MEDIOLANUM S.p.A.

Annual Report 2008

MEDIOLANUM
MEDIOLANUM GROUP

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

MEDIOLANUM S.p.A.

Annual Report 2008

Registered Office: Basiglio – Milano 3 – Via F. Sforza – Meucci Building
Share Capital € 73,000,910.90 fully paid up
Tax Registration, VAT No. and Milan Register
of Companies No.: 11667420159

Corporate Governance Officers

Board of director's

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

Board of statutory auditors

Ezio Maria Simonelli	Chairman
Riccardo Perotta	Standing Auditor
Francesco Vittadini	Standing Auditor
Ferdinando Giuseppe Gatti	Standing Auditor

Board secretary

Luca Maria Rovere

Independent auditors

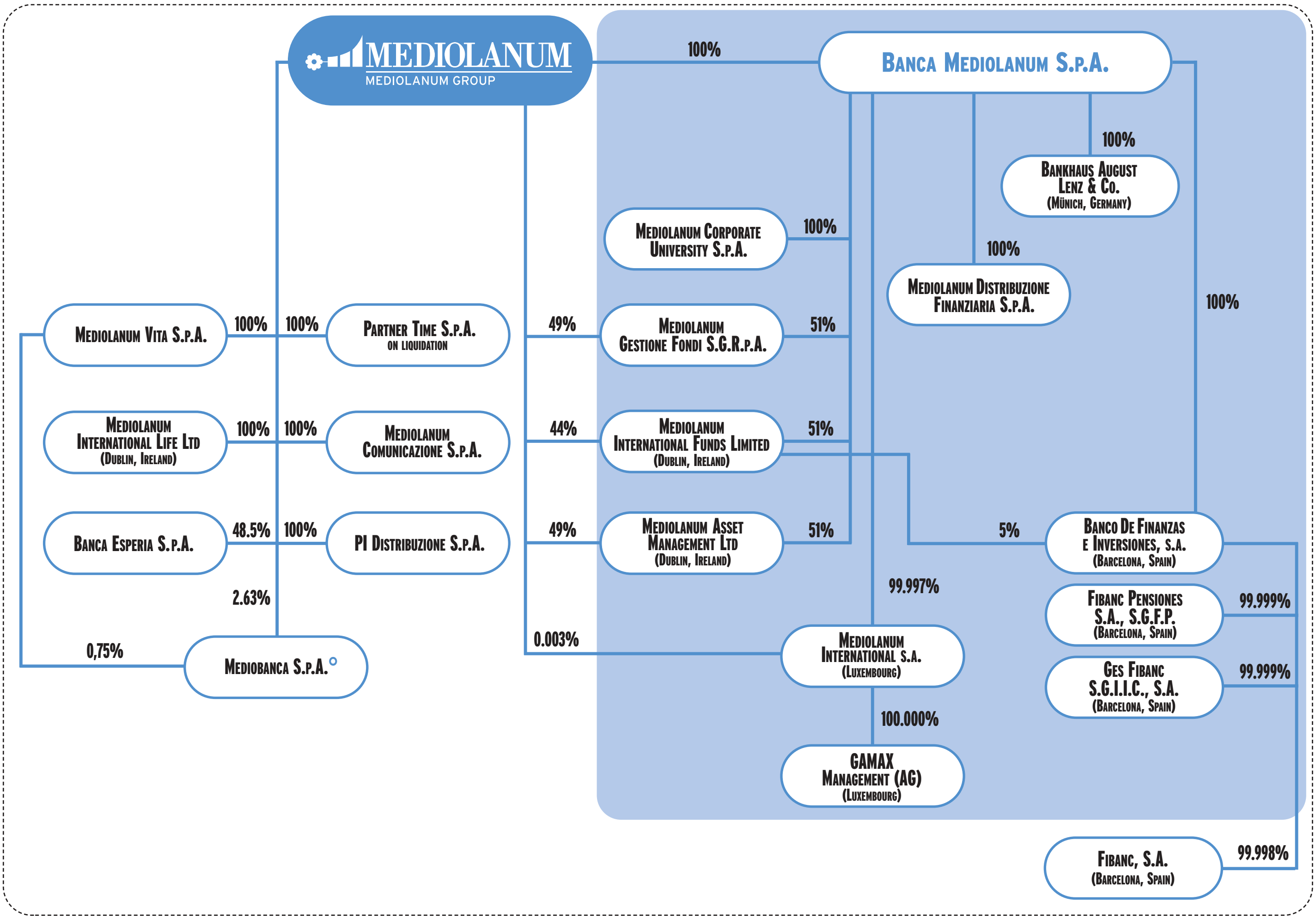
Reconta Ernst & Young S.p.A.

Officer responsible for preparing accounting and financial reporting documents

Luigi Del Fabbro

Group structure

As at December 31, 2008



- THE MEDIOLANUM FINANCIAL CONGLOMERATE
- THE MEDIOLANUM BANKING GROUP

° Due to the fact that Mediobanca holds a given amount of own shares, total shareholding is equal to 3.45% of the voting shares.

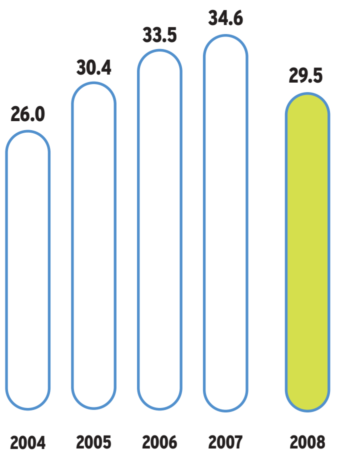
Financial highlights

€/m	2008	2007	Change
Assets under management and administration	29,558.6	34,601.5	-15%
Gross income from ordinary activities (°)	165.0	275.6	-40%
Non-recurring items (°) (*)	142.5	-	n/a
Total gross income	22.6	275.6	-92%
Income Tax	1.1	(63.3)	n/a
Net profit from ordinary activities (°)	131.3	212.2	-38%
Net profit	23.7	212.2	-89%
€			
Earnings per share - ordinary activities	0.180	0.291	-38%
Earnings per share - total	0.032	0.291	-89%

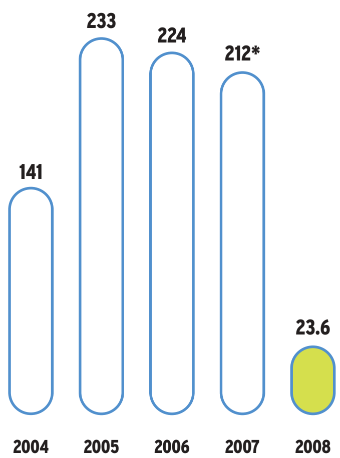
(°) Figure relating to the reclassified income statement set out under "Segment reporting".

(*) Figure relating to the Lehman Brothers operation that was put in place to safeguard the interests of customers after the default of Lehman Brothers. The operation was financed by the two Mediolanum S.p.A. key shareholders, Doris Group and Fininvest S.p.A., through a capital injection.

Assets under management
€/bn



Net profit
€/m
* IAS/IFRS 4 applied



MEDIOLANUM S.p.A.

Consolidated Annual Financial Statements 2008

Directors' Report

Dear Shareholder,

For financial year 2008 the Mediolanum Group reported net profit of €23.7 million. The year's result was impacted by €142.5 million non-recurring costs incurred in connection with the operation that was put in place to safeguard customer interests after the default of Lehman Brothers. After related taxation, the non-recurring costs above brought down consolidated net profit by €107.6 million.

Although recognised in the income statement, the cost of said operation will completely and solely be borne by the two majority shareholders, Doris Group and the Berlusconi family-wholly owned company Fininvest S.p.A.
As announced last October 22, the majority shareholders, Doris Group and Fininvest S.p.A., committed to injecting capital into Mediolanum S.p.A. up to €120 million, covering the maximum total cost estimated for said operation, without any disbursements by minority shareholders.
Pursuant to said commitment, last November 12, the two majority shareholders waived their 2008 interim dividend amounting to €47,518 thousand. The balance of €72,482 thousand was made up for via an interest-free financing facility recognised under a specific equity reserve in the balance sheet of Mediolanum S.p.A., and fully covering the net losses incurred by the Mediolanum Group companies in relation to said operation.

Excluding said operation, consolidated net profit for financial year 2008 would have been €131.3 million down 38% from €212.2 million in the prior year, largely due to the decline in new life business written and the fall in commission income as a result of the devaluation of assets under management.

The collapse of financial markets in 2008 entailed for Banca Mediolanum a devaluation of assets under management of about €3.4 billion, equivalent to 13% of the net value of assets under management at year end 2007. The decline was contained thanks to the positive contribution of net inflows. Without that positive contribution the impact of the financial market turmoil would have been much more severe and equivalent to about 22% of the net value of assets under management at December 31, 2007.

Considering that traditionally about 70% of our customers' assets are invested in equities – now progressively brought down to about 57% – the impact of the financial market crisis has certainly been harsher on the accounts of the Mediolanum Group than our competitors in the asset management industry in Italy.

Yet, in spite of the market turbulence, inflows into the Mediolanum group continued to grow especially through Banca Mediolanum. In 2008, net inflows amounted to about €2.6 billion jumping 55% over the prior year.
Specifically, net inflows into managed assets climbed 39% over the prior year. The analysis of assets under management shows that new recurring-premium policies and mutual funds instalment plans, two different forms of long-term investment, rose 9% over the prior year. This represents a significant indicator of Mediolanum Group's value growth and its ability to generate future value.

The net inflows reported by Banca Mediolanum are even more remarkable when compared to the significant net outflows from the market in 2008.
According to statistics published by Assoreti, in 2008, the industry reported outflows of €10.6 billion while Banca Mediolanum posted inflows of €1.1 billion.
As to net inflows into mutual funds in the Italian market, at year end 2008, Banca Mediolanum reported net inflows of €891 million versus an unprecedented collapse in the Italian asset management industry that recorded €143.7 billion outflows. The Assogestioni ranking of top asset managers in terms of volumes shows that the Mediolanum Banking Group climbed to the sixth place from the eleventh place in June 2007, the tenth place in December 2007 and the eighth place in June 2008 (source: Assogestioni).

The macroeconomic environment

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

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

In Europe, the ECB hiked interest rates by 25 basis points in the summer to curb any inflationary pressures resulting from rising commodity prices, but then it had to forego its strict control over price stability. In fact, the Governing Council of the European Central Bank had decided to raise interest rates before the default of Lehman

Brothers and the bailout of other major financial institutions (AIG, Merrill Lynch, Fannie Mae, Freddie Mac, HBOS), but when the ECB realised that these events would undoubtedly affect the confidence of market participants and economic growth in the Eurozone, it responsibly agreed to a coordinated move with other world's major central banks slashing the main refinancing rate to 2.50%. Also the Bank of England took strong action and cut the key interest rate to 2%, in light of the dramatically changed economic scenario, declining commodity, energy and food prices, but especially due to the heavy impact of the global recession on the British economy.

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

Financial markets

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

The extreme downward movements on stock markets led investors to turn to treasuries in their flight to safety. European and US treasury yields declined, especially on short and medium term maturities. At year end 2008, 2-year and 10-year yields on US treasuries stood at 0.76% and 2.21%, respectively, while 2-year and 10-year yields on European treasuries were 1.75% and 2.95%, respectively.
In October, the credit crisis pushed 3-month interbank lending rates on the European and the US markets up to 5.39% and 4.81%, respectively. Central Banks' interventions and government guarantees eased tensions and at year end 2008 interbank lending rates were down to 2.89% and 1.42%, respectively.
The market turmoil and the prolonged liquidity problems drove the risk premium on corporate and emerging market bond issues, i.e. their yield spread over treasuries, to all-time highs. Italian treasuries were impacted too, and their yield spread over German treasuries hit 143 basis points on 10-year maturities.

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

The insurance market

In 2008, new premiums written under individual life policies amounted to €35.2 billion, down 15.7%, in line with the decline posted in 2007. After climbing in 2007 (up 57.9% to over €9 billion), in 2008 new premiums written by EU companies conducting business in Italy was down over 30% to €6.4 billion. Including also these companies new life premiums written in Italy fell 18.5% (down 6.6% in 2007) to €41.6 billion.
Considering only Italian and non-EU companies, sales of traditional life products recorded an about 30% growth in class I products which reversed the downward trend seen in the prior two years.
Conversely, premiums written under class V further declined to just above €1 billion.
Premiums written under unit-linked and index-linked policies fell 40.8% over 2007. Sales in this class declined from €23.5 billion in 2006 to €14.7 billion in 2008. Specifically, after posting positive results in 2006 (up 6.0%) and in 2007 (up 7.0%) unit-linked products were down 34.1% to €7 billion premiums. More marked was the decline in index-linked policies, with premiums halved compared to 2006 and 2007.
In 2008, premiums/contributions to non-occupational, individual pension funds amounted to €58.1 million. Including also individual pension plans (IPP), premiums/contributions reached €615 million, down 17.1% over the prior year. This was due to inflows into non-occupational pension funds declining 68.5% over 2007, when premiums/contributions had surpassed €185 million also due to the transfer of amounts previously allocated to other forms of investment. In 2006 inflows had amounted to €24 million.
On average single premiums were above €16,700, while annual and recurring premiums stood at €1,200 and €4,000 respectively.
The analysis by distribution channels shows substantial stability in the past three years of business written through agents (over €6 billion), while for the third year in a row business written through banks and post offices contracted in volume from 36.3 billion in 2006 to 24.5 billion in 2008, with a nearly double (-20.9%) percentage decline in 2008 over 2006 (-10.6%). The same trend was displayed by business written through employers (subsidiary agencies) whose volume declined from about 3 billion in 2006 to 1.5 billion in 2008.
After falling in 2007 (down 18.8%) business written through financial advisors rose again (+13.2%) with premiums amounting to about 3 billion, back to the 2006 level.

The banking market

At year end 2008, in Italy, bank funding (savings accounts, current accounts, certificates of deposit, repurchase agreements and bonds) amounted to €1,802.8 billion, growing 11.7% versus 6.7% at year end 2007. In the year under review the stock of funding grew by about €166 billion. Bank bonds were buoyant (up 21.2% at year end 2008), while deposits increased 6.1%. Repurchase agreements with customers were also on the upside, posting an about 10.2% increase in January 2008.
Interest on deposits and repos as well as bond yields averaged 3.06% in December 2008, while interest on current accounts was 1.56%.
Due to the recession, in 2008, lending grew at a slower pace, namely 4.9% versus 10.2% in 2007. At the end of December 2008, bank lending to businesses in Italy amounted to €1,526.6 billion, with almost €62 billion new loans extended. Loans to households increased 3.6%, below the December 2007 level of 7.8%, but well above GDP growth and investments. Markedly down was interest on both new and in-force financing facilities. At December 2008, in line with the ECB indications and interbank market conditions, weighted average interest on

loans to households stood at 6.04%, 14 basis points below the December 2007 level. In particular, interest on home loans was 5.08% at year end 2008 (vs. 5.72% at year end 2007).
In spite of the crisis which hit also the real economy, main credit risk indicators show a certain degree of stability in credit quality: net nonperforming loans to total loans stood at 1.11% in line with the prior year.
The securities portfolio of banks amounted to €290 billion at year end 2008 up 55.1% from €187 billion at year end 2007.

Mediolanum Group's performance

In 2008 , the Group took a number of innovative steps in asset management and banking.
In March, the Mediolanum Group signed three major commercial agreements with Black Rock, JP Morgan Asset Management and Morgan Stanley Investment Management. Thanks to these agreements Mediolanum International Funds Ltd's "Top Managers" Funds family was expanded to include 3 new Global Selection products which invest in a selected suite of funds of each of the asset managers above, giving the Mediolanum customers the opportunity to invest across geographies and industries. The value added by this new offering comes from the synergy between the quality management skills and advice of said asset managers and the Mediolanum Group's consolidated investment strategies.
In March, the Mediolanum Group also signed an agreement with Santander Consumer Bank for the provision of personal loans and special-purpose loans originated by the latter and distributed by the sales networks of Banca Mediolanum and Mediolanum Distribuzione Finanziaria. The agreement made with Santander Consumer Bank enabled the Mediolanum Group to expand the range of personal loan products offered to the bank's customers.
In June 2008, Banca Mediolanum announced that from September 2008 it would cut the interest rate on customer mortgages in its portfolio by 0.64% on average. The operation entailed an estimated overall cost of about €65 million over the residual life of both existing and future mortgage loans and was expected to generate an equally significant revenue increase thanks to the projected increase in lending volumes. The operation also entailed the option for customers to request lower instalments against longer repayment terms pursuant to the guidelines set forth in Italy's Treasury Minister Decree (Tremonti Decree).
In July, another announcement relating to mortgage loans was made, i.e. the decision to establish a Solidarity Fund. Thanks to this fund, Banca Mediolanum will extinguish first-home mortgage loans (up to €250 thousand) of its customers in the event mortgage customers become permanently disabled following injury or disease. In early September, we launched a new unit-linked policy named "Mediolanum Premium Plan", which invests in "Best Brands" funds. Mediolanum Premium Plan allows customers to invest in major global equity markets, taking advantage of the technical skills of the world's leading asset management companies, without losing the benefits typical of an insurance product, and also being awarded a very rich bonus at maturity, equal to at least all loadings paid.
Also our latest initiative related to the 'Mediolanum Best Brands' product family. In mid September, we announced an agreement with 15 other world's most prestigious and qualified asset management companies.
The agreement introduces 8 new funds of funds which add to the existing 3 single-brand 'Global Selection' funds of funds, established in cooperation with Black Rock, JPMorgan & Morgan Stanley.
The 8 new funds of funds named the 'Collection Series' are managed by a pool of asset management companies and include 5 geographically & sector-specialised equity funds, along with 3 new balanced funds.
In October, Banca Mediolanum S.p.A. also signed an agreement with Fonspabank, a Morgan Stanley Group company, for the acquisition of a portfolio of mortgages extended by Fonspabank to Banca Mediolanum customers

from 2005 to 2007. The portfolio is worth about €170 million and includes mortgages taken out by 1,742 customers. The agreement above became effective on November 1, 2008.
Last but not least, after the failure of the major US financial institution, Lehman Brothers, in September 2008, the parent company Mediolanum S.p.A. through the Group's insurance companies promoted a major operation to protect customers holding index-linked policies with Lehman Brothers bonds as underlying assets. The operation entailed the transformation of those policies with the objective of returning the net paid-in amounts to customers. The total cost of the operation is estimated at about €120 million. The operation was made possible through the capital injected by the two Mediolanum S.p.A. majority shareholders, Doris Group and Fininvest S.p.A.. Through its sales network, Banca Mediolanum gathered applications from customers and provided all necessary support for the successful outcome of the operation.

A detailed analysis of the Group's performance is set out below.

Consolidated Inflows, Assets under Management and Assets under Administration

Gross Inflows

€/m	Dec. 31, 2008	Dec. 31, 2007	Change %
ITALY			
Life Insurance products	2,666.6	3,388.8	-21.3%
Mutual funds and managed accounts	2,203.2	3,110.8	-29.2%
Bank accounts and securities in custody	1,619.5	974.8	66.1%
Other products	15.9	18.7	-15.0%
Banca Esperia Group (48.5%)	1,031.6	1,823.1	-43.4%
SPAIN			
Life Insurance products	84.3	160.6	-47.5%
Mutual funds and managed accounts	192.6	359.8	-46.5%
Bank accounts and securities in custody	(149.8)	(267.5)	-44.0%
GERMANY			
Life Insurance products	10.0	8.6	16.3%
Mutual funds and managed accounts	43.2	51.4	-16.0%
Bank accounts and securities in custody	(7.3)	19.6	n/a
TOTAL	7,709.8	9,648.7	-20.1%

Net Inflows

€/m	Dec. 31, 2008	Dec. 31, 2007	Change %
ITALY			
Life Insurance products	894.9	1,266.6	-29.3%
Mutual funds and managed accounts	95.8	(552.3)	n/a
Bank accounts and securities in custody	1,619.5	974.8	66.1%
Banca Esperia Group (48.5%)	202.7	1,105.8	-81.7%
SPAIN			
Life Insurance products	25.3	67.1	-62.3%
Mutual funds and managed accounts	(133.5)	(14.6)	814.4%
Bank accounts and securities in custody	(182.9)	(275.6)	-33.6%
GERMANY			
Life Insurance products	6.6	4.4	50.0%
Mutual funds and managed accounts	(22.1)	(75.0)	-70.5%
Bank accounts and securities in custody	(7.3)	19.6	-137.2%
TOTAL	2,499.0	2,520.8	-0.9%

In the year under review net inflows totalled €2,499.0 million, essentially in line with the prior year's figure of €2,520.8 million. Notable was the contribution of Banca Mediolanum which amounted to €2,610.2 versus €1,689.1 million in the prior year (up 55%), while the contribution given by Banca Esperia declined from €1,105.8 in 2007 to €202.7 million at year end 2008 (down 81.7%).

Consolidated Assets under Management and Assets under Administration(*)

€/m	Dec. 30, 2008	Dec. 30, 2007	Change %
Life products	12,313.4	14,682.8	-16.1%
Mutual funds and managed accounts	11,704.7	15,231.5	-23.2%
Banking Products	6,385.2	5,596.6	14.1%
Consolidation adjustments	(6,462.2)	(8,140.4)	-20.6%
Banca Esperia Group (**)	3,911.5	4,539.1	-13.8%
DOMESTIC MARKET	27,852.6	31,909.6	-12.7%
Life products	305.0	399.7	-23.7%
Mutual funds and managed accounts	768.8	1,084.6	-29.1%
Banking Products	796.8	1,474.4	-46.0%
Other Products	0.6	1.3	-53.8%
Consolidation adjustments	(165.2)	(268.1)	-38.4%
FOREIGN MARKETS	1,706.0	2,691.9	-36.6%
MEDIOLANUM GROUP	29,558.6	34,601.5	-14.6%

(*) The figures relate to retail customers only.
(**) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held in that entity (48.5%).

At December 31, 2008, consolidated assets under management and assets under administration amounted to €29,558.6 million, down 14.6% from €34,601.5 million at December 31, 2007.

The analysis of new business as well as of assets under management and administration by business segment is set out below.

Life Insurance

The 2008 financial market crisis entailed the decline in the value of life products from €15,082.5 million at year end 2007 to €12,618.4 million at the end of the year under review.

The analysis of assets invested in life products, on a management basis, is set out below:

€/m	Dec. 31, 2008	Dec. 31, 2007	Change
Unit-linked life products	6,306.7	8,115.0	(1,808)
Index-linked life products	4,985.5	5,615.0	(630)
Traditional life products	1,326.2	1,352.6	(26)
Total Life Products	12,618.4	15,082.6	(2,464)

Gross premiums written in the year amounted to €2,749.9 million, down 22% from €3,545.6 million at year end 2007.
Total new business amounted to 1,497.3 million down 36% from €2,330.1 million at December 31, 2007.

The analysis of premiums written, on a management basis, is set out in the table below:

€/'000	Dec. 31, 2008	Dec. 31, 2007	Change
Recurring premiums	256.1	238.5	17.6
Single premiums and group policies	1,241.2	2,091.6	(850.4)
Total new business	1,497.3	2,330.1	(832.8)
Pension plans in-force	873.8	822.5	51.3
Other business in-force	378.8	393.0	(14.2)
Total in-force business	1,252.6	1,215.5	37.1
Total gross premiums written	2,749.9	3,545.6	(795.7)
Ceded premiums	(4.5)	(5.7)	1.2
Premiums relating to financial contracts (IFRS4)	(6.6)	(10.0)	3.4
Net Premiums Written	2,738.8	3,529.9	(791.1)

In the year under review the decline in new business was mainly due to the €850.4 million decrease in "single premiums and group policies", of which €509.9 million related to unit-linked products under Investment Plans. Conversely, "recurring premiums" rose €17.6 million.

The analysis of premiums written by class clearly shows that business written by Group companies was almost exclusively in class III:

€/'000		Dec. 31, 2008	Dec. 31, 2007	Change
Insurance/reinsurance				
Class I	Traditional life policies	51,002	56,628	(5,626)
Class III	Fund-related insurance	2,692,392	3,480,775	(788,383)
Class V	Investment plans	4,918	5,337	(419)
Class VI	Pension funds	1,570	2,245	(675)
Total		2,749,882	3,544,985	(795,103)

Total amounts paid and change in reserves amounted to €2,663.5 million versus €3,328.6 million in the prior year:

€/'000	Dec. 31, 2008	Dec. 31, 2007	Change
Surrenders	837,001	1,293,596	(456,595)
Maturities	902,654	845,133	57,521
Claims	59,143	65,852	(6,709)
Annuities	6,987	6,565	422
Total amounts paid	1,805,785	2,211,146	(405,361)
Change in Technical Reserves	834,549	1,124,139	(289,590)
Recoveries from reisurers	(6,792)	(6,693)	(99)
Total amounts paid and change in reserves	2,633,542	3,328,592	(695,050)

The decline in total amounts paid was primarily in connection with lower surrenders in the year under review. The higher balance on this account in the prior year was due to the positive effects of a number of sales and marketing campaigns.

Asset Management

Assets under management declined from €16,316.1 million at December 31, 2007 to €12,473.5 million at the end of the year under review.

Asset Management

€/m	Dec. 31, 2008	Dec. 31, 2007
'Best of brands' funds of funds	1,470.8	-
'Portfolio' funds of funds	811.8	1,172.9
'Elite' funds of funds	90.3	150.8
Funds of hedge funds	453.1	574.4
Funds of funds - Total	2,826.0	1,898.1
'Challenge'	7,669.8	8,652.0
'Top Managers'	-	3,628.8
Other Italy-based mutual funds	1,302.0	1,718.8
Other internationally-based mutual funds	789.3	814.0
Total other mutual funds	9,761.1	14,813.6
'Chorus' managed accounts	135.8	292.8
Real estate funds and other	400.2	396.9
Duplications	(649.6)	(1,085.3)
Total mutual funds and managed accounts	12,473.5	16,316.1
of which:		
Equity	57%	62%
Bond	17%	15%
Money market	11%	8%
Other	15%	15%

The 2008 financial market crisis entailed the decline in the value of assets under management as well as in inflows of customer assets in the retail segment. At December 31, 2008, the Group reported gross inflows of €2,437.5 million versus €3,528.7 million at December 31, 2007, while net outflows were €69.7 million versus net outflows of €644.1 million at December 31, 2007.

However, despite the adverse market conditions, at December 31, 2008, total gross inflows, including both retail and institutional customers, amounted to €6,261.9 million versus €5,594.5 million in the same period of the prior year (up 12%), and total net inflows amounted to €574.9 million versus net outflows of €707.3 million at December 31, 2007.

In 2008, Top Managers funds were converted into *Best of Brands* funds of funds, while part of the assets under management was transferred to the *Challenge* funds.

The analysis of inflows into asset management products, on a management basis, is set out in the table below:

Gross Inflows

€/m	Dec. 31, 2008	Dec. 31, 2007	Change
'Best of brands' funds of funds	558.4	-	558.4
'Portfolio' funds of funds	136.4	993.0	(856.6)
'Elite' funds of funds	20.7	41.5	(20.8)
Funds of funds - Total	715.5	1,034.5	(319.0)
'Challenge'	778.4	1,205.6	(427.2)
'Top Managers'	361.8	443.2	(81.4)
Other Italy-based mutual funds	414.6	500.6	(86.0)
Other internationally-based mutual funds	111.8	262.8	(151.0)
Total other mutual funds	1,666.6	2,412.2	(745.6)
'Chorus' managed accounts	15.3	21.4	(6.1)
Real estate funds and other	40.1	60.6	(20.5)
Total mutual funds and managed accounts	2,437.5	3,528.7	(1,091.2)

Net Inflows

€/m	Dec. 31, 2008	Dec. 31, 2007	Change
'Best of brands' funds of funds	360.0	-	360.0
'Portfolio' funds of funds	(141.3)	669.8	(811.1)
'Elite' funds of funds	(11.4)	(16.8)	5.4
Funds of funds - Total	207.3	653.0	(445.7)
'Challenge'	(13.9)	211.9	(225.8)
'Top Managers'	48.4	(191.0)	239.4
Other Italy-based mutual funds	(70.2)	(200.5)	130.3
Other internationally-based mutual funds	(167.1)	(130.5)	(36.6)
Total other mutual funds	(202.8)	(310.1)	107.3
'Chorus' managed accounts	(94.7)	(1,040.7)	946.0
Real estate funds and other	20.5	53.7	(33.2)
Total mutual funds and managed accounts	(69.7)	(644.1)	574.4

Banking

In 2008, inflows into assets under administration jumped 101% to €1,462.3 million compared to €726.8 million at December 31, 2007.

