

Section 10 – Other liabilities – Caption 100

10.1 Analysis of other liabilities

€/'000	Dec. 31, 2007	Dec. 31, 2006
Payables to suppliers	58,896	78,982
Mediolanum Group associates	12,047	41,694
Payables to tax authorities	10,223	6,960
Payables to companies of the Fininvest Group and Doris Group	1,371	2,204
Agents' severance benefits	3,336	3,109
Security deposits	3,431	3,844
Provision for staff costs (vacation pay, additional months, etc.)	6,249	3,883
Items in transit	98,888	78,146
Defferred income	2,320	2,186
Other sundry liabilities	91,176	87,055
Total	287,937	308,063

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

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

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Opening balance	11,438	10,036
B. Increases		
B.1 Amounts set aside in the year	2,077	3,272
B.2 Other increases	56	44
C. Decreases		
C.1 Funds used in the year	(971)	(849)
C.2 Other decreases	(3,086)	(1,065)
D. Closing balance	9,514	11,438

Section 12 – Provisions for risks and charges – Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Severance entitlements	1,265	1,695
2. Other provisions for risks and charges	76,320	65,116
Total	77,585	66,811

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other	Total
A. Opening balance	1,695	65,116	66,811
B. Increases			
B.1 Amounts set aside in the year	48	19,819	19,867
B.2 Time-related increases	-	-	-
B.3 Increased discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases			
C.1 Funds used in the year	(353)	(4,745)	(5,098)
C.2 Decreased discount rate	-	-	-
C.3 Other decreases	(125)	(3,870)	(3,995)
D. Closing balance	1,265	76,320	77,585

12.4 Provisions for risks and charges – "other"

€/'000	Balance at Dec. 31, 2006	Amount set aside in the year	Other changes	Funds used	Balance at Dec. 31, 2007
Personnel	900	-	-	(900)	-
Benefits to Top Managers	18,657	2,925	(2,473)	-	19,109
Risks related to FA illegal actions	16,374	2,732	(708)	(356)	18,042
FA customer base entitlements	10,989	2,562	-	(62)	13,489
FA portfolio entitlements	8,320	2,984	-	(685)	10,619
Legal proceedings	-	5,847	-	-	5,847
Product distribution	6,352	1,564	(221)	(636)	7,059
Staff loyalty rewards	564	83	-	(45)	602
Other	2,960	1,122	(365)	(2,164)	1,553
Total	65,116	19,819	(3,767)	(4,848)	76,320

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

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

€/'000	Capital reserves	Net Profit	Net Equity
FY 2007 - Parent company accounts	437,602	51,060	488,662
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	(53,963)	95,418	41,455
Differences on investments accounted for by the equity method	90,070	(90,070)	-
Elimination of intercompany transactions effects	516	(1,428)	(912)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	30	386	416
Other	(2,412)	313	(2,099)
FY 2007 - Consolidated accounts	471,843	55,679	527,522

15.1 Analysis of shareholders' equity

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Share capital	371,000	371,000
2. Share premium account	-	-
3. Reserves	102,847	86,599
a) retained earnings	-	-
b) other reserves	-	-
4. (Treasury shares)		
5. Valuation reserves	(2,004)	1,255
6. Equity intruments	-	-
7. Net profit (loss) for the year	55,679	63,922
Total	527,522	522,776

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

	Share Capital		Treasury Shares	
€/'000	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Ordinary shares	-	-	-	-
Other shares	371,000	371,000	-	-
Total	371,000	371,000	-	-

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

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

15.6 Analysis of valuation reserves

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Available-for-sale financial assets	(2,004)	1,255
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	(2,004)	1,255

15.7 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation statutes
A. Opening balance	1,255	-	-	-	-	-	-	-
B. Increases	6,892	-	-	-	-	-	-	-
B1. Increases in fair value	4,320	-	-	-	-	-	-	-
B2. Other increases	2,572	-	-	-	-	-	-	-
C. Decreases	(10,151)	-	-	-	-	-	-	-
C1. Decreases in fair value	(6,362)	-	-	-	-	-	-	-
C2. Other decreases	(3,789)	-	-	-	-	-	-	-
D. Closing balance	(2,004)	-	-	-	-	-	-	-

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

	Dec. 31, 2007		Dec. 31, 2006	
€/'000	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	(1,959)	-	(701)
2. Equities	331	-	77	(1)
3. Holdings in UCITS	1,938	(2,314)	1,905	(25)
4. Loans	-	-	-	-
Total	2,269	(4,273)	1,982	(727)

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

€/'000	Debt securities	Equities	Holdings in UCITS	Loans
1. Opening balance	(701)	76	1,880	-
2. Increases				
2.1 Increases in fair value	-	293	4,028	-
2.2 Reversal of negative reserves through profit or loss	-	-	-	-
- impairment losses	-	-	-	-
- disposals	-	-	-	-
2.3 Other increases	441	3	2,128	-
3. Decreases				
3.1 Decreases in fair value	(1,699)	(20)	(4,644)	-
3.2 Reversal of positive reserves through profit or loss	-	-	(2,872)	-
3.3 Other decreases	-	(21)	(896)	-
4. Closing balance	(1,959)	331	(376)	-

Section 16 - Minority interests - Caption 210

16.1 Analysis of shareholders' equity attributable to minority interests

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Share capital	2,677	2,677
2. Share premium account	-	-
3. Reserves	(44,388)	(46,218)
4. (Treasury shares)		
a) Parent company	-	-
b) Subsidiaries	-	-
5. Valuation reserves	62	55
6. Equity instruments	-	-
7. Profit (loss) for the year attributable to minority interests	75,638	81,922
Total	33,989	38,436

16.2 Analysis of valuation reserves

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Available-for-sale financial assets	62	55
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	62	55

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

€/'000	Total	
	Positive reserve	Negative reserve
1. Debt securities	-	-
2. Equities	-	-
3. Holdings in UCITS	62	-
4. Loans	-	-
Total	62	-

16.5 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation statutes
A. Opening balance	55	-	-	-	-	-	-	-
B. Increases	7	-	-	-	-	-	-	-
B1. Increases in fair value	7	-	-	-	-	-	-	-
B2. Other increases	-	-	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-	-	-
C1. Decreases in fair value	-	-	-	-	-	-	-	-
C2. Other decreases	-	-	-	-	-	-	-	-
D. Closing balance	62	-	-	-	-	-	-	-

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2007	Dec. 31, 2006
1) Financial guarantees		
a) Banks	3,500	4,500
b) Customers	23,211	31,225
2) Commercial guarantees		
a) Banks	10,722	10,673
b) Customers	9,483	6,331
3) Commitments to disburse funds		
a) Banks		
i) with certain drawdown	336,132	14,274
ii) with possible drawdown	13,269	76,882
b) Customers		
i) with certain drawdown	-	736
ii) with possible drawdown	151,971	52,168
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	2,940	201,224
Total	551,228	398,013

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Financial assets held for trading	1,023,968	831,048
2. Financial assets at *fair value*	-	-
3. Available-for-sale financial assets	100,816	
4. Held-to-maturity investments	293,782	199,796
5. Loans to banks	-	-
6. Loans to customers	-	-
7. Tangible assets	-	-
Total	1,418,566	1,030,844

5. Brokerage and asset management on behalf of customers

€/'000	Dec. 31, 2007
1. Securities brokerage	
a) Purchases	
1. settled	-
2. not settled	-
b) Sales	-
1. settled	-
2. not settled	-
2. Asset management	
a) individual portfolio management	590,842
b) collective portfolio management	767,309
3. Securities in custody and under administration	
a) custodian bank services (other than managed assets)	
1. securities issued by the reporting entity	979,903
2. other securities	-
b) custodian bank services (other than managed assets)	
1. securities issued by the reporting entity	3,436,260
2. other securities	3,123,779
c) third-party securities held by other custodians	3,890,027
d) own securities held by other custodians	-
4. Other services	-

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Captions 10 and 20

1.1 Analysis of interest income and similar income

€/'000	Performing financial assets		Impaired financial assets	Other assets	Dec. 31, 2007	Dec. 31, 2006
	Debt securities	Loans				
1. Financial assets held for trading	78,018	-	-	-	78,018	43,832
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Held-to-maturity investments	5,186	-	-	290	5,476	1,288
4. Loans to banks	13,924	-	-	-	13,924	14,634
5. Loans to customers	-	83,382	-		83,382	60,294
6. Financial assets at *fair value*	-	66,206	-	2,763	68,969	42,848
7. Derivative hedging instruments				-	-	-
8. Financial assets sold but not derecognized	36,873	-	-	-	36,873	15,483
9. Other assets				408	408	196
Total	134,001	149,588	-	3,461	287,050	178,575

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, certain reclassifications were made within the item "interest income".

1.3 Interest income and similar income: other information

€/'000	Dec. 31, 2007	Dec. 31, 2006
Interest income and similar income on:		
a) financial assets denominated in foreign currencies	5,223	6,626
b) finance leases	73	74
c) third party assets under administration	-	-

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other liabilities	Dec. 31, 2007	Dec. 31, 2006
1. Due to banks	26,840	-	-	26,840	13,967
2. Due to customers	70,126	-	-	70,126	46,796
3. Securities issued	-	-	-	-	-
4. Financial liabilities held for trading	-	18,544	-	18,544	3,205
5. Financial liabilities in connection with assets sold but not derecognized	-	50,054	-	50,054	30,465
7. Other liabilities	-	-	116	116	214
8. Derivative hedging instruments	-	-	-	-	-
Total	96,966	68,598	116	165,680	94,647

1.6 Interest expense and similar charges: other information

€/'000	Dec. 31, 2007	Dec. 31, 2006
Interest expense and similar charges on:		
a) financial liabilities denominated in foreign currencies	13,125	16,595
b) finance leases	-	-
c) third party assets under administration	-	-

Section 2 - Commissions - Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) Garantees issued	356	319
b) Credit derivatives	-	96
c) Management, brokerage and consulting services:	660,420	714,208
1. brokerage of financial instruments	10,199	12,150
2. currency brokerage	3	3
3. asset management	430,168	440,357
3.1 individual portfolio management	7,496	16,014
3.2 collective portfolio management	422,672	424,343
4. securities in custody and under administration	3,877	5,848
5. custodian bank	848	852
6. sale of securities	902	399
7. order taking	8,575	7,446
8. consultancy	-	-
9. services to third parties	205,848	247,153
9.1 asset management	1,170	504
9.1.1 individual portfolio management	83	83
9.1.2 collective portfolio management	1,087	421
9.2 insurance products	198,291	239,145
9.3 other products	6,387	7,504
d) Payments and collections	29,296	27,556
e) Servicing for securitization transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Other services	17,917	14,707
Total	707,989	756,886

2.2 Commission income: distribution channels of products and services

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) through the company's own branches:		
1. Asset management	-	-
2. Sale of securities	189	-
3. Services and products of third parties	-	-
b) off-premises sales:		
1. Asset management	413,444	412,453
2. Sale of securities	713	399
3. Services and products of third parties	205,765	247,070
c) other distribution channels:		
1. Asset management	16,724	27,904
2. Sale of securities	-	-
3. Services and products of third parties	83	83

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, certain reclassifications were made within the item "commission income".

2.3 Analysis of commission expense

€/'000	Dec. 31, 2007	Dec. 31, 2006
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	323,547	344,605
1. brokerage of financial instruments	5,139	6,089
2. currency brokerage	-	-
3. asset management:	72,953	70,334
3.1 own portfolio	67,985	61,998
3.2 third-party portfolios	4,968	8,336
4. securities in custody and under administration	976	965
5. sale of financial instruments	-	-
6. off-premises sale of financial instruments, products & services	244,479	267,217
d) payments and collections	26,539	24,846
e) other services	33,000	29,296
Total	383,086	398,747

For a more accurate representation of year-end balances, it should be noted that, in relation to 2006 year end balances, certain reclassifications were made within the item "commission expenses".

Section 3 – Dividends and similar income – Caption 70

3.1 Analysis of dividends and similar income

€/'000	Dec. 31, 2007 Dividends	Dec. 31, 2007 Income from holdings in UCITS	Dec. 31, 2006 Dividends	Dec. 31, 2006 Income from holdings in UCITS
A. Financial assets held for trading	4	-	-	-
B. Available-for-sale financial assets	119	2,724	200	-
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-	-	-	-
Total	123	2,724	200	-

Section 4 – Net income from trading – Caption 80

4.1 Analysis of net income from trading

€/'000	Unrealized gains (A)	Realized trading profits (B)	Unrealized losses (C)	Realized losses (D)	Net income (A+B)-(C+D)
1. Financial assets held for trading					
1.1 Debt securities	2,199	25,475	(15,628)	(20,225)	(8,179)
1.2 Equities	-	307	(13)	(240)	54
1.3 Holdings in UCITS	-	81	-	(12)	69
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading					
2.1 Debt securities	7,680	5,305	(2,146)	(3,871)	6,968
2.2 Amounts due	-	-	(1)	-	(1)
2.3 Other	30	-	-	-	30
3. Other financial assets and liabilities: exchange differences	-	-	-	-	185
4. Derivatives					
4.1 Financial derivatives:					
- debt securities	-	-	-	-	-
and interest rates	933	42,747	(999)	(39,367)	3,314
- equities					
and stock indices	-	12	-	(7)	5
- currencies and gold	-	-	-	-	-
- other	69,949	22	(67,727)	(255)	1,989
4.2 Credit derivatives	-	-	-	-	-
Total	80,791	73,949	(86,514)	(63,977)	4,434

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

6.1 Analysis of gains (losses) on sale /buyback

€/'000	Dec. 31, 2007 Gains	Losses	Net income	Dec. 31, 2006 Gains	Losses	Net income
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets:						
3.1 Debt securities	2,242	(91)	2,151	218	(773)	(555)
3.2 Equities	71	(131)	(60)	664	(115)	549
3.3 Holdings in UCITS	8,162	-	8,162	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	10,475	(222)	10,253	882	(888)	(6)
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Section 8 – Impairment losses – Caption 130

8.1 Analysis of net impairment of loans

€/'000	Write-downs (1) Individual Cancellations	Write-downs (1) Individual Others	Write-downs (1) Collective	Write-backs (2) Individual A (interest)	Write-backs (2) Individual B (others)	Write-backs (2) Collective A (interest)	Write-backs (2) Collective B (others)	Dec. 31, 2007	Dec. 31, 2006
A. Loans to banks	-	-	-	-	-	-	-	-	-
B. Loans to customers	(735)	(7,148)	(3,576)	-	4,328	-	1,312	(5,819)	(3,338)
C. Total	(735)	(7,148)	(3,576)	-	4,328	-	1,312	(5,819)	(3,338)

8.2 Analysis of net impairment of available for sale financial assets

€/'000	Impairment (1) Individual Cancellations	Impairment (1) Individual Others	Reversal of impairment (2) Individual A (interest)	Reversal of impairment (2) Individual B (others)	Dec. 31, 2007	Dec. 31, 2006
A. Debt securities	-	(6)	-	-	(6)	-
B. Equities	-	-	-	-	-	-
C. Holdings in UCITS	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(6)	-	-	(6)	-

8.4 Analysis of impairment losses on other financial operations

€/'000	Impairment (1)			Reversal of Impairment (2)				Dec. 31, 2007	Dec. 31, 2006
	Individual			Individual		Collective			
	Cancellations	Others	Collective	A (interest)	B (others)	A (interest)	B (others)		
A. Guarantees issued	-	-	-	-	-	-	-	-	-
B. Credit derivaties	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-	-
E. Total	-	-	-	-	-	-	-	-	-

Section 11 – Administrative expenses – Caption 180

11.1 Analysis of staff costs

€/'000	Dec. 31, 2007	Dec. 31, 2006
1) Employees		
a) wages and salaries	68,810	61,140
b) social security contributions	19,045	16,332
c) employee completion of service entitlements	-	-
d) social security contributions	16	189
e) provision for completion of service entitlements	2,077	3,349
f) provision for severance benefits and similar obligations:		
- defined contribution plan	155	227
- defined benefit plan	-	-
g) external supplementary pension funds:		
- defined contribution plan	558	-
- defined benefit plan	146	187
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	1,594	2,587
2) Other personnel	5,545	4,158
3) Directors	5,003	3,695
Total	102,949	91,864

11.2 Average number of employees by category:

Category	Dec. 31, 2007	Dec. 31, 2006
Employees		
a) Senior management	96	93
b) Middle management	213	196
c) Other employees	1,303	1,163
Total employees	1,612	1,452
Other personnel	17	63
Total	1,629	1,515

For a more accurate representation of year-end figures, it should be noted that, in relation to 2006 year end figures, certain employees were reclassified under different categories.

11.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2007	Dec. 31, 2006
IT services	34,268	34,021
Infoprovider services	4,731	4,912
Other miscellaneous services	12,441	9,756
Taxes and duties	697	872
Television and Internet communication services	14,950	11,804
Consultancy and network advisory services	10,521	10,442
Rentals	11,059	9,905
Maintenance and repairs	1,554	1,459
Postal and telephone	10,621	8,337
Miscellaneous advisory services	11,442	9,606
Key personnel seconded from subsidiaries	-	39
Consumables	5,080	3,550
Insurance	3,117	2,895
Directors and Statutory Auditors compensation	480	398
Membership fees	822	725
Advertising and promotions	21,833	19,647
Conventions	5,555	4,474
Advertising and promotions	6,525	7,681
Canteen	2,321	2,012
Business expenses, gifts and donations	2,447	998
Market research	1,419	1,662
Recruitment/Training of personnel	1,077	866
Travel expenses	2,051	1,909
Recruitment and training of financial advisors	188	75
Other administrative expenses	5,642	6,774
Total	170,841	154,819

Section 12 – Provisions for risks and charges – Caption 190

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2007	Dec. 31, 2006
Provision for risks and charges - other		
Personnel	-	900
Benefits to Top Managers	452	4,852
Risks related to FA illegal actions	2,024	1,681
FA customer base entitlements	2,562	3,584
FA portfolio entitlements	2,984	4,261
Legal proceedings	5,847	-
Staff loyalty rewards	83	61
Other	2,100	1,228
Total	16,052	16,567

Section 13 – Write-downs of tangible assets – Caption 200

13.1 Write-downs of tangible assets

€/'000	Depreciation (A)	Impairment losses (B)	Write-backs (C)	Net write-downs (A+B-C)
A. Tangible assets				
A.1 owned				
- held for use	(6,437)	-	-	(6,437)
- held for investment purposes	-	-	-	-
A.2 under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(6,437)	-	-	(6,437)

Section 14 – Write-downs of intangible assets – Caption 210

14.1 Write-downs of intangible assets

€/'000	Depreciation (A)	Impairment losses (B)	Write-backs (C)	Net write-downs (A+B-C)
A. Tangible assets				
A.1 owned				
- held for use	-	-	-	-
- held for investment purposes	(10,669)	(104)	-	(10,773)
A.2 under finance leases	-	-	-	-
Total	(10,669)	(104)	-	(10,773)

Section 15 – Other operating income – Caption 220

15.1/ 15.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2007	Dec. 31, 2006
Assets under finance lease		
Lease installments	-	-
Losses on sale	-	-
Insurance	-	-
Transfer of title	-	-
Other		
Compensations and Settlements	1,872	1,163
Loan losses	652	270
Amortisation of expenses for improvements of leasehold assets	600	251
Other expenses	1,801	1,215
Total other operating expenses	4,925	2,899
Recoveries of Indirect taxes	203	23
Cost recoveries relating to seconded personnel	-	-
Recoveries of expenses on contracts and services rendered	12,737	10,549
Miscellaneous income	4,549	3,597
Rentals on owned property	489	334
Recoveries of expenses from customers	2,299	1,655
Recoveries of expenses from financial advisors	1,073	287
Other	688	1,321
Total other operating income	17,489	14,169
Total other operating expenses and income	12,564	11,270

Section 16 - Profit (Loss) on equity investments - Caption 240

16.1 Analysis of profit (loss) on equity investments

€/'000	Dec. 31, 2007	Dec. 31, 2006
1) Joint-ventures		
A. Gains		
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversal of impairment	-	-
4. Other	-	-
B. Losses		
1. Decrease in value	-	-
2. Impairment	-	-
3. Losses on sale	-	-
4. Other	-	-
Profit (Loss)	-	-
1) Companies under significant influence		
A. Gains		
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversal of impairment	-	-
4. Other	-	-
B. Losses		
1. Decrease in value	-	-
2. Impairment	-	-
3. Losses on sale	-	-
4. Other	-	-
Profit (Loss)	-	-
Total	-	-

Section 19 - Profit (Loss) on disposal of investments - Caption 270

19.1 Analysis of profit (loss) on disposal of investments

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Property		
- Gains on sale	-	-
- Lossess on sale	-	-
B. Other assets		
- Gains on sale	-	-
- Lossess on sale	-	-
Net profit (loss)	-	-

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

20.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2007	Dec. 31, 2006
1. Current tax (-)	(26,070)	(36,819)
2. Change in the current tax for prior years (+/-)	529	87
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	(8,296)	6,098
5. Change in deferred tax liabilities (+/-)	1,559	(1,502)
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(32,278)	(32,136)

PART D - SEGMENT REPORTING

This section presents consolidated financial data reported by segment.

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

In compliance with IAS 14, segment reporting reflects the management reporting system of the Banca Mediolanum Group, and is consistent with the information disclosed to the market and to the various stakeholders. In certain instances that exercise entailed item reclassifications.

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

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

BALANCE SHEET AS AT DECEMBER 31, 2007

Segment reporting by geographical area

	ITALY			ABROAD		
€/'000	2007	2006	delta	2007	2006	delta
ASSETS						
Intangible assets	9,942	11,641	(1,699)	182,639	184,778	(2,139)
Property	18,847	19,357	(510)	17,844	18,061	(217)
Securities and derivatives	2,894,763	2,403,144	491,619	90,594	38,425	52,169
Financial assets - Banks	2,613,136	2,093,901	519,235	135,620	238,120	(102,500)
Financial assets - Customers	1,558,063	1,135,894	422,169	151,070	190,127	(39,057)
Other assets	336,218	303,682	32,536	334,878	263,169	71,709
Total ASSETS	7,430,969	5,967,619	1,463,350	912,645	932,680	(20,035)
LIABILITIES AND EQUITY						
Financial liabilities - Banks	1,134,041	1,130,696	3,345	20,360	1,503	18,857
Financial liabilities - Customers	5,032,853	4,131,748	901,105	480,000	537,566	(57,566)
Other financial liabilities	716,189	121,624	594,565	3,483	3,037	446
Provision for risks and charges	74,787	62,156	12,631	2,798	4,655	(1,857)
Other liabilities	276,363	301,806	(25,443)	41,229	44,296	(3,067)
Total LIABILITIES	7,234,233	5,748,030	1,486,203	547,870	591,057	(43,187)
Minority interests	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	-	-	-	-	-	-

Consolidation adjustments			GRANDTOTAL		
2007	2006	delta	2007	2006	delta
-	-	-	192,581	196,419	(3,838)
-	-	-	36,691	37,418	(727)
-	-	-	2,985,357	2,441,569	543,788
(96,909)	(198,370)	101,461	2,651,847	2,133,651	518,196
(382)	(1,661)	1,279	1,708,751	1,324,360	384,391
(114)	(52,860)	52,746	670,982	513,991	156,991
(97,405)	(252,891)	155,486	8,246,209	6,647,408	1,598,801
(82,957)	(246,072)	163,115	1,071,444	886,127	185,317
(14,297)	(6,533)	(7,764)	5,498,556	4,662,781	835,775
-	-	-	719,672	124,661	595,011
-	-	-	77,585	66,811	10,774
(151)	(286)	135	317,441	345,816	(28,375)
(97,405)	(252,891)	155,486	7,684,698	6,086,196	1,598,502
-	-	-	33,989	38,436	(4,447)
-	-	-	471,843	458,854	12,989
-	-	-	55,679	63,922	(8,243)
-	-	-	8,246,209	6,647,408	1,598,801