The analysis of assets under administration, on a management basis, is set out in the table below:

€/m	Dec. 31, 2008	Dec. 31, 2007	Change
Customer deposits	4,071.9	3,870.0	201.9
Securities in custody	2,178.6	2,946.6	(768.0)
Repurchase agreements	931.4	254.3	677.1
Total Assets under Administration	7,181.9	7,070.9	111.0
of which:			
Banca Mediolanum	6,385.2	5,596.6	788.6

At year end 2008, the total number of customers - either bank account holders or investors in Banca Mediolanum financial/insurance products – grew from 1,061,000 at year end 2007 to 1,084,740. 914,700 of these customers were primary account holders.

At December 31, 2008, the number of bank accounts grew 6% from 533,679 at year end 2007 to 565,476, corresponding to 795,140 account holders. The number of credit cards increased to 160,601 from 152,601 at December 31, 2007, and the number of debit cards to 453,300 from 375,321 at the end of the prior year..

At year end 2008, bank account holders accounted for 73.3% of total bank customers, a percentage which confirms customer satisfaction with the quality, breadth and depth of the banking product offering.

The Sales Networks

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

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

At December 31, 2008 the number of Banca Mediolanum licensed financial advisors further grew to 5,077 from 5,040 at year end 2007, while the number of non-licensed advisors declined to 774 from 1,342 at year end 2007. 747 non-licensed advisors work also as financial agents for Mediolanum Distribuzione Finanziaria S.p.A. (vs. 1,148 at year end 2007).

At year end 2008 there were 536 Banca Mediolanum Sales Network Offices (Family Banker Offices and Traditional Offices), up 6 more offices compared to the prior year.
The analysis of Sales Network Offices is set out in the table below:

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

Family Banker Offices are evenly spread in all Italian regions reflecting the presence of Family Bankers across Italy. The regions with the highest presence of Family Banker Offices are: Lombardy (40), Piedmont (19), Veneto (36), Sicily (24), Emilia Romagna (23), Latium (22), Tuscany (20), and the Marches (14).
During 2008 three new Private Banking branches opened in Rome, Bologna and Padua, adding to the bank branch already existing in Milan. These branches are located on the upper floors of prestigious buildings in the heart of the city centres and mainly serve the purpose of providing a sophisticated ambience for meetings with private banking customers.
Including the bank branch at the Basiglio HQ, at December 31, 2008, there were five Banca Mediolanum bank branches.

Consolidated Income Statement at December 31, 2008

€/m	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2007
	Ordinary activities	Non-recurring items	Total	Total
Net premiums written	2,738.8	-	2,738.8	3,529.2
Amounts paid and change in reserves	(2,633.5)	-	(2,633.542)	(3,328.6)
Net Life insurance revenues (ex. commissions)	105.3	-	105.3	200.6
Entry fees	56.3	-	56.3	53.8
Management fees	283.5	-	283.5	336.1
Performance fees	50.4	-	50.4	61.7
Banking service fees	76.5	-	76.5	76.4
Other fees	35.0	-	35.0	47.5
Total commission income	501.6	-	501.6	575.4
Interest income and similar income	373.6	-	373.6	297.6
Interest expense and similar charges	(212.7)	-	(212.7)	(162.5)
Net income on investments at fair value	(0.8)	(139.0)	(139.9)	(5.7)
Net financial income	160.0	(139.0)	21.0	129.5
Realised gains/losses on other investments	23.7	-	23.7	32.6
Net impairment on other investments	(9.1)	-	(9.1)	(6.3)
Net income on other investments	14.6	-	14.6	26.3
Other revenues	23.1	-	23.1	26.8
TOTAL REVENUES	804.7	(139.0)	665.6	958.7
Commission expenses and acquisition costs	(275.0)	-	(275.0)	(328.3)
General and administrative expenses	(327.1)	-	(327.1)	(314.5)
Amortisation and depreciation	(18.8)	-	(18.8)	(23.5)
Provisions for risks and charges	(18.7)	(3.4)	(22.1)	(16.8)
TOTAL COSTS	(639.6)	(3.4)	(643.0)	(683.1)
PROFIT BEFORE TAX	165.1	(142.5)	22.6	275.6
Income tax	(33.8)	34.9	1.1	(63.3)
Minority interests	-	-	-	-
NET PROFIT FOR THE PERIOD	131.3	(107.6)	23.7	212.2

The reclassified consolidated income statement above highlights the impact of the operation put in place to safeguard customers after the failure of Lehman Brothers. At December 31, 2008 the net losses reported by the Group insurance companies amounted, in the aggregate, to €107,600 thousand. At December 31, 2008 a specific equity reserve of equal amount was recognised on the balance sheet of Mediolanum S.p.A. Said equity reserve is made up of the capital contribution made by the two majority shareholders, Doris Group and Fininvest S.p.A., and neutralises any impact of said operation on the Mediolanum Group accounts.

In the following analysis, the results from 2008 ordinary activities (excluding non-recurring items) are compared to 2007 income statement balance.

For the year under review **net premiums written** amounted to €2,738.8 million versus €3,529.2 million in the prior year. The 22% decline was largely due to the decrease in "single premiums€ especially in relation to unit-linked products under Investment Plans. Conversely, "recurring premiums" rose €17.6 million.

Due to the decline in new business **amounts paid and change in reserves** declined 21% from €3,328.6 million in the prior year to €2,633.5 million.

Net life insurance revenues before acquisition costs amounted to €105.3 million versus €200.6 million in the prior year. The lower balance was largely due to lower sales and the different loadings applied to products sold in 2008.

For the year under review **commission income** amounted to €501.6 million versus €575.4 million in 2007. The €73.8 million decline was largely due to the negative performance of financial markets, which entailed a lower level of performance fees (down €11.3 million) and management fees (down €52.6 million) as a result of the devaluation of assets under management.

In spite of the financial market turmoil, **net financial income** and **realised gains on other investments** in the aggregate rose to €183.7 million from €162.1 million in 2007, especially thanks to net interest income growing from €135.1 million in 2007 to €160.9 million in 2008, largely due to greater lending volumes and higher interest rate spreads.

Due to lower revenues, **commission expenses and acquisition costs** declined to €275 million from €328.3 million in the prior year.

Other expenses (general and administrative expenses, amortisation, depreciation and provisions for risks and charges) were up 2.8% to €364.6 million from €354.8 million in the prior year.

Income tax for the period declined to €33.8 million (tax rate of 20.5%) from €63.3 million in 2007.

Key corporate events and performance of companies within the Group

In January 2008, the Board of Directors of Banca Mediolanum S.p.A. resolved to increase share capital from €371 million up to €500 million, to assure the bank the funds it needs for growth. Banca Mediolanum share capital increases will be effected in different occasions according to capital requirements. The Bank of Italy issued the relevant authorisation on April 30, 2008. In May 2008, Banca Mediolanum requested the shareholder to increase capital by €29 million to €430 million.

In February 2008, the shareholding in Gamax Austria GmBH was sold to the Argon AG Group for a consideration of €400 thousand.

On March 20, 2008, Mediolanum Corporate University S.p.A. was incorporated. This €20 million share capital company is wholly owned by Banca Mediolanum and was established to provide education and training to the Mediolanum Banking Group sales network. On April 30, 2008, the company acquired the property 'Residence Milano 3' in Basiglio, which will accommodate trainees attending programmes at the new corporate university in Milano 3 City. The property above was acquired for €7.43 million. The new university training courses began last October.

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

On June 26, 2008, Mediolanum International S.A. and Gamax Holding A.G. approved the merger of Gamax Holding A.G. into Mediolanum International S.A.. The merger became effective one month after the publication of the merger plan in the Luxembourg Register of Companies.

In June, Banca Mediolanum subscribed to the share capital increase of the Spanish subsidiary, Banco de Finanzas e Inversiones S.A., in the amount of €20 million.
On November 24, 2008, Partner Time was put in liquidation since this company is no longer strategic for the Mediolanum Group due to the changed regulatory environment.

Life Insurance Companies

For financial year 2008 **Mediolanum Vita S.p.A.** reported premiums written of €1,873.6 million versus €2,030.8 million in 2007. The €157.2 million decline (-7.7%) was largely in connection with lower single premiums written in the year (down €209.7 million), while recurring premiums on in-force business increased 14% over the prior year.
At December 31, 2008, mathematical reserves and financial liabilities to policyholders amounted to €9,410.8 million (vs. €11,663.4 million in 2007), of which €9,352.0 relating to individual policies (vs. €11,606.7 million in 2007) and €58.8 million to group policies (versus €56.7 million in 2007).
At year end gross annual return on MEDINVEST segregated funds was 4.14% versus 4.08% in the prior year.
For financial year 2008 the company reported net loss of €17.7 million versus net profit of €50.8 million in the prior year. The year's result was impacted by the operation put in place to protect customers after the default of Lehman Brothers, that entailed losses after related taxation of €58.2 million. Excluding the impact of said operation, the company would have reported net profit of €40.5 million, down 20% over the prior year.

For financial year 2008, **Mediolanum International Life Ltd** recorded a notable decline in premiums written, especially under index-linked products. At year end 2008, premiums written amounted to €876.3 million versus €1,514.5 million in the prior year.
Premiums written in foreign markets (Spain and Germany) amounted to €79.1 million versus €151.9 million in the prior year.

At December 31, 2008, mathematical reserves and financial liabilities to policyholders amounted to €3,224.0 million versus €3,408.4 million in 2007.
For financial year 2008 the company reported net loss of €35.2 million versus net profit of €32.7 million in the prior year. The year's result was impacted by the operation put in place to protect customers after the default of Lehman Brothers, that entailed losses after related taxation of €49.4 million. Excluding the impact of said operation, the company would have reported net profit of €14.2 million, down 57% over the prior year.
Mediolanum International Life Ltd policies are distributed in Italy by Banca Mediolanum, in Spain by Fibanc and in Germany through Bankhaus August Lenz.

Asset Management Companies

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

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

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

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

Banking operations (including Group product distribution)

For financial year 2008 **Banca Mediolanum S.p.A.** reported net profit of €32,927 thousand versus €51,060 thousand at December 31, 2007.
In financial year 2008, net financial income climbed 20.4% (up €23.8 million), while net commission income declined €28.8 million, especially on life products and mutual funds, due to the different mix of insurance products sold in the year as well as the decline in the value of assets under management owing to the financial market downturn. Lower dividends from subsidiaries (down €8.5 million) also contributed to bring down net profit.
At December 31, 2008, total balance sheet assets grew 19.2% to €9,185 million from €7,707 million in the prior year.
Inflows of customer assets into bank accounts, repurchase agreements and bonds jumped to €5,595 million compared to €5,044 million at the end of the prior year. Also loans to customers notably increased from €1,523 million at the end of the prior year to €3,206 million, of which €984 million to financial firms under section 107 of the Consolidated Banking Act.
At December 31, 2008, the Bank's total assets under administration (bank accounts and securities accounts) grew to €6,385 million from €5,597 million at the end of the prior year.
Net financial income rose 20.4% to €140.9 million from €117.1 million at year end 2007. Net interest income increased to €132.9 million from €103.8 million at year end 2007 thanks to the profitable management of the bank's interest-earning assets that largely consist of euro-denominated inter-bank loans, especially to Italian banks, treasuries and bonds issued by primary Italian and European banks. In spite of the market turmoil, profits on financial transactions, gains from hedging transactions and gains from the sale of 'available-for-sale financial assets' amounted to €8.1 million versus €13.3 million in the prior year.
Dividends from subsidiaries amounted to €79.7 million versus €90.1 million in the prior year.
Total income for the year was down 5.1% from €301.7 million in 2007 to €286.3 million.
Operating expenses were up 6.3% to €246.3 million from €231.6 million at year end 2007 due to the significant increase in mortgage loans and required adjustments of organisational and operational structures.

Specifically, staff costs increased from €75 million in 2007 to €84 million at the end of the year under review, and the Bank's headcount grew to 1,489 employees from 1,322 at the end of the prior year.

For financial year 2008, **Banco de Finanzas e Inversiones S.A. (Fibanc)** reported net loss of €0.8 million versus net profit of €3.6 million in the prior year. The year's result was negatively impacted by reduced sales due to the negative performance of financial markets as well as the reorganisation and reinforcement of the sales network.
For financial year 2008, the Group reported gross inflows into asset management products of €277 million versus €520.5 million in 2007, and net outflows of €108.3 million versus net inflows of €52.4 million at year end 2007.
As to assets under administration, the Group reported outflows €182.8 million versus outflows of €275.6 million at the end of the prior year.
At year end 2008, total assets under management and under administration amounted to €1,458 million versus €2.353 million at December 31, 2007.
The sales force consisted of 527 people versus 739 at December 31, 2007. Specifically, tied Advisors, relying on the same business model as Banca Mediolanum financial advisors, were 448 versus 593 at year 2007. Fibanc also availed itself of 38 traditional agents (45 in 2007).

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

Associates and joint venture

At December 31, 2008, the investment in Mediobanca S.p.A. was reclassified from 'Available-for-Sale Financial Assets' to 'Investments in Associates and Joint Ventures''. The reclassification was made in light of the strategic nature of the investment. In fact, following the December 2007 acquisition of a further 1.5% interest in Medioanca, our Group has become one of the five largest shareholders of that financial institution and the second largest shareholder among the parties to the Mediobanca Shareholders Agreement.
You are reminded that Mediolanum S.p.A. holds 3.45% of Mediobanca S.p.A. voting shares and is a party to the Mediobanca S.p.A. Shareholders Agreement made to ensure ownership stability, Board representation and management consistency. The parties to said Shareholders Agreement locked up 45.24% of share capital. By a resolution carried at the Extraordinary General Meeting of last October 28, the Mediobanca shareholders reintroduced the traditional governance model and elected the members of the new Board of Directors that will hold office for three years (2008/2011). Ennio Doris, who had served on the previous Supervisory Board, was one of the members elected to the new Mediobanca Board of Directors.
You are also reminded that Mediolanum S.p.A. and Mediobanca S.p.A. hold an equal 48.5% stake in Banca Esperia S.p.A..

Following the reclassification, the investment in Mediobanca S.p.A. was carried at cost, calculated as the average acquisition cost, i.e. €12.45 per share for a total amount of €344.9 million. Compared to December 31, 2007, the reclassification entailed a decrease in the value of the investment previously recognised under 'available-for-sale financial assets' against the decline in the AFS equity reserve of €45.6 million, net of tax effects.
At December 31, 2008, the investment in Mediobanca S.p.A. was tested for impairment with the assistance of an independent advisor. The impairment test did not reveal any evidence of impairment.

For financial year 2008, the Banca Esperia banking group reported gross inflows of €2,127 million, down 43% from €3,759 million in the prior year. Also net inflows declined (down 82%) from €2,280 million in 2007 to €418 million at December 31, 2008.
At the end of the year under review, total assets under management and administration declined 14% to €8,065 million from €9,359 million at December 31, 2007.
At year end 2008, the number of private bankers stood at 51, unchanged over the prior year.
For financial year 2008, the Banca Esperia group reported net profit of €4.1 million versus €28.6 million in the prior year.

Intercompany and related party transactions

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

Social and environmental responsibility

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

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

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

Other information

At December 31, 2008, the solvency margin of the Mediolanum S.p.A. financial conglomerate determined in accordance with statutory and regulatory requirements for financial conglomerates engaged mainly in insurance was essentially in line with the requirements set out in ISVAP Regulation No. 18 of March 12, 2008 regarding assessment of adequate solvency requirements under Title XV, Chapter IV of Legislative Decree 209 of September 7, 2005 (Private Insurers' Code). Regulations governing the capital adequacy of financial conglomerates pursuant to Legislative Decree 142 of May 30, 2005, and the financial conglomerates coordination agreement signed by ISVAP, CONSOB and Bank of Italy on March 30, 2006".

Disclosures required under art. 123 bis of the Consolidated Finance Act are set out in the Corporate Governance Report that will be available also on the corporate website (www.mediolanum.it) within the term set out in art. 89 bis of the Regulation for Issuers.

Post balance sheet date events

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

Main risks and uncertainties

Readers can find information about the risks and uncertainties to which the Mediolanum Group is exposed in this Report and in the Notes.
Specifically, information about the risks related to the performance of the world's economies and financial markets is set out in this Report, under 'Macroeconomic Environment' and 'Outlook'. Information on financial risk and operational risk is detailed in Part F of the Notes.

Outlook

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

Meanwhile, the lower oil and commodity prices mitigate the risk of inflation and facilitate new discount rate cuts by central banks.

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

The current market conditions do not warrant any possible increase in the value of assets under management in the short term. Thus, commission income and insurance revenues may decline. As to our banking business, interest income is expected to be in line with the prior year.

For the year 2009, we expect to achieve positive financial results, which, based on current reasonable estimates, should be in line with 2008.

Basiglio, March 24, 2009

For the Board of Directors
The Chairman
(Roberto Ruozi)

MEDIOLANUM S.p.A.

Consolidated Accounts 2008

Balance sheet

Assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Intangible assets		
1.1 Goodwill	161,302	161,422
1.2 Other intangible assets	16,427	13,963
Total intangible assets	177,729	175,385
2. Tangible assets		
2.1 Property	63,443	56,458
2.2 Other tangible assets	22,422	19,400
Total tangible assets	85,865	75,858
3. Reinsurers' share of technical reserves	100,328	100,870
4. Investments		
4.1 Investment property	4,777	4,214
4.2 Investments in subsidiaries, associates and JVs	396,140	53,205
4.3 Held to maturity investments	1,351,960	592,324
4.4 Loans and receivables	5,415,734	4,581,998
4.5 Available for sale financial assets	1,524,602	1,338,611
4.6 Financial assets at fair value through profit and loss	12,884,997	16,185,536
Total investments	21,578,210	22,755,889
5. Receivables		
5.1 Arising out of direct insurance business	10,657	11,504
5.2 Arising out of reinsurance business	127	-
5.3 Other receivables	3,376	1,839
Total receivables	14,160	13,343
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	448	1,042
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	80,239	38,366
6.4 Current tax assets	168,691	157,587
6.5 Other assets	258,838	220,455
Total other assets	508,216	417,449
7. Cash and cash equivalents	185,865	245,370
TOTAL ASSETS	22,650,372	23,784,163

Shareholders' equity and liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Shareholders' equity		
1.1 Group shareholders' equity		
1.1.1 Share capital	73,010	72,948
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	51,960	51,277
1.1.4 Retained earnings and other equity reserves	696,921	523,613
1.1.5 Treasury shares (-)	(2,045)	(2,045)
1.1.6 Exchange difference reserves	-	-
1.1.7 Gains or losses on available for sale financial assets	(30,004)	36,997
1.1.8 Other gains or losses recognised directly in equity	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	23,675	212,243
Total capital and reserves attributable to the Group	813,517	895,033
1.2 Attributable to minority interests		
1.2.1 Capital and reserves attributable to minority interests	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-
Total capital and reserves attributable to minority interests	-	-
Total shareholders' equity	813,517	895,033
2. Provisions	95,833	78,875
3. Technical reserves	12,380,981	14,457,087
4. Financial liabilities		
4.1 Financial liabilities at fair value through profit and loss	1,020,288	1,350,199
4.2 Other financial liabilities	7,945,685	6,554,078
Total financial liabilities	8,965,973	7,904,277
5. Payables		
5.1 Arising out of direct insurance business	10,850	18,662
5.2 Arising out of reinsurance business	252	1,339
5.3 Other payables	234,988	234,466
Total payables	246,090	254,467
6. Other liabilities		
6.1 Liabilities of disposal groups held for sale	1,106	905
6.2 Deferred tax liabilities	11,540	11,602
6.3 Current tax liabilities	18,842	46,563
6.4 Other liabilities	116,490	135,354
Total other liabilities	147,978	194,424
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	22,650,372	23,784,163

Income statement

€/'000	Dec. 31, 2008	Dec. 31, 2007
1. Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	2,743,320	3,534,933
1.1.2 Reinsurance premiums	(4,518)	(5,692)
Total premiums written	2,738,802	3,529,241
1.2 Commission income	501,628	575,433
1.3 Net income on financial instruments at fair value through profit and loss	(3,521,213)	(463,264)
1.4 Income on investments in sudsidiaries, associates and JVs	1,997	13,879
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	315,550	238,985
1.5.2 Other income	19,830	13,507
1.5.3 Realised gains	6,109	12,669
1.5.4 Unrealised gains	5,671	5,756
Total income on other financial instruments and investment property	347,160	270,917
1.6 Other revenues	24,863	26,813
Total revenues and income	93,237	3,953,019
2. Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	782,790	(2,838,614)
2.1.2 Reinsurers' share	6,792	6,693
Net claims and benefits	789,582	(2,831,921)
2.2 Commission expense	(196,678)	(185,099)
2.3 Losses on investments in subsidiaries, associates and JVs	-	-
2.4 Loss on other financial instruments and investment property		
2.4.1 Interest expense	(195,957)	(143,596)
2.4.2 Other expenses	(196)	(433)
2.4.3 Realised losses	(5,749)	(723)
2.4.4 Unrealised losses	(14,846)	(12,001)
Loss on other financial instruments and investment property	(216,748)	(156,753)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(83,698)	(151,293)
2.5.2 Investment management expenses	(395)	(362)
2.5.3 Other administrative expenses	(299,836)	(282,066)
Total operating expenses	(383,929)	(433,721)
2.6 Other costs	(62,858)	(70,065)
Total costs	(70,631)	(3,677,558)
Profit (loss) before tax for the period	22,606	275,461
3. Income tax	1,069	(63,319)
Profit (loss) for the period	23,675	212,142
4. Profit (loss) from discountinued operations	-	101
Group net profit (loss) for the period	23,675	212,243
of which pertaining to the Group	23,675	212,243
Earning per share (in euro)	0,032	0,291

Statement of changes in shareholders' equity

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

€/'000	Balance at Dec. 31, 2007	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at Dec. 31, 2008
Shareholders' equity attributable to the Group						
Share capital	72,948	-	62	-	-	73,010
Other equity instruments	-	-	-	-	-	-
Capital reserves	51,277	-	683	-	-	51,960
Retained earnings and other equity reserves	523,613	-	235,333	-	(62,025)	696,921
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	36,997	-	(66,641)	(360)	-	(30,004)
Other gains (losses) recognised directly in equity						
Gains (losses) on cash flow hedges	-	-	-	-	-	-
Gains (losses) on hedges of a net investment in a foreign operation	-	-	-	-	-	-
Reserve relating to changes in the equity of investees	-	-	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-	-	-
Tangible assets revaluation reserve	-	-	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Net profit (loss) for the period	212,243	-	(104,723)	-	(83,845)	23,675
Total shareholders' equity attributable to the Group	895,033	-	64,714	(360)	(145,870)	813,517
Shareholders' equity attributable to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognised directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity attributable to minority interests	-	-	-	-	-	-
TOTAL	895,033	-	64,714	(360)	(145,870)	813,517

Consolidated cash flow statement

Indirect method

€/'000	Dec. 31, 2008	Dec. 31, 2007
Profit (loss) before tax for the period	22,606	275,461
Changes in non-monetary items	(4,683,578)	567,263
Change in unearned premiums reserve (general business)	-	-
Change in outstanding claims reserve and other technical reserves (general business)	-	-
Change in mathematical reserves and other technical reserves (Life business)	(2,075,564)	1,152,476
Change in deferred acquisition costs	-	-
Change in provisions	16,958	11,277
Non-monetary income (losses) on financial instruments, investment property and equity investments	(2,624,972)	(596,490)
Other changes	-	-
Changes in receivables and payables arising out of operating activities	(109,391)	(59,366)
Changes in receivables and payables arising out of direct insurance and reinsurance operations	(8,179)	7,151
Changes in other receivables and payables	(101,212)	(66,517)
Income tax paid	(35,947)	(36,149)
Net cash from monetary items relating to investment and financial activities	(651,092)	76,395
Liabilities on financial contracts issued by insurance companies	(329,911)	249,206
Amounts due to banks and banking customers	1,391,607	1,064,985
Loans to and receivables from banks and banking customers	(808,349)	(1,271,220)
Other financial instruments at fair value through profit or loss	(904,439)	33,424
NET CASH FLOWS FROM OPERATING ACTIVITIES	(5,457,401)	823,604
Net cash from investment property	(563)	2,753
Net cash from subsidiaries, associates and joint ventures	(342,935)	(13,879)
Net cash from loans and receivables	(25,387)	1,037
Net cash from held-to-maturity investments	(759,636)	(24,780)
Net cash from available-for-sale financial assets	(185,991)	(378,896)
Net cash from tangible and intangible assets	(12,351)	5,359
Other cash flows from investment activities	6,829,950	(389,325)
NET CASH FLOWS FROM INVESTING ACTIVITIES	5,503,087	(797,732)
Net cash from equity instruments attributable to the Group	40,679	(75,738)
Net cash from treasury shares	-	-
Distribution of dividends attributable to the Group	(145,870)	(145,776)
Net cash from capital and reserves attributable to minority interests	-	-
Net cash from subordinated liabilities and quasi-equity instruments	-	-
Net cash from miscellaneous financial liabilities	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(105,191)	(221,514)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	245,370	441,012
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,505)	(195,642)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	185,865	245,370

Notes to the Consolidated Annual Financial Statements 2008

Notes to the Consolidated Annual Financial Statements

These notes are structured as follows:

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

PART A - ACCOUNTING BASIS AND SCOPE OF CONSOLIDATION

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

Pursuant to Legislative Decree 142 of May 30, 2005 the Mediolanum Group is a financial conglomerate that operates primarily in the insurance business.
In accordance therewith, the Mediolanum Group's financial statements for the year ended December 31, 2008 were prepared following the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP (Italy's supervisory authority for insurance companies) as part of its Regulation No. 2404 of December 22, 2005, and in accordance with Regulation No. 7 of July 13, 2007.

Accounting Basis

In the preparation of the financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2008, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.

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

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

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

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

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

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

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

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

Scope of consolidation

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

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

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

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Vita S.p.A.	87,720	100.000%	Basiglio	Life Insurance
Partner Time S.p.A. (in liquidation)	520	100.000%	Basiglio	Life Insurance distribution
Mediolanum Comunicazione S.p.A.	775	100.000%	Basiglio	Audio/film/TV production
PI Distribuzione S.p.A.	517	100.000%	Basiglio	Real estate brokerage
Mediolanum International Life Ltd	1,395	100.000%	Dublin	Life Insurance
Banca Mediolanum S.p.A.	430,000	100.000%	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.000%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	44.000%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	49.000%	Dublin	Asset management and advice

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

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Distribuz. Finanz. S.p.A.	1,000	100.000%	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR pA	5,165	51.000%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	51.000%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.000%	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	86,032	100.000%	Barcelona	Banking
Mediolanum International S.A.	71,500	99.997%	Luxembourg	Sub-holding company
Bankhaus August Lenz & Co. AG	20,000	100.000%	Munich	Banking
Mediolanum Corp. University S.p.A.	20,000	100.000%	Basiglio	Education and Training

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 Company	Share capital	% holding	Registered office	Business
Ges Fibanc SGIIC S.A.	2,506	100.000%	Barcelona	Fund management
Fibanc S.A.	301	100.000%	Barcelona	Financial Advice
Fibanc Pensiones S.G.F.P. S.A.	902	100.000%	Barcelona	Pension Fund management
Mediolanum International Funds Ltd	150	5.000%	Dublin	Asset management and advice

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 Company	Share capital	% holding	Registered office	Business
Gamax Management AG	7,161	100,000%	Luxembourg	Asset management and advice

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

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

€/'000 Company	Share capital	% holding	Registered office	Business
Banca Esperia S.p.A.	13,000	48.50%	Milan	Banking
Mediobanca S.p.A.	410,028	3.450%	Milan	Banking

Methods of consolidation

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

Consolidation on a line-by-line basis

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

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

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

Business combinations are accounted for by applying the purchase method. Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's (acquirer's) interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's (acquirer's) cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

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

Equity method

Under the equity method, an investment is initially recognised at cost and its carrying amount is increased or decreased thereafter to reflect the value of the investor's share of the investee's equity and profit. The investor's share of the profit or loss of the investee is 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 investments in associates the approved IAS/IFRS annual financial statements of associates were used.

Post balance sheet date events

In the period between the end of financial year 2008 and the date on which these financial statements were approved, there was no event which could materially impact the business or result of operations of the Mediolanum Group.

Significant non-recurring transactions or events

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

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the consolidated financial statements for the year ended December 31, 2008.

The changes in the accounting policies over the prior year relate exclusively to the amendments to IAS 39 and IFRS 7 adopted by Commission Regulation (EC) No. 1004/2008. The amendments to IAS 39 allow the reclassification of financial instruments while amendments to IFRS 7 apply to related disclosures. Specifically, the amendments allow to reclassify non-derivative financial assets that are no longer held for the purpose of selling or repurchasing them in the near term (held for trading) out of the 'financial assets at fair value through profit or loss' category to other categories set out in IAS 39 (held-to-maturity investments, available-for-sale financial assets, loans and receivables).