INCOME STATEMENT AS AT DECEMBER 31, 2007

Segment reporting by geographical area

	ITALY			ABROAD		
€/'000	2007	2006	delta	2007	2006	delta
Net premiums written	-	-	-	-	-	-
Entry fees	47,010	48,779	(1,769)	7,357	8,535	(1,178)
Management fees	269,318	260,134	9,184	17,607	18,647	(1,040)
Performance fees	58,872	80,465	(21,593)	2,803	2,663	140
Fees and other income from banking services	44,401	41,053	3,348	32,818	33,292	(474)
Other fees	210,989	248,462	(37,473)	16,820	15,380	1,440
Total Commission Income	630,590	678,893	(48,303)	77,405	78,517	(1,112)
Interest income and similar income	267,388	165,867	101,521	27,314	20,648	6,666
Interest expense and similar charges	(159,791)	(92,641)	(67,150)	(13,542)	(9,942)	(3,600)
Income / loss on investments at fair value	4,347	9,080	(4,733)	83	210	(127)
Net financial income	111,944	82,306	29,638	13,855	10,916	2,939
Income from other investments	11,806	304	11,502	1,429	106	1,323
Other revenues	15,764	12,125	3,639	1,744	1,976	(232)
TOTAL REVENUES	770,104	773,628	(3,524)	94,433	91,515	2,918
Claims paid and change in technical reserves	-	-	-	-	-	-
Commission expense and acquisition costs	(335,266)	(352,416)	17,150	(47,825)	(46,851)	(974)
Net impairment	(7,116)	(2,356)	(4,760)	1,188	(1,042)	2,230
General and administrative expenses	(236,106)	(207,795)	-	(42,659)	(41,900)	(759)
Depreciation and amortisation	(14,512)	(15,699)	1,187	(2,594)	(2,536)	(58)
Provisions for risks and charges	(15,315)	(15,089)	(226)	(737)	(1,478)	741
PROFIT BEFORE TAX	161,789	180,273	(18,484)	1,806	(2,292)	4,098
Income tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
NET / (LOSS)	161,789	180,273	(18,484)	1,806	(2,292)	4,098

Consolidation adjustments			GRANDTOTAL		
2007	2006	delta	2007	2006	delta
-	-	-	-	-	-
-	-	-	54,367	57,314	(2,947)
-	-	-	286,925	278,781	8,144
-	-	-	61,675	83,128	(21,453)
(6)	(6)	-	77,213	74,339	2,874
-	(518)	518	227,809	263,324	(35,515)
(6)	(524)	518	707,989	756,886	(48,897)
(7,652)	(7,940)	288	287,050	178,575	108,475
7,653	7,936	(283)	(165,680)	(94,647)	(71,033)
4	-	4	4,434	9,290	(4,856)
5	(4)	9	125,804	93,218	32,586
-	-	-	13,235	410	12,825
(53)	(103)	50	17,455	13,998	3,457
(54)	(631)	577	864,483	864,512	(29)
-	-	-	-	-	-
5	520	(515)	(383,086)	(398,747)	15,661
-	-	-	(5,928)	(3,398)	(2,530)
49	111	(62)	(278,716)	(249,584)	(29,132)
-	-	-	(17,106)	(18,235)	1,129
-	-	-	(16,052)	(16,567)	515
-	-	-	163,595	177,981	(14,386)
-	-	-	(32,278)	(32,137)	(141)
-	-	-	(75,638)	(81,922)	6,284
-	-	-	55,679	63,922	(8,243)

BALANCE SHEET AS AT DECEMBER 31, 2007

Segment reporting by business area

	BANKING			ASSET MANAGEMENT		
€/'000	2007	2006	delta	2007	2006	delta
ASSETS						
Intangible assets	161,699	164,122	(2,423)	30,882	32,297	(1,415)
Property	29,036	29,597	(561)	7,655	7,821	(166)
Securities and derivatives	2,975,853	2,427,756	548,097	9,504	13,813	(4,309)
Financial assets - Banks	2,595,782	2,084,186	511,596	80,594	69,285	11,309
Financial assets - Customers	1,673,330	1,278,016	395,314	35,462	47,306	(11,844)
Other assets	665,937	512,948	152,989	7,720	4,908	2,812
Total ASSETS	8,101,637	6,496,625	1,605,012	171,817	175,430	(3,613)
LIABILITIES AND EQUITY						
Financial liabilities - Banks	1,071,444	886,127	185,317	-	791	(791)
Financial liabilities - Customers	5,522,393	4,682,301	840,092	626	469	157
Other financial liabilities	719,672	124,661	595,011	-	-	-
Technical reserves	-	-	-	-	-	-
Provision for risks and charges	77,565	65,765	11,800	20	1,046	(1,026)
Other liabilities	277,919	311,018	(33,099)	42,304	38,665	3,639
Total LIABILITIES	7,668,993	6,069,872	1,599,121	42,950	40,971	1,979
Minority interests	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-
Total LIABILITIES AND EQUITY	-	-	-	-	-	-

Consolidation adjustments			GRANDTOTAL		
2007	2006	delta	2007	2006	delta
-	-	-	192,581	196,419	(3,838)
-	-	-	36,691	37,418	(727)
-	-	-	2,985,357	2,441,569	543,788
(24,529)	(19,820)	(4,709)	2,651,847	2,133,651	518,196
(41)	(962)	921	1,708,751	1,324,360	384,391
(2,675)	(3,865)	1,190	670,982	513,991	156,991
(551,169)	(495,533)	(55,636)	8,246,209	6,647,408	1,598,801
-	(791)	791	1,071,444	886,127	185,317
(24,463)	(19,989)	(4,474)	5,498,556	4,662,781	835,775
-	-	-	719,672	124,661	595,011
-	-	-	-	-	-
-	-	-	77,585	66,811	10,774
(2,782)	(3,867)	1,085	317,441	345,816	(28,375)
(27,245)	(24,647)	(2,598)	7,684,698	6,086,196	1,598,502
-	-	-	33,989	38,436	(4,447)
-	-	-	471,843	458,854	12,989
-	-	-	55,679	63,922	(8,243)
-	-	-	8,246,209	6,647,408	1,598,801

INCOME STATEMENT AS AT DECEMBER 31, 2007

Segment reporting by business area

	BANKING			ASSET MANAGEMENT		
€/'000	2007	2006	delta	2007	2006	delta
Net premiums written	-	-	-	-	-	-
Entry fees	-	-	-	54,367	57,314	(2,947)
Management fees	-	-	-	286,925	278,781	8,145
Performance fees	-	-	-	61,675	83,128	(21,453)
Fees and other income from banking services	76,211	73,053	3,159	1,008	1,292	(285)
Other fees	362	1,111	(749)	227,447	262,730	(35,283)
Total Commission Income	76,574	74,164	2,410	631,422	683,245	(51,823)
Interest income and similar income	289,848	183,928	105,919	4,854	2,587	2,267
Interest expense and similar charges	(173,714)	(102,390)	(71,324)	381	(193)	574
Income / loss on investments at fair value	4,328	9,238	(4,910)	102	52	50
Net financial income	120,462	90,777	29,685	5,337	2,446	2,891
Income from other investments	12,306	236	12,070	929	174	755
Other revenues	7,958	5,530	2,428	9,550	8,571	979
TOTAL REVENUES	217,300	170,707	46,593	647,237	694,435	(47,198)
Claims paid and change in technical reserves	-	-	-	-	-	-
Commission expense and acquisition costs	(54,736)	(47,767)	(6,969)	(328,356)	(351,500)	23,144
Net impairment	(5,926)	(2,993)	(2,933)	(2)	(405)	403
DIRECT General and administrative expenses	(95,051)	(87,269)	(7,783)	(63,469)	(60,423)	(3,046)
INCOME BEFORE INDIRECT COSTS	61,586	32,678	28,908	255,410	282,108	(26,698)
INDIRECT General and administrative expenses/ Depreciation, Amortisation and Provisions	-	-	-	-	-	-
PROFIT BEFORE TAX	-	-	-	-	-	-
Income tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
NET / (LOSS)	61,586	32,678	28,908	255,410	282,108	(26,698)

Consolidation adjustments			GRANDTOTAL		
2007	2006	delta	2007	2006	delta
-	-	-	-	-	-
-	-	-	54,367	57,314	(2,947)
-	-	-	286,925	278,781	8,145
-	-	-	61,675	83,128	(21,453)
(6)	(6)	-	77,213	74,339	2,874
-	(518)	518	227,809	263,324	(35,514)
(6)	(524)	518	707,989	756,885	(48,895)
(7,652)	(7,940)	288	287,050	178,575	108,474
7,653	7,936	(283)	(165,680)	(94,647)	(71,033)
4	-	4	4,434	9,290	(4,856)
5	(4)	9	125,804	93,218	32,585
-	-	-	13,235	410	12,825
(53)	(103)	50	17,455	13,998	3,457
(54)	(631)	577	864,483	864,511	(28)
-	-	-	-	-	-
5	520	(515)	(383,086)	(398,747)	15,660
-	-	-	(5,928)	(3,398)	(2,530)
49	111	(62)	(158,472)	(147,581)	(10,891)
-	-	-	316,996	314,786	2,211
-	-	-	(153,401)	(136,805)	(16,596)
-	-	-	163,595	177,981	(14,386)
-	-	-	(32,278)	(32,137)	(141)
-	-	-	(75,638)	(81,922)	6,284
-	-	-	55,679	63,922	(8,243)

INCOME STATEMENT AS AT DECEMBER 31, 2007

Segment reporting by business line/Italy

	BANKING		
€/'000	2007	2006	delta
Net premiums written	-	-	-
Entry fees	-	-	-
Management fees	-	-	-
Performance fees	-	-	-
Fees and other income from banking services	44,404	41,056	3,349
Other fees	33	6	27
Total Commission Income	44,437	41,062	3,375
Interest income and similar income	264,026	163,730	100,296
Interest expense and similar charges	(160,180)	(92,770)	(67,410)
Income / loss on investments at fair value	4,338	9,076	(4,738)
Net financial income	108,184	80,036	28,148
Income from other investments	11,772	130	11,642
Other revenues	6,227	3,642	2,584
TOTAL REVENUES	170,620	124,870	45,749
Claims paid and change in technical reserves	-	-	-
Commission expense and acquisition costs	(28,993)	(23,364)	(5,629)
Net impairment	(7,114)	(1,951)	(5,163)
DIRECT General and administrative expenses	(73,947)	(64,869)	(9,078)
INCOME BEFORE INDIRECT COSTS	60,566	34,686	25,880
INDIRECT General and administrative expenses/ Depreciation, Amortisation and Provisions	-	-	-
PROFIT BEFORE TAX	-	-	-
Income tax	-	-	-
Minority interests	-	-	-
NET / (LOSS)	60,566	34,686	25,880

ASSET MANAGEMENT			GRANDTOTAL		
2007	2006	delta	2007	2006	delta
-	-	-	-	-	-
47,010	48,779	(1,769)	47,010	48,779	(1,769)
269,318	260,134	9,184	269,318	260,134	9,184
58,872	80,465	(21,593)	58,872	80,465	(21,593)
(3)	(3)	(1)	44,401	41,053	3,348
210,956	248,456	(37,500)	210,989	248,462	(37,473)
586,153	637,831	(51,678)	630,590	678,893	(48,303)
3,362	2,137	1,225	267,388	165,867	101,521
389	129	260	(159,791)	(92,641)	(67,150)
9	4	5	4,347	9,080	(4,733)
3,760	2,270	1,490	111,944	82,306	29,638
34	174	(140)	11,806	304	11,502
9,537	8,483	1,055	15,764	12,125	3,639
599,484	648,758	(49,273)	770,104	773,628	(3,524)
-	-	-	-	-	-
(306,273)	(329,052)	22,779	(335,266)	(352,416)	17,150
(2)	(405)	403	(7,116)	(2,356)	(4,760)
(47,827)	(46,784)	(1,043)	(121,774)	(111,653)	(10,121)
245,382	272,517	(27,135)	305,948	307,203	(1,255)
-	-	-	(144,159)	(126,930)	(17,229)
-	-	-	161,789	180,273	(18,484)
-	-	-	(30,931)	(30,733)	(198)
-	-	-	(75,638)	(81,922)	6,284
245,382	272,517	(27,135)	55,220	67,618	(12,398)

INCOME STATEMENT AS AT DECEMBER 31, 2007

Segment reporting by business line/Abroad

	BANKING		
€/'000	2007	2006	delta
Net premiums written	-	-	-
Entry fees	-	-	-
Management fees	-	-	-
Performance fees	-	-	-
Fees and other income from banking services	31,807	31,997	(190)
Other fees	330	1,105	(775)
Total Commission Income	32,137	33,102	(965)
Interest income and similar income	25,822	20,198	5,624
Interest expense and similar charges	(13,534)	(9,620)	(3,914)
Income / loss on investments at fair value	(10)	162	(172)
Net financial income	12,278	10,740	1,537
Income from other investments	534	106	428
Other revenues	1,732	1,888	(156)
TOTAL REVENUES	46,680	45,837	844
Claims paid and change in technical reserves	-	-	-
Commission expense and acquisiition costs	(25,743)	(24,403)	(1,340)
Net impairment	1,188	(1,042)	2,229
DIRECT General and administrative expenses	(21,105)	(22,400)	1,295
INCOME BEFORE INDIRECT COSTS	1,021	(2,008)	3,028
INDIRECT General and administrative expenses/ Depreciation, Amortisation and Provisions	-	-	-
PROFIT BEFORE TAX	-	-	-
Income tax	-	-	-
Minority interests	-	-	-
NET / (LOSS)	1,021	(2,008)	3,028

ASSET MANAGEMENT			GRANDTOTAL		
2007	2006	delta	2007	2006	delta
-	-	-	-	-	-
7,357	8,535	(1,177)	7,357	8,535	(1,177)
17,607	18,647	(1,040)	17,607	18,647	(1,040)
2,803	2,663	140	2,803	2,663	140
1,011	1,295	(284)	32,818	33,292	(474)
16,491	14,274	2,213	16,820	15,380	1,438
45,269	45,414	(148)	77,405	78,516	(1,113)
1,492	450	1,043	27,314	20,648	6,666
(8)	(322)	314	(13,542)	(9,942)	(3,600)
93	48	45	83	210	(127)
1,577	176	1,402	13,855	10,916	2,939
895	-	895	1,429	106	1,323
12	88	(76)	1,744	1,976	(232)
47,753	45,678	2,073	94,433	91,514	2,917
-	-	-	-	-	-
(22,083)	(22,448)	365	(47,825)	(46,851)	(975)
-	-	-	1,188	(1,042)	2,229
(15,642)	(13,639)	(2,003)	(36,746)	(36,039)	(707)
10,028	9,591	435	11,049	7,583	3,463
-	-	-	(9,243)	(9,876)	632
-	-	-	1,805	(2,293)	4,098
-	-	-	(1,346)	(1,404)	57
-	-	-	-	-	-
10,028	9,591	435	459	(3,697)	4,156

PART E - INFORMATION ON RISK AND RISK MANAGEMENT

The internal control system of Mediolanum Banking Group entails defence at different levels in accordance with the Group's organizational structure.

Specifically, for financial risk and credit risk, line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organizational unit or function. Risk controls (second level) are controls performed by units other than operating units. They contribute to the definition of risk measurement methods, control of operating limits of officers to whom authorities are delegated, and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of responsibility.

The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for identifying, measuring, assessing and managing the financial risk and credit risk associated with all assets and liabilities managed by Mediolanum Banking Group.

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General information

Lending, be it the provision of home loans or consumer credit, or in other forms to meet other financing needs, is part of the business of 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. Mediolanum Banking Group applies prudent lending policies, which are geared to develop and strengthen the relationship with customers who invest in products managed by the companies within the Group.

2. Credit risk management

2.1 Organisational Aspects

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

Within its areas of responsibility, Banca Mediolanum also assesses credit risk exposure at the level of individual companies, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with capital requirements and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of the respective companies.

Each lender within the Banking Group has its own "Lending Policy", which is approved by its Board of Directors and sets out, inter alia, the authorities delegated to the various functions involved in the lending process, the type of collateral that can be accepted and the frequency of reports to Senior Management and the Board of Directors.

2.2 Risk measurement and management

The Mediolanum Banking Group's credit risk management system consists of the set of models and measurement tools as well as controls geared to ensure optimal management of the credit risk associated with the loan portfolio.

The credit risk management system ensures Mediolanum Banking Group is always current with its risk exposure in relation to each customer or group of customers, and takes prompt corrective actions, when needed, in accordance with related policies.

The credit risk management system pursues the following objectives:

- develop adequate processes for identifying, measuring and monitoring credit risk in relation to each counterparty and portfolio;
- ensure a steady flow of timely information to effectively monitor the composition and quality of the loan portfolio and promptly adjust loss estimates and capital charges;
- ensure compliance with the prudential requirements of domestic and international supervisory authorities;
- promote the adoption of policies and procedures for credit risk prudent management;
- support operational decisions of lending officers by providing the information needed to properly assess the borrower creditworthiness and type of financing;
- provide an adequate flow of information on credit risk exposures and mitigation techniques to senior management.

The credit risk management system reflects the specific characteristics of the banking lending business and any changes thereof in addition to any regulatory or statutory changes.

Credit quality is monitored by regularly assessing whether there is evidence of risk, in each stage of the lending process, through the application of specific operating procedures.

In the lending process, it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, as part of its loan application analysis, each company of Mediolanum Banking Group gathers all information needed to assess the consistency of the loan amount with the type and purpose of financing. In that examination, each company of Mediolanum Banking Group uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. Special attention is paid to the assessment of any security taken.

All loans are subject to regular review by the competent units within the Company. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the respective Boards of Directors.

2.3 Credit risk mitigation techniques

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

2.4 Impaired financial assets

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

- the bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held);
- the obligor is past due more than 180 days under Italian law and more than 90 days in other jurisdictions on any material credit obligation to the banking group

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Performing and impaired assets: balance, write-downs, developments, business and geographical distribution

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

€/'000	Non performing	Watch list	Restructured	Past due	Country Risk	Other Assets	Total
1. Financial assets held for trading	-	-	-	-	-	2,201,072	2,201,072
2. Available-for sale financial assets	-	-	-	-	-	408,287	408,287
3. Held-to-maturity investments	-	-	-	-	-	373,024	373,024
4. Loans to banks	-	-	-	-	-	2,980,895	2,980,895
5. Loans to customers	842	6,720	546	13,511	-	1,687,132	1,708,751
6. Financial assets at fair value	-	-	-	-	-	2,974	2,974
7. Financial assets being disposed of	-	-	-	-	-	1,042	1,042
8. Hedging derivatives	-	-	-	-	-	-	-
Total at Dec. 31, 2007	842	6,720	546	13,511	-	7,654,426	7,676,045
Total at Dec. 31, 2006	1,927	13,364	-	5,984	-	6,064,962	6,086,237

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

	Impaired assets				Other assets				Total
€/'000	Gross exposure	Individual write-downs	Collective exposure	Net exposure	Gross exposure	Collective write-downs	Net exposure	Total net exposure	net exposure
1. Financial assets held for trading	-	-	-	-	2,201,072	-	-	2,201,072	2,201,072
2. Available-for-sale financial assets	-	-	-	-	408,293	(6)	-	408,287	408,287
3. Held-to-maturity investments	-	-	-	-	373,024	-	-	373,024	373,024
4. Loans to banks	-	-	-		2,980,895	-	-	2,980,895	2,980,895
5. Loans to customers	34,747	(13,128)	-	21,619	1,691,264	-	(4,132)	1,687,132	1,708,751
6. Financial assets at fair value	-	-	-	-	2,974	-	-	2,974	2,974
7. Financial assets being disposed of	-	-	-	-	1,042	-	-	1,042	1,042
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
Total at Dec. 31, 2007	34,747	(13,128)	-	21,619	7,658,564	(6)	(4,132)	7,654,426	7,676,045
Total at Dec. 31, 2006	32,045	(10,770)	-	21,275	6,068,325	-	(3,778)	6,064,962	6,086,237

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

€/'000	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. On balance sheet				
a) Non performing	-	-	-	-
b) Watch list	-	-	-	-
c) Restructured	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	-	-	-	-
f) Other	3,341,105	(6)	-	3,341,099
Total A	3,341,105	(6)	-	3,341,099
B. Off balance sheet				
a) Impaired	-	-	-	-
b) Other	366,501	-	-	366,501
Total B	366,501	-	-	366,501

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

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

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

At the balance sheet date there were no write-downs of bank loans.

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

€/'000	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. On balance sheet				
a) Non performing	6,796	(5,544)	-	1,252
b) Watch list	11,855	(5,544)	-	6,311
c) Restructured	546	-	-	546
d) Past due	15,551	(2,040)	-	13,511
e) Country risk	-	-	-	-
f) Other	4,312,428	-	(4,132)	4,308,296
Total A	4,347,176	(13,128)	(4,132)	4,329,916
B. Off balance sheet				
a) Impaired	655	(143)	-	512
b) Other	128,947	-	(128)	128,819
Total B	129,602	(143)	(128)	129,331

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

€/'000	Non performing	Watch list	Re-structured	Past due	Country risk
A. Opening gross balance	5,605	18,781	-	6,106	-
- of which: loans sold but not decognized	-	-	-	-	-
B. Increases	1,883	8,452	546	18,888	-
B.1 reclassified from performing loans	326	4,492	-	12,414	-
B.2 reclassified from other impaired loan categories	1,550	1,329	546	4,061	-
B.3 other increases	7	2,631	-	2,413	-
C. Decreases	(692)	(15,378)	-	(9,443)	-
C.1 reclassified to performing loans	(15)	(365)	-	(3,112)	-
C.2 cancellations	(470)	-	-	-	-
C.3 receipts	(207)	(8,868)	-	(4,991)	-
C.4 proceeds from sale	-	-	-	-	-
C.5 reclassified to other impaired loan categories	-	(6,145)	-	(1,340)	-
C.6 other decreases	-	-	-	-	-
D. Closing gross balance	6,796	11,855	546	15,551	-
- of which: loans sold but not decognized	-	-	-	-	-

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

€/'000	Non performing	Watch list	Re-structured	Past due	Country risk
A. Write-downs at beginning of the year	4,755	5,893	-	122	-
- of which: loans sold but not decognized	-	-	-	-	-
B. Increases	1,640	3,565	-	2,012	-
B.1 write-downs	924	3,556	-	1,992	-
B.2 reclassified from other impaired loan categories	716	9	-	20	-
B.3 other increases	-	-	-	-	-
C. Decreases	(851)	(3,914)	-	(94)	-
C.1 revaluations	(175)	(1,958)	-	(43)	-
C.2 repayments	(118)	(1,221)	-	(41)	-
C.3 cancellations	(558)	-	-	-	-
C.4 reclassified to other impaired loan categories	-	(735)	-	(10)	-
C.5 other decreases	-	-	-	-	-
D. Write-downs at end of the year	5,544	5,544	-	2,040	-
- of which: loans sold but not decognized	-	-	-	-	-

A.2 Analysis of exposures by internal and external rating

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

	External rating							
€/'000	AAA AA-	A+ A-	BBB+ BBB-	BB+ BB-	B+ B-	Worse than B-	Unrated	Total
A. On balance sheet exposures	1,924,129	3,159,285	80,931	125,645	-	-	2,381,073	7,671,063
B. Derivates	2,631	2,366	-	-	-	-	24,082	29,079
B.1 Financial derivatives	2,631	2,366	-	-	-	-	24,082	29,079
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	23,705	23,705
D. Commitments to disburse funds	2,681	331,393	-	-	-	-	108,974	443,048
TOTAL	1,929,441	3,493,044	80,931	125,645	-	-	2,537,834	8,166,895

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

At the balance sheet date this information was not available.