The amendments also allow to reclassify financial assets out of the 'available-for-sale' category to the 'loans and receivables' category. These reclassifications are allowed in rare circumstances when a financial asset is no longer held for the purpose of selling or repurchasing it in the near term and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The current financial crisis was considered by the IASB to be such a rare circumstance which would justify the use of this possibility by companies. Due to the exceptional circumstances, the reclassification were allowed as from July 1, 2008 if made within November 1, 2008.

The Mediolanum Group elected to reclassify certain financial assets, largely bonds not quoted in an active market, originally recognised as held-for-trading, which at present do not show any objective evidence of impairment, are no longer held for the purpose of selling or repurchasing them in the near term due to market conditions and which it intends to hold in the foreseeable future.

Those financial assets were therefore reclassified to the 'Loans and Receivables' and the 'Available-for-Sale financial assets' categories.

Specifically, the reclassification largely related to Italian Government treasuries and certain bonds issued by Italian banks held by Banca Mediolanum and Mediolanum Vita, or issued under securitisations and held by Banca Mediolanum.

In accordance with the transitional provision under the Regulation cited above, you are advised that the reclassifications made within November 1, 2008 amounted to a nominal value of €441.23 million, considering the value of assets at September 1, 2008 for financial assets held by Banca Mediolanum, and the value of assets at September 15, 2008, for financial assets held by Mediolanum Vita. Based on fair value at year end, reclassifications for a nominal amount of €119 million were made upon the preparation of the 2008 annual financial statements.

Type of instrument €/'000	Previous classification	Reclassified to	Nominal Value	Carrying amount after the reclassification	Fair value at Dec. 31, 2008	(*) Impact on profit or loss	(*) Impact on equity reserves
Debt instruments	Financial assets at fair value through profit profit or loss	Loans and Receivables	26.23	25.03	25.33	0.29	–
Debt instruments	Financial assets at fair value through profit profit or loss	Loans and Receivables	119.00	96.98	96.98	–	–
Debt instruments	Financial assets at fair value through profit profit or loss	Available-for-sale financial assets	415.00	411.38	399.43	(11.95)	11.95
Total reclassifications			560.23	533.40	521.74	(11.66)	11.95

(*) Before taxation

Had the Group elected not to avail itself of the option to reclassify the financial assets above, the impact on the accounts, before related taxation, would have been a negative balance of €11.66 million on the income statement and an increase in equity reserves of €11.95 million.

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

Financial assets at fair value through profit or loss

This category includes:

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

Financial assets at fair value through profit or loss consist of debt securities, equities and trading derivatives with positive fair value. Financial assets at fair value through profit or loss are initially recognised on the settlement date if they are debt securities and equities, and on the trade date if they are derivatives.

On initial recognition financial assets at fair value through profit or loss are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.

After initial recognition financial assets at fair value through profit or loss are measured at their fair value. The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation. If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.

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

Available-for-sale financial assets

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

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

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

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

After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific

[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.

equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Group assesses whether there is objective evidence of any impairment loss.
If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Held-to-maturity investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Group intends or has the ability to hold to maturity. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available-for-sale.
Held-to-maturity investments are initially recognised on settlement date.
Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income.
When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.
After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.
Gains or losses of held-to-maturity investments are recognised in the income statement when the financial assets is derecognised or impaired, and through the amortisation process.
At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.
If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Held-to-maturity investments are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Hedging

Hedging transactions are intended to offset changes in the fair value or cash flows of an item or group of items, that are attributable to a particular risk, in the event that risk materialises.
Pursuant to IAS 39 the Company adopted fair value hedging to cover exposure to changes in the fair value of a

financial item, that is attributable to a particular risk. Specifically, the Company entered into fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities.

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

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

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

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

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

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

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

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

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

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

Loans and receivables

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

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

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

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

After initial recognition, loans and receivables are measured at amortised cost. Amortised cost is the amount at which the financial asset is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any directly attributable costs/income and minus/plus any reduction/reversal for impairment.

The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset.

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

At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan is classified as "non-performing", "watch-list" or "restructured" in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements.

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

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

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

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

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

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

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

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

Equity investments

This account relates to investments in associates that are accounted for using the equity method.
An associate is an entity over which the parent company (the investor) has significant influence, i.e. it holds, directly or indirectly, 20 per cent or more of the voting power of the investee or, if it holds less than 20 per cent of the voting power of the investee, it has the power to participate in the financial and operating policy decisions of the investee under legal arrangements, e.g. a shareholders' agreement.
An investment in an associate is accounted for using the equity method from the date on which the parent begins to have significant influence over the associate. The parent discontinues the use of the equity method from the date it ceases to have significant influence over the associate and from that date it accounts for the investment in accordance with IAS 39, provided that the associate does not become a subsidiary or a joint venture.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

Investment property and other tangible assets

Tangible assets include land, Group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.
These are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one period.
This account also includes assets held under finance leases even when the lessor retains title thereof.
Tangible assets are initially recognised at cost, which comprises the purchase price of the asset and all costs directly attributable to the asset's acquisition and operation.
The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, while the costs of day-to-day servicing are recognised in the income statement.
Tangible assets, including investment property, are carried at cost less any accumulated depreciation and impairment losses.
Tangible assets are systematically depreciated on a straight-line basis over their useful lives except for land, be it acquired separately or together with buildings, which has an indefinite useful life. Under the international accounting standards land and buildings are separable assets and are to be accounted for separately. When the value of land is embedded in the value of the building, only for land on which a building stands, their respective value is determined by independent valuers.
At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the lower of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying

amount is reduced to its recoverable amount. Any reduction is recognised as impairment loss in the income statement.

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

Other Assets

Other assets include expenditure on the renovation of leasehold property.

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include:

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

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

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

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

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

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

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

Other financial liabilities

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

Those financial liabilities are initially recognised when amounts are received or bonds are issued.

They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/ income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.

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

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.

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

Life Technical Reserves

Life technical reserves represent the reserves for liabilities under insurance contracts and investment contracts with Discretionary Participation Features (DPF).

Life technical reserves include mathematical reserves, calculated on each individual contract according to the payment commitments undertaken and on the basis of the actuarial assumptions adopted for the computation of relat-

ed premiums. Mathematical reserves include all revaluations applied in accordance with contract terms, as well as provisions for demographic risk. Mathematical reserves are not lower than surrender value.
Life technical reserves also include provisions for premiums due in the six months after the reporting date and provisions for future expenses relating to the contract, e.g. handling costs and additional health premiums.
At each reporting date the adequacy of insurance reserves is assessed by calculating the present value of estimated future cash-flows from underlying contracts. When the value of reserves is lower than estimated future cash flows, the Company increases reserves and the difference over estimated future cash-flows is recognised in the income statement.
Technical reserves for contracts with DPF represent the reserves for liabilities arising on unrealised gains on assets under segregated fund management contracts.
Those reserves are recognised in equity when unrealised gains or losses on the related contract assets are recognised in equity, otherwise are recognised in the income statement.

Assets/Liabilities associated with disposal groups held for sale

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

Provisions for risk and charges

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

Employee completion-of-service entitlements

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

Employee pension plan

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

Assets and liabilities denominated in foreign currencies

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

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

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

Tax assets and liabilities

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.

The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Treasury shares

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

Income statement

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

Other information

Use of estimates

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

Senior management regularly check valuations and estimates made on the basis of past experience and other reasonable factors. Due to the uncertainty typically related to these financial items, actual values may differ from estimates due to the occurrence of unexpected events or changes in operating conditions.
For information about the methods used to determine the financial items above and main risk factors readers are referred to the previous sections of these notes for information on accounting policies and to Part E for information on financial risk.

Impairment

When upon assessment at the reporting date there is any indication that an asset may be impaired, the tangible or intangible asset is tested for impairment in accordance with IAS 36.
An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of its fair value less cost to sell (the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties) and its value in use (i.e. the present value of the future cash flows expected to be derived from the permanent use of the assets and its disposal at the end of its useful life).
If an asset is impaired, the relevant impairment loss is recognised in profit or loss and the depreciation (amortisation) charge for the asset shall be adjusted accordingly in future periods.
If, in a subsequent period, there is any indication that the impairment loss recognised in prior periods no longer exists, the previously recognised impairment loss is reversed.
If there is objective evidence that a financial asset is impaired, the Group applies the provisions of IAS 39, except for financial assets carried at fair value through profit or loss.
Indications of possible impairment include events such as significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the possibility that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for that financial asset.
A significant or prolonged decline in the market value of an investment in an equity instrument below its cost is also objective evidence of impairment.
Specifically, for equities, there is evidence of impairment where the decline in the original fair value exceeds one-third or is prolonged for over 36 months. However, before recognising any impairment loss through profit or loss, the entity shall proceed to assess each investment taking account of any particularly high volatility or erratic moves of the market as well as any other qualitative factor.

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

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

If, in a subsequent period, the reasons for the impairment loss no longer exist, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a debt instrument, and in equity if the asset is an equity instrument.
Goodwill is tested for impairment annually (or any time there is evidence of impairment). To that end goodwill is allocated to the cash-generating unit (CGU). If the recoverable amount of the unit is less than its carrying amount an impairment loss is recognised. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use. The impairment loss is recognised in the income statement.

Share-based payments

Stock options are share-based payments.

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

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

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

PART C - INFORMATION ON THE BALANCE SHEET

ASSETS

INTANGIBLE ASSETS

€/'000	Dec. 31, 2008	Dec. 31, 2007
Goodwill	161,302	162,422
Other intangible assets	16,427	13,963
Total	177,729	175,385

In accordance with IAS 36 goodwill is tested for impairment at least annually.
The purpose of the impairment test is to ascertain that the carrying amount of a cash generating unit (CGU) does not exceed its recoverable amount, i.e. the higher of its fair value less cost to sell and its value in use.
To that end goodwill is allocated to a cash-generating unit (CGU) which is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IAS 14.
Considering Mediolanum Group segment reporting, the business segments to which goodwill can be reasonably allocated and the lowest level within the Mediolanum Group at which management monitors the returns on investment in assets that include the goodwill, the Group identified the CGUs set out in the table below, which are the same as in prior years.

€/'000	Dec. 31, 2008	Dec. 31, 2007
CGU Fibanc	122,205	122,205
CGU Gamax	30,469	30,589
Other CGUs	8,628	8,628
Total	161,302	161,422

As already noted, the recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. By comparing the carrying amount of an asset or CGU with its recoverable amount the entity determines whether the asset or CGU is impaired.
The recoverable amount was estimated with the assistance of an independent advisor applying the methods and assumptions set out below.
Under IAS 36 value in use can be calculated applying the Discounted Cash Flow (DCF) method. The DCF method determines the value in use of a CGU, or an entity, by computing the present value of future cash flows (from operations) the entity expects to derive from the CGU over time.
This method, however, cannot be used for lenders, and more generally for financial firms, in the same way it is applied to industrial companies. In fact, the latter raise debt to fund their business, while lenders issue debt (e.g. securities, bonds) as a large, integral part of their banking business. Thus, it is a common practice for lenders to apply the Dividend Discount Model (DDM) in the Excess Capital variant which determines the value of the entity on the basis of the future dividend flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific capital risk.

Our Group estimated the value in use of its CGUs by applying the Dividend Discount Model (DDM) in the Excess Capital variant.

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

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

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

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

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

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

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

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

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

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

Analysis of intangible assets

€/'000	Dec. 31, 2008 Finite life	Dec. 31, 2008 Indefinite life	Dec. 31, 2007 Finite life	Dec. 31, 2007 Indefinite life
Goodwill				
- Group	-	161,302	-	161,422
- Minorities	-	-	-	-
Other intangible assets:				
Measured at cost				
- Internally generated intangible assets	-	-	-	-
- Assets measured at cost:	-	-	-	-
- Other intangible assets	16,427	-	13,963	-
Assets measured at fair value	-	-	-	-
Total	16,427	161,302	13,963	161,422

Year's movements in intangible assets

€/'000	Goodwill	Other intangible assets internally generated Finite life	Other intangible assets internally generated Indefinite life	Other intangible assets: other Finite life	Other intangible assets: other Indefinite life	Total
Opening balance	161,422	-	-	13,963	-	175,385
Increases	-	-	-	13,693	-	13,693
- Additions	-	-	-	13,693	-	13,693
Decrease	(120)	-	-	(11,229)	-	(11,349)
- Disposals	(120)			(492)		(612)
- Value adjustments	-	-	-	(10,468)	-	(10,468)
- Amortization	-	-	-	(10,465)	-	(10,465)
- Impairment	-	-	-	(3)	-	(3)
Reclassified to non-current assets and disposal groups	-	-	-	(124)	-	(124)
- In the income statement	-	-	-	-	-	-
- Other changes	-	-	-	(145)	-	(145)
Closing balance	161,302	-	-	16,427	-	177,729

Legend
Finite: finite useful life
Indefinite: indefinite useful life

Following the sale of the investment in the Gamax Holding AG's wholly-owned subsidiary Gamax Austria GmbH, goodwill declined €120 thousand. The decline was allocated to CGU Gamax.

TANGIBLE ASSETS

Property

€/'000	Dec. 31, 2008	Dec. 31, 2007
Land	20,100	20,100
Buildings	43,343	36,358
Total	63,443	56,458

Other tangible assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Furnishings	5,598	3,170
Electronic equipment	10,911	11,690
Other	5,913	4,540
Total	22,422	19,400

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

€/'000	Land	Buildings	Furnishings	Electronic Equipment	Other	Total
Opening balance	20,100	36,358	3,170	11,690	4,540	75,858
Increases						
- Additions	-	8,150	3,235	3,146	5,849	20,380
- Capitalised improvement	-	86	-	-	-	86
- Other changes	-	74	566	633	-	1,273
Decreases						
- Disposals	-	-	-	(4)	(2,180)	(2,184)
- Depreciation	-	(1,312)	(1,361)	(4,363)	(1,154)	(8,190)
- decrease in fair value related:						
- non current assets and disposal group	-	-	-	-	-	-
- Reclassified to:						
- disposal groups	-	-	(12)	(1)	(14)	(27)
- Other changes	-	(13)	-	(190)	(1,128)	(1,331)
Closing balance	20,100	43,343	5,598	10,911	5,913	85,865

REINSURERS' SHARE OF TECHNICAL RESERVES

€/'000	Dec. 31, 2008	Dec. 31, 2007
Life business reserves		
Mathematical reserves	99,812	99,654
Reserve for outstanding claims	516	1,216
Total reinsurers' share of life technical reserves	100,328	100,870

INVESTMENTS

Investment property

€/'000	Dec. 31, 2008	Dec. 31, 2007
Land	3,546	3,330
Buildings	1,231	884
Total	4,777	4,214
Fair value	*9,765*	*10,190*

At December 31, 2008, the market value of investment property amounted to €9,765 thousand as determined by external valuers.

Year's movements in investment property

€/'000	Land	Buildings
Opening balance	3,330	884
Increases		
- Additions	216	347
- Other changes	-	-
Decreases		
- Disposals	-	-
- Depreciation	-	-
Closing balance	3,546	1,231

Investments in subsidiaries, associates and joint ventures

€/'000	Dec. 31, 2008	Dec. 31, 2007
Mediobanca S.p.A.	344,913	-
Banca Esperia S.p.A.	51,227	52,305
Total	396,140	52,305

At December 31, 2008, the investment in Mediobanca S.p.A. was reclassified out of 'Available-for-Sale Financial Assets' to 'Investments in Associates and Joint Ventures''.

Mediolanum S.p.A. holds 3.45% of Mediobanca S.p.A. voting shares and is a party to the Mediobanca S.p.A. Shareholders Agreement made to ensure ownership stability, Board representation and management consistency. The parties to said Shareholders Agreement locked up 45.24% of share capital.

By a resolution carried at the Extraordinary General Meeting of last October 28, the Mediobanca shareholders reintroduced the traditional governance model and elected the members of the new Board of Directors that will hold office for three years (2008/2011). Ennio Doris, who had served on the previous Supervisory Board, was one of the members elected to the new Mediobanca Board of Directors.

The reclassification of the investment in Mediobanca S.p.A. was made in light of its strategic nature. In fact, following the December 2007 acquisition of a further 1.5% interest in Mediobanca, our Group has become one of the five largest shareholders of that financial institution and the second largest shareholder among the parties to the Mediobanca Shareholders Agreement.

Mediolanum S.p.A. and Mediobanca S.p.A. also hold an equal 48.5% stake in Banca Esperia S.p.A., the Banking Group specialising in private banking services for high net-worth individuals.

Following the reclassification, the investment in Mediobanca S.p.A. was carried at cost, calculated as the average acquisition cost, i.e. €12.45 per share for a total amount of €344.9 million. Compared to December 31, 2007, the reclassification entailed a decrease in the value of the investment previously recognised under 'available-for-sale financial assets' against the decline in the AFS equity reserve of €45.6 million, net of tax effects.

At December 31, 2008, the investment in Mediobanca S.p.A. was tested for impairment with the assistance of an independent advisor. Two different methods were applied, i.e. the Dividend Discount Model (DDM) in the Excess Capital variant using IBES estimates and consensus estimates of net profit and customer loans in the 2009 – 2012 period; and the Sum of Parts (SOP) method whereby the value of the company is given by the sum of the values of all its business divisions.

The impairment test did not reveal any evidence of impairment as the average values of the investment determined as set out above were above its carrying amount.

Year's movements in investments in subsidiaries, associates and joint ventures

€/'000	Dec. 31, 2008
Opening balance	53,205
Banca Esperia:	
- net profit	1,997
- change in equity	(3,975)
Mediobanca:	
- Reclassified out of AFS financial assets	344,913
Closing balance	396,140

Held-to-maturity investments

€/'000	Dec. 31, 2008	Dec. 31, 2007
Debt securities	626,657	298,542
Investments sold but not derecognised	725,303	293,782
Book value	1,351,960	592,324
Fair value	*1,351,258*	*588,124*

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

Analysis of held-to-maturity investments by issuer

€/'000	Dec. 31, 2008	Dec. 31, 2007
Debt securities		
Governments and Central Banks	502,657	582,067
Banks	849,303	10,257
Other issuers	-	-
Total	1,351,960	592,324

Time-to-maturity of held-to-maturity investments

€/'000	Dec. 31, 2008	Dec. 31, 2007
Time to maturity		
1-5 years	1,176,675	373,024
5-10 years	20,389	90,756
Over 10 years	154,896	128,544
Total	1,351,960	592,324

Loans and receivables

€/'000	Dec. 31, 2008	Dec. 31, 2007
Banks	2,011,406	2,882,087
Banking customers	3,368,643	1,689,613
Other	35,685	10,298
Total	5,415,734	4,581,998

Time-to-maturity of loans and receivables

€/'000	Dec. 31, 2008	Dec. 31, 2007
Time-to-maturity		
Within 1 year	3,853,393	3,931,218
1-5 years	160,938	135,070
Over 5 years	1,401,403	515,710
Total	5,415,734	4,581,998

Loans and receivables: banks

€/'000	Dec. 31, 2008	Dec. 31, 2007
Deposits with Central Banks		
- For reserve requirements	107,387	28,116
Loans to banks		
- Time deposits	1,426,315	2,241,765
- Other loans	477,704	612,206
Total	2,011,406	2,882,087
Fair value	*2,011,406*	*2,882,087*

Loans and receivables: banking customers

€/'000	Dec. 31, 2008	Dec. 31, 2007
Bank accounts	322,653	267,910
Repurchase agreements	514,184	362,293
Mortgage loans	1,269,733	573,801
Credit cards, personal loans and salary-guaranteed loans	73,994	63,290
Finance leases	813	1,274
Other	1,061,559	406,394
Debt securities	96,984	-
Impaired assets	28,723	14,651
Total	3,368,643	1,689,613
Fair value	*3,379,083*	*1,715,355*

Analysis of customer loans by borrower

€/'000	Dec. 31, 2008	Dec. 31, 2007
Loans to:		
- non financial companies	82,982	86,535
- financial companies	1,584,996	602,411
- insurance companies	5,466	67,042
- others	1,666,476	918,973
Impaired loans		
- non financial companies	3,598	262
- financial companies	-	26
- others	25,125	14,364
Total	3,368,643	1,689,613

Available-for-sale financial assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Debt securities	898,863	582,389
Equities	32,430	426,447
Holdings in UCITS	195,019	228,959
Assets sold but not derecognised	398,290	100,816
Total	1,524,602	1,338,611

Minor investments, amounting to €25,151 thousand (vs. €24,461 thousand in 2007) were measured at cost.

Analysis of available-for-sale financial assets by issuer

€/'000	Dec. 31, 2008	Dec. 31, 2007
Debt securities		
- Governments and central banks	1,020,060	561,082
- Banks	251,383	100,340
- Other issuers	25,710	21,783
Equities		
- Banks	-	-
- Other issuers	32,430	426,447
Holdings in UCITS	195,019	228,959
Total	1,524,602	1,338,611

Time-to-maturity of available-for-sale financial assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Time to maturity		
1-5 years	1,065,001	293,964
5-10 years	41,927	257,449
Over 10 years	190,256	31,436
Indefinite	227,418	755,762
Total	1,524,602	1,338,611

Financial assets at fair value through profit or loss

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2008	Dec. 31, 2007
Financial assets held for trading		
Debt securities	1,307,036	1,583,865
Equities	17	83
Holdings in UCITS	16,167	12,524
Assets sold but not derecognised	398,051	1,023,968
Trading derivatives	13,414	41,960
Total	1,734,685	2,662,400
Financial assets at fair value		
Debt securities	4,901,973	5,554,298
Holdings in UCITS	6,248,339	7,968,838
Total	11,150,312	13,523,136
Total financial assets at fair value through profit or loss	12,884,997	16,185,536

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2008	Dec. 31, 2007
Non-derivatives		
Debt securities		
- Governments and central banks	1,000,065	1,712,830
- Government agencies	6	-
- Banks	484,782	351,152
- Other Issuers	220,234	543,851
Equities		
- Banks	-	-
- Other issuers	17	83
Holdings in UCITS	16,167	12,524
Total non-derivatives	1,721,271	2,620,440
Derivatives		
- Banks	11,526	41,482
- Customers	1,888	478
Total derivatives	13,414	41,960
Total	1,734,685	2,662,400

Analysis of financial assets at fair value by debtor/issuer

€/'000	Dec. 31, 2008	Dec. 31, 2007
Debt securities		
- Governments and central banks	13,011	-
- Banks	2,794,441	2,863,520
- Other issuers	2,094,521	2,690,778
Holdings in UCITS	6,248,339	7,968,838
Total	11,150,312	13,526,136

Financial assets held for trading: derivatives

€/'000	Interest Rate	Currencies & gold	Equities	Receivables	Other	Dec. 31, 2008
Listed derivatives						
Financial derivatives						
- Other derivatives	9	-	-	-	-	9
• Without exchange of principal						
- Options purchased	2,070	-	-	-	2,800	4,870
- Other derivatives	410	-	-	-	-	410
Total listed derivatives	2,489	-	-	-	2,800	5,289
Unlisted derivatives						
Financial derivatives						
• With exchange of principal						
- Other derivatives	-	2,340	-	-	-	2,340
• Without exchange of principal						
- Options purchased	1,182	-	-	-	185	1,367
- Other derivatives	4,418	-	-	-	-	4,418
Total unlisted derivatives	5,600	2,340	-	-	185	8,125
Total derivatives	8,089	2,340	-	-	2,985	13,414

OTHER ASSETS

Non-current assets and disposal groups

€/'000	Dec. 31, 2008	Dec. 31, 2007
Individual assets		
Equity investments	448	1,042
Tangible assets	-	-
Intangible assets	-	-
Other	-	-
Total	448	1,042

'Non-current assets and disposal groups' for financial year ended December 31, 2008 relates to Partner Time S.p.A., liquidated during the year.

Deferred tax assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Charge to the income statement	63,299	33,372
Charge to equity	16,940	4,994
Total	80,239	38,366

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
Opening balance	33,372	42,042
Increases		
Deferred tax assets arisen in the year		
- relating to prior years	92	-
- changes in the accounting policies	5,085	1
- other	35,349	15,647
- new taxes or increased tax rates	1	987
- other increases	122	416
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(3,449)	(3,414)
- others	-	(10)
- reduced tax rates	-	(5,606)
- other decreases	(7,273)	(16,691)
Closing balance	63,299	33,372

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
Opening balance	4,994	3,139
Increases		
Deferred tax assets arisen in the year		
- changes in the accounting policies	-	-
- others	13,643	1,902
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(88)	-
- reduced tax rates	-	(8)
- other decreases	(1,609)	(39)
Closing balance	16,940	4,994

Analysis of deferred tax assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Charge to the income statement	63,299	33,372
Provisions for risks and charges	26,849	26,669
Loan loss provision	2,655	404
Expenses deductible in future years	12,432	5,075
Taxed income relating to future years	30	1,224
Other	21,333	-
Charge to equity	16,940	4,994
Fair value measurement of AFS securities	16,940	4,994
Total	80,239	38,366

Other Assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Items in transit-lending	135,442	113,922
Due from tax authorities	17,544	24,025
Security deposits	7,772	11,377
Receivables from financial advisors	51,520	29,234
Advances to suppliers and professionals	5,065	3,442
Other receivables	21,036	22,841
Prepayments	3,981	3,296
Others	16,478	12,318
Total	258,838	220,455

SHAREHOLDERS' EQUITY AND LIABILITIES

EQUITY

€/'000	Dec. 31, 2008	Dec. 31, 2007
Share capital	73,010	72,948
Capital reserves	51,960	51,277
Retained earnings and other equity reserves	696,921	523,613
Treasury shares	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	(30,004)	36,997
Group's profit (loss) for the year	23,675	212,243
Group's capital and reserves	813,517	895,033

Share capital is fully paid up and amounts to €73,009,610.90, divided into 730,096,109 ordinary shares. Treasury shares amount to 385,000. Please note that there are no equity holders other than the Group. For information on movements over the year, readers are referred to the Statement of Changes in Shareholders' Equity herein.

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

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Gains	Losses	Gains	Losses
Debt securities	4,732	(18,440)	-	(10,031)
Equities	526	(1,955)	58,162	(10,617)
Holdings in UCITS	3,145	(18,012)	2,000	(2,517)
Total	8,403	(38,407)	60,162	(23,165)

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

€/'000	Debt securities	Equities	Holdings in UCITS	Total
Opening balance	(10,031)	47,545	(517)	36,997
Increases				
Increase in fair value	13,155	28	738	13,921
Reclassification to the income statement from reserves:				
- realised gains	1,365	-	260	1,625
Other increases	5,558	145,006	7,393	157,957
Decreases	-	-	-	-
Decrease in fair value	(22,397)	(194,008)	(22,305)	(238,710)
Reclassification to the income statement from reserves:				
- realised losses	-	-	-	-
Other decreases	(1,358)	-	(436)	(1,794)
Closing balance	(13,708)	(1,429)	(14,867)	(30,004)

Earnings per share

Earnings per share

€/'000	Dec. 31, 2008		Dec. 31, 2007
	ORDINARY ACTIVITIES	TOTAL	TOTAL
Profit for the year	131,275	23,675	212,243
Weighted average number of shares outstanding	729,786	729,786	729,156
Earnings per share (in euro)	0.180	0.032	0.291

Diluted earnings per share

€/'000	Dec. 31, 2008		Dec. 31, 2007
	ORDINARY ACTIVITIES	TOTAL	TOTAL
Profit for the year	131,275	23,675	212,243
Weighted average number of shares outstanding	729,786	729,786	729,156
Adjustments for stock options with potential dilution effect	(80)	(80)	2,117
Weighted average number of shares outstanding for diluted earnings per share	729,706	729,706	731,273
Diluted earnings per share (in euro)	0.180	0.032	0.291

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

€/'000	Capital & reserves	Net profit	Shareholders' Equity
Parent Company Accounts at Dec. 31, 2008	412,694	179,333	592,027
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	72,560	119,534	192,094
Differences on investments accounted for by the equity method	23,418	1,997	25,415
Intercompany dividends	252,294	(252,294)	-
Elimination of intercompany transaction effects	22,017	(24,802)	(2,785)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	7,048	(166)	6,882
Other	(188)	73	(115)
Consolidated accounts at Dec. 31, 2008	789,842	23,675	813,517

PROVISIONS

€/'000	Dec. 31, 2008	Dec. 31, 2007
Provision for tax claims	221	163
Other provisions	95,612	78,712
Total	95,833	78,875

Year's movements in provisions

€/'000	Tax claims	Other provisions
Opening balance	163	78,712
Increases		
- year's provision	84	26,574
- other increases	-	-
Decreases		
- Funds utilised in the year	(26)	(3,917)
- Other decreases	-	(5,757)
Closing balance	221	95,612

Analysis of other provisions

€/'000	Dec. 31, 2008	Dec. 31, 2007
Provision for other completion-of-service entitlements and similar	1,134	1,265
Provision for sales network benefits	47,705	43,908
Provision for risks related to sales network's illegal actions	25,584	18,042
Other provisions for risks and charges	21,189	15,497
Total	95,612	78,712

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

TECHNICAL RESERVES

€/'000	Dec. 31, 2008	Dec. 31, 2007
Mathematical reserves	1,281,334	1,268,031
Reserve for outstanding claims	83,387	130,414
Technical reserves for contracts under which the investment risk is borne by the policyholder and in connection with pension fund managemen	10,991,259	13,027,317
Other reserves	25,001	31,325
of which for deferred liabilities to policyholders	-	-
Total	12,380,981	14,457,087

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit and loss

€/'000	Dec. 31, 2008	Dec. 31, 2007
Financial liabilities held for trading		
Short positions on debt securities	730,061	714,771
Trading derivatives	15,296	17,378
Securities issued	2,276	2,974
Other financial liabilities	410	282
Total Financial liabilities held for trading	748,043	735,405
Financial liabilities at fair value through profit or loss		
Liabilities arising on financial contracts issued by insurance companies:		
- under which the investment risk is borne by the policyholder	242,723	601,588
- in connection with pension fund management	11,094	13,206
Hedging derivaties	18,428	-
Total financial liabilities at fair value through profit or loss	272,245	614,794
Total financial liabilities at fair value through profit or loss	1,020,288	1,350,199

Financial liabilities held for trading: derivatives

€/'000	Interest rate	Currencies & gold	Equities	Other	Dec. 31, 2008	Dec. 31, 2007
Listed derivatives						
Financial derivatives						
• With exchange of principal						
- Options issued	-	-	-	-	-	-
- Other derivatives	30	-	-	-	30	8
• Without exchange of principal						
- Options issued	-	-	-	1,626	1,626	154
- Other derivatives	2,311	-	-	-	2,311	15,579
Total listed derivatives	2,341	-	-	1,626	3,967	15,741
Unlisted derivatives						
Financial derivatives						
• With exchange of principal						
- Other derivatives	-	7,534	-	-	7,534	579
• Without exchange of principal						
- Options issued	-	-	-	185	185	227
- Other derivatives	3,610	-	-	-	3,610	831
Total unlisted derivatives	3,610	-	-	185	11,329	1,637
Total derivatives	5,951	7,534	-	1,811	15,296	17,378

Other financial liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Banks	2,290,780	1,446,463
Banks customers	5,529,156	5,007,974
Securities outstanding	13,537	-
Interest-free financing facility	12,400	-
Deposits from reinsurers	99,812	99,641
Total	7,945,685	6,554,078

The amount of €12,400 thousand due to the two majority shareholders, Doris Group and Fininvest Group, relates to the residual balance of the €72,482 thousand interest-free financing facility granted by them in November 2008 to cover the costs of the operation conducted by the Mediolanum Group to safeguard customer interests after the default of Lehman Brothers. In connection with the losses incurred by the subsidiaries Mediolanum Vita S.p.A. and Mediolanum International Life Ltd under said operation, a portion of the interest-free financing facility amounting to €60,082 thousand was recognised under a specific equity reserve.