A.3 Analysis of secured loans by type of collateral

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

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Govern-ments	Govern. agencies	Banks	Others	Govern-ments	Govern. agencies	Banks	Others	Total (1+2)
1. Secured loans to banks:	5,753	-	38,565	-	-	-	-	-	-	-	-	-	38,565
1.1 entirely secured	5,753	-	38,565	-	-	-	-	-	-	-	-	-	38,565
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	639,753	562,415	51,420	2,016	-	-	-	-	-	-	-	23,310	639,161
2.1 entirely secured	620,812	562,318	48,985	-	-	-	-	-	-	-	-	9,498	620,801
2.2 partly secured	18,941	97	2,435	2,016	-	-	-	-	-	-	-	13,812	18,360

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

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Govern-ments	Gov. agencies	Banks	Others	Govern-ments	Gov. agencies	Banks	Others	Total (1+2)
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	23,646	-	3,893	17,589	-	-	-	-	-	-	-	2,164	23,646
2.1 entirely secured	23,646	-	3,893	17,589	-	-	-	-	-	-	-	2,164	23,646
2.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-

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

			Guarantees (Fair value)																		
			Real guarantees			Personal guarantees															
						Credit derivatives							Endorsements								
€/'000	Exposure	Secured amount	Property	Securities	Other assets	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Total	Guarantee fair value excess
1. Exposures to banks secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposures to customers secured:		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	741	741	739	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	741	-
1.2 100% to 150%	602	602	602	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	602	-
1.3 50% to 100%	72	72	67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	72	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

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

	Gov. & Central Banks				Gov. Agencies				Financial companies				Insurance companies				Non financial companies				Others			
€/'000	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. On balance sheet																								
A.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,796	(5,544)	-	1,252
A.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60	(30)	-	30	11,794	(5,514)	-	6,280
A.3 Restructured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	546	-	-	546
A.4 Past due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	(12)	-	57	15,482	(2,028)	-	13,454
A.5 Others	1,951,782	-	-	1,951,782	-	-	-	-	1,160,316	-	(88)	1,160,228	88,451	-	(21)	88,430	202,688	-	(34)	202,654	909,192	-	(3,989)	905,203
Total	1,951,782	-	-	1,951,782	-	-	-	-	1,160,316	-	(88)	1,160,228	88,451	-	(21)	88,430	202,817	(42)	(34)	202,741	943,810	(13,086)	(3,989)	926,735
B. Off balance sheet																								
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	655	(143)	-	512
B.4 Others	-	-	-	-	-	-	-	-	390	-	-	390	6			6	14,970	-	(1)	14,969	113,581	-	(127)	113,454
Total	-	-	-	-	-	-	-	-	390	-	-	390	6	-	-	6	14,970	-	(1)	14,969	114,236	(143)	(127)	113,966
Total at Dec. 31, 2007	1,951,782	-	-	1,951,782	-	-	-	-	1,160,706	-	-	1,160,618	88,457	-	(21)	88,436	217,787	(42)	(35)	217,710	1,058,046	(13,229)	(4,116)	1,040,701
Total at Dec. 31, 2006	1,542,538	-	-	1,542,538	4	-	-	4	997,953	-	(51)	997,902	11,561	-	-	11,561	237,127	(1,837)	(1,543)	233,747	660,235	(9,048)	(2,351)	648,836

B.2 Analysis of loans to resident non-financial companies

a) other wholesale and retails services	29,688
b) construction and public works	3,269
c) transportation	460
d) other manufacturers	171
e) wholesale and retail services	7,258
f) other	1,528

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

	Italy		Other European Countries		America		Asia		Rest of the world	
€/'000	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On balance sheet										
A.1 Non performing	3,337	842	3,459	410	-	-	-	-	-	-
A.2 Watch list	6,423	3,520	5,431	2,790	-	-	-	-	-	-
A.3 Restructured	-	-	546	546	-	-	-	-	-	-
A.4 Past due	11,657	9,617	3,894	3,894	-	-	-	-	-	-
A.5 Others	2,917,399	2,915,796	1,378,379	1,375,851	16,650	16,649	1	1	-	-
Totale	2,938,816	2,929,775	1,391,709	1,383,491	16,650	16,649	1	1	-	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	246	246	409	266	-	-	-	-	-	-
B.4 Others	105,395	105,386	23,552	23,433	-	-	-	-	-	-
Total	105,641	105,632	23,961	23,699	-	-	-	-	-	-
Total at Dec. 31, 2007	3,044,457	3,035,407	1,415,670	1,407,190	16,650	16,649	1	1	-	-
Total at Dec. 31, 2006	2,473,462	2,468,729	921,074	910,980	15,344	15,344	-	-	39,538	39,535

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

€/'000	Italy		Other European Countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	1,403,496	1,403,496	1,906,222	1,906,216	26,809	26,809	25	25	4,553	4,553
Total	1,403,496	1,403,496	1,906,222	1,906,216	26,809	26,809	25	25	4,553	4,553
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	227,194	227,194	139,305	139,305	2	2	-	-	-	-
Total	227,194	227,194	139,305	139,305	2	2	-	-	-	-
Total at Dec. 31, 2007	1,630,690	1,630,690	2,045,527	2,045,521	26,811	26,811	25	25	4,553	4,553
Total at Dec. 31, 2006	1,656,869	1,656,869	1,085,227	1,085,227	11,358	11,358	47	47	31,892	31,892

B.5 Large exposures

a) amount	€ 261,281	thousand
b) number	6	

C. SECURITASION TRANSACTION AND SALE OF ASSETS

C.1 Securitasion transactions

Qualitative information

During the year Mediolanum Banking Group traded exclusively in securitised notes.

Quantitative information

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

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment
A. Own underlying assets:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets:	176,405	177,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	176,405	177,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment	Net exposure	Impairment/reversal of impairment
A.1 SCCI/TV 20190730 S10 SEN	20,275	146	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables from National Social Security & Pension Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 SCCI/TV 20160730	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CL 7A SEN	25,451	33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables from National Social Security & Pension Agency		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 SCCI/TV 20160731 S8	5,085	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables from National Social Security & Pension Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 SCCI/TV 20180730 S9 SEN	20,274	136	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables from National Social Security & Pension Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 ATLANTIDE/TV 20160825 CL A1	20,141	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivable from Latium hospitals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 ATLANTIDE/TV 20160825 CL A2	20,141	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Receivable from Latium hospitals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Dec. 31, 2007	Dec. 31, 2006
1. On-balance sheet exposures							
- "Senior"	177,750	-	-	-	-	177,750	201,052
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
- "Senior"	-	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-

C.2 Sale of assets

C.2.1 Analysis of financial assets sold but not derecognised

	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Total	
€/'000	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 2007	Dec. 31, 2006
A. On-balance sheet assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,418,566	1,030,843
1. Debt securities	1,023,968	-	-	-	-	-	100,816	-	-	293,782	-	-	-	-	-	-	-	-	1,418,566	1,030,843
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total at Dec. 31, 2007	1,023,968	-	-	-	-	-	100,816	-	-	293,782	-	-	-	-	-	-	-	-	1,418,566	1,030,843
Total at Dec. 31, 2006	831,047	-	-	-	-	-	-	-	-	199,796	-	-	-	-	-	-	-	-	-	1,030,843

Legend:
A: Financial assets sold, fully recognised on the balance sheet (book value)
B: Financial assets sold, partly recognised on the balance sheet (book value)
C: Financial assets sold, partly recognised on the balance sheet (full value)

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

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Due to customers	574,688	-	100,882	289,947	-	138,740	1,104,257
a) against assets fully recognised on the balance sheet	574,688	-	100,882	289,947	-	138,740	1,104,257
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
2. Due to banks	452,932	-	603	3,528	20,109	-	477,172
a) against assets fully recognised on the balance sheet	452,932	-	603	3,528	20,109	-	477,172
b) against assets fully recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2007	1,027,620	-	101,485	293,475	20,109	138,740	1,581,429
Total at Dec. 31, 2006	869,835	-	-	156,032	194	159,853	1,185,914

SECTION 2 – MARKET RISK

2.1 Interest rate and pricing risk – Trading book

Qualitative information

A. General aspects

The trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.

Specifically, the trading book consists of positions held by those Mediolanum Banking Group functions authorized to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.

B. Interest Rate Risk and Pricing Risk-Measurement and management

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

Exposure to interest rate risk and pricing risk is measured using:

- Daily Var
- Portfolio analysis in terms of:
  - Exposure limits
  - Characteristics of the instrument
  - Characteristics of the issuer
  - Capital at Risk calculated under the rating-based Standardized Approach
  - Gap Analysis
  - Sensitivity Analysis.

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

VaR corresponds to the maximum loss on a portfolio in the next business day (one-day holding period) at a 99% confidence level. Var is calculated using Riskmetrics for the following risks: interest rate, stock prices and indices, volatility.

The Gap Analysis measures the impact of pre-set shocks in the interest rate curve based on how closely the lending and funding exposure matches interest rates.

The Sensitivity Analysis quantifies the sensitivity of the financial portfolio to adverse interest rate movements.

These analyses are performed assuming as adverse movement a parallel uniform shift by 50, 100 and 200 bps in the interest rate curve.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	138,722	666,074	371,020	178,731	299,176	363,611	67,201	111,543
1.1 Debt securities	138,494	666,074	371,020	178,731	299,176	363,611	67,201	111,460
- with early redemption option	-	70,032	214	-	-	-	-	14,978
- others	138,494	596,042	370,806	178,731	299,176	363,611	67,201	96,482
USD	-	-	-	-	673	1	-	-
GBP	-	-	-	5	66	-	-	-
EUR	138,494	-	-	178,731	299,176	363,611	67,201	96,482
OTHER	-	-	-	10	42	-	-	-
1.2 Other assets	228	-	-	-	-	-	-	83
2. Non-derivative liabilities	-	282	9,783	-	241,634	397,282	50,530	15,542
2.1 Repurchase agreements	-	282	-	-	-	-	-	-
2.2 Other liabilities	-	-	9,783	-	241,634	397,282	50,530	15,542
EUR	-	-	9,783	-	241,634	397,282	50,530	15,542
USD	-	-	-	-	-	-	-	-
3. Financial derivatives	763,822	733,373	1,364	100,151	100,260	115	25	-
3.1 With underlying securities	444	44	-	151	260	115	19	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	444	44	-	151	260	115	19	-
+ Long positions	1	-	-	1	1	-	-	-
+ Short positions	443	44	-	150	259	115	19	-
3.2 Without underlying securities	763,378	733,329	1,364	100,000	100,000	-	6	-
- Options	6	-	-	-	-	-	6	-
+ Long positions	-	-	-	-	-	-	6	-
+ Short positions	6	-	-	-	-	-	-	-
- Others								
+ Long positions	317,748	389,192	682	100,000	50,000	-	-	-
EUR	249,818	243,747	-	100,000	50,000	-	-	-
USD	67,930	141,292	-	-	-	-	-	-
GBP	-	4,097	682	-	-	-	-	-
CHF	-	-	-	-	-	-	-	-
OTHER	-	56	-	-	-	-	-	-
+ Short positions	445,624	344,137	682	-	50,000	-	-	-
EUR	343,729	181,220	-	-	50,000	-	-	-
USD	101,895	162,113	682	-	-	-	-	-
GBP	-	30	-	-	-	-	-	-
CHF	-	3	-	-	-	-	-	-
YEN	-	-	-	-	-	-	-	-
OTHER	-	771	-	-	-	-	-	-

2.2 Interest rate risk – Banking book

Qualitative information

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

Mediolanum Banking Group's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, held-to-maturity investments and available-for-sale financial instruments.
Assets and liquidity management of foreign subsidiaries is centralised to the Parent Company, Banca Mediolanum SpA, as conferred upon by the related board of directors and authorised by the local supervisory authorities. For this reason risk, exposures of foreign subsidiaries has been substantially reduced.
The Bank measures the interest rate risk exposure of the banking book using a simplified static ALM model.
That exercise entails, inter alia, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by their respective Boards of Directors.

B. Fair value Hedge

There are no fair value hedges as defined under IAS.

Quantitative information

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

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	885,278	2,438,171	1,428,215	37,346	193,512	39,576	195,309	42,028
1.1 Debt securities	40,968	188,341	83,605	9,920	140,625	22,765	70,958	461
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	40,968	188,341	83,605	9,920	140,625	22,765	70,958	461
1.2 Loans to banks	162,073	1,448,511	1,343,953	-	-	-	-	29,816
EUR	143,296	1,355,779	1,321,326	-	-	-	-	29,816
USD	14,940	68,484	22,627	-	-	-	-	-
GBP	1,333	-	-	-	-	-	-	-
YEN	176	6,088	-	-	-	-	-	-
CAD	-	-	-	-	-	-	-	-
CHF	435	18,160	-	-	-	-	-	-
OTHERS	1,893	-	-	-	-	-	-	-
1.3 Loans to customers	682,237	801,319	657	27,426	52,887	16,811	124,351	11,751
- current accounts	305,184	5,331	20	25,798	41,894	-	67,853	4,829
EUR	305,162	5,331	9	25,798	41,894	-	67,853	4,829
USD	22	-	11	-	-	-	-	-
- other loans	377,053	795,988	637	1,628	10,993	16,811	56,498	6,922
- with early redemption option	250,012	429,908	637	1,448	10,985	16,811	56,498	-
- other	127,041	366,080	-	180	8	-	-	6,922
EUR	127,041	366,080	-	180	8	-	-	6,922
USD	-	-	-	-	-	-	-	-
2. Non derivative liabilities	4,731,913	1,536,538	17,068	24,571	4,372	-	-	258,515
2.1 Due to customers	4,234,765	401,647	-	24,533	4,372	-	-	258,515
- current accounts	4,234,177	10,818	-	24,533	4,372	-	-	150,669
EUR	4,208,013	10,818	-	24,533	4,372	-	-	-
USD	25,970	-	-	-	-	-	-	-
GBP	194	-	-	-	-	-	-	-
- other payables	588	390,829	-	-	-	-	-	107,846
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	588	390,829			-	-	-	107,846
2.2 Due to banks	494,174	110,021	14,318	38	-	-	-	-
- current accounts	9,174	20,109	-	38	-	-	-	-
EUR	9,014	20,109	-	38	-	-	-	-
USD	113	-	-	-	-	-	-	-
GBP	-	-	-	-	-	-	-	-
YEN	1	-	-	-	-	-	-	-
OTHER CURRENCIES	46	-	-	-	-	-	-	-
- other	485,000	89,912	14,318	-	-	-	-	-
EUR	485,000	68,107	-	-	-	-	-	-
USD	-	11,620	13,685	-	-	-	-	-
YEN	-	6,087	-	-	-	-	-	-
GBP	-	4,098	633	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	2,974	1,024,870	2,750	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	2,974	1,024,870	2,750	-	-	-	-	-

2.3 Pricing risk – Trading book

Qualitative information

A. General

Mediolanum Banking Group's Trading Book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.
Specifically, the trading book consists of positions held by the Group's functions authorized to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors, in accordance with the policies agreed upon with the Parent Company.
The trading book primarily consists of positions in equities and mutual funds.

B. Pricing Risk: Measurement and management

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

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

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

Quantitative information

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

€/'000	Book Value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	73	10
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	-	-
- reserved funds	-	-
- hedge funds	-	-
B.2 Registered in other EU countries	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	-
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	73	10

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

€/'000	Listed			Unlisted
	Italy	USA	Other countries	
A. Equity instruments				
- long positions	73	-	1	10
- short positions	30	-	-	-
B. Not yet settled purchases and sales of equity instruments				
- long positions	45	-	1,565	-
- short positions	447	-	4	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-

2.4 Pricing risk - Banking book

Qualitative information

A. Pricing Risk – General information, Measurement and Management

The Bank measures the pricing risk exposure of the banking book applying the same methods used to measure interest rate risk.

B. Hedges

There are no hedges as defined under IAS.

Quantitative information

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

	Book Value	
€/'000	Listed	Unlisted
A. Equity instruments	486	369,772
A.1 Shares	486	369,772
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	974	50,989
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	974	46,953
- reserved funds	-	-
- hedge funds	-	4,036
B.2 Registered in other EU countries	-	158,779
- harmonised open-end funds	-	24,799
- non harmonised open-end funds	-	133,981
- non harmonised closed-end funds	-	-
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	1,460	579,540

2.5 Currency risk

Qualitative information

A. Pricing Risk – General information, Measurement and Management

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

B. Hedge

There are no hedges as defined under IAS.

Quantitative information

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

	Currency				
€/'000	US dollar	Sterling	Yen	Canadian dollar	Swiss franc
A. Financial assets					
A.1 Debt securities	674	70	-	-	77,376
A.2 Equities	-	486	1	-	500
A.3 Loans to banks	106,048	1,205	6,264	14	257,528
A.4 Loans to customers	22	-	-	-	177,338
A.5 Other financial assets	-	-	-	-	3,893
B. Other assets	460	23	-	850	35,352
C. Financial liabilities					
C.1 Due to banks	(25,418)	(4,730)	(6,088)	-	(20,277)
C.2 Due to customers	(21,876)	(194)	-	-	(445,445)
C.3 Debt securities	-	-	-	-	-
D. Other liabilities	(419)	-	-	-	(48,982)
E. Financial derivatives					
- Options	-	-	-	-	-
+ Long positions	-	-	-	-	126
+ Short positions	-	-	-	-	-
- Others	-	-	-	-	-
+ Long positions	39,394	4,779	-	-	8
+ Short positions	(94,798)	(30)	-	-	(743)
Total assets	146,598	6,563	6,265	864	552,121
Total liabilities	(142,511)	(4,954)	(6,088)	-	(515,447)
Net position (+/-)	4,087	1,609	177	864	36,674

2. Internal models and other sensitivity analysis methods

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

2.6 Derivative financial instruments

A. Financial derivatives

A.1 Trading book: year-end notional amounts

	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	541,129	-	-	-	-	-	-	-	541,129
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	106,141	-	-	-	106,141
5. Basis swap	-	-	-	-	-	-	-	-	-	-
6. Equity swaps	-	-	-	-	-	-	-	-	-	-
7. Commodity swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	11,289	-	-	-	-	-	-	-	11,289
9. Caps	-	30,056	-	6,372	-	-	-	-	-	36,428
- Purchased	-	30,056	-	3,186	-	-	-	-	-	33,242
- Issued	-	-	-	3,186	-	-	-	-	-	3,186
10. Floors	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	1,101	66	2,056	-	-	28,207	-	-	3,157	28,273
- Purchase	551	33	1,609	-	-	902	-	-	2,160	935
- Sale	550	33	447	-	-	8,285	-	-	997	8,318
- Cross-currency contracts	-	-	-	-	-	19,020	-	-	-	19,020
13. Other derivative contracts	-	169,825	-	-	-	-	-	-	-	169,825
Total	1,101	752,365	2,056	6,372	-	134,348	-	-	3,157	893,085
Average values	-	-	-	-	-	-	-	-	-	-

A.3 Financial derivatives: purchase and sale of underlying

	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2007	
€/'000	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book	-	-	-	-	-	-	-	-	-	-
1. With exchange										
of principal	-	-	-	-	-	134,349	-	-	-	134,349
- Purchases	551	33	1.609	3,186	-	20,388	-	-	2.160	23,607
- Sales	550	33	447	3,186	-	90,168	-	-	997	93,387
- Cross-currency contracts	-	-	-	-	-	23,793	-	-	-	23,793
2. Without exchange										
of principal	-	752,300	-	-	-	-	-	-	-	752,300
- Purchases	-	276,620	-	-	-	-	-	-	-	276,620
- Sales	-	475,680	-	-	-	-	-	-	-	475,680
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B. Banking book	-	-	-	-	-	-	-	-	-	-
B1. Hedges	-	-	-	-	-	-	-	-	-	-
1. With exchange										
of principal	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. Without exchange										
of principal	-	-	-	-	-	-	-	-	-	
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B2. Other derivatives	-	-	-	-	-	-	-	-	-	-
1. With exchange										
of principal	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. Without exchange										
of principal	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-

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

	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
€/'000	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments & central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	2,332	-	924		353	-	1,033	-	867	-	18	-	-	-	-
A.4 Financial companies	59	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	2	-	3	-	-	-	413	-	68	-	-	-	-	-	
Total A (Dec. 31, 2007)	2,393	-	927	-	353	-	1,446	-	935	-	18	-	-	-	-
B. Banking book															
B.1 Governments & central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
€/'000	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments & central banks	617	-	448	-	-	5	560	-	378	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	-	-	-	-	209	-	-	-	-	-	18	-	-	-	-
A.4 Financial companies	214	-	125	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A (Dec. 31, 2007)	831	-	573	-	209	5	560	-	378	-	18	-	-	-	-
B. Banking book															
B.1 Governments & central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.6 Financial derivatives: purchase and sale of underlying

€/'000	Less than 1 year	1 to 5 years	Over 5 years	Total
A. Trading Book				
A.1 Debt securities and interest rates	572,088	105,690	64,353	742,131
A.2 Equities and stock indices	1,560	-	-	1,560
A.3 Exchange rates and gold	134,348	-	-	134,348
A.4 Other	-	-	-	-
B. Banking Book				
B.1 Debt securities and interest rates	-	-	-	-
B.2 Equities and stock indices	-	-	-	-
B.3 Exchange rates and gold	-	-	-	-
B.4 Other	-	-	-	-
Total (Dec. 31, 2007)	707,996	105,690	64,353	878,039
Total (Dec. 31, 2006)	1,073,750	103,057	30,060	1,206,867

B. Credit derivatives

During the year the Bank did not trade in credit derivatives and at December 31, 2005 it did not hold any positions in those instruments.

SECTION 3 – LIQUIDITY RISK

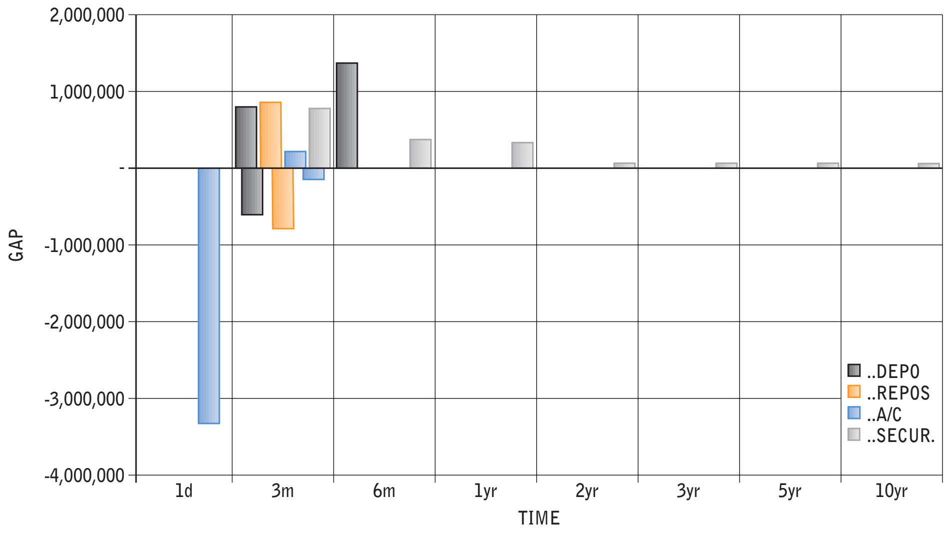
Qualitative information

A. Pricing Risk – General information, Measurement and Management

Given the types of assets held, their duration as well as the type of funding, Mediolanum Banking Group is not materially exposed to liquidity risk. Liquidity risk is monitored using liquidity gap analysis under a simplified static ALM model.