Financial liabilities: Banks

€/'000	Dec. 31, 2008	Dec. 31, 2007
Central banks	400,116	290,465
Other banks		
- Bank accounts and demand deposits	524,992	494,826
- Time deposits	434,513	99,464
- Loans	425,000	375,000
- Other liabilities	506,159	186,708
Total	2,290,780	1,446,463

The time-to-maturity of amounts due to banks

€/'000	Dec. 31, 2008	Dec. 31, 2007
Time to maturity		
Within 1 year	1,990,780	1,196,463
1-5 years	300,000	250,000
Total	2,290,780	1,446,463

The item "Financial liabilities: Banks" largely relates to financial liabilities with maturity within one year (€1,990,780 thousand) and residually to contracts maturing within 18 months (€300,000 thousand).

Financial liabilities: Banking customers

€/'000	Dec. 31, 2008	Dec. 31, 2007
Bank accounts and deposits	4,529,608	3,897,118
Liabilities sold but not derecognised	989,720	1,101,794
Other liabilities	9,828	9,062
Total	5,529,156	5,007,974

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

PAYABLES

Other payables

€/'000	Dec. 31, 2008	Dec. 31, 2007
Employee completion-of-service entitlements	12,737	12,249
Payables to suppliers	106,902	121,376
Due to tax authorities	38,843	48,214
Other miscellaneous payables	76,506	52,627
Total	234,988	234,466

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

€/'000	Dec. 31, 2008
Opening balance	12,249
Increases	
- Amounts set aside in the year	6,305
- Other increases	648
Decreases	
- Funds used in the year	(1,570)
- Other decreases	(4,895)
Closing balance	12,737

Other miscellaneous payables

€/'000	Dec. 31, 2008	Dec. 31, 2007
Mediolanum Group associates	1,038	698
Social security agencies	5,318	5,049
Consultants, professionals, directors and statutory auditors	900	608
Companies within the Fininvest Group and the Doris Group	2,643	765
Employees	373	1,597
Tax payable by policyholders	1,291	1,495
Dividends payable to shareholders	78	6
Security deposits	16	22
Other	64,849	42,387
Total	76,506	52,627

OTHER LIABILITIES

Deferred tax liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Charge to the income statement	7,612	9,776
Charge to equity	3,928	1,826
Total	11,540	11,602

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
Opening balance	(9,776)	(11,671)
Increases		
Deferred tax liabilities arisen in the year		
- relating to prior years	-	(232)
- due to changes in the accounting policies	(1,812)	(507)
- other	-	(5,756)
Other increases	-	(3,855)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	1,293	1,165
- other	1,520	1,016
Reduced tax rates	-	464
Other decreases	1,163	9,600
Closing balance	(7,612)	(9,776)

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
Opening balance	(1,826)	(7,959)
Increases		
Deferred tax liabilities arisen in the year		
- relating to prior years	(82)	-
- due to changes in the accounting policies	-	-
- other	(2,059)	-
Other increases	(975)	(1,125)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	54	-
- other	960	1,169
Reduced tax rates	-	955
Other decreases	-	5,134
Closing balance	(3,928)	(1,826)

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Charge to the income statement	7,612	9,776
Income taxable in future years	7,231	5,330
Future expenses deductible in the year	227	1,531
Deducted expenses relating to future years	154	2,915
Charge to equity	3,928	1,826
Fair value measurement of AFS securities	3,928	1,826
Total	11,540	11,602

Other liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Items in transit-lending	85,437	98,888
Provision for staff costs	7,211	7,106
Agents' severance benefits	3,105	3,603
Security deposits	3,894	3,431
Accrued expenses	632	3,368
Other	16,211	18,958
Total	116,490	135,354

PART D - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

As of December 31, 2008

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	2,743,320	(4,518)	2,738,802
Total premiums written	2,743,320	(4,518)	2,738,802
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(1,517,559)	7,325	(1,510,234)
- Change in reserve for outstanding claims	36,176	(700)	35,476
- Change in mathematical reserves	(23,796)	167	(23,629)
- Change in other technical reserves	6,067	-	6,067
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	2,281,902	-	2,281,902
Total amounts paid and change in technical reserves	782,790	6,792	789,582
Life Insurance net income (expense)	3,526,110	2,274	3,528,384

Gross premiums written

€/'000	Dec. 31, 2008	Dec. 31, 2007
Gross premiums written		
Class III products	2,687,400	3,476,130
Traditional products	55,920	58,803
Total gross premiums written	2,743,320	3,534,933

As of December 31, 2007

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

COMMISSION INCOME

€/'000	Dec. 31, 2008	Dec. 31, 2007
Guarantees issued	249	356
Credit derivatives	-	-
Management, brokerage and consulting services:	440,814	509,423
- Financial instruments brokerage	4,542	10,199
- Currency brokerage	2	3
- Asset management	367,519	427,233
- individual portfolio management	2,510	7,496
- collective portfolio management	365,009	419,737
- Securities in custody and under administration	3,752	3,877
- Custodian bank	685	848
- Sales of securities	81	902
- Order taking	6,311	8,575
- Consultancy	-	2
- Services to third parties	57,922	57,784
- asset management	596	1,170
- individual portfolio management	17	83
- collective portfolio management	579	1,087
- insurance products	45,954	50,296
- other products	11,372	6,318
Collection and payment services	27,057	28,477
Loadings on investment contracts	5,338	12,523
Other services	28,170	24,654
Total	501,628	575,433

COMMISSION EXPENSE

€/'000	Dec. 31, 2008	Dec. 31, 2007
Management, brokerage and consulting services	139,081	119,960
- Financial instruments brokerage	2,086	5,140
- Currency brokerage	-	-
- Asset management	1,191	11,299
- Securities in custody and under administration	1,176	976
- Sales of securities	-	-
- Off-premises sales of securities, products and services	134,628	102,545
Collection and payment services	28,136	26,762
Commissions on the acquisition of investment contracts	1,863	4,938
Other services	27,598	33,439
Total	196,678	185,099

INCOME ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This account relates exclusively to income on the 48.5%-owned associate Banca Esperia S.p.A., which is accounted for under the equity method. At December 31, 2008 the balance of this account, amounted to €1,997 thousand versus €13,879 thousand at December 31, 2007.

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
Financial assets		
Interest income and other investment income:		
- from financial assets held for trading	90,842	92,484
- from financial assets at fair value through profit or loss	163,182	205,196
Net income from financial assets held for trading	(112,270)	(12,691)
Net income from financial assets at fair value through profit or loss	(3,527,661)	(563,066)
Financial liabilities		
Interest expense and similar chargers:		
- from financial liabilities held for trading	(16,703)	(18,544)
- from financial liabilities at fair value through profit or loss	(31,150)	(36,133)
Net income from financial liabilities held for trading	(29,345)	6,997
Net income from financial liabilities at fair value through profit or loss	(58,108)	(137,507)
Total	(3,521,213)	(463,264)

Analysis of net income from financial assets held for trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Financial assets held for trading					
Debt securities	45,166	30,643	(19,246)	(166,516)	(109,953)
Equities	-	80	(31)	(41)	8
Holdings in UCITS	443	76	(1,801)	(243)	(1,525)
Other	-	-	-	(45)	(45)
Other financial assets and liabilities: exchange differences	-	-	-	-	111
Derivatives					
Financial derivatives:					
- debt securities and interest rates	4,926	42,896	(6,976)	(42,545)	(1,699)
- equities and stock indices	-	5	-	-	5
- other	223,765	-	(222,924)	(13)	828
Total	274,300	73,700	(250,978)	(209,403)	(112,270)

Analysis of net income from financial assets at fair value through profit or loss

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	207,785	43,289	(965,890)	(255,703)	(970,519)
Equities	-	-	-	-	-
Holdings in UCITS	93,203	16,177	(1,960,364)	(708,202)	(2,559,186)
Loans	294	-	-	-	294.00
Hedging derivatives	20,178	-	(18,428)	-	1,750
Total	321,460	59,466	(2,926,254)	(963,905)	(3,527,661)

Analysis of net income from financial liabilities held for trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	2,946	2,824	(29,257)	(5,858)	(29,345)

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

The balance of this account amounting to €58,108 thousand (vs. €137,507 thousand at December 31, 2007), relates exclusively to profits/losses generated on investment contracts issued by the Group insurance companies.

INVESTMENT INCOME AND EXPENSE

€/'000	Dec. 31, 2008	Dec. 31, 2007
Interest income	315,550	238,985
Other income	19,830	13,507
Realised gains	6,109	12,669
Unrealised gains	5,671	5,756
Total income	347,160	270,917
Interest expense and other charges	(196,153)	(144,029)
Realised losses	(5,749)	(723)
Unrealised losses	(14,846)	(12,001)
Total charges	(216,748)	(156,753)
Total net investment income	130,412	114,164
Net investment income from:		
Investment property	186	1,952
Held-to-maturity investments	29,218	23,737
Available-for-sale financial assets	60,790	45,698
Loans and receivables	236,194	186,486
Financial liabilities	(195,976)	(143,709)
Total net investment income	130,412	114,164

Net income from investment property

€/'000	Dec. 31, 2008	Dec. 31, 2007
Realised gains	-	2,166
Other income	419	158
Other expenses	(177)	(320)
Unrealised losses	(56)	(52)
Total	186	1,952

Net income from held-to-maturity investments

€/'000	Dec. 31, 2008	Dec. 31, 2007
Interest income	29,218	23,737
Total	29,218	23,737

Net income from available-for-sale financial assets

€/'000	Dec. 31, 2008	Dec. 31, 2007
Interest income	41,942	22,991
Other income	19,404	13,325
Realised gains	6,109	10,503
Realised losses	(5,749)	(723)
Unrealised losses	(916)	(398)
Total	60,790	45,698

Net income from loans and receivables

€/'000	Dec. 31, 2008	Dec. 31, 2007
Interest income	244,390	192,257
Other income	7	24
Unrealised gains	5,671	5,756
Realised losses	-	-
Unrealised losses	(13,874)	(11,551)
Total	236,194	186,486

Net income from financial liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Interest expense and other charges	(195,976)	(143,709)
Realised gains	-	-
Realised losses	-	-
Unrealised losses	-	-
Total	(195,976)	(143,709)

The negative balance of this account amounting to €195,976 thousand (vs. €143,709 thousand at year end 2007) entirely relates to interest expense on bank funding.

OTHER REVENUES

€/'000	Dec. 31, 2008	Dec. 31, 2007
Fixed duties on insurance products	13,435	15,546
Recoveries of expenses on contracts and services rendered	4,159	4,240
Miscellaneous compensation	7,269	7,027
Total	24,863	26,813

OPERATING EXPENSES

€/'000	Dec. 31, 2008	Dec. 31, 2007
Agents' Commissions and other acquisition costs	83,698	151,293
Investment management expenses	395	362
Other administrative expenses		
Employees	136,488	120,146
Advertising and promotions	16,634	21,185
Advisory services and collaborations	29,233	31,110
IT systems	37,230	36,156
Miscellaneous communications services	22,726	22,059
Other general expenses	57,525	51,410
Total other administrative expenses	299,836	282,066
Total	383,929	433,721

Average number of employees by category

Number	Dec. 31, 2008	Dec. 31, 2007
Employees		
a) senior management	100	111
b) middle management	230	232
c) other employees	1,572	1,425
Total employees	1,902	1,768
Other personnel	42	17
Total	1,944	1,785

OTHER COSTS

€/'000	Dec. 31, 2008	Dec. 31, 2007
Employees	4,333	4,609
Amortisation of intangible assets	10,574	15,828
Depreciation of investment property and other assets	8,205	7,642
Provisions for risks and charges	22,088	16,758
Other miscellaneous expenses	17,658	25,228
Total	62,858	70,065

Provisions for risks and charges

€/'000	Dec. 31, 2008	Dec. 31, 2007
Provision for sales network benefits	5,301	6,081
Provision for risks related to financial advisors' illegal actions	8,334	2,024
Other provisions for risks and charges	8,453	8,653
Total	22,088	16,758

INCOME TAX

€/'000	Dec. 31, 2008	Dec. 31, 2007
Current taxes (-)	(28,803)	(57,074)
Change in prior years' current taxes (+/-)	(2,219)	530
Decrease in the year's current taxes (+)	-	-
Change in deferred tax assets (+/-)	29,927	(8,670)
Change in deferred tax liabilities (+/-)	2,164	1,895
Income tax charge for the year (-)	1,069	(63,319)

Reconciliation between theoretical tax rate and the effective tax rate

€/'000	Dec. 31, 2008
Theoretical tax rate	13.21%
Profit before tax	22,606
Theoretical tax	2,985
Current tax losses carried forward	(10,648)
Non taxable income, permanent differences	(2,114)
Other adjustments	(314)
Irap & other taxes	9,022
Tax expense	(1,069)
Effective tax rate	n/a

In the year 2007, the theoretical tax rate was 16.7% and the theoretical tax expense amounted to €46,018 thousand, while the effective tax rate was 22.98% and the effective tax expense amounted to €63,319 thousand.

PARTE E - SEGMENT REPORTING

Financial data by segment

This section presents consolidated financial data reported by segment.
In compliance with IAS 14, segment reporting reflects the management reporting system of the Mediolanum Group, and is consistent with the information disclosed to the market and to the various stakeholders.
Segment reporting of consolidated financial data for the period enables readers and users to assess the quality and sustainability over time of the financial results generated by the Mediolanum Group in its different business segments.

Note on the method applied to segment reporting

The reconciliation of the consolidated income statement to the reclassified income statement for the year ended December 31, 2008 highlights the effects of the operation that was put in place to safeguard customers holding index-linked policies with Lehman Brothers bonds as underlying assets (non-recurring items). You are reminded that the cost of said operation was entirely covered by the two majority shareholders, Doris Group and Fininvest S.p.A., through a capital injection, with no impact on the Mediolanum Group accounts.

In compliance with IAS 14, segment reporting presents consolidated financial data by business segment (primary format), i.e. Life Insurance, Banking, Asset Management and Other, and then by geographic segment (secondary segment) by reference to the Group markets, i.e. Domestic and Foreign markets. Segment reporting reflects the management reporting system of the Mediolanum Group, and is consistent with the information disclosed to the market and to the various stakeholders.

The segment report of income statement information set out in the schedule appended hereto relates exclusively to "Ordinary activities". For the purpose of segment reporting income and expense items were directly assigned to the various segments by product type. Indirect costs and other residual items were spread over the various segments applying allocation policies.

Reconciliation of the income statement at December 31, 2008 to the reclassified income statement for segment reporting purposes

€/'000	Consolidated income statements
1.1 Net premiums written	
1.1.1 Gross premiums written	2,743,320
1.1.2 Reinsurance premiums	(4,518)
Total premiums written	2,738,802
1.2 Commission income	501,628
1.3 Net income on financial instruments at fair value through profit and loss	(3,521,213)
1.4 Income on investments in subsidiaries, associates and jvs	1,997
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	315,550
1.5.2 Other income	19,830
1.5.3 Realised gains	6,109
1.5.4 Unrealised gains	5,671
Total income on other financial instruments and investment property	347,160
1.6 Other revenues	24,863
Total revenues	93,237
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	782,790
2.1.2 Reinsurers' share/recoveries from reinsurers	6,792
Net claims and benefits	789,582
2.2 Commission expense	(196,678)
2.3 Loss on other investments in subsidiaries, associats and jvs	-
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(195,957)
2.4.2 Other expenses	(196)
2.4.3 Realised losses	(5,749)
2.4.4 Unrealised losses	(14,846)
Loss on other financial instruments and investment property	(216,748)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(83,698)
2.5.2 Investment management costs/expenses	(395)
2.5.3 Other administrative expenses	(299,836)
Total operating expenses	(383,929)
2.6 Other costs	(62,858)
Total costs	(70,631)
Profit (loss) before tax for the period	22,606
3. Income tax	1,069
4. Profit (loss) from discountinued operations	-
Group net profit (loss) for the period	23,675
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as financial contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

		RECLASSIFIED INCOME STATEMENT - REVENUES							
Non-recurring items	Ordinary activities	Net premiums written	Net amounts paid and change in technical reserves	Entry fees	Interest income and similar income	Interest expense and similar charges	Net income on investments at fair value	Net income on other investments	Other revenues
-	2,743,320	2,743,320	-	-	-	-	-	-	-
-	(4,518)	(4,518)	-	-	-	-	-	-	-
-	2,738,802	2,738,802		-	-	-	-	-	-
-	501,628	-	-	501,628	-	-	-	-	-
139,017	(3,382,196)	-	-	-	254,025	(47,853)	(3,588,368)	-	-
-	-	1,997	-	-	-	-	-	1,997	-
-	315,550	-	-	-	315,550	-	-	-	-
-	19,830	-	-	-	19,411	-	-	419	-
-	6,109	-	-	-	-	-	-	6,109	-
-	5,671	-	-	-	-	-	-	-	-
-	347,160	-	-	-	334,961	-	-	6,528	-
-	24,863	-	-	-	-	-	-	-	24,863
139,017	232,254	2,738,802	-	501,628	588,986	(47,853)	(3,588,368)	8,525	24,863
-	782,790	-	784,078	-	-	-	-	-	-
-	6,792	-	6,792	-	-	-	-	-	-
-	789,582	-	790,870	-	-	-	-	-	-
-	(196,678)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-			
-	(195,957)	-	-	-	-	(195,957)	-	-	-
-	(196)	-	-	-	-	(19)	-	(177)	-
-	(5,749)	-	-	-	-	-	-	(5,749)	-
-	(14,846)	-	-	-	-	-	-	-	-
-	(216,748)	-	-	-	-	(195,976)	-	(5,926)	-
-	(83,698)	-	-	-	-	-	-	-	-
-	(395)	-	-	-	-	-	-	-	-
-	(299,836)	-	-	-	-	-	-	-	-
-	(383,929)	-	-	-	-	-	-	-	-
3,435	(59,423)	-	-	-	-	-	-	-	-
3,435	(67,196)	-	790,870	-	-	(195,976)	-	(5,926)	-
142,452	165,058	2,738,802	790,870	501,628	588,986	(243,829)	(3,588,368)	2,599	24,863
(34,852)	(33,783)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
107,600	131,275	2,738,802	790,870	501,628	588,986	(243,829)	(3,588,368)	2,599	24,863
-	-	-	(3,422,640)	-	(196,014)	31,134	3,587,520	-	-
-	-	-	(1,772)	-	(19,403)	-	-	21,129	(1,726)
-	-	2,738,802	(2,633,542)	501,628	373,569	(212,695)	(848)	23,728	23,137

Reconciliation of the income statement at December 31, 2008 to the reclassified income statement for segment reporting purposes

€/'000	Consolidated income statements
1.1 Net premiums written	
1.1.1 Gross premiums written	2,743,320
1.1.2 Reinsurance premiums	(4,518)
Total premiums written	2,738,802
1.2 Commission income	501,628
1.3 Net income on financial instruments at fair value through profit and loss	(3,521,213)
1.4 Income on investments in sudsidiaries, associates and jvs	1,997
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	315,550
1.5.2 Other income	19,830
1.5.3 Realised gains	6,109
1.5.4 Unrealised gains	5,671
Total income on other financial instruments and investment property	347,160
1.6 Other revenues	24,863
Total revenues	93,237
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	782,790
2.1.2 Reinsurers' share/recoveries from reinsurers	6,792
Net claims and benefits	789,582
2.2 Commission expense	(196,678)
2.3 Loss on other investments in subsidiaries, associats and jvs	-
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(195,957)
2.4.2 Other expenses	(196)
2.4.3 Realised losses	(5,749)
2.4.4 Unrealised losses	(14,846)
Loss on other financial instruments and investment property	(216,748)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(83,698)
2.5.2 Investment management costs/expenses	(395)
2.5.3 Other administrative expenses	(299,836)
Total operating expenses	(383,929)
2.6 Other costs	(62,858)
Total costs	(70,631)
Profit (loss) before tax for the period	22,606
3. Income tax	1,069
4. Profit (loss) from discountinued operations	-
Group net profit (loss) for the period	23,675
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as financial contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

RECLASSIFIED INCOME STATEMENT - EXPENSES AND INCOME TAX

Commission expenses	Net impairment of financial investments	G&A expenses	Amortisation and depreciation	Provision for risks and charges	Income tax	Net profit
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,671	-	-	-	-	-
-	5,671	-	-	-	-	-
-	-	-	-	-	-	-
-	5,671	-	-	-	-	-
-	-	(1,288)	-	-	-	-
-	-	-	-	-	-	-
-	-	(1,288)	-	-	-	-
(196,678)		-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(14,790)	-	(56)	-	-	-
-	(14,790)	-	(56)	-	-	-
(78,330)	-	(5,368)	-	-	-	-
-	-	(395)	-	-	-	-
-	-	(299,836)	-	-	-	-
(78,330)	-	(305,599)	-	-	-	-
-	(3)	(21,988)	(18,779)	(18,653)	-	-
(275,008)	(14,793)	(328,875)	(18,835)	(18,653)	-	-
(275,008)	(9,122)	(328,875)	(18,835)	(18,653)	-	-
-	-	-	-	-	(33,783)	-
-	-	-	-	-	-	-
(275,008)	(9,122)	(328,875)	(18,835)	(18,653)	(33,783)	-
-	-	-	-	-	-	-
-	-	1,772	-	-	-	-
(275,008)	(9,122)	(327,103)	(18,835)	(18,653)	(33,783)	131,275

INCOME STATEMENT AT DECEMBER 31, 2008

Segment Reporting by Business sector

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2008	2007	delta	2008	2007	delta
Net premiums written	2,738,802	3,529,241	(790,439)	-	-	-
Amounts paid & change in technical reserves	(2,633,542)	(3,328,592)	695,050	-	-	-
Life revenues ex-commission	105,260	200,649	(95,389)	-	-	-
Entry fees	-	-	-	56,323	53,752	2,571
Management fees	159,433	175,155	(15,722)	124,177	160,976	(36,799)
Performance fees	27,800	33,150	(5,350)	22,572	28,525	(5,953)
Banking service fees	-	-	-	544	1,011	(467)
Other fees	5,498	14,902	(9,404)	25,486	28,435	(2,949)
Total commission income	192,731	223,207	(30,476)	229,102	272,699	(43,597)
Interest income and similar income	30,822	31,542	(720)	4,338	4,510	(172)
Interest expense and similar charges	(4,644)	(4,599)	(45)	(61)	(111)	50
Net income on investments at fair value	(6,199)	(10,138)	3,939	(54)	98	(152)
Net financial income	19,979	16,805	3,174	4,223	4,497	(274)
Realized profit on other investment	(2,828)	1,519	(4,347)	319	(202)	521
Net impairment of financial investments	-	(302)	302	-	(2)	2
Net income on other investments	(2,828)	1,217	(4,045)	319	(204)	523
Other revenues	14,052	15,907	(1,855)	539	543	(4)
TOTAL REVENUES	329,194	457,785	(128,591)	234,183	277,535	(43,352)
Acquisition costs & other commission expense	(126,320)	(168,717)	42,397	(84,137)	(101,144)	17,007
G&A expenses	(106,274)	(110,529)	4,255	(72,265)	(73,974)	1,709
Amortisation and depreciation	(5,153)	(7,616)	2,463	(3,854)	(4,327)	473
Provision for risks and charges	(9,546)	(9,402)	(144)	(6,383)	(5,304)	(1,079)
TOTAL COST	(247,293)	(296,264)	48,971	(166,639)	(184,749)	18,110
PROFIT BEFORE TAX	81,901	161,521	(79,620)	67,544	92,786	(25,242)
Income tax	-	-	-	-	-	-
NET PROFIT	-	-	-	-	-	-

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2008	2007	delta	2008	2007	delta	2008	2007	delta	2008	2007	delta
-	-	-	-	-	-	-	-	-	2,738,802	3,529,241	(790,439)
-	-	-	-	-	-	-	-	-	(2,633,542)	(3,328,592)	695,050
-	-	-	-	-	-	-	-	-	105,260	200,649	(95,389)
-	-	-	-	-	-	-	-	-	56,323	53,752	2,571
-	-	-	-	-	-	(137)	-	(137)	283,473	336,131	(52,658)
-	-	-	-	-	-	-	-	-	50,372	61,675	(11,303)
76,659	76,211	448	-	-	-	(733)	(867)	134	76,470	76,355	115
228	363	(135)	3,778	3,820	(42)	-	-	-	34,990	47,520	(12,530)
76,887	76,574	313	3,778	3,820	(42)	(870)	(867)	(3)	501,628	575,433	(73,805)
359,140	288,808	70,332	4,013	2,737	1,276	(24,744)	(29,964)	5,220	373,569	297,633	75,936
(214,273)	(173,714)	(40,559)	(18,462)	(13,992)	(4,470)	24,745	29,965	(5,220)	(212,695)	(162,451)	(50,244)
5,431	4,338	1,093	(26)	4	(30)	-	4	(4)	(848)	(5,694)	4,846
150,298	119,432	30,866	(14,475)	(11,251)	(3,224)	1	5	(4)	160,026	129,488	30,538
3,808	12,306	(8,498)	22,429	18,980	3,449	-	-	-	23,728	32,603	(8,875)
(8,616)	(5,927)	(2,689)	(506)	(66)	(440)	-	-	-	(9,122)	(6,297)	(2,825)
(4,808)	6,379	(11,187)	21,923	18,914	3,009	-	-	-	14,606	26,306	(11,700)
7,528	7,558	(30)	1,730	3,416	(1,686)	(712)	(610)	(102)	23,137	26,814	(3,677)
229,905	209,943	19,962	12,956	14,899	(1,943)	(1,581)	(1,472)	(109)	804,657	958,690	(154,033)
(61,798)	(54,736)	(7,062)	(2,898)	(3,735)	837	145	5	140	(275,008)	(328,327)	53,319
(147,520)	(129,552)	(17,968)	(2,480)	(1,935)	(545)	1,436	1,467	(31)	(327,103)	(314,523)	(12,580)
(9,719)	(11,451)	1,732	(109)	(127)	18	-	-	-	(18,835)	(23,521)	4,686
(2,290)	(1,882)	(408)	(434)	(170)	(264)	-	-	-	(18,653)	(16,758)	(1,895)
(221,327)	(197,621)	(23,706)	(5,921)	(5,967)	46	1,581	1,472	109	(639,599)	(683,129)	43,530
8,578	12,322	(3,744)	7,035	8,932	(1,897)	-	-	-	165,058	275,561	(110,503)
-	-	-	-	-	-	-	-	-	(33,783)	(63,318)	29,535
-	-	-	-	-	-	-	-	-	131,275	212,243	(80,968)

Life Insurance Business Segment

€/'000	Dec. 31, 2008	Dec. 31, 2007	Change	Change %
Net premiums written	2,738,802	3,529,241	(790,439)	(22%)
Net amounts paid and change in reserves	(2,633,542)	(3,328,592)	695,050	(21%)
Net life insurance revenues (ex. commissions)	105,260	200,649	(95,389)	(48%)
Commission income	192,731	223,207	(30,476)	(14%)
Net financial income	19,979	16,805	3,174	19%
Net income on other investments	(2,828)	1,217	(4,045)	(332%)
Other revenues	14,052	15,907	(1,855)	(12%)
TOTAL REVENUES	329,194	457,785	(128,591)	(28%)
Commission expenses & acquisition costs	(126,320)	(168,717)	42,397	(25%)
General and administrative expenses	(106,274)	(110,529)	4,255	(4%)
Amortisation, depreciation and provisions	(14,699)	(17,018)	2,319	(14%)
TOTAL COSTS	(247,293)	(296,264)	48,971	(17%)
PROFIT BEFORE TAX	81,901	161,521	(79,620)	(49%)

At the end of 2008, **net life insurance revenues** before acquisition costs amounted to €105.3 million versus €200.6 million in the prior year. The decline was mainly in connection with the decrease in "single premiums" especially in relation to unit-linked products under Investment Plans. Conversely, "recurring premiums" rose €17.6 million.

Commission income amounted to €192.7 million, declining €30.5 million from €223.2 million in the prior year, largely due to lower management fees earned in the year in the Life segment.

Net financial income amounted to €20 million versus €17 million in the prior year.

In the period under review, **costs** declined from €296.3 million in the prior year to €247.3 million at December 31, 2008. The decline was largely in connection with **commission expenses** decreasing from €168.7 million to €126.3 million due to lower sales volumes.

Asset Management Business Segment

€/'000	Dec. 31, 2008	Dec. 31, 2007	Change	Change %
Entry fees	56,323	53,752	2,571	5%
Management fees	124,177	160,976	(36,799)	(23%)
Performance fees	22,572	28,525	(5,953)	(21%)
Banking service fees	544	1,011	(467)	(46%)
Other fees	25,486	28,435	(2,949)	(10%)
Total commission income	229,102	272,699	(43,597)	(16%)
Interest income and other income	4,338	4,510	(172)	(4%)
Interest expense and similar charges	(61)	(111)	50	(45%)
Net income on investments at fair value	(54)	98	(152)	(155%)
Net financial income	4,223	4,497	(274)	(6%)
Realised gains/losses on other investments	319	(202)	521	(258%)
Net impairment on other investments	-	(2)	2	(100%)
Net income on other investments	319	(204)	523	(256%)
Other revenues	539	543	(4)	(1%)
TOTAL REVENUES	234,183	277,535	(43,352)	(16%)
Commission expenses & acquisition costs	(84,137)	(101,144)	17,007	(17%)
General and administrative expenses	(72,265)	(73,974)	1,709	(2%)
Amortisation, depreciation and provisions	(10,237)	(9,631)	(606)	6%
Amortisation	(3,854)	(4,327)	473	(11%)
Provisions for risks and charges	(6,383)	(5,304)	(1,079)	20%
TOTAL COSTS	(166,639)	(184,749)	18,110	(10%)
PROFIT BEFORE TAX	67,544	92,786	(25,242)	(27%)

In the period under review, **commission income** amounted to €229.1 million down €43.6 million from €272.7 million in the prior year. The decline in commission income was largely due to the negative performance of financial markets in 2008, which entailed lower management fees by €36.8 million due to the decreased NAV of assets under management and lower performance fees earned in the period (€5.9 million).

At the end of the period under review, **costs** in this business segment amounted to €166.6 million versus €184.8 million in the prior year. The decrease was largely due to lower **commission expenses** which declined from €101 million in the prior year to €84 million at the end of the period, in connection with lower commission income earned in the period under review. The ratio of commission expenses to commission income (ex. performance fees) was 40.7% versus 41.4% in the prior year.

Banking Business Segment

€/'000	Dec. 31, 2008	Dec. 31, 2007	Change	Change %
Banking service fees	76,659	76,211	448	1%
Other fees	228	363	(135)	(37%)
Total commission income	76,887	76,574	313	-
Net financial income	150,298	119,432	30,866	26%
Net income on other investments	(4,808)	6,379	(11,187)	(175%)
Other revenues	7,528	7,558	(30)	-
TOTAL REVENUES	229,905	209,943	19,962	10%
Commission expenses & acquisition costs	(61,798)	(54,736)	(7,062)	13%
General and administrative expenses	(147,520)	(129,552)	(17,968)	14%
Amortisation, depreciation and provisions	(12,009)	(13,333)	1,324	(10%)
TOTAL COSTS	(221,327)	(197,621)	(23,706)	12%
PROFIT BEFORE TAX	8,578	12,322	(3,744)	(30%)

At the end of the period under review, **net financial income** amounted to €150.3 million, up €30.9 million from €119.4 million at December 31, 2007. The increase was due to greater lending to both retail and institutional customers and higher spreads resulting from interest rate hikes.

Commission income amounted to €76.9 million, in line with the prior year's balance of €76.6 million.

Costs increased from €197.6 million in the prior year to €221.3 million due to greater structural costs in connection with the expansion of the banking business.

INCOME STATEMENT AT DECEMBER 31, 2008

Segment Reporting by Business sector / Domestic market

	LIFE INSURANCE			ASSET MANAGEMENT		
Euro/migliaia	2008	2007	delta	2008	2007	delta
Net premiums written	2,659,675	3,377,408	(717,733)	-	-	-
Amounts paid & change in technical reserves	(2,561,802)	(3,197,112)	635,310	-	-	-
Life revenues ex-commission	97,873	180,296	(82,423)	-	-	-
Entry fees	-	-	-	52,798	47,010	5,788
Management fees	158,462	174,367	(15,905)	110,988	143,911	(32,923)
Performance fees	27,800	33,150	(5,350)	21,657	25,722	(4,065)
Banking service fees	-	-	-	-	-	-
Other fees	3,937	8,659	(4,722)	24,621	27,816	(3,195)
Total commission income	190,199	216,176	(25,977)	210,064	244,459	(34,395)
Interest income and similar income	30,524	29,631	893	3,464	3,829	(365)
Interest expense and similar charges	(4,603)	(4,572)	(31)	(60)	(111)	51
Net income on investments at fair value	(3,824)	(8,911)	5,087	(9)	5	(14)
Net financial income	22,097	16,148	5,949	3,395	3,723	(328)
Realized profit on other investment	(2,828)	1,519	(4,347)	314	-	314
Net impairment of financial investments	-	(302)	302	-	(2)	2
Net income on other investments	(2,828)	1,217	(4,045)	314	(2)	316
Other revenues	14,052	15,907	(1,855)	521	451	70
TOTAL REVENUES	321,393	429,744	(108,351)	214,294	248,631	(34,337)
Acquisition costs & other commission expense	(121,038)	(156,381)	35,343	(76,773)	(87,873)	11,100
G&A expenses	(100,105)	(104,152)	4,047	(62,071)	(63,253)	1,182
Amortisation and depreciation	(4,777)	(6,220)	1,443	(3,457)	(3,921)	464
Provision for risks and charges	(9,543)	(9,402)	(141)	(6,378)	(5,284)	(1,094)
TOTAL COST	(235,463)	(276,155)	40,692	(148,679)	(160,331)	11,652
PROFIT BEFORE TAX	85,930	153,589	(67,659)	65,615	88,300	(22,685)
Income tax						
NET PROFIT	85,930	153,589	(67,659)	65,615	88,300	(22,685)

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2008	2007	delta	2008	2007	delta	2008	2007	delta	2008	2007	delta
-	-	-	-	-	-	-	-	-	2,659,675	3,377,408	(717,733)
-	-	-	-	-	-	-	-	-	(2,561,802)	(3,197,112)	635,310
-	-	-	-	-	-	-	-	-	97,873	180,296	(82,423)
-	-	-	-	-	-	-	-	-	52,798	47,010	5,788
-	-	-	-	-	-	-	-	-	269,450	318,278	(48,828)
-	-	-	-	-	-	-	-	-	49,457	58,872	(9,415)
52,104	44,404	7,700	-	-	-	(727)	(861)	134	51,377	43,543	7,834
23	33	(10)	3,778	3,820	(42)	-	-	-	32,359	40,328	(7,969)
52,127	44,437	7,690	3,778	3,820	(42)	(727)	(861)	134	455,441	508,031	(52,590)
333,548	264,026	69,522	3,580	2,509	1,071	(18,181)	(22,312)	4,131	352,935	277,683	75,252
(200,633)	(160,180)	(40,453)	(18,462)	(13,983)	(4,479)	18,181	22,312	(4,131)	(205,577)	(156,534)	(49,043)
5,439	4,338	1,101	(26)	4	(30)	-	-	-	1,580	(4,564)	6,144
138,354	108,184	30,170	(14,908)	(11,470)	(3,438)	-	-	-	148,938	116,585	32,353
3,561	11,772	(8,211)	22,429	17,883	4,546	-	-	-	23,476	31,174	(7,698)
(8,326)	(7,114)	(1,212)	(506)	(66)	(440)	-	-	-	(8,832)	(7,484)	(1,348)
(4,765)	4,658	(9,423)	21,923	17,817	4,106	-	-	-	14,644	23,690	(9,046)
5,746	6,227	(481)	1,624	3,323	(1,699)	-	-	-	21,943	25,908	(3,965)
191,462	163,506	27,956	12,417	13,490	(1,073)	(727)	(861)	134	738,839	854,510	(115,671)
(40,054)	(28,993)	(11,061)	(2,896)	(3,734)	838	-	-	-	(240,761)	(276,981)	36,220
(119,227)	(102,985)	(16,242)	(2,161)	(1,847)	(314)	727	861	(134)	(282,837)	(271,376)	(11,461)
(8,257)	(9,511)	1,254	(109)	(127)	18	-	-	-	(16,600)	(19,779)	3,179
(1,986)	(1,165)	(821)	(434)	(170)	(264)	-	-	-	(18,341)	(16,021)	(2,320)
(169,524)	(142,654)	(26,870)	(5,600)	(5,878)	278	727	861	(134)	(558,539)	(584,157)	25,618
21,938	20,852	1,086	6,817	7,612	(795)	-	-	-	180,300	270,353	(90,053)
									(35,968)	(61,220)	25,252
21,938	20,852	1,086	6,817	7,612	(795)	-	-	-	144,332	209,133	(64,801)

INCOME STATEMENT AT DECEMBER 31, 2008

Segment Reporting by Business sector / Foreign market

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2008	2007	delta	2008	2007	delta
Net premium written	79,127	151,833	(72,706)	-	-	-
Amounts paid & change in technical reserves	(71,740)	(131,480)	59,740	-	-	-
Life revenues ex-commission	7,387	20,353	(12,966)	-	-	-
Entry fees	-	-	-	3,525	6,742	(3,217)
Management fees	971	788	183	13,189	17,065	(3,876)
Performance fees	-	-	-	915	2,803	(1,888)
Banking service fees	-	-	-	544	1,011	(467)
Other fees	1,561	6,243	(4,682)	865	619	246
Total commission income	2,532	7,031	(4,499)	19,038	28,240	(9,202)
Interest income and similar income	298	1,911	(1,613)	874	681	193
Interest expense and similar charges	(41)	(27)	(14)	(1)	-	(1)
Net income on investments at fair value	(2,375)	(1,227)	(1,148)	(45)	93	(138)
Net financial income	(2,118)	657	(2,775)	828	774	54
Realized profit on other investment	-	-	-	5	(202)	207
Net investment of financial investments	-	-	-	-	-	-
Net income on other investments	-	-	-	5	(202)	207
Other revenues	-	-	-	18	92	(74)
TOTAL REVENUES	7,801	28,041	(20,240)	19,889	28,904	(9,015)
Acquisition costs & other commission expense	(5,282)	(12,336)	7,054	(7,364)	(13,271)	5,907
G&A expenses	(6,169)	(6,377)	208	(10,194)	(10,721)	527
Amortisation and depreciation	(376)	(1,396)	1,020	(397)	(406)	9
Provision for risks and charges	(3)	-	(3)	(5)	(20)	15
TOTAL COST	(11,830)	(20,109)	8,279	(17,960)	(24,418)	6,458
PROFIT BEFORE TAX	(4,029)	7,932	(11,961)	1,929	4,486	(2,557)
Income tax	-	-	-	-	-	-
NET PROFIT	(4,029)	7,932	(11,961)	1,929	4,486	(2,557)

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2008	2007	delta	2008	2007	delta	2008	2007	delta	2008	2007	delta
-	-	-	-	-	-	-	-	-	79,127	151,833	(72,706)
-	-	-	-	-	-	-	-	-	(71,740)	(131,480)	59,740
-	-	-	-	-	-	-	-	-	7,387	20,353	(12,966)
-	-	-	-	-	-	-	-	-	3,525	6,742	(3,217)
-	-	-	-	-	-	-	-	-	14,160	17,853	(3,693)
-	-	-	-	-	-	-	-	-	915	2,803	(1,888)
24,555	31,807	(7,252)	-	-	-	-	-	-	25,099	32,818	(7,719)
205	330	(125)	-	-	-	-	-	-	2,631	7,192	(4,561)
24,760	32,137	(7,377)	-	-	-	-	-	-	46,330	67,408	(21,078)
25,592	24,782	810	433	228	205	-	-	-	27,197	27,602	(405)
(13,640)	(13,534)	(106)	-	(9)	9	-	-	-	(13,682)	(13,570)	(112)
(8)	-	(8)	-	-	-	-	-	-	(2,428)	(1,134)	(1,294)
11,944	11,248	696	433	219	214	-	-	-	11,087	12,898	(1,811)
247	534	(287)	-	1,097	(1,097)	-	-	-	252	1,429	(1,177)
(290)	1,187	(1,477)	-	-	-	-	-	-	(290)	1,187	(1,477)
(43)	1,721	(1,764)	-	1,097	(1,097)	-	-	-	(38)	2,616	(2,654)
1,782	1,331	451	106	93	13	(161)	(171)	10	1,745	1,345	400
38,443	46,437	(7,994)	539	1,409	(870)	(161)	(171)	10	66,511	104,620	(38,109)
(21,744)	(25,743)	3,999	(2)	(1)	(1)	-	-	-	(34,392)	(51,351)	16,959
(28,293)	(26,567)	(1,726)	(319)	(88)	(231)	161	171	(10)	(44,814)	(43,582)	(1,232)
(1,462)	(1,940)	478	-	-	-	-	-	-	(2,235)	(3,742)	1,507
(304)	(717)	413	-	-	-	-	-	-	(312)	(737)	425
(51,803)	(54,967)	3,164	(321)	(89)	(232)	161	171	(10)	(81,753)	(99,412)	17,659
(13,360)	(8,530)	(4,830)	218	1,320	(1,102)	-	-	-	(15,242)	5,208	(20,450)
-	-	-	-	-	-	-	-	-	2,185	(2,098)	4,283
(13,360)	(8,530)	(4,830)	218	1,320	(1,102)	-	-	-	(13,057)	3,110	(20,450)

Reconciliation of the balance sheet at December 31, 2008 to the reclassified balance sheet for segment reporting purposes

€/'000	Book value	Intangible assets
1. Intangible assets		
1.1 Goodwill	161,302	161,302
1.2 Other intangible assets	16,427	16,427
Total intangible assets	177,729	177,729
2. Tangible assets		
2.1 Property	63,443	-
2.2 Other tangible assets	22,422	-
Total tangible assets	85,865	-
3. Reinsurers' share of technical reserves	100,328	-
4. Investments		
4.1 Investment property	4,777	-
4.2 Investments in subsidiaries, associates and jvs	396,140	-
4.3 Held to maturity investments	1,351,960	-
4.4 Loans and receivables	5,415,734	-
4.5 Available for sale financial assets	1,524,602	-
4.6 Financial assets at fair value through profit and loss	12,981,981	-
Total investments	21,578,210	-
5. Receivables		
5.1 Arising out of direct insurance business	10,657	-
5.2 Arising out of reinsurance business	127	-
5.3 Other receivables	3,376	-
Total receivables	14,160	-
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	448	-
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	80,239	-
6.4 Current tax assets	168,691	-
6.5 Other assets	258,838	-
Total other assets	508,216	-
7. Cash and cash equivalents	185,865	-
TOTAL ASSETS	22,650,372	177,729

Property	Securities	Financial assets to banks	Financial assets to customers	Other assets	Total
-	-	-	-	-	161,302
-	-	-	-	-	16,427
-	-	-	-	-	177,729
63,443	-	-	-	-	63,443
-	-	-	-	22,422	22,422
63,443	-	-	-	22,422	85,865
-	-		-	100,328	100,328
4,777	-	-	-	-	4,777
-	396,140	-	-	-	396,140
-	1,351,960	-	-	-	1,351,960
-	132,669	1,772,554	3,271,659	238,852	5,415,734
-	1,524,602	-	-	-	1,524,602
-	12,884,997	-	-	-	12,884,997
4,777	16,290,368	1,772,554	3,271,659	238,852	21,578,210
-	-	-	-	10,657	10,657
-	-	-	-	127	127
-	-	-	-	3,376	3,376
-	-	-	-	14,160	14,160
-	-	-	-	448	447,533
-	-	-	-	-	-
-	-	-	-	80,239	80,239
-	-	-	-	168,691	168,691
-	-	-	-	258,838	258,838
-	-	-	-	508,216	508,216
-	-	116,107	-	69,758	185,865
68,220	16,290,368	1,888,661	3,271,659	953,735	22,650,372

Reconciliation of the balance sheet at December 31, 2008 to the reclassified balance sheet for segment reporting purposes

€/'000	Book value	Financial liabilities due to banks	Financial liabilities due to customers
1. Shareholders' equity			
1.1 Group shareholders' equity			
1.1.1 Share capital	73,010	-	-
1.1.2 Other equity instruments	-	-	-
1.1.3 Capital reserves	51,960	-	-
1.1.4 Retained earnings and other equity reserves	696,921	-	-
1.1.5 Treasury shares (-)	(2,045)	-	-
1.1.6 Exchange difference reserves	-	-	-
1.1.7 Gains or losses on available for sale financial assets	(30,004)	-	-
1.1.8 Other gains or losses recognised directly in equity	-	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	23,675	-	-
Total capital and reserves attributable to the Group	813,517	-	-
1.2 Attributable to minority interests			
1.2.1 Capital and reserves attributable to minority interests	-	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-	-
Total capital and reserves attributable to minority interests	-	-	-
Total shareholders' equity	813,517	-	-
2. Provisions	95,833	-	-
3. Technical reserves	12,380,981	-	-
4. Financial liabilities			
4.1 Financial liabilities at fair value through profit and loss	1,020,288	-	-
4.2 Other financial liabilities	7,945,685	2,290,780	5,529,156
Total financial liabilities	8,965,973	2,290,780	5,529,156
5. Payables			
5.1 Arising out of direct insurance business	10,850	-	-
5.2 Arising out of reinsurance business	252	-	-
5.3 Other payables	234,988	-	-
Total payables	246,090	-	-
6. Other liabilities			
6.1 Liabilities of disposal groups held for sale	1,106	-	-
6.2 Deferred tax liabilities	11,540	-	-
6.3 Current tax liabilities	18,842	-	-
6.4 Other liabilities	116,490	-	-
Total other liabilities	147,978	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	22,650,372	2,290,780	5,529,156

Other financial liabilities	Other liabilities	Technical reserves	Provision for risks and charges	Shareholders' equity	Total
-	-	-	-	73,010	73,010
-	-	-	-	-	-
-	-	-	-	51,960	51,960
-	-	-	-	696,921	696,921
-	-	-	-	(2,045)	(2,045)
-	-	-	-	-	-
-	-	-	-	(30,004)	(30,004)
-	-	-	-	-	-
-	-	-	-	23,675	23,675
-	-	-	-	813,517	813,517
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	813,517	813,517
-	-	-	95,833	-	95,833
-	-	12,380,981	-	-	12,380,981
1,020,288	-	-	-	-	1,020,288
125,749	-	-	-	-	7,945,685
1,146,037	-	-	-	-	8,965,973
-	10,850	-	-	-	10,850
-	252	-	-	-	252
-	234,988	-	-	-	234,988
-	246,090	-	-	-	246,090
-	1,106	-	-	-	1,106
-	11,540	-	-	-	11,540
-	18,842	-	-	-	18,842
-	116,490	-	-	-	116,490
-	147,978	-	-	-	147,978
1,146,037	394,068	12,380,981	95,833	813,517	22,650,372

BALANCE SHEET AS AT DECEMBER 31, 2008

Segment Reporting by Business sector

	LIFE INSURANCE		ASSET MANAGEMENT	
€/'000	2008	2007	2008	2007
ASSETS				
Intangible Assets	1,915	3,130	30,570	30,887
Property	23,749	23,552	7,489	7,655
Securities	12,857,393	15,335,272	9,527	9,504
Financial assets to banks	358,837	447,135	65,274	80,594
Financial assets to customers	-	-	24,080	34,055
Other assets	406,525	326,427	3,822	7,559
Total assets	13,648,419	16,135,516	140,762	170,254
LIABILITIES				
Financial liabilities due to banks	425,024	390,078	-	-
Financial liabilities due to customers	-	-	657	626
Other financial liabilities	369,966	730,168	-	-
Technical reserves	12,380,981	14,457,087	-	-
Provisions for risks and charges	3,639	1,264	-	20
Other liabilities	189,455	206,936	24,506	40,886
Total liabilities	13,369,065	15,785,533	25,163	41,532
Shareholders' equity	-	-	-	-
Net profit for the year	-	-	-	-
Total shareholders' equity and liabilities	-	-	-	-

BANKING		OTHER		CONSOLIDATION ADJUSTMENTS		TOTAL		
2008	2007	2008	2007	2008	2007	2008	2007	delta
141,075	137,135	4,169	4,233	-	-	177,729	175,385	2,344
35,314	27,770	1,668	1,694	-	-	68,220	60,671	7,549
3,404,217	2,975,852	40	40	(77,793)	(140,693)	16,193,384	18,179,975	(1,986,591)
1,780,219	2,568,172	434	1,031	(316,103)	(344,761)	1,888,661	2,752,171	(863,510)
3,347,353	1,656,019	-	-	(2,790)	(461)	3,368,643	1,689,613	1,679,030
674,396	651,946	5,938	5,670	(136,946)	(65,254)	953,735	926,348	27,387
9,382,574	8,016,894	12,249	12,668	(533,632)	(551,169)	22,650,372	23,784,163	(1,133,791)
1,865,756	1,056,385	-	-	-	-	2,290,780	1,446,463	844,317
5,923,540	5,494,784	-	-	(395,041)	(487,436)	5,529,156	5,007,974	521,182
776,071	719,672	-	-	-	-	1,146,037	1,449,840	(303,803)
-	-	-	-	-	-	12,380,981	14,457,087	(2,076,106)
92,110	77,565	84	26	-	-	95,833	78,875	16,958
312,836	259,662	3,857	5,140	(136,586)	(63,733)	394,068	448,891	(54,823)
8,970,313	7,608,068	3,941	5,166	(531,627)	(551,169)	21,836,855	22,889,130	(1,052,275)
-	-	-	-	-	-	789,842	682,790	107,052
-	-	-	-	-	-	23,675	212,243	(188,568)
-	-	-	-	-		22,650,372	23,784,163	(1,133,791)

BALANCE SHEET AS AT DECEMBER 31, 2008

Segment Reporting by Geographic sector (Domestic/Foreign)

	DOMESTIC MARKET		FOREIGN MARKET	
€/'000	2008	2007	2008	2007
ASSETS				
Intangible Assets	18,560	16,914	159,169	158,471
Property	50,883	42,969	17,337	17,702
Securities	15,745,085	17,688,879	448,299	491,096
Financial assets to banks	1,868,042	2,712,434	125,969	136,646
Financial assets to customers	3,227,267	1,541,187	141,843	148,808
Other assets	776,110	588,784	178,052	337,751
Total assets	21,685,947	22,591,167	1,070,669	1,290,474
LIABILITIES				
Financial liabilities due to banks	2,349,444	1,509,080	19,858	20,340
Financial liabilities due to customers	5,190,364	4,544,072	366,005	478,254
Other financial liabilities	1,096,156	1,361,367	49,881	88,473
Technical reserves	12,118,871	14,151,867	262,110	305,220
Provisions for risks and charges	91,522	76,077	4,311	2,798
Other liabilities	359,300	396,275	35,277	52,785
Total liabilities	21,205,657	22,038,738	737,442	947,870
Shareholders' equity	-	-	-	-
Net profit for the year	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	-	-	-	-

CONSOLIDATION ADJUSTMENT		TOTAL		
2008	2007	2008	2007	delta
-	-	177,729	175,385	2,344
-	-	68,220	60,671	7,549
-	-	16,193,384	18,179,975	(1,986,591)
(105,350)	(96,909)	1,888,661	2,752,171	(863,510)
(467)	(382)	3,368,643	1,689,613	1,679,030
(427)	(187)	953,735	926,348	27,387
(106,244)	(97,478)	22,650,372	23,784,163	(1,133,791)
(78,522)	(82,957)	2,290,780	1,446,463	844,317
(27,213)	(14,352)	5,529,156	5,007,974	521,182
-	-	1,146,037	1,449,840	(303,803)
-	-	12,380,981	14,457,087	(2,076,106)
-	-	95,833	78,875	16,958
(509)	(169)	394,068	448,891	(54,823)
(106,244)	(97,478)	21,836,855	22,889,130	(1,052,275)
-	-	789,842	682,790	107,052
-	-	23,675	212,243	(188,568)
-	-	22,650,372	23,784,163	(1,133,791)

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk Management and Internal Control

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

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

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

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

Risk Management and Compliance

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

Underlying principles

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

- identification and full coverage of all categories of risks within all companies;
- segregation of duties between the Risk Management function and Operating Units, in accordance with the proportionality principle, which entails an implementation approach by subsidiaries commensurate with the size of the entity;
- use of uniform, consistent models and methods for the collection of data and information as well as for the analysis and measurement of risks by all organisational units and/or companies within a Group;
- timely and consistent analysis and measurement of risks; subsequent preparation of reports to support control and decision-making processes;
- transparency and dissemination of models, methods and criteria applied in the analysis and measurement of risks to promote a control culture within the organisation and understanding of the reasons underlying the choices made;
- delegation of risk management authorities and responsibilities from the Board of Directors to the Operating Units for their direct management of the risks to which corporate processes are exposed.

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

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

The "Risk Management and Compliance" function of Banca Mediolanum provides risk management and compliance services to Mediolanum S.p.A. under a specific service agreement signed in 2006. The "Risk Management and Compliance" function of Banca Mediolanum is organised into three main operating units: the Financial Risk Management Unit, the Operational Risk Management Unit, and the Compliance Unit.

Financial Risk and Credit Risk Management

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

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

Operational Risk Management

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

For both Mediolanum Spa and its subsidiaries, the Operational Risk Management Unit is mainly responsible for:

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

Compliance

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

Specifically, in relation to Mediolanum S.p.A., the compliance team:

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

RISK DISCLOSURES PURSUANT TO IFRS7

The application of the International Financial Reporting Standard 7 (**IFRS 7**) became mandatory beginning from financial year 2007. Under IFRS 7 entities are required to provide disclosures in their financial statements that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed. These risks include credit risk, liquidity risk and market risk. The disclosures required under IFRS 7 are both qualitative and quantitative disclosures. Qualitative disclosures relate to the "*objectives, policies and processes for managing the risk and the methods used to measure the risk*", while quantitative disclosures relate to quantitative data about the entity's exposures to credit risk, liquidity risk and market risk.
This section provides information that is representative of Mediolanum Group risk exposures pursuant to IFRS 7.
Representative information is presented by business segment, i.e. insurance, banking and asset management.
Pursuant to IFRS7 disclosures are provided in relation to liquidity risk, credit risk and market risk.
This section, however, contains further information about risk management policies and techniques for purposes beyond the scope of IFRS 7.

Financial Instruments' classification method and principles

Pursuant to IFRS7, exposures are analysed in relation to three main types of risk:

1. **Liquidity risk** is typically the risk that arises from the difficulty of liquidating assets. More specifically, it is the risk that a financial instrument cannot be bought or sold without a material decrease/increase in its price (wide bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential that an entity will be unable to obtain adequate funding. In accordance with the Basel 2 Second Pillar Supervisory Review of the Internal Capital Adequacy Assessment Process (ICAAP), the regulator requires banking organisations to put in place liquidity risk measurement and management policies and processes.
2. **Credit risk** is the risk of loss arising from the deterioration in the creditworthiness up to default of both retail customers and institutional counterparties of whom the bank is a creditor in its investment activities, as a result of which debtors fail to meet all or part of their contractual obligations.
3. **Market risk** is the risk of potential losses, which may also be significant, from adverse movements in market rates and prices to which the Mediolanum Group companies are exposed in their investment activities. These include movements in interest rates, foreign currency exchange, equity prices, volatility, bond spreads.

Information on individual risks is set out by business segment.

Insurance - Financial Risk and Credit Risk

Introduction

The Group conducts insurance business through two subsidiaries: the Italian company Mediolanum Vita and the Irish company Mediolanum International Life LTD.
The risk management models are tailored to the complexity of the business and the characteristics of the products sold. In certain instances, e.g. class III products dealt with by both companies, control processes are geared to protect the policyholders who bear the investment risk thereof, through the validation of pricing model and control of the creditworthiness of the issuers. The Irish company has limited free capital which is mainly invested in term deposits held with other Mediolanum Group companies. Any payment obligation under residual index-linked policies following surrenders is promptly settled with the counterparties, thus free capital residual exposure to counterparty risk is marginal. The Group also monitors concentration risk and credit risk exposures using "credit VAR". (For details on control methods and processes, readers are referred to the section commenting Index Linked contracts).
For the Italian insurance company, overall portfolio risk is also monitored since it offers a broader, more diversified portfolio of products (prevalence of class III products, class I products, and residual portfolio of products in class I i.e. capitalisation plans, and class VI i.e. pension funds).
Risk management and control activities are carried out by both the operating units of the individual insurance company and by second-line functions, e.g. the Risk Management and Compliance function.

Free Capital and Traditional Portfolio

The controls currently in place monitor the value of underlying assets *ex-ante* and *ex-post*. Frequency of controls is established at the level of each entity.
The risk of asset-liability mismatch in the traditional reserve portfolio is periodically assessed using an Asset/Liability Management stochastic model which was introduced in 2008 and replaced the simplified model previously applied by the Group and based on cash flow matching.
Under the regulations in force, the insurance companies within the Group are authorised to use derivatives to hedge current positions or to anticipate movements in underlying assets or liabilities. Financial derivatives are primarily used to achieve operating targets with greater efficiency, flexibility and rapidity, to optimise portfolio management ("effective management") and to mitigate market risk arising on interest rate or foreign exchange rate movements.

Asset/Liability Management

In 2008, Mediolanum Vita S.p.A. implemented an advanced system for improved asset-liability measurement and management, i.e. a stochastic Dynamic Financial Analysis (DFA) system which models the reactions of the company in response to a large number of different scenarios and strategic choices. It allows projections not only of possible future scenarios but also of their probability. The software generates stochastic projections of the flows of assets and liabilities in the company's traditional portfolio. To that end, at each assessment date 1,000 Market-Consistent financial scenarios are generated. Each of these scenarios shows the possible developments of risk factors over a 20-year horizon. The system allows ex-ante modelling for the following assumptions:

- current and future asset allocation;

- type of securities to be bought/sold;
- ranking of securities to be bought/sold;
- liabilities paid up and lapse rate assumptions;
- return targets;
- actions to be taken to meet return targets.

Through ad-hoc reports generated by the system, it is possible to monitor the long-term impact of management investment choices on the company's profitability and solvency.

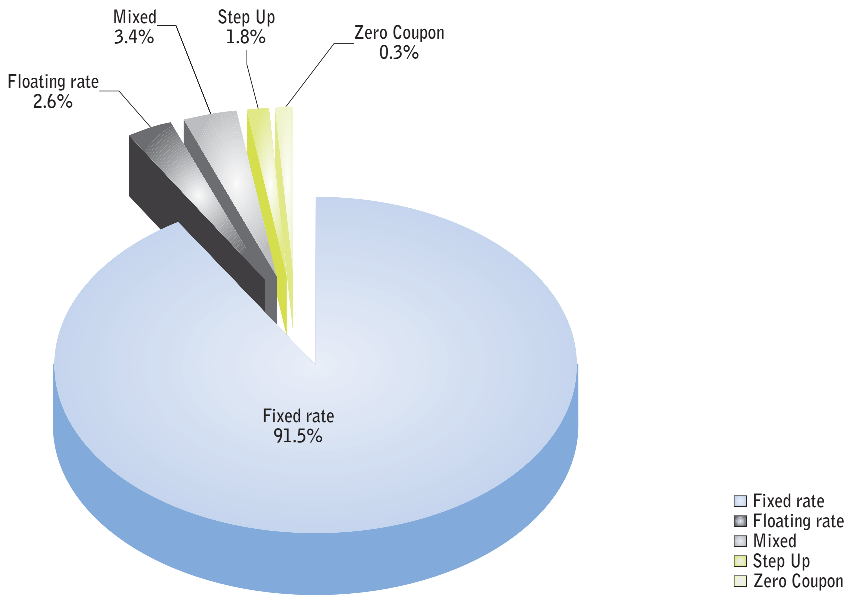
Liquidity risk

Free capital and the traditional portfolio liquidity risk is managed applying a consistent method of analysis across the Group, based on maturity and rating. Analysis by maturity provides information for the management of liquidity risk and interest rate risk showing any mismatch by type of instrument and maturity (month or quarter):

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

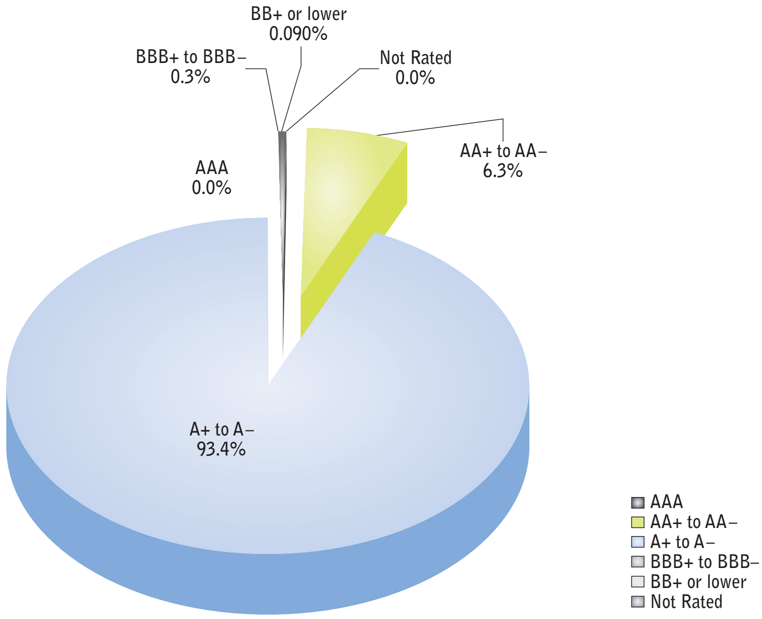
Assets included in free capital and traditional technical reserves coverage are largely assets with a high rating, as shown in the chart below.

Analysis of the insurance traditional portfolio by type of assets - Mediolanum Vita (2008)



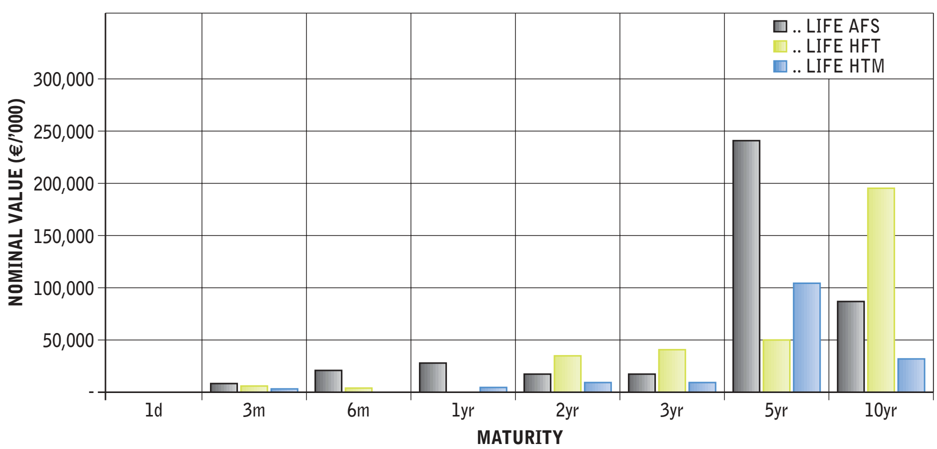
Analysis of the insurance traditional portfolio by rating

Rating Composition portfolio - Mediolanum Vita (2008)



Analysis of the insurance traditional portfolio

Analysis of the insurance traditional portfolio Mediolanum Vita (traditional reserves and free capital)



Market risk

Market risk associated with Mediolanum Vita traditional portfolio is managed in accordance with regulatory requirements and best market practice applying Value at Risk measurement and management processes. In light of the composition of the traditional portfolio, the main type of market risk is exposure to interest rate movements. Exposure to possible changes in spreads is also measured.

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

Mediolanum Vita HFT portfolio
MARKET RISK (As of December 31, 2008)

€/'000	2007	2008	Change (%)
Nominal Value	569,913	244,370	-57%
Market Value	564,284	315,263	-44%
Modified Duration	3.64	5.38	+48%
VaR99% - 1 day	2,203	2,662	+21%
VaR99% - 15 days	6,966	8,419	+21%
Sensitivity + 100bps	(19,513)	(17,287)	-11%
Sensitivity - 100bps	19,169	16,982	-11%

Mediolanum Vita HTM + AFS portfolio
MARKET RISK (As of December 31, 2008)

€/'000	2007	2008	Change (%)
Nominal Value	525,311	724,012	+38%
Market Value	520,122	768,654	+48%
Modified Duration	5.54	6.94	+25%
VaR99% - 1 day	2,530	7,405	+193%
VaR99% - 15 days	8,000	23,416	+193%
Sensitivity + 100bps	(27,924)	(50,364)	+80%
Sensitivity - 100bps	31,431	54,104	+80%

In 2008, on the basis of the outcome of the company's ALM analyses, the overall portfolio duration was extended. In addition, the weight of HFT instruments was reduced while increasing the AFS and HTM portfolio.

Credit risk

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

Mediolanum Vita securities portfolio - RATING COMPOSITION (S&P Equivalent)
(As of December 31, 2008)

Rating (S&P Equivalent)	2007 (€/'000)	%	2008 (€/'000)	%	Change (%)
Total portfolio	569,913	100.0%	1,022,172	100%	+79%
AAA	-	-	-	-	-
AA+ to AA-	36,659	6.4%	64,267	6.3%	+75%
A+ to A-	533,248	93.6%	954,793	93.4%	+79%
BBB+ to BBB-	6	0.0%	3,112	0.3%	n/a
BB+ or lower	-	-	-	-	-
Not rated	-	-	-	-	-

In addition, the information on rating and spreads interpreted in terms of expected loss on the traditional portfolio confirms that the probability of default (PD) is extremely low, although higher than in the prior year. This was largely due to the deterioration of market conditions rather than riskier investment choices.

Mediolanum Vita Portfolio Default Risk - CREDIT RISK
(year on year)

	2007	2008	Change (%)
HFT PORTFOLIO			
Probability of Default at maturity (%)	0.20%	2.02%	+914%
Default-risk-adjusted recovery (€/'000)	524	3,801	+626%
HTM+AFS PORTFOLIOS			
Probability of Default at maturity (%)	0.23%	2.05%	+795%
Default-risk-adjusted recovery (€/'000)	782	8,904	+1,038%

The higher credit risk exposure in 2008 was exclusively due to market conditions considering that the composition of the portfolio and the type of issuers remained unchanged compared to the prior year.

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

These investments consists of holdings in Proprietary Insurance Funds (under Unit-Linked policies) and financial instruments – notes and derivative instruments – (under Index-Linked policies), where the amounts payable by Life Insurers are linked to changes in the value of units of one or more Proprietary Insurance Funds, which in turn depend on changes in the price of the underlying financial assets or in the price of the financial instruments.
The competent functions manage risk by ensuring that regulatory limits (exposure limits, asset quality and volatility, etc.) are not exceeded.
For class III products - Unit and Index-Linked policies - the use of derivatives is allowed to protect related technical reserves. Derivatives and the related assets approximate at best possible the value of technical reserves.
The company is exposed to counterparty risk on existing derivative positions. For listed instruments with daily re-margining risk is residual.
For Over-The-Counter contracts, exposure to credit risk is represented by the fair value on the measurement date. Credit risk is regularly monitored by reviewing counterparty exposure limits and credit standing.
At December 31, 2008 there were no OTC derivatives held to hedge technical reserves for unit-linked contracts.

Credit Risk

Exposure to credit risk is monitored also in relation to Index Linked contracts since this type of insurance investment entail customer exposure to two or three counterparties (the bond issuer, the option counterparty and in some cases the swap counterparty).
Credit risk associated with the Index Linked portfolio is monitored monthly on a consolidated basis (Mediolanum Vita and MILL), measuring both nominal value and market value. Exposures are then aggregated by issuer on a consolidated basis. For each counterparty the probability of default (PD) is assessed on the basis of the 1-year CDS spread quote at the end of the month and Loss Given Default (LGD set at 60% according to best market practice). PD times LGD and exposure gives the expected loss for each counterparty. The 1-year expected losses due to default in the Index Linked portfolio is computed by aggregating all expected losses.

Index Linked Portfolio - Credit VaR

In addition to expected losses (EL) also unexpected losses (UL) are computed for credit risk. Unexpected losses are unusual losses that occur rarely and have a high severity. Unexpected losses are computed using Credit VaR in Credit Metrics©. Unexpected losses are the difference between the 95th percentile in loss distribution, i.e. Credit VaR, and expected losses, as defined above. The distribution of losses due to default is calculated via one million Monte Carlo simulations, which take account not only of the probability of default of individual issuers ("specific risk"), but also the default correlation between the counterparties ("systemic risk").

Concentration

Concentration risk in the Index Linked portfolio is monitored using the Normalised Herfindhal Index (same method applied to Banca Mediolanum exposure to concentration risk). The Normalised Herfindhal Index is a 'modified' version of the Herfindahl Index which takes account of the small number of counterparties which is typical of the financial sector.

The table below shows Expected Loss, Unexpected Loss, Credit VaR at 95% and the Normalised Herfindhal Index at December 31, 2008. Exposures are indicated at market value and on a consolidated basis.

Index Linked Portfolio Concentration Risk
(As of December 31, 2008)

	Market value (€/'000)	(%)
EL	114,873	
UL	308,286	
Credit VaR (95%)	423,160	
Normalised Herfindahl Index (concentration index)		5.07%

Reinsurance credit risk

Mediolanum Vita reinsured part of its portfolio. Exposures arising from reinsurance are exposures to counterparty risk. In line with the methods applied to other portfolios, credit risk exposures associated with reinsurance are computed by calculating expected losses where the probability of default is derived from CDS spreads (where CDS are not available, industry spreads are used). Credit risk associated with reinsurance contracts is partly mitigated through deposits received from counterparties.

Mediolanum Vita portfolio reinsurance - Credit Risk
(As of December 31, 2008)

	Reinsured technical reserves (€/000)	EL (€/000)	Moody's Rating	S&P's Rating	PD	LGD
Total	99,812	4.06				
Scor Global Life SE	17,662	0.21	Baa1	A-	2.00%	60%
Scor Global Life Deutschland	8,089	0.10	Baa1	A-	2.00%	60%
Hannover Rueck AG	2,713	0.03	N/A	AA-	1.86%	60%
Munchener Ruck Italia Spa	22,554	0.19	A3	AA-	1.39%	60%
Swiss Reinsurance Co	39,281	2.84	Aa3	A+	12.06%	60%
Swiss Re Frankona Ruck	9,514	0.69	Aa3	A+	12.06%	60%

Banking - Financial Risk and Credit Risk

The ICAAP - Internal Capital Adequacy Assessment Process

Basel II capital adequacy regime under Pillar 2 requires (Title III, Bank of Italy Circular 263/2006) banks to have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels (Internal Capital Adequacy Assessment Process, ICAAP) to ensure they have adequate capital to cover all the risks in their business including those risks not taken into account under Pillar 1. The ICAAP should assess the bank's current and future capital requirements in relation to its strategic business objectives and possible developments in the environment in which it operates. In accordance with the principle of proportionality – under which the level of detail and sophistication of the analysis required in a bank's ICAAP depends on the size, nature and complexity of the bank's business – supervisory authorities classified banks into three categories.

The Supervisory Review Process (SRP)

The Supervisory Review Process (SRP) entails two integrated steps. The first is the banks' process for assessing their current and future capital adequacy in relation to their risk profile and business strategies (ICAAP). The second is the Supervisory Review and Evaluation Process (SREP) conducted by the national banking supervisory authorities that review and evaluate banks' internal capital adequacy and, if needed, take appropriate action.
The SREP hinges on the collaboration and exchange of information between the Banking Supervisor and banks. The Banking Supervisor (Bank of Italy) can thus gain a deeper understanding of the banks' ICAAP including underlying assumptions, and banks can detail the assumptions underlying their assessment.
Banks define strategies and put in place procedures and tools to maintain adequate capital level – in terms of value and composition – to cover all the risks to which they are or may be exposed, including those risks for which a capital charge is not required.
The ICAAP hinges on the bank's sound risk management framework, effective internal control system, robust corporate governance and well-defined lines of responsibilities.
Board and senior management are responsible for the ICAAP. They are responsible for designing and organising it in accordance with respective competences and prerogatives. They are responsible for regular reviews of the ICAAP to ensure it is commensurate with the operational and strategic environment in which the bank operates.
The ICAAP must be documented, shared and known across the organisation and subject to internal audit.
The Supervisory Review Process reflects the principle of proportionality, i.e.:

- the bank's corporate governance, risk management framework, internal control system and capital assessment process should be commensurate with the nature, size and complexity of its activities;
- the frequency, the level of detail and sophistication of the SREP depends on the systemic relevance, the nature, size and complexity of the bank's business.

Classification of intermediaries in relation to the ICAAP

The principle of proportionality applies to:

- the methods used to measure/assess risks and related internal capital adequacy;
- the type and characteristics of stress tests;
- the treatment of correlations between risks and overall internal capital requirements;
- organisation of the risk management system;
- level of detail and sophistication of ICAAP reports to the Bank of Italy.

To facilitate the implementation of the proportionality principle, banks are classified into three categories according to their size and complexity of business. The Mediolanum Banking Group falls within category 2, i.e. banking groups or banks applying the standardised approach, with consolidated or separate assets in excess of ?3.5 billion.
Banks apply a consistent approach to deriving capital requirements from the bank's risk measurement under the first pillar and overall internal capital requirements.

Banca Mediolanum's ICAAP

In accordance with supervisory requirements and in line with best practices, Banca Mediolanum's ICAAP entails the following steps:
1) identification of risks for assessment;
2) measurement/assessment of individual risks and related internal capital level;
3) measurement of the overall internal capital level;
4) determination of overall capital level and reconciliation to regulatory capital.

Credit Risk

General

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

Credit risk management – Organisational Aspects

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

Credit risk measurement, management and control

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

Credit risk mitigation techniques

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

Impaired financial assets

Each Group entity, within its sphere of independence, has its own effective tools for prompt detection of any problem loans.
The new rules set forth by the Basel Committee introduced significant changes in the general definitions of problem loans and the discretionary guidance of national supervisory authorities. The most significant change relates to the definition of default.
A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:
- the bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as 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.

In accordance with the discretionary guidance of national supervisory authorities, each entity within the Group classifies troubled positions according to their level of risk.
Each entity has dedicated problem loan management units that apply operating procedures and take action according to the severity of the problem.

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

(€/'000)	Non performing	Wacth list	Restructured	Past due	Country Risk	Other Assets	Total
1. Financial assets held for trading	-	-	-	-	-	1,396,573	1,396,573
2. Available-for sale financial assets	-	-	-	-	-	861,932	861,932
3. Held-to-maturity investments	-	-	-	-	-	1,107,048	1,107,048
4. Loans to banks	-	-	-	-	-	1,955,688	1,955,688
5. Loans to customers	5,373	7,804	-	12,390	-	3,083,796	3,109,363
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at Dec. 31, 2008	5,373	7,804	-	12,390	-	8,405,037	8,430,604
Total at Dec. 31, 2007	843	3,520	-	9,618	-	7,042,531	7,056,512

Counterparty risk

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

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

The mark-to-market value at December 31, 2008 of the derivatives portfolio by counterparty is set out in the table below:

OTC derivatives - Counterparty risk
(As of December 31, 2008)

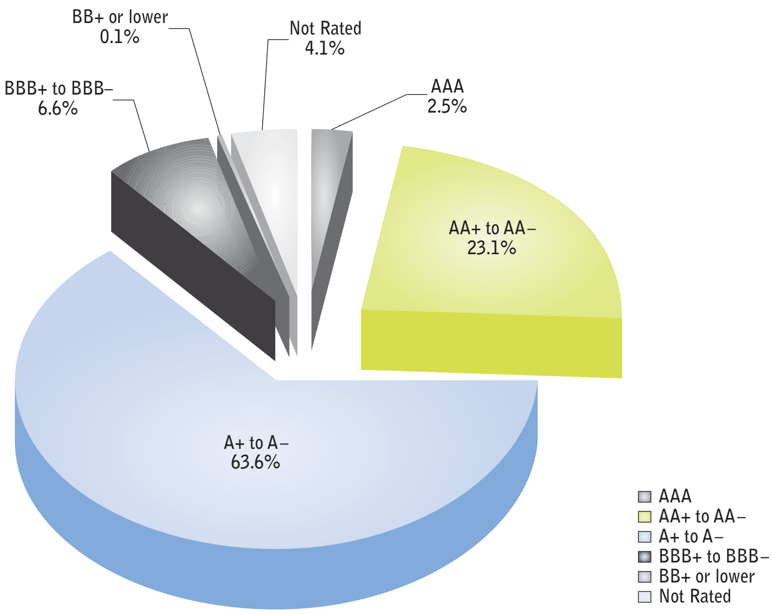
€/'000	IRO	IRS	OIS	Total
Counterparty	1,376	148	4,278	5,803
Barclays Bank Plc	-	-	646	646
Crédit Agricole SA	16	-	-	16
Deutsche Bank AG	-	-	536	536
Dresdner Bank AG	-	-	100	100
HSBC Bank Plc	260	-	-	260
Intesa Sanpaolo S.p.A.	-	110	442	551
JP Morgan Chase & Co.	-	-	1,793	1,793
Mediobanca S.p.A.	86	-	-	86
Monte dei Paschi di Siena S.p.A.	-	-	78	78
Royal Bank of Scotland Plc	109	39	341	489
UBS AG	-	-	-	-
UniCredit S.p.A.	904	-	344	1,249

Issuer Risk - Analysis of the securities portfolio by rating

HFT, HTM, AFS Portfolio - RATING COMPOSITION
(As of December 31)

Rating (S&P Equivalent)	2007 (€/'000)	%	2008 (€/'000)	%	Change (%)
Total Portfolio	1,510,513	100%	2,429,061	100%	+61%
AAA	219,127	15%	61,314	2.5%	-72%
AA+ to AA-	211,795	14%	560,526	23.1%	+165%
A+ to A-	1,057,220	70%	1,543,911	63.6%	+46%
BBB+ to BBB-	22,370	1%	161,312	6.6%	+621%
BB+ or lower	-	-	1,998	0.1%	100%
Not Rated	-	-	100,00	4.1%	100%

Rating Composition portfolio HFT, HTM, AFS (2008)



The greater number of securities rated BBB+/BBB- is primarily in connection with the purchase of a Credito Valtellinese note (6-month EURIBOR +110 bps, maturing in 2011) held in the HTM portfolio.
The rating composition in the AFS portfolio does not include funds exposure, which, at December 31, 2008, amounted to €169,737,377.

Concentration Risk

Concentration risk, as defined in regulations, is the exposure to individual counterparties, groups of individual or related counterparties or counterparties in the same industry, business sector or geographical location. Concentration risk thus falls within the wider category of credit risk.
Within the Banking Group, concentration risk is measured separately in respect of the two loan portfolios, i.e. the Retail portfolio and the Supervised Intermediaries portfolio. Loans extended to these two categories of borrowers widely differ in terms of type of loan, market and especially number of counterparties.
The Retail portfolio's risk concentration is assessed using the Herfindahl Index, as defined in the Bank of Italy's Circular 263/2006. The concentration risk in respect of the Supervised Intermediaries portfolio is monitored using the Normalised Herfindahl Index that takes account of the small number of players in the interbank market. Information on concentration risk at December 31, 2008 is set out in the table below.

Banking Group Concentration risk
(As of December 31, 2008)

Portfolio	Concentration Index
Retail	0.03%
Supervised intermediaries	5.07%

Market Risk

Interest Rate Risk and Pricing Risk – Trading Book

General

The Banking Group's trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk. According to this classification, at present only Banca Mediolanum has a true trading book.
Specifically, the trading book consists of positions held by those Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the Parent Company guidelines.
The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.

Interest Rate Risk and Pricing Risk - Measurement and Management

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

VaR tables

HFT portfolio - MARKET RISK
(As of December 31)

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

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

Banca Mediolanum Portfolio Default Risk – CREDIT RISK (year on year)

	2007	2008	Change (%)
HFT PORTFOLIO			
Probability of Default at maturity (%)	1.60%	1.21%	-24%
Default-risk-adjusted recovery (€/'000)	5,286	5,844	+11%
HTM+AFS PORTFOLIOS			
Probability of Default at maturity (%)	0.11%	1.15%	+945%
Default-risk-adjusted recovery (€/'000)	502	11,717	n/a

Credit risk exposures in the AFS portfolio do not include funds exposure, which, at December 31, 2008, amounted to €169,737,377.

In 2008, the HFT portfolio was reduced by about 54% while the AFS and HTM portfolios were increased. The portfolio default risk increased due to market movements since the composition of the portfolio remained substantially unchanged compared to 2007.

Interest rate and pricing risks - Banking book

The Group's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, available-for-sale financial assets and held-to-maturity investments.
Banking book interest rate risk exposures are measured and managed by the Parent Company using an ALM model. Those risk management activities include, inter alia, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of each entity within the Group in compliance with the guidelines issued by the Banking Group's Parent Company.

Asset/Liability Management

In 2008 Banca Mediolanum S.p.A. implemented a software tool, ALM PRO, for measuring the exposure of the bank's financial condition and earnings to adverse movements in interest rates in the Banking Book[1]. The level of exposure is a function of the institution's present and future funding and lending structure. Using ALM PRO the Bank set limits that maintain exposures within levels consistent with internal policies by monitoring annual Net Interest Income and the Bank's Economic Value relative to regulatory capital. ALM PRO provides valuable information that helps management in the assessment of the impact of new funding and lending policies on the bank's financial condition and earnings.

Movements in annual Net Interest Income

	Balance	+ 100bps	- 100bps
Total Assets	7,665,422	52,513	(52,236)
Total Liabilities	7,617,480	(41,598)	37,564
		10,915	(14,762)

[1] In accordance with Bank of Italy's Circular 263/06 in relation to market risk, the Banking Book includes all positions that are not held for trading purposes.

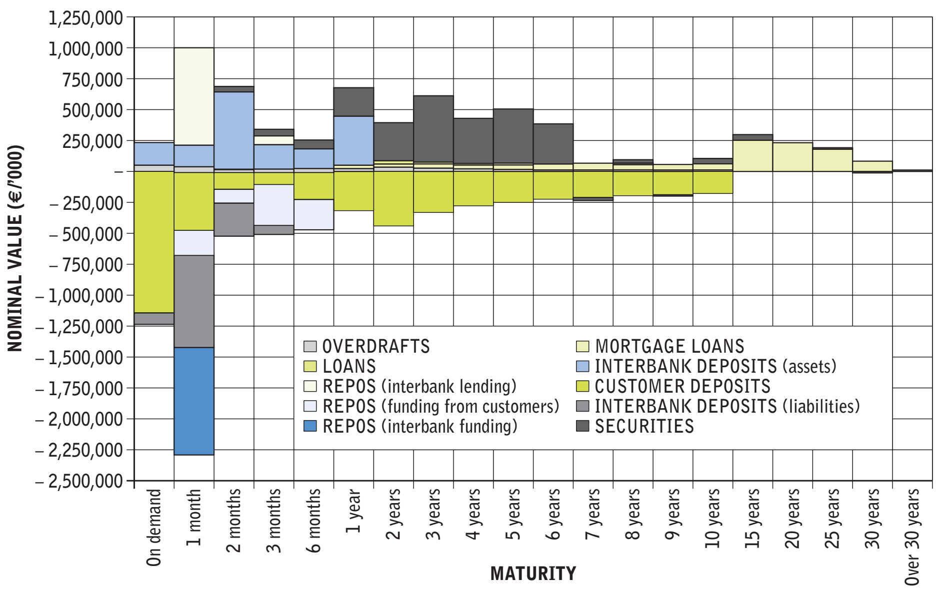
Liquidity risk

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

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

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

Mediolanum Banking Group Maturity Ladder - December 31, 2008



Insurance contracts - Disclosures under IFRS7

Specific technical offices monitor the following risks:

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

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

Guidelines for Product Classification

The main assumption adopted to classify a product as insurance, especially those markedly financial in content (index-linked and unit-linked contracts), is the obligation to pay benefits in case of death. Contracts were classified as insurance or financial contracts according to the significance of that obligation.
For the purpose of said classification the most important assumption is the "significance threshold", i.e. the difference between the benefit payable in case of death and the contract mathematical reserve (i.e. the value of the underlying financial asset for class III products).
For traditional products another key element was considered, i.e. the payment of life annuity and the presence of features which can be classified as "Discretionary Participation Features".

Measurement assumptions

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

Mortality table technical rates

Type of product	Technical rates applied in the calculation of premiums	Technical rates applied in the calculation of reserves
Pure Endowment	S.I.M. 1971: 3% 4%	S.I.M. 1971: 3% 4%
Whole life	S.I.M. 1981: 3% 4%	S.I.M. 1981: 3% 4%
Mixed	S.I.M. 1961 / 1981: 2% 3% 4%	S.I.M. 1961 / 1981: 2% 3% 4%
Annuities	S.I.M. 1931 / 1951 /1971 S.I.M. p.s. 1971: 2% 3% 4% RG48: 0%	S.I.M. 1931 / 1951 / 1971 S.I.M. p.s. 1971 RG48: 2% 3% 4%
Term	S.I.M. 1961 / 1981 / 1992: 4%	S.I.M. 1961 / 1981 / 1992: 4%
Group	S.I.M. 1971 S.I.M. 1971 p.s. RG48: 3% 4%	S.I.M. 1971 S.I.M. 1971 p.s. RG48: 3% 4%
Index Linked		SIM02
Unit Linked		SIM92

Significant clauses

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

Insurance Risk

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

Liability Adequacy Testing (LAT)

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

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

Solvency II Project

The insurance companies within the Group participate in the Quantitative Impact Studies (QIS) that are carried out to develop the new Solvency II system.
The European Commission requested the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) to coordinate work for the development of a new system to measure the capital requirements (Solvency II) to be applied to life insurance, non-life insurance and reinsurance undertakings beginning from 2012.
CEIOPS will gather evidence on possible quantitative impacts on solvency ratios through Quantitative Impact Studies (QIS) carried out on a voluntary basis by European insurance companies.
The results obtained from the Quantitative Impact Studies (QIS) will contribute to the formation of a future Solvency II Directive In 2008, the Group participated in the fourth Quantitative Impact Study with Mediolanum Vita, Mediolanum International Life Ltd. and at group level with Mediolanum S.p.A.

Insurance Contracts - Disclosures under IFRS4

Life Business - Insurance Liabilities

Group companies take account of the impact on expected profitability of all sources of income and expense, especially those relating to any voluntary early contract cancellation by the counterparty. When pricing certain products, surrender penalties are calculated to partly offset any lost revenues.
At the same time, the vast majority of contracts in force do not entail the payment of investment returns in the event of surrender, discouraging early contract cancellations and reducing insurer disbursements in any such circumstance.

Product pricing and risk assessment are based on assumptions that are regularly reviewed and adjusted to reflect actual surrender rates.

An analysis of insurance reserves by contract maturity is set out in the table below.

€/'000	Insurance	Investment	Total
Within 1 year	485,110	178,909	664,019
1 to 2 years	965,171	320	965,491
2 to 3 years	889,918	10,097	900,015
3 to 4 years	735,689	4,036	739,725
Over 5 years	6,581,481	13,337	6,594,818
Whole Life	2,593,612	16,551	2,610,163
	12,250,980	223,251	12,474,231

'Total' includes both technical reserves (excluding the reserve for outstanding claims) and financial liabilities in respect of investment contracts. The table above does not include annuity payments.

1. Life Insurance Risk

The life insurance portfolio of Group companies are largely composed of savings products, and marginally of pure risk insurance products (death plus complementary coverage e.g. disability, injury). In addition, there are some annuity contracts portfolios which are exposed to longevity risk.
The risks associated with products with a predominantly savings component and products which a minimum guaranteed return are prudentially assessed when pricing products, in accordance with the specific financial market environment and taking account of any regulatory constraints.
Demographic risk in death benefit policies is managed by using prudential mortality tables when pricing products; generally, population tables are used, applying appropriate loadings.
In addition, to mitigate mortality risk the Company uses reinsurance for capital in excess of €100,000.

The company manages longevity risk arising on its annuity business by regularly assessing the adequacy of the technical rates and assumptions applied.
For products featuring initial capital accumulation and the option to convert paid-in capital into annuities at a future date usually there is no guaranteed basis for calculating annuity payments.
Propensity to buy/own annuity is also monitored in view of adjusting demographic assumptions.
The company has calculated that a 1% change in the propensity to buy/own annuity would entail a similar change in the Group's net profit for 2008 by €1.2 million.
The risk that the counterparty cancels the contract earlier (lapse risk) and the risk of inadequate loadings to cover the costs of contract acquisition and management (expense risk) are prudentially assessed when pricing a new product. Product pricing and profit testing are based on assumptions derived from the company's experience.
To mitigate the risk of contract cancellation by the counterparty, surrender penalties are applied. Said penalties are calculated to compensate future lost revenues. In addition, when preparing the portfolio, annual budget assumptions are checked against actual data.

The table below shows the concentration of gross written premiums by business and geography.

€/'000	Unit Linked	Index Linked	Traditional	Group	Total
Spain	17,516	51,654	-	-	69,170
Germany	4,366	5,612	-	-	9,978
Italy	1,545,095	1,063,157	50,322	5,598	2,664,172
	1,566,977	1,120,423	50,322	5,598	2,743,320

The table below show the concentration of insurance technical reserves by level of guarantee offered.

€/'000	Dec. 31, 2008
Liabilities, interest guaranteed	974,662
0%	425
2%	9,212
3%	131,727
4%	833,298
Liabilities, interest not guaranteed	11,556,756
Total	12,531,418

'Total' includes both technical reserves (excluding the reserve for outstanding claims) and financial liabilities in respect of investment contracts.

At December 31, 2008 technical reserves and financial liabilities amounted to €12,531 million, down 16% over the prior year. The decline in 2008 was €2,408 million versus a decline of €759 million in 2007.

The table below shows a detailed analysis of movements in the year.

€/'000	2008	2007	Δ (Amount)	Δ (%)
Opening balance (beginning of the year)	14,938,337	14,177,328		
Invested premiums	2,557,585	3,265,850	(708,265)	(21.69%)
Release due to amounts paid	(1,651,936)	(2,123,008)	471,072	(22.19%)
Movements due to other Unit-Linked policies items	4,925	1,478	3,447	n/a
Traditional Policies, actuarial changes	3,522	(2,663)	6,184	n/a
Change in Additional Reserves	27,600	40,937	(13,337)	(32.58%)
Change due to Marking to Market	(3,383,898)	(456,666)	(2,927,232)	n/a
Revaluation of Traditional Policies	35,282	35,081	201	0.57%
Closing balance	12,531,418	14,938,337	-	-
Change	(2,406,919)	761,009	(3,167,928)	n/a

Unit Linked Policies Mathematical Reserves without Additional Reserves

In 2008, Unit Linked Policies Mathematical Reserves declined about €1,792 million (up €638 million in 2007). The analysis of movements is set out below.

1. Invested premiums amounted to €1,459 million, namely €300 million relating to new business and €1,159 million relating to in-force business. Compared to 2007 there was a 63.9% decline in new business premiums and an about 5% increase in in-force business premiums;

2. The reserve release due to total amounts payable to policyholders amounted to about €715 million, namely €566 million surrenders, €26 million claims, while the balance related to maturities. Compared to December 2007, surrenders declined €221 million, while maturities increased €1.3 million;

3. The reserve release due to administrative and handling costs borne by policyholders amounted to about €20 million, slightly down over 2007;

4. Investments in relation to bonuses increased 13% over the prior year;

5. The movement in the reserve due to changes in market value of insurance funds reflects a notable decline in the value of insurance funds of about €2,538 million versus a more contained decline (€368 million) in the prior year.

€/'000	2008	2007	Δ (Amount)	Δ (%)
Opening balance	8,077,150	7,438,996		
Invested premiums	1,459,488	1,930,554		
- New business	299,695	829,712	(530,016)	(63.88%)
- In-force business	1,159,793	1,100,842	58,951	5.36%
Release due to amounts paid	(715,461)	(923,527)	208,066	(22.53%)
- Surrenders	(569,355)	(776,871)	207,516	(26.71%)
- Claims	(25,785)	(27,680)	1,894	(6.84%)
- Maturities	(120,320)	(118,977)	(1,343)	1.13%
Release due to administrative & handling costs borne by policyholders	(20,487)	(21,174)	686	(3.24%)
Investments in relation to bonuses	25,721	22,783	2,938	12.90%
Other movements	(3,291)	(2,741)	(550)	20.08%
Movement due to changes in market value (*)	(2,538,226)	(367,741)	(2,170,485)	n/a
Closing balance	6,284,895	8,077,150	-	-
Change	(1,792,256)	638,154	(2,430,410)	n/a

Index Linked Policies Mathematical Reserves without Additional Reserves

At December 2008, Index Linked Policies Mathematical Reserves declined €624 million versus a €95 million increase in 2007. Specifically:

1. Invested premiums amounted to €1,050 million, largely in connection with new business;
2. Premiums declined by about €234 million over the prior year;
3. The reserve release due to total amounts paid was €834 million, namely €177 million surrenders, €26 million claims and €631 million maturities. Compared to 2007 total amounts paid declined 24%, broken down as follows: down €292 million for surrenders and down €40 million due to the greater number of tranches matured in 2008;
4. The movement in the reserve due to changes in the market value of securities underlying Index products reflects a notable decline in the value of securities of €841 million versus about €88 million in the prior year.

€/'000	2008	2007	Δ (Amount)	Δ (%)
Opening balance	5,554,172	5,458,706		
Invested premiums	1,050,030	1,283,571	(233,541)	(18.19%)
Release due to amounts paid, namely	(833,720)	(1,100,287)	266,567	(24.23%)
- Surrenders	(177,006)	(469,280)	292,273	(62.28%)
- Claims	(25,576)	(39,592)	14,016	(35.40%)
- Maturities	(631,138)	(591,415)	(39,723)	6.72%
Changes in market value	(840,577)	(87,818)	(752,758)	n/a
Closing balance	4,929,905	5,554,172	-	-
Change	(624,267)	95,466	(719,733)	n/a

Traditional Policies Mathematical Reserves without Additional Reserves

At December 2008, Traditional Policies Mathematical Reserves declined by nearly €16 million versus a similar decline in 2007. The analysis of movements is set out below.

1. Invested premiums amounted to €48 million and related to in-force annuity contracts, excluding term death benefit policies. Compared to the prior year, there was a natural decline of about 7.5%;
2. The reserve release due to total amounts paid was €103 million, broken down as follows: €43 million surrenders; €2 million claims; €58 million maturities. Compared to December 2007, there was an about €4 million (4%) increase in total amounts paid, especially surrenders (up €6 million);
3. The revaluation in traditional policies, connected to the fund return, stood at €35 million, essentially in line with the 2007 balance.

€/'000	2008	2007	Δ (Amount)	Δ (%)
Opening balance	991,563	1,006,614		
Invested premiums	48,066	51,725	(3,658)	(7.07%)
Release due to amounts paid	(102,755)	(99,195)	(3,561)	3.59%
- Surrenders	(42,596)	(36,193)	(6,403)	17.69%
- Claims	(1,853)	(2,841)	988	(34.78%)
- Maturities	(58,307)	(60,161)	1,854	(3.08%)
Other movements	3,522	(2,663)	6,184	n.s.
Revaluation	35,282	35,081	201	0.57%
Closing balance	975,678	991,563	-	-
Change	(15,885)	(15,051)	(834)	5.54%

Other Additional Reserves (e.g. Bonus, Expense, Adjustments to Demographic Assumptions reserves)

In 2008, additional reserves increased about €26 million versus an increase of €39 million in the prior year. The analysis of movements is set out below.

1. At December 2008, the Bonus Reserve increased €33 million versus an increase of €38 million in the prior year;
2. In 2008, the Reserve relating to returned loadings on individual pension plans declined about €2 million versus an increase of €2 million in 2007;
3. Amounts set aside in connection with future expenses increased €2.5 million in 2008 versus a €0.7 million decline in 2007;
4. The reserve relating to the propensity to buy/own annuity declined €4.4 million compared to 2007 since propensity to buy/own annuity was set at 11% following the related decline recorded in 2008;
5. The Reserve for declining rates was down about €2 million essentially due to the good level of returns on segregated funds expected in the next five years.

€/'000	2008	2007	Δ (Amount)	Δ (%)
Opening balance (beginning of the year)	302,245	261,309		
Bonus Reserve	32,937	38,325	(5,388)	(14.06%)
- *Loyalty Bonus*	8,166	13,027	(4,862)	(37.32%)
- *Maturity Bonus*	23,765	25,153	(1,388)	(5.52%)
- *Other bonuses*	1,007	145	862	n.s.
Pension products	(1,668)	2,385	(4,052)	n.s.
Future expenses incl. death benefits	2,508	(725)	3,233	n.s.
Propensity to buy/own annuity	(4,468)	849	(5,317)	n.s.
Declining rates	(1,818)	111	(1,929)	n.s.
Other	109	(8)	117	n.s.
Closing balance	329,845	302,246	-	-
Change	27,600	40,937	(13,337)	(32.58%)

Operational Risk

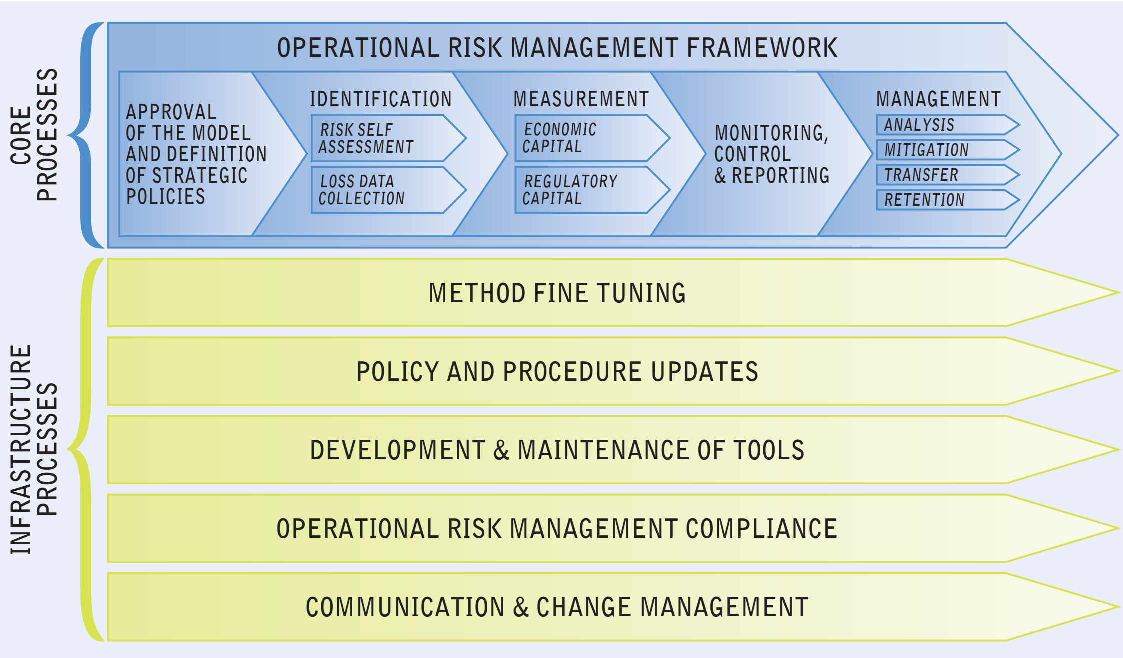
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed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

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

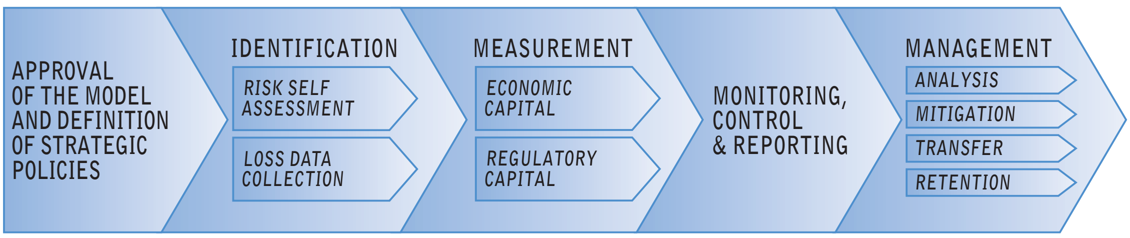
Beginning from 2006 the Risk Self Assessment exercise conducted in prior years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, *inter alia*, the introduction of a new qualitative measurement of exposure to operation risk of each organisational unit within the Group, i.e. an internal rating system.
The internal rating system has been fully operational since 2007, and throughout 2008 was applied to the most relevant Italian and foreign companies that are part of the Group.
The qualitative metrics differentiate between exposure to risk that is inherent in business management and exposure to risk that is anomalous or at critical levels.
The system uses four ratings, which identify a different level of risk and related response, i.e.:

- **A, negligible risk**: ideal condition, minimum risk of operating loss;
- **B, moderate risk**: the risk of loss is not negligible; first red flag;
- **C, significant risk**: it indicates a critical condition; more in-depth analysis is recommended to assess the opportunity of mitigating actions;
- **D, untenable risk**: the situation is severe and mitigating actions need to be taken immediately.

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



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



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

- "Risk Self Assessment": ex-ante assessment of exposure to operational risk of an organisational unit or process based on subjective estimates and self-assessment models applied by the risk officer. One of the main outcomes of the Risk Self Assessment exercise is rating, which is the concise indication of the level of operational risk the organisational unit/process is exposed to;
- "Loss Data Collection": ex-post collection of internal data on actual losses including any information that is relevant to risk measurement and management (including both insurance and non-insurance recoveries). This exercise is conducted applying both an "account driven" approach and an "event driven" approach.

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

- Economic capital: internal risk measurement through a rating system that enables to steer and calibrate risk management and mitigation according to the potential economic impact and the current risk management framework. This exercise is based on the outcome of risk identification analyses and applies an actuarial statistical model developed with the assistance of a primary advisor;

- Regulatory capital: calculated in accordance with capital requirements indicated by supervisory authorities (Basel 2 for the Banking Group; ISVAP Circular 577/D, solvency margins and Solvency II for insurance businesses; changes in supplementary capital requirements for the Group).

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

"**Management**" is composed of the following:
- "Management analysis"
- "Risk mitigation"
- "Management of risk transfer techniques" (e.g. via insurance)
- "Risk Retention Management"

The Operational Risk Management framework is rounded off with the following **processes that cut across business lines**:
- "Policies & procedures"
- "Fine-tuning of methods"
- "Development and maintenance of tools and applications"
- "Operational Risk Management Compliance"
- "Internal Communication/Change Management"

Under the Operational Risk Management framework outlined above, in 2008 over 2,800 processes and about 270 organisational units within the Group were examined to assess their exposure to operational risk and the effectiveness of controls that are in place also in terms of related documentation.
Said work was conducted by the operational risk management unit of each consolidated entity also through the assistance of local officers of subsidiaries who are responsible for liaising with the correspondent unit of the Parent Company for guidance and control. In fulfilling said exercise, staff used an integrated database used across the Group for both operational risk management and assessment of statutory and regulatory compliance.
The activities carried out are subject to regular audit by an independent organisational structure.
The tests and analyses performed within the Mediolanum Group show the adequacy of the Group regulatory capital vis-à-vis operational risk, measured applying not only the standardised approach but also internal statistical analyses of processes and probability of adverse events.
As part of risk self assessment, the controls in place at Mediolanum Group companies are reviewed to assess their completeness and effectiveness also in relation to the tools used.
No material aspect emerged from controls carried out.
Over 2,260 checkpoints were identified. About 80% of checkpoints were judged to be adequate or required just to be better formalised.

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

Legal Risk

The risk of non-compliance with statutory/regulatory requirements, such as the risk of legal penalties or fines, significant financial losses or reputational damage resulting from failed compliance with statutes, regulations, self-discipline or internal rules.

Legal risk cuts across the entire organisation and its effective management requires close collaboration with the Operational Risk Management unit, especially in relation to activities geared to improve corporate processes and mitigate the risk arising from procedures/processes that are not compliant with law provisions. The operational risk management framework includes the analysis of possible legal risk and the adoption of related mitigating actions.

Strategic Risk

Strategic risk is the current or prospective risk of impact on earnings or capital arising from changes in the industry, adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes.

All Group companies are potentially exposed to strategic risk, each at different levels according to the volume of business they manage and their operations.

Strategic risk may arise from:

- business decisions relating to the entry into new (local or international) markets or new product lines or changes in the distribution model or channels;
- external events, changes in the competitive environment or unexpected market scenarios due to macroeconomic events, or changes in the regulatory environment.

Strategic risk identification processes are part of usual management planning and control, entail analyses of market scenario and changes in the competitive environment resulting from macroeconomic events or regulatory developments. These analyses are typically conducted upon budgeting and planning as well as upon the occurrence of external events that may have a significant impact on the group's business.

Strategic risk arising from improper implementation of business decisions or losses arising from business decisions are also monitored as part of the Loss Data Collection exercise carried out by the Operational Risk Management unit.

Reputational Risk

Reputational risk is considered to be a "second-tier" risk arising from the failure to properly manage other risks, e.g. operational risk or strategic risk, which may lead to reputational damage.

Reputational risk may arise from external events, negative news about the company, the behaviour of its employees or improper management of external communications.

The Mediolanum Group has in place processes geared to ensuring proper management of relationships with all stakeholders and continuously monitoring their satisfaction. These processes are reviewed annually and results are examined to develop actions and projects for improvement and ultimately ensure long-term sustainable growth. Information is set out also in the Group's Social Report.

Marketing staff monitors Mediolanum standing in terms of perception of the corporate image and brand and feeds from said monitoring activities are used to properly manage reputational risk.

PART G - BUSINESS COMBINATIONS

1. Transactions concluded during the year

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

2. Post-balance sheet date transactions

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

PART H - RELATED PARTY TRANSACTIONS

Transactions with related parties are part of the ordinary business of companies within the Group. These transactions are made at arm's length and in the interests of the individual entities.

In accordance with IAS 24, the following parties are Mediolanum S.p.A. Group related parties:

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

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

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

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

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/ General Managers	Other key managers
Emoluments & social security contributions	5,770	1,458
Non-cash benefits	298	31
Post-employment benefits	-	-
Share-based awards (stock options)	1,153	204

2. Related Party Transactions

Balance Sheet

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

€/'000	Associates	Other related parties
Loans to customers	-	11,535
Loans to banks	-	-
Due to customers	34,190	-
Due to banks	-	15,038
Guarantees issued	-	-

Income Statement

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

€/'000	Associates	Other related parties
Goods acquired/sold	-	-
Services provided/received	-	(1,372)
Commission income/expense	-	4,548
Other income	-	-
Interest income	(5,656)	-
Interest expense	-	(7,866)

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

1. DESCRIPTION OF EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

At the Extraordinary General Meeting held on April 12, 2001, the shareholders of Mediolanum S.p.A. resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 7,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which could be implemented on multiple occasions and in different years.
The exercise price of the stock options granted to employees would be the arithmetic mean of the MEDIOLANUM S.p.A. share prices in the 30 days preceding the date on which the Board of Directors resolves to implement the stock option plan.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.
The stock options granted to directors and contract workers would be exercisable upon the condition that the closing price of Mediolanum ordinary shares on the Exercise Date was not lower than the closing price of Mediolanum S.p.A. on the Grant Date. If that condition was met, the exercise price would be equal to the MEDIOLANUM S.p.A. equity value per share as reported in the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the thirty six calendar months after the Vesting Date.

At the Extraordinary General Meeting held on April 26, 2005, the shareholders of Mediolanum resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 9,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which could be implemented on multiple occasions and in different years.

The stock options granted to employees would be exercisable upon the expiration of a two-year vesting period at a share price equal to the fair market value – as defined by tax rules – of the Mediolanum stock on the date of the Board of Directors' resolutions relating to the respective capital increases.
The exercise of the Options granted to employees was subject to the satisfaction of the Vesting Conditions established annually by the company that employs them.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the sixty calendar months subsequent to the Vesting Date.

The stock options granted to directors and contract workers would be exercisable upon the expiration of a vesting period of two years for Directors and of three years for Contract Workers, at a share price equal to weighted average of (i) the company's equity value per share as reported in the last financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six months preceding the Grant Date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period, respectively. The exercise of the Options granted to Directors and Contract Workers was subject to the satisfaction of at least one of the following conditions:
(i) that on the Vesting Date the closing price of Mediolanum S.p.A. ordinary shares be not lower than the closing price of Mediolanum S.p.A. ordinary shares on the Grant date; or
(ii) that the change in the closing price of Mediolanum S.p.A. ordinary shares in the period between the Grant Date and the Vesting Date (the "Vesting Period") be not lower than the arithmetic mean of the changes recorded in the Vesting Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the "Indices"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Vesting Period; the adjusted mean change in the Indices would be calculated by an independent third party appointed for that purpose by the Board of Directors of the Company; or
(iii) that the Embedded Value of the Mediolanum Group, as calculated by an independent third-party appointed for that purpose by the Board of Directors of the Company and reported in the last financial statements approved prior to the Vesting Date, be at least equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers were allowed only upon the expiration of two years for Directors and of three years for Contract Workers from the Grant Date (Vesting Period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the sixty calendar months subsequent to the Vesting Date.

In addition, on May 13, 2008, the Mediolanum Board of Directors resolved to increase share capital pursuant to art. 2443 of the Italian Civil Code to service the stock option plans for employees, contract workers and directors. By the Board of Directors resolution above:

- 650,000 rights were granted to employees of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2011 up until the fifth trading day of May 2012 at a price of €3.909;
- 722,000 rights were granted to directors of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2010 up until the fifth trading day of May 2015 at a price of €1.067;

- 1,026,612 rights were granted to contract workers of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2011 up until the fifth trading day of May 2016 at a price of €1.067.

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

2. Fair value measurement of stock options

Stock options granted to employees

Since these stock options are exercisable in the months after the expiration of the vesting period they are treated like American-style Options and priced using the Cox-Rubinstein & Ross model (CRR).
Under that model a two-step approach is used. In the first step a binomial tree is built. The tree represents all the possible paths that the share price could take. At the end of the tree (i.e. at expiration of the option) all the option prices for each of the final possible share prices are known. Then, working back from expiration, the option prices are calculated at each node of the tree to assess the option value in case of early exercise.
In the case under review, the stock option is an American-style Option only for the period between the vesting date and the expiration date, therefore the probability of early exercise was estimated only over that period. In the vesting period the option price was weighted and discounted at the risk-free rate.

Stock options granted to directors and contract workers

These stock options are exercisable after the expiration of the vesting period and subject to the satisfaction of the vesting conditions.
These options were priced by building a tree that represents all the possible paths that the share price could take from the grant date to the expiration date of the option. The value of the derivative at expiration is calculated regardless of whether the vesting condition are met or not. Next the option prices are calculated at each node of the tree to assess the option value in case of early exercise and vesting conditions. In the period between the grant date and the vesting date (vesting period) the option was priced treating it like an European-style Option.

3. Changes occurred in the year

In the year 2008, 620,180 stock options granted in 2004-2006 were exercised. That entailed the issue of 620,180 Mediolanum dividend-bearing ordinary shares, the increase in Mediolanum ordinary share capital by €62 thousand and the increase in the share premium account by €682 thousand.
The year's movements in option holdings are set out in the table below.

€/'000	December 31, 2008			December 31, 2007		
Number of options and exercise price	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
A. Opening balance	5,702,064	3.45099	Jan-2013	4,655,816	4.11800	Oct-2010
B. Increases	2,398,612	-		2,451,361	-	
B.1. New issues	2,398,612	1.83715	Dec-14	2,451,361	2.86680	Jan-2014
B.2 Other	-	-	x	-	-	x
C. Decreases	(752,740)	-		(1,405,113)	-	
C.1. Cancelled	(126,500)	5.53945	x	40,000	5.75905	x
C.2. Exercised (*)	(620,180)	1.19987	x	(640,613)	1.47729	x
C.3 Lapsed	(6,060)	0.53900	x	(724,500)	7.33700	x
C.4 Other	-	-	x	-	-	x
D. Closing balance	7,347,936	3.08062	Sept-13	5,702,064	3.45099	Jan-2013
E. Options exercisable at year end	1,947,963	5.48206	x	1,358,203	4.98167	x

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

4. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €3,554 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 24, 2009

For the Board of Directors
The Chairman
(Roberto Ruozi)

SCHEDULES

SCHEDULES

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

In accordance with the regulations mentioned above, for segment reporting purposes, the various companies were allocated to their respective business segment. That entailed, on the one hand, the elimination of inter-company balances within the same segment and, on the other hand, the inclusion of inter-segment transaction balances.
This presentation of segment results is different from the presentation of financial information in the section "Segment Reporting" of the Notes to the consolidated accounts at December 31, 2006 since segment reporting in that section reflects the management reporting system of the Mediolanum Group which entails, *inter alia*, a different classification of income and expense items.

BALANCE SHEET AS AT DECEMBER 31, 2008

Segment Reporting by Business sector (ISVAP)

	LIFE INSURANCE	
€/'000	2008	2007
1. Intangible assets	1,915	3,130
2. Tangible assets	19,496	19,654
3. Reinsurers' share of technical reserves	100,328	100,870
4. Investments	13,278,486	15,694,854
4.1 Investment property	4,777	4,214
4.2 Investments in subsidiaries, associates and joint ventures	812,445	408,564
4.3 Held-to-maturity investments	244,912	219,300
4.4 Loans and receivables	35,696	10,309
4.5 Available-for-sale financial assets	520,659	930,284
4.6 Financial assets at fair value through profit or loss	11,659,997	14,122,183
5. Receivables	10,948	11,622
6. Other assets	295,837	213,741
6.1 Deferred acquisition costs	-	-
6.2 Other	295,837	213,741
7. Cash and cash equivalents	361,157	453,346
Total assets	14,068,167	16,497,217
1. Shareholders' equity	-	-
2. Provisions	3,639	1,264
3. Technical reserves	12,380,981	14,457,087
4. Financial liabilities	794,990	1,120,246
4.1 Financial liabilities at fair value through profit or loss	257,754	630,527
4.2 Other financial liabilities	537,236	489,719
5. Payables	145,893	134,393
6. Other liabilities	46,998	78,888
Total liabilities and shareholders' equity	13,372,501	15,791,878

BANKING		OTHER		INTERSEGMENT		TOTAL	
2008	2007	2008	2007	2008	2007	2008	2007
151,591	147,968	51	115	24,172	24,172	177,729	175,385
63,835	53,495	1,645	1,808	889	901	85,865	75,858
-	-	-	-	-	-	100,328	100,870
8,798,535	7,576,184	40	40	(498,851)	(515,190)	21,578,210	22,755,889
-	-	-	-	-	-	4,777	4,214
-	-	-	-	(416,305)	(355,359)	396,140	53,205
1,107,048	373,024	-	-	-	-	1,351,960	592,324
5,384,791	4,590,827	-	-	(4,753)	(19,138)	5,415,734	4,581,998
1,003,903	408,287	40	40	-	-	1,524,602	1,338,611
1,302,793	2,204,046	-	-	(77,793)	(140,693)	12,884,997	16,185,536
2,283	322	929	1,399	-	-	14,160	13,343
350,471	283,765	4,111	3,247	(142,204)	(83,304)	508,216	417,449
-	-	-	-	-	-	-	-
350,471	283,765	4,111	3,247	(142,204)	(83,304)	508,216	417,449
122,690	138,826	447	1,040	(298,429)	(347,842)	185,865	245,370
9,489,405	8,200,560	7,223	7,649	(914,423)	(921,263)	22,650,372	23,784,163
-	-	-	-	-	-	813,517	895,033
92,110	77,585	84	26	-	-	95,833	78,875
-	-	-	-	-	-	12,380,981	14,457,087
8,548,434	7,289,673	-	-	(377,451)	(505,642)	8,965,973	7,904,277
762,534	719,672	-	-	-	-	1,020,288	1,350,199
7,785,900	6,570,001	-	-	(377,451)	(505,642)	7,945,685	6,554,078
217,209	176,673	3,655	4,706	(120,667)	(61,305)	246,090	254,467
123,880	139,195	202	434	(23,102)	(24,092)	147,978	194,424
8,981,633	7,683,126	3,941	5,166	(521,220)	(591,039)	22,650,372	23,784,163

INCOME STATEMENT AS AT DECEMBER 31, 2008

Segment Reporting by Business sector (ISVAP)

	LIFE INSURANCE	
€/'000	2008	2007
1 Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	2,743,320	3,534,933
1.1.2 Reinsurance premiums	(4,518)	(5,692)
Total premiums written	2,738,802	3,529,241
1.2 Commission income	101,769	123,028
1.3 Net income on financial instruments at fair value through profit and loss	(3,573,828)	(518,260)
1.4 Income on investments in subsidiaries, associates and jvs	1,997	13,879
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	44,471	44,557
1.5.2 Other income	19,695	11,684
1.5.3 Realised gains	309	2,172
1.5.4 Unrealised gains	-	116
Total income on other financial instruments and investment property	64,475	58,529
1.6 Other revenues	16,534	16,739
Total revenues and income	(650,251)	3,223,156
2 Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	781,722	(2,839,539)
2.1.2 Reinsurers' share	6,792	6,693
Net claims and benefits	788,514	(2,832,846)
2.2 Commission expense	(2,741)	(7,493)
2.3 Losses on investments in subsidiaries, associates and jvs	-	-
2.4 Loss on other financial instruments and investment property		
2.4.1 Interest expense	(22,569)	(15,981)
2.4.2 Other expenses	(177)	(320)
2.4.3 Realised losses	(3,126)	(501)
2.4.4 Unrealised losses	(124)	(527)
Loss on other financial instruments and investment property	(25,996)	(17,329)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(118,515)	(203,540)
2.5.2 Investment management expenses	(2,927)	(3,539)
2.5.3 Other administrative expenses	(31,484)	(31,645)
Total operating expenses	(152,926)	(238,724)
2.6 Other costs	(33,673)	(14,487)
Total costs	573,178	(3,110,879)
Profit (loss) before tax for the period	(77,073)	112,277
3 Income tax	14,397	(31,371)
Profit (loss) for the period	(62,676)	80,906
4 Profit (loss) from discontinued operations	-	-
Consolidated profit (loss) for the period	(62,676)	80,906
of which pertaining to the Group	(62,676)	80,906
of which pertaining to minority interests	-	-

BANKING		OTHER		INTERSEGMENT		TOTAL	
2008	2007	2008	2007	2008	2007	2008	2007
-	-	-	-	-	-	2,743,320	3,534,933
-	-	-	-	-	-	(4,518)	(5,692)
-	-	-	-	-	-	2,738,802	3,529,241
589,825	707,989	12	249	(189,978)	(255,833)	501,628	575,433
62,454	63,908	-	-	(9,839)	(8,912)	(3,521,213)	(463,264)
-	-	-	-	-	-	1,997	13,879
283,281	209,008	39	54	(12,241)	(14,634)	315,550	238,985
1,245	2,905	-	-	(1,110)	(1,082)	19,830	13,507
5,800	10,475	-	-	-	22	6,109	12,669
5,671	5,640	-	-	-	-	5,671	5,756
295,997	228,028	39	54	(13,351)	(15,694)	347,160	270,917
17,816	17,455	16,888	19,080	(26,375)	(26,461)	24,863	26,813
966,092	1,017,380	16,939	19,383	(239,543)	(306,900)	93,237	3,953,019
-	-	-	-	1,068	925	782,790	(2,838,614)
-	-	-	-	-	-	6,792	6,693
-	-	-	-	1,068	925	789,582	(2,831,921)
(248,673)	(239,349)	-	(11)	54,736	61,754	(196,678)	(185,099)
-	-	-	-	-	-	-	-
(190,314)	(147,023)	(25)	(8)	16,951	19,416	(195,957)	(143,596)
(19)	(113)	-	-	-	-	(196)	(433)
(2,623)	(222)	-	-	-	-	(5,749)	(723)
(14,356)	(11,466)	(366)	(8)	-	-	(14,846)	(12,001)
(207,312)	(158,824)	(391)	(16)	16,951	19,416	(216,748)	(156,753)
(78,827)	(143,962)	-	-	113,644	196,209	(83,698)	(151,293)
-	-	-	-	2,532	3,177	(395)	(362)
(290,933)	(273,797)	-	-	22,581	23,376	(299,836)	(282,066)
(369,760)	(417,759)	-	-	138,757	222,762	(383,929)	(433,721)
(39,103)	(38,200)	(18,113)	(19,420)	28,031	2,043	(62,858)	(70,065)
(864,848)	(854,132)	(18,504)	(19,447)	239,543	306,900	(70,631)	(3,677,558)
101,244	163,248	(1,565)	(64)	-	-	22,606	275,461
(13,470)	(31,701)	142	(247)	-	-	1,069	(63,319)
87,774	131,548	(1,423)	(312)	-	-	23,675	212,142
-	101	-	-	-	-	-	101
87,774	131,649	(1,423)	(312)	-	-	23,675	212,243
87,774	131,649	(1,423)	(312)	-	-	23,675	212,243
-	-	-	-	-	-	-	-

Subsidiaries consolidated line by line

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

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

Non-consolidated subsidiaries and associated companies

(Values in euro)

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

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

Activity (2)	Direct Shareholding %	Indirect Shareholding % (3)	Total (4)	Group Equity Ratio
1	100.00	100.00	100.00	100.00
11	100.00	100.00	100.00	100.00
9	0.00	100.00	100.00	100.00
7	100.00	100.00	100.00	100.00
11	100.00	100.00	100.00	100.00
8	49.00	100.00	100.00	100.00
8	44.00	100.00	100.00	100.00
11	49.00	100.00	100.00	100.00
11	100.00	100.00	100.00	100.00
7	0.00	100.00	100.00	100.00
8	0.00	100.00	100.00	100.00
11	0.00	100.00	100.00	100.00
8	0.00	100.00	100.00	100.00
2	100.00	100.00	100.00	100.00
7	0.00	100.00	100.00	100.00
8	0.00	100.00	100.00	100.00
11	0.00	100.00	100.00	100.00
11	0.00	100.00	100.00	100.00

Activity (2)	Direct Shareholding %	Indirect Shareholding % (3)	Total (4)	Book Value
b	45.70	48.50	45.70	51,227,000
B	2.63	3.38	3.45	344,913,000

Analysis of tangible and intangible assets

€/'000	At cost	Remeasured or at fair value	Book value
Investment property	4,777	-	4,777
Other property	63,443	-	63,443
Other tangible assets	22,422	-	22,422
Other intangible assets	16,427	-	16,427

Analysis of financial assets

	Held-to-maturity investments		Loans and receivables	
€/'000	FY 2008	FY 2007	FY 2008	FY 2007
Equity instruments and derivatives at cost	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt instruments	626,657	298,542	-	-
of which listed	*626,657*	*298,542*	-	-
Holdings in UCITS	-	-	-	-
Loans to and receivables from banking customers	-	-	3,368,643	1,689,613
Loans to and receivables from banks	-	-	2,011,406	2,882,087
Deposits with cedents	-	-	-	-
Financial assets of insurance contracts	-	-	-	-
Other loans and receivables	-	-	35,685	10,298
Trading derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	725,303	293,782	-	-
Total	1,351,960	592,324	5,415,734	4,581,998

Available-for-sale financial assets		Financial assets at fair value through profit or loss: Financial assets held for trading		Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss		Book value	
FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
-	-	-	-	-	-	-	-
32,430	426,447	17	83	-	-	32,447	426,530
5,303	400,247	7	73	-	-	5,310	400,320
898,863	582,389	1,307,036	1,583,865	4,688,605	5,211,693	7,521,161	7,676,489
894,711	578,395	1,303,400	1,575,795	4,688,605	5,211,693	7,513,373	7,644,425
195,019	228,959	16,167	12,524	6,248,339	7,968,838	6,459,525	8,210,321
-	-	-	-	-	-	6,459,525	1,689,613
-	-	-	-	-	-	2,011,406	2,882,087
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	35,685	10,298
-	-	13,414	41,960	213,368	342,605	226,782	384,565
-	-	-	-	-	-	-	-
398,290	100,816	398,051	1,023,968	-	-	1,521,644	1,418,566
1,524,602	1,338,611	1,831,669	2,662,400	11,150,312	13,523,136	21,177,293	22,698,469

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

€/'000	Investment funds & indices		Pension funds		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
On-balance sheet assets	11,139,218	13,509,929	11,094	13,206	11,150,312	13,523,135
Intercompany assets *	77,793	120,693	-	-	77,793	120,693
Total Assets	11,217,011	13,630,622	11,094	13,206	11,228,105	13,643,828
On-balance sheet financial assets	224,964	601,588	11,094	13,206	236,058	614,794
On-Balance Sheet Technical Reserves	10,991,259	13,027,317	-	-	10,991,259	13,027,317
Intercompany liabilities *	-	-	-	-	-	-
Total Liabilities	11,216,223	13,628,905	11,094	13,206	11,227,317	13,642,111

* Asset and liabilites eliminated upon consolidation

Analysis of reinsurers' share of technical reserves

€/'000	Insurance		Reinsurance		Book value	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Life business reserves	100,328	100,870	-	-	100,328	100,870
Outstanding claims	516	1,216	-	-	516	1,216
Mathematical reserves	99,812	99,654	-	-	99,812	99,654
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Total reinsurers' share of technical reserves	100,328	100,870	-	-	100,328	100,870

Analysis of technical reserves

€/'000	Insurance FY 2008	Insurance FY 2007	Reinsurance FY 2008	Reinsurance FY 2007	Book value FY 2008	Book value FY 2007
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
Life business reserves	12,380,981	14,457,087	-	-	12,380,981	14,457,087
Outstanding claims	83,387	130,414	-	-	83,387	130,414
Mathematical reserves	1,281,334	1,268,031	-	-	1,281,334	1,268,031
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	10,991,259	13,027,317	-	-	10,991,259	13,027,317
Other reserves	25,001	31,325	-	-	25,001	31,325
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
of which deferred liabilities to policyholders	-	-	-	-	-	-
Total Technical Reserves	12,380,981	14,457,087	-	-	12,380,981	14,457,087

Analysis of financial liabilities

€/'000	Financial liabilities at fair value through profit or loss: Financial liabilities held for trading FY 2008	Financial liabilities held for trading FY 2007	Financial liabilities at fair value through profit or loss FY 2008	Financial liabilities at fair value through profit or loss FY 2007
Quasi-equity instruments	-	-	-	-
Subordinated liabilities	-	-	-	-
Liabilities under financial contracts issued by insurance companies of which	-	-	253,817	614,794
contracts under which the investment risk is borne by the policyholder	-	-	242,723	601,588
pension fund management	-	-	11,094	13,206
other contracts	-	-	-	-
Deposits received from reinsureres	-	-	-	-
Financial liabilities of insurance contracts	-	-	-	-
Debt securities issued	2,276	2,974	-	-
Amounts due to banking customers	-	-	-	-
Amounts due to banks	-	-	-	-
Other financing received	-	-	-	-
Trading derivatives	15,296	17,378	-	-
Hedging derivatives	-	-	18,428	-
Other financial liabilities	730,471	715,053	-	-
Total	748,043	735,405	272,245	614,794

Analysis of technical account items

€/'000	FY 2008 Gross	FY 2008 Reinsurers' share	FY 2008 Net
General Business			
PREMIUMS WRITTEN	-	-	-
a Premiums written	-	-	-
b Change in unearned premiums reserve	-	-	-
CLAIMS INCURRED	-	-	-
a Claims paid	-	-	-
b Change in outstanding claims reserve	-	-	-
c Change in recoveries	-	-	-
d Change in other technical reserves	-	-	-
Life Business			
PREMIUMS WRITTEN	2,743,320	4,518	2,738,802
AMOUNTS PAID AND CHANGE IN TECHNICAL RESERVES	(782,790)	6,792	(789,582)
a Amounts paid	1,517,559	7,325	1,510,234
b Change in outstanding claims reserve	(36,176)	(700)	(35,476)
c Change in mathematical reserves	23,796	167	23,629
d Change in technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	(2,281,902)	-	(2,281,902)
e Change in other technical reserves	(6,067)	-	(6,067)

Other financial liabilities		Book value	
FY 2008	FY 2007	FY 2008	FY 2007
-	-	-	-
-	-	-	-
-	-	253,817	614,794
-	-	242,723	601,588
-	-	11,094	13,206
-	-	-	-
99,812	99,641	99,812	99,641
-	-	-	-
13,537	-	15,813	2,974
5,529,156	5,007,974	5,529,156	5,007,974
2,290,780	1,446,463	2,290,780	1,446,463
12,400	-	12,400	-
-	-	15,296	17,378
-	-	18,428	-
-	-	730,471	715,053
7,945,685	6,554,078	8,965,973	7,904,277

FY 2007		
Gross	Reinsurers' share	Net
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,534,933	5,692	3,529,241
2,838,614	6,693	2,831,921
1,986,398	8,999	1,977,399
49,906	(600)	50,506
30,610	(1,706)	32,316
774,106	-	774,106
(2,406)	-	(2,406)

Analysis of net interest income and investment income

€/'000	Interest income (expense)	Other income	Other expense
Investment income	438,738	19,907	177
a from investment property	-	419	177
b from investments in subsidiaries, associates and joint ventures	-	-	-
c from held-to-maturity investments	29,218	-	-
d from loans and receivables	113,638	-	-
e from available-for-sale financial assets	41,942	19,404	-
f from financial assets held for trading	90,842	-	-
g from financial assets at fair value through profit or loss	163,098	84	-
Income on amounts receivable	39,287	4	-
Net cash and cash equivalents	91,465	3	-
Loss on financial liabilities	(140,450)	-	-
a on financial liabilities held for trading	(16,703)	-	-
b on financial liabilities at fair value through profit or loss	(31,150)	-	-
c on other financial liabilities	(92,597)	-	-
Expense on amounts payable	(103,360)	-	19
Total	325,680	19,914	196

Insurance - Analysis of expenses

	General Business		Life Business	
€/'000	FY 2008	FY 2007	FY 2008	FY 2007
Gross agents' commissions & other acquisition costs	-	-	118,515	203,540
a Acquisition commissions	-	-	63,775	129,597
b Other acquisition costs	-	-	13,443	10,014
c Change in deferred acquisition costs	-	-	-	-
d Collection commissions	-	-	41,297	63,929
Commissions and profit sharing from reinsurers	-	-	-	-
Investment management expenses	-	-	2,927	3,539
Other administrative expenses	-	-	31,484	31,645
Total	-	-	152,926	238,724

			Unrealised gains		Unrealised losses				
Realised gains	Realised losses	Total	Gains on measurement	Reversal of impairment	Losses on measurement	Impairment losses	Total	Net income (loss) for FY 2008	Net income (loss) for FY 2007
141,383	1,179,057	(579,206)	595,760	5,671	3,195,660	14,823	(2,609,052)	(3,188,258)	(129,226)
-	-	242	-	-	-	56	(56)	186	1,952
1,997	-	1,997	-	-	-	-	-	1,997	13,879
-	-	29,218	-	-	-	-	-	29,218	23,737
-	-	113,638	-	5,671	-	13,851	(8,180)	105,458	63,585
6,109	5,749	61,706	-	-	-	916	(916)	60,790	45,698
73,811	209,403	(44,750)	274,300	-	250,978	-	23,322	(21,428)	79,793
59,466	963,905	(741,257)	301,282	-	2,944,682	-	(2,623,222)	(3,364,479)	(357,870)
-	-	39,291	-	-	-	23	(23)	39,268	37,609
-	-	91,468	-	-	-	-	-	91,468	85,292
2,824	5,858	(143,484)	26,915	-	111,334	-	(84,419)	(227,903)	(250,948)
2,824	5,858	(19,737)	2,946	-	29,257	-	(26,311)	(46,048)	(11,547)
-	-	(31,150)	23,969	-	82,077	-	(58,108)	(89,258)	(173,640)
-	-	(92,597)	-	-	-	-	-	(92,597)	(65,761)
-	-	(103,379)	-	-	-	-	-	(103,379)	(77,948)
144,207	1,184,915	(695,310)	622,675	5,671	3,306,994	14,846	(2,693,494)	(3,388,804)	(335,221)

Responsibility Statements Pursuant to section 154-bis, paragraph 2, Legislative Decree 58/98

Responsibility Statements

Pursuant to section 154-bis, paragraph 2, Legislative Decree 58/98

1. We, the undersigned Ennio Doris, Chief Executive Officer, and Luigi Del Fabbro, Chief Financial Officer responsible for Mediolanum S.p.A. accounting and financial reporting, also pursuant to section 154 bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998, hereby confirm to the best of our knowledge:
   - the adequacy in relation to the characteristics of the business and
   - the effective application of accounting and financial reporting procedures in the preparation of the consolidated financial statements for financial year 2008.

2. The adequacy and the effective application of accounting and financial reporting procedures for the preparation of the consolidated financial statements for the year ended December 30, 2008 were assessed applying a process defined by Mediolanum S.p.A. in accordance with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally accepted framework.

3. We also confirm that:

   3.1 the consolidated financial statements for the year ended December 31, 2008:
   a) have been prepared in accordance with the International Accounting Standards adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002;
   b) reflect the accounting entries and records;
   c) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union as well as the regulations issued to implement the provisions of section 9 of Legislative Decree 38/2005;
   d) give a true and fair view of the financial position, result of operations and cash flows of the issuer and the companies included in the consolidated financial statements;

   3.2 the directors' report includes reliable information on the performance, result of operations and the business of the issuer and the companies included in the consolidated accounts, as well as description of principal risks and uncertainties.

Basiglio, March 24, 2009

Chief Executive Officer	Chief Financial Officer
(*Ennio Doris*)	(*Luigi Del Fabbro*)

Independent Auditors' Report

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

Tel. (+39) 02 722121
Fax (+39) 02 72212037
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Independent auditors' report
Pursuant to Article 156 of Legislative decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Mediolanum S.p.A.

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

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

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 4, 2008.

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

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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

Milan, Italy, April 6, 2009

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

MEDIOLANUM S.p.A.

Separate Annual Financial Statements 2008

Directors' Report

Dear Shareholder,

The financial statements for the year ended December 31, 2008 we present for your approval show net profit of €179,333 thousand versus net profit €167,564 thousand in the prior year.

Profit before tax grew from €161,472 thousand at year end 2007 to €178,064 thousand at the end of the year under review. The year's profit benefitted from €25,204 thousand gains on the sale of shareholdings to Group companies, but dividends from subsidiaries declined from €183,263 thousand in 2007 to €167,570 in the year under review.

BUSINESS REVIEW

The most significant event in the year under review was the Lehman Brothers operation. At its extraordinary meeting of October 21, 2008, the Board of Directors of Mediolanum S.p.A. made the decision to protect the interests of customers holding index-linked policies with Lehman Brothers bonds as underlying assets and mandated the Group's Insurance Companies to take the necessary measures. Subsequently, the Boards of Directors of the Group's Insurance Companies, Mediolanum Vita S.p.A. and Mediolanum International Life Ltd, approved the transformation of those policies with the objective of returning net paid-in capital to customers holding policies with capital protection, and net paid-in capital less any negative variations in the benchmark index to customers holding policies without capital protection.
The cost of the Lehman Brothers operation is completely covered by the capital injection made by the two Mediolanum S.p.A. majority shareholders, Doris Group and Fininvest S.p.A., with no disbursements by minority shareholders.
The capital injection by the majority shareholders, Doris Group and Fininvest S.p.A., provides up €120 million, which is the total estimated cost of the operation.
Specifically, the two majority shareholders waived their 2008 interim dividend amounting to €47,518 thousand, and made up for the difference of €72,482 thousand through an interest-free financing facility.
The amount of said financing facility was recognised in a Mediolanum S.p.A. specific equity reserve up to the total amount of net losses realised by Mediolanum Group companies under the Lehman Brothers operation.

The capital injection by the two majority shareholders was proportional to their stake in Mediolanum S.p.A., i.e. 47.05% for Fininvest S.p.A. and 52.9% for the Doris Group.
At December 31, 2008, the net cumulative losses reported by the Group insurance companies under the Lehman Brothers operation amounted to €107,600 thousand. At December 31, 2008, an equity reserve of equal amount was recognised on Mediolanum S.p.A. balance sheet. The equity reserve is made up of the waived interim dividend in the amount of €47,518 thousand and of the aforesaid financing facility in the amount of €60,082 thousand.

For the purposes of the Lehman Brothers operation, the capital of the subsidiary Mediolanum International Life Ltd was increased by €45 million through capital contributions.

In 2008, to strengthen the capital position of the subsidiary Banca Mediolanum its capital was increased, in the aggregate, by €59 million. In January 2008, 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 its growth. Banca Mediolanum's share capital increase will be effected in different occasions according to capital requirements. At December 31, 2008 Banca Mediolanum S.p.A. share capital amounted to €430 million.

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

At December 31, 2008, the investment in Mediobanca S.p.A. was reclassified out of 'Available-for-Sale Financial Assets' to 'Investments in Associates and Joint Ventures'. The reclassification was made in light of the strategic nature of the investment. In fact, following the December 2007 acquisition of a further 1.5% interest in Medioanca, our Group has become one of the five largest shareholders of that financial institution and the second largest shareholder among the parties to the Mediobanca Shareholders Agreement.
You are reminded that Mediolanum S.p.A. directly and indirectly holds 3.45% of Mediobanca S.p.A. voting shares and is a party to the Mediobanca S.p.A. Shareholders Agreement made to ensure ownership stability, Board representation and management consistency. The parties to said Shareholders Agreement locked up 45.24% of share capital. By a resolution carried at the Extraordinary General Meeting held last October 28, Mediobanca shareholders reintroduced the traditional governance model and elected the members of the new Board of Directors that will hold office for three years (2008/2011). Ennio Doris, who had served on the previous Supervisory Board, was one of the members elected to the new Mediobanca Board of Directors.
You are also reminded that Mediolanum S.p.A. and Mediobanca S.p.A. hold an equal 48.5% stake in Banca Esperia S.p.A., the Banking Gruop specialising in the provision of private banking services to high net-worth individuals.
Following its reclassification, the investment in Mediobanca S.p.A. was carried at cost, calculated as the average acquisition cost, i.e. €11.47 per share for a total amount of €247.4 million. Compared to December 31, 2007, the reclassification entailed a decrease in the value of the investment previously recognised under 'available-for-sale financial assets' against the decline in the AFS equity reserve of €56.3 million, net of tax effects.
At December 31, 2008 the investment in Mediobanca S.p.A. was tested for impairment with the assistance of an independent advisor. The impairment test did not find any evidence of impairment.

Mediolanum S.p.A. also acquired 63 Cedacri shares, i.e. a 0.50% interest, for €690.7 thousand. At December 31, 2008, the stake held in that entity thus increased to 5.504%.

Upon maturity in September, the €175 million credit lines in force were replaced by new credit lines maturing in 18 months less 1 day and amounting in the aggregate to €200 million.

In December, we started the procedures for Consob authorisation to issue bonds up to €400 million in view of progressively replacing bank debt.
At December 31, 2008 amounts due to banks stood at €425,450 thousand, up €49,780 thousand from €375,670 thousand at year end 2007. During the year the balance due under the credit line granted to Mediolanum Vita S.p.A. was fully repaid (€13,621 thousand at December 31, 2007).
Interest expense rose from €14,192 thousand at December 31, 2007 to €18,603 thousand at the end of the year under review. The increase was due not only to the greater debt but also to interest rate hikes in the year. Interest income grew to €2,990 thousand from €2,389 thousand at year end 2007.
Dividends from subsidiaries amounted to €167,570 thousand versus €183,263 thousand in 2007.
Dividends from other investments recognised as 'available-for-sale financial assets' increased from €10,478 thousand in 2007 to €14,461 thousand at year end 2008.

At December 31, 2008, staff costs and other administrative expenses amounted to €13,665 thousand versus €13,836 thousand at the end of the prior year.

For financial year 2008 the company reported other net income of €2,471 thousand versus other net expenses of €5,525 thousand. The improvement was primarily in connection with the lower value of commitments under the Banca Esperia S.p.A. stock option plan, that in the year under review entailed income of €1,725 thousand versus an expense of €6,497 thousand in the prior year.

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

Post balance sheet date event

After December 31, 2008 there were no material events which could have a significant impact on the financial positions, result of operations or cash-flows of the company.

Outlook

In the light of results reported by subsidiaries for the recently ended financial year and the dividend distribution proposed by the Boards of Directors of the respective companies, and considering that 2008 results benefitted