The liquidity gap analysis by type of HFT instrument at December 31, 2007 is set out below:

GAP Analysis by type of instrument (€/'000)



Quantitative information

1. Time-to-maturity of financial assets and liabilities

€/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Indefinite maturity
Non derivative assets	727,536	961,525	710,064	472,364	180,315	1,654,560	321,801	1,050,230	1,600,333	28,679
A.1 Government securities	-	-	76,323	78,967	17,126	262,389	248,453	602,288	666,747	-
- EUR	-	-	76,323	78,967	17,126	262,389	248,443	602,288	666,746	-
- USD	-	-	-	-	-	-	-	-	1	-
- Other currencies	-	-	-	-	-	-	10	-	-	-
A.2 Listed debt securities	4,387	-	-	-	2,045	3,259	13	226,010	313,965	-
- USD	-	-	-	-	-	-	-	673	-	-
- EUR	4,387	-	-	-	2,045	3,259	8	225,271	313,923	-
- GBP	-	-	-	-	-	-	5	66	-	-
- Other currencies	-	-	-	-	-	-	-	-	42	-
A.3 Other debt securities	-	-	-	-	15,137	5,033	40,831	86,862	103,911	461
- USD	-	-	-	-	-	-	-	-	-	-
- EUR	-	-	-	-	15,137	5,033	40,831	86,862	103,911	461
A.4 Holdings in UCITS	204,662									3,424
A.5 Loans to	518,487	961,525	633,741	393,397	146,007	1,383,879	32,504	135,070	515,710	24,794
- Banks	168,630	601,518	514,878	253,522	107,526	1,368,953	-	-	-	13,231
- EUR	154,114	560,347	490,630	226,209	107,526	1,346,326	-	-	-	8,357
- USD	11,928	41,171	-	27,313	-	22,627	-	-	-	3,012
- GBP	561	-		-	-	-	-	-	-	1,385
- YEN	29	-	6,088	-	-	-	-	-	-	147
- CAD	-	-	-	-	-	-	-	-	-	-
- CHF	246	-	18,160	-	-	-	-	-	-	190
- Other currencies	1,752	-	-	-	-	-	-	-	-	140
- Customers	349,857	360,007	118,863	139,875	38,481	14,926	32,504	135,070	515,710	11,563
- EUR	349,824	360,007	118,863	139,875	38,481	14,926	32,504	135,070	515,710	11,563
- USD	33	-	-	-	-	-	-	-	-	-
Non derivative liabilities	4,865,304	1,057,445	252,503	318,011	158,995	43,227	8,195	249,191	447,812	447,926
B.1 Deposits										
- Banks	577,014	74,875	6,087	-	24,927	14,318	-	-	-	114
- EUR	576,971	63,975	-	-	20,109	-	-	-	-	-
- USD	-	6,802	-	-	4,818	13,685	-	-	-	113
- GBP	-	4,098	-	-	-	633	-	-	-	-
- YEN	-	-	6,087	-	-	-	-	-	-	1
- Other currencies	43	-	-	-	-	-	-	-	-	-
- Customers	4,263,411	-	-	248,279	12,956	16,376	8,157	7,557	-	-
- EUR	4,237,247	-	-	248,279	12,956	16,376	8,157	7,557	-	-
- USD	25,970	-	-	-	-	-	-	-	-	-
- GBP	194	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	24,879	982,570	246,416	69,732	121,112	12,533	38	241,634	447,812	447,812
- EUR	24,879	982,570	246,416	69,732	121,112	12,533	38	241,634	447,812	447,812
Off balance sheet items	-	741,460	374,423	36,680	69,722	1,354	332	514	257	-
C.1 Financial derivatives with exchange of capital										
- Long positions	-	27,617	68,409	11,786	28,267	682	183	261	123	-
- Short positions	-	29,253	68,438	11,548	27,175	672	149	253	134	-
C.2 Deposits and financing to be received	-	258,406	-	8,958	14,280	-	-	-	-	-
- Long positions	-	129,203	-	4,479	7,140	-	-	-	-	-
- Short positions	-	129,203	-	4,479	7,140	-	-	-	-	-
C.3 Firm commitments to disburse funds	-	426,184	237,576	4,388	-	-	-	-	-	-
- Long positions	-	213,092	118,788	2,194	-	-	-	-	-	-
- Short positions	-	213,092	118,788	2,194	-	-	-	-	-	-

2. Analysis of financial liabilities by counterparty

€/'000	Governments & Central Banks	Government agencies	Financial companies	Insurance companies	Non Financial companies	Others
1. Due to customers	4,789	201,682	782,512	479,943	114,165	3,915,465
2. Securities issued	-	-	-	-	-	-
3. Financial liabilities held for trading	560,938	2	9,848	-	143,982	282
4. Financial liabilities at fair value	-	-	-	-	-	2,974
Total at Dec. 31, 2007	565,727	201,684	792,360	479,943	258,147	3,918,721
Total at Dec. 31, 2006	74,519	156,594	329,169	378,925	37,429	3,808,363

3. Geographical analysis of financial liabilities

€/'000	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	5,002,491	495,292	30	13	730
2. Due to banks	869,142	202,302	-	-	-
3. Securities issued	-	-	-	-	-
4. Financial liabilities held for trading	73,746	612,350	28,956	-	-
5. Financial liabilities at fair value	-	2,974	-	-	-
Total at Dec. 31, 2007	5,945,379	1,312,918	28,986	13	730
Total at Dec. 31, 2006	5,460,968	183,815	26,316	2	-

SECTION 4 – OPERATIONAL RISK

Qualitative information

A. General aspects, operational risk measurement and management

Regulations and statutes place increasing emphasis on the identification and management of financial, credit and operational risks. In particular, the new Basel Capital Accord (International Convergence of Capital Measurements and Capital Standards) and the EU Capital Requirement Directive (CRD) placed greater importance on operational risk classifying it as a separate risk category which requires a specific capital charge as well as the adoption of specific risk measurement and mitigation techniques.
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
Mediolanum Banking Group defines operational risk as "the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."

The internal control system of Mediolanum Banking Group entails defense at different levels in accordance with the Group organizational structure.
Specifically, for operational risk line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organizational unit or function. Risk controls (second level) are controls performed by units other than operating units; they contribute to the definition of operating limits and risk measurement methods and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of remit.

The Operational Risk Management Unit, within the Risk Management and Compliance function, is responsible for identifying, measuring and assessing operational risk. The unit's staff work together with the Finance and Accounting Department to verify capital adequacy vis-à-vis operational risk capital requirements.

The Operational Risk Control unit will be separate and independent of operations and report directly to the Parent Company's Senior Management.

In consideration of the characteristics and the type of business conducted by Mediolanum Banking Group, special attention is given to risks arising in connection with the operation of the Sales Network and the multiple channels, i.e. also those channels which enable access and transaction from a remote location. These risks are managed, inter alia, through local controls and procedures for risk assessment, management, prevention and mitigation.

The operational risk management framework entails a central control unit (Group operational risk unit) and local control units, especially for those operations that are more exposed to operational risk, i.e. the direct channels, the sales network inspectors, Group Information Systems and Organisation, also to facilitate coordination in relation to Business Continuity & Disaster Recovery Plans.

Close coordination with the Compliance function is also envisaged.

The identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the Company.

The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the company's administrative activities.

During 2006 the analysis of operational risk exposures conducted in prior years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, inter alia, the introduction of a new qualitative measurement of exposure to operation risk of each organisational

unit within the Company, 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.

In 2006, the Parent Company Banca Mediolanum completed the project for improving operational risk management. After being approved by the Board of Directors in December 2006, the project was rolled out.

In 2007, the group conducted the first full Risk Self Assessment of its organisational units and established the operational loss data collection process needed to support the statistics-based system that should be launched in 2008. This model will be gradually rolled out at the Mediolanum Banking Group's Italian and foreign subsidiaries, with adjustments, if needed, to reflect local requirements, business and organisation. The parent company will provide guidance and coordination for the implementation of this project at subsidiaries also in relation to regulatory compliance.

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. The common framework enables the effective operation of the control system at all Mediolanum Group subsidiaries.

In relation to the measurement of the operational risk capital charge, based on the self assessment results examined by the Board of Directors at its meeting of November 7, 2007, Banca Mediolanum resolved to apply the standardised approach to operational risk capital measurements on an individual basis. The resolution was taken considering that the requirements for the adoption of said approach are satisfied. It was also resolved that, beginning from January 1, 2008, the Mediolanum Banking Group will adopt a "combination of the basic indicator approach and the standardised approach" to measure the operational risk capital charge at consolidated level, in the light of the different stages in the implementation of the operational risk control model at the various subsidiaries, in accordance with the proportionality principle. Said combination of approaches will be applied in compliance with the requirements set forth in the Bank of Italy's Circular 263/2006 which is schematically set out in the table below.

Methods applied to the calculation of the operational risk capital charge

	Separate	Consolidated
Banca Mediolanum	Standardised(1)	Standardised(1)
Mediolanum Gestione Fondi	BoI Circ 189/93(2)	Standardised(1)
Mediolanum Distribuzione Finanziaria	Not applicable	Standardised(1)
Mediolanum International Funds Ltd	CRD(3)	Standardised(1)
Mediolanum Asset Management Ltd	CRD(3)	Standardised(1)
Bankhaus August Lenz	Basic Indicator(1)	Basic Indicator)
Banco de Finanzas e Inversiones S.A.	Basic Indicator(1)	Basic Indicator(1)
Fibanc S.A.	Not applicable	Basic Indicator(1)
Fibanc Faif S.A.	Not applicable	Basic Indicator(1)
Fibanc Pensiones, S.A. S.G.F.P.	Not applicable	Basic Indicator(1)
GES Fibanc S.G.I.I.C. S.A.	Not applicable	Basic Indicator(1)
Mediolanum International S.A.	Not applicable	Basic Indicator(1)
Gamax Holding A.G.	Not applicable	Basic Indicator(1)
Gamax Management A.G.	Not applicable	Basic Indicator(1)

(1) Methods for the calculation of the operational risk capital charge as defined in the Bank of Italy's Circular 263/2006
(2) The Bank of Italy's Circular 189/1993 sets forth a capital requirement for "other risks" equal to 25% of fixed operational costs
(3) IFSRA local transposition of the Capital Requirement Directive "Notice on the implementation of the CRD" (December 28, 2006) and "Investment firms guidelines on ICAAP submission". Like for Italian asset management companies, the capital charge is calculated on an individual basis.

You are reminded that pursuant to Bank of Italy's Circular 263/2007, the combination of the Basic Indicator approach and the Standardised approach is allowed at consolidated level, provided that the operational segments to be covered under said method do not exceed 10% of the average of the last three annual measurements of the relevant indicator. The satisfaction of the 10% requirement was ascertained by the Board prior to passing the resolution.

LEGAL RISK

The risk of non-compliance with statutory/regulatory requirements, i.e. 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. The responsibility for managing legal risk rests with the Compliance unit, within the Risk Management and Compliance function. As part of its guidance and coordination duties, Banca Mediolanum S.p.A. provides adequate support to subsidiaries in relation to the implementation of the group risk management and control model to ensure the effective management of non-compliance risk.

REPUTATIONAL RISK

The Basel Committee expressly excluded reputational risk from the scope of Operational 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 F - INFORMATION ON CAPITAL

SECTION 1 – CAPITAL

A. Qualitative information

B. Quantitative information

Item/description €/'000	Amount
Share capital:	371,000
Capital reserves of which:	
Retained earnings of which to:	
- legal reserve	16,909
- extraordinary reserve	107,016
- FTA reserve	(65,524)
- consolidation reserve	41,261
Other reserves of which:	
- other	
- merger reserve	3,185
Valuation reserve	(2,004)
Net Profit for the year	55,679
Total	527,522

SECTION 2 – CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

In its Circular Letter No. 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular Letter incorporates the international capital requirements that were introduced following the adoption of the international accounting and reporting standards (IAS/IFRS).
To safeguard the quality of regulatory capital and reduce the potential volatility arising from the adoption of the international accounting and financial reporting standards, certain "prudential filters" are applied to financial data. Consolidated regulatory capital is made up of the regulatory capital of individual Group companies plus related items resulting from consolidation, specifically, core capital and supplementary capital include the share of the Group and the share of minority interests.

2.2 The regulatory capital of banks

A. Qualitative information

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

1. TIER 1 Capital

Tier 1 capital includes paid up capital, reserves, net profit for the period after dividend distributed to companies that are not part of the Banking Group, and minority interests. Any intangible assets and goodwill are deducted from the items above.
Tier 1 prudential filters are the negative valuation reserves relating to debt securities classified as "available-for-sale financial assets".

2. TIER 2 Capital

Tier 2 capital includes positive valuation reserves after any doubtful loans for loans exposed to country risk. The Banca Mediolanum Banking Group does not have any subordinated instruments included in the calculation of regulatory capital.
Tier 2 prudential filters are equal to 50% of the positive valuation reserve (after tax) relating to equities and holdings in UCITS classified as "available-for-sale financial assets".

3. TIER 3 Capital

At December 31, 2007 the Banca Mediolanum Banking Group's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2007	Dec. 31, 2006
A. Tier 1 before solvency filters	308,486	285,704
B. Tier 1 solvency filters:	(1,959)	(624)
B.1 Positive IAS/IFRS solvency filters (+)	-	-
B.2 Negative IAS/IFRS solvency filters (-)	(1,959)	(624)
C. Tier 1 after solvency filters (A + B)	306,527	285,080
D. Deductions from tier 1	-	-
E. Total TIER 1 (C - D)	306,527	285,080
F. Tier 2 before solvency filters	17	387
G. Tier 2 solvency filters:	(8)	(966)
G.1 Positive IAS/IFRS solvency filters (+)	-	-
G.2 Negative IAS/IFRS solvency filters (-)	(8)	(966)
H. Tier 2 after solvency filters (F + G)	9	(579)
I. Deductions from tier 2	-	-
L. Total TIER 2 (H - I)	9	(579)
M. Deductions from tier 1 and tier 2	-	-
N. Total capital (E + L - M)	306,536	284,501

2.3 Capital adequacy

A. Qualitative Information

At December 31, 2007 Mediolanum banking group's Tier 1 capital ratio was 10,2% and Total capital ratio was 10,2%, above the minimum requirement of 8%.

B. Quantitative Information

€/'000	Not Weighted Dec. 31, 2007	Not Weighted Dec. 31, 2006	Weighted/requirement Dec. 31, 2007	Weighted/requirement Dec. 31, 2006
A. RISK ASSETS				
A.1 Credit Risk	5,538,895	4,595,730	2,281,167	2,145,530
Standardized Method				
On balance sheet assets	5,024,916	4,446,630	2,031,127	2,016,744
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	4,254,333	3,926,997	1,588,961	1,709,957
1.1 Governments and central banks	631,868	418,934	-	-
1.2 Government agencies	10,257	10,264	2,051	2,053
1.3 Banks	2,531,623	2,237,369	506,325	447,474
1.4 Others	1,080,585	1,260,430	1,080,585	1,260,430
2. Residential mortgage loans	573,541	351,673	286,771	175,837
3. Shares, equity investments and subordinated assets	-	-	-	-
4. Shares, equity investments and subordinated assets	9,690	-	9,690	-
5. Other assets	187,352	167,960	145,706	130,951
Off balance sheet assets	513,979	149,100	250,040	128,786
1. Guarantees and commitments to (or guaranteed by):	513,979	149,100	250,040	128,786
1.1 Governments and central banks	233,990	10,044	-	-
1.2 Government agencies	-	-	-	-
1.3 Banks	37,436	12,837	7,487	2,567
1.4 Others	242,553	126,219	242,553	126,219
2. Derivative contracts with (or guaranteed by):	-	-	-	-
2.1 Governments and central banks	-	-	-	-
2.2 Government agencies	-	-	-	-
2.3 Banks	-	-	-	-
2.4 Others	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk	-	-	182,493	171,642
B.2 Market risk	-	-	57,514	38,140
1. Standard method				
of which:	-	-	57,514	38,140
+ risk of positions in debt securities	-	-	54,863	37,564
+ risk of positions in equities	-	-	385	278
+ currency risk	-	-	1,623	-
+ other risks	-	-	643	298
2. Internal models				
of which:				
+ risk of positions in debt securities	-	-	-	-
+ risk of positions in equities	-	-	-	-
+ currency risk	-	-	-	-
B.3 Other prudential requirements	-	-	-	-
B.4 Total prudential requirements (A1+A2+A3)	-	-	240,007	209,782
C. Risk assets and capital ratios				
C.1 Risk-weighted assets *			3,000,092	2,622,275
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			10.22%	10.87%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			10.22%	10.85%

(*) Total prudential requirements multiplied by the reciprocal of the mandatory minimum coefficient for credit risk (8%)

PART G – BUSINESS COMBINATIONS

Section 1 - Transactions concluded during the year

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

Section 2 - Post-balance sheet date transactions

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

PART H – RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory, Auditors, Deputy/ General Managers	Other key managers
Emoluments & social security contributions	2,409	1,835
Other pension benefits and insurance	-	44
Non-cash benefits	-	-
Other post-employment benefits	-	285
Share-based awards (stock options)	-	360

2. Information on related party transactions

Balance Sheet

€/'000	Parent Company	Other related parties
Loans to customers	3,230	21,931
Other assets	269	38,593
Other liabilities	(442)	(12,367)
Due to Banks	-	(14,416)
Due to customers	(18,851)	(509,379)
Guarantees issued	-	4,443

Income Statement

€/'000	Parent Company	Other related parties
Recoveries of expenses for centrally provided services	874	7,888
Interest income	-	2,301
Key personnel	(882)	464
Other income	-	310
Commission income/expenses	-	139,129
Services provided/received	(763)	(12,046)
Interest expenses	(2,093)	(17,598)
Goods acquired/sold	-	-
Office rentals	191	(731)
Other staff/sales network costs	-	(54)

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

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

At the Extraordinary General Meeting held on April 12, 2001, the shareholders of Mediolanum S.p.A. resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 7,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which 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.

2. Fair value measurement of stock options

Stock options granted to employees

Since these stock options are exercisable in the months after the expiration of the vesting period they are treated like American-style Options and priced using the Cox-Rubinstein & Ross model (CRR).
Under that model a two-step approach is used. In the first step a binomial tree is built. The tree represents all the possible paths that the share price could take. At the end of the tree (i.e. at expiration of the option) all the option prices for each of the final possible share prices are known. Then, working back from expiration, the option prices are calculated at each node of the tree to assess the option value in case of early exercise.
In the case under review, the stock option is an American-style Option only for the period between the vesting date and the expiration date, therefore the probability of early exercise was estimated only over that period. In the vesting period the option price was weighted and discounted at the risk-free rate.

Stock options granted to directors and contract workers

These stock options are exercisable after the expiration of the vesting period and subject to the satisfaction of the vesting conditions.
These options were priced by building a tree that represents all the possible paths that the share price could take from the grant date to the expiration date of the option. The value of the derivative at expiration is calculated regardless of whether the vesting condition are met or not. Next the option prices are calculated at each node of the tree to assess the option value in case of early exercise and vesting conditions. In the period between the grant date and the vesting date (vesting period) the option was priced treating it like an European-style Option.

B. QUANTITATIVE INFORMATION

1. Changes occured in the year

In the year 2007, 328,013 stock options granted in 2003-2005 were exercised for a total of 328,013 shares.
The year's movements in option holdings are set out in the table below.
The table below shows movements in option holdings in the year as per Bank of Italy's Circular Letter 262/2005.

	Dec. 31, 2007			Dec. 31, 2006		
€/'000	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity
A. Opening balance	3,263,916	4.46416	Giu-2011	2,882,456	3.91900	Mar-2008
B. Increases	1,616,551	-	-	1,305,500	-	-
B.1. New issues	1,616,551	3.21886	Set-2013	1,305,500	3.59125	Mag-2013
B.2 Other	-	-	x	-	-	x
C. Decreases	(873,013)	-	-	(924,040)	-	-
C.1. Cancelled	(40,000)	5.75905	x	-	-	x
C.2. Exercised (*)	(328,013)	1.86962	x	(921,911)	1.41700	x
C.3 Lapsed	(505,000)	7.33700	x	(2,129)	1.25900	x
C.4 Other	-	-	x	-	-	x
D. Closing balance	4,007,454	3.80333	Nov-2012	3,263,916	4.46416	Giu-2011
E. Options exercisable at year end	1,103,403	4.95246	x	1,078,976	6.15110	x

(*) Average unit market price at exercise date is € 5,4292

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €2,364 thousand and entailed a corresponding increase in the Group's equity reserves.

Basiglio, March 17, 2008

For the Board of Directors
The Chairman
Ennio Doris

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors on the Consolidated Financial Statements for the year ended December 31, 2007

Dear Shareholder,

In addition to the separate financial statements for the year ended December 31, 2007, also the consolidated financial statements of the Mediolanum Banking Group for the year ended December 31, 2007 are presented to you for approval.
The consolidated financial statements include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with art. 64 of the Consolidated Banking Act.

Basis of preparation

The financial statements were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular Letter No. 262 of December 22, 2005 pursuant to Legislative Decree No. 38 of February 28, 2005.
The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
The consolidated financial statements for the year ended December 31, 2006 show net profit attributable to the Banking Group of €55,679 thousand and minority interests of €33,989 thousand.

Scope and methods of consolidation

The consolidated financial statements include the accounts of the parent company Banca Mediolanum and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the parent company.
Subsidiaries are consolidated on a line-by-line basis, while associates are accounted for using the equity method.

Audit of the accounts, the notes and the Directors' Report

Reconta Ernst & Young S.p.A. are the independent auditors responsible for auditing the Banca Mediolanum S.p.A. consolidated financial statements for the year ended December 31, 2007. Upon completion of their audit work, the independent auditors will provide their report. On the basis of the information obtained during meetings and talks with the independent auditors, we have reasons to believe the auditors' report will not contain any remarks.
On the basis of the results of our work and in consideration of the foregoing, we express our favourable opinion on the approval of the financial statements and schedules attached thereto.

Milan, April 1, 2008

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

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT
pursuant to articles 156 and 165 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Banca Mediolanum S.p.A. and its subsidiaries (the Banca Mediolanum Group) as of and for the year ended December 31, 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 Banca 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 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 2, 2007.

3. In our opinion, the consolidated financial statements of Banca 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 Banca Mediolanum S.p.A. (the Banca Mediolanum Group) for the year then ended.

Milan, April 2, 2008

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

Reconta Ernst & Young S.p.A.
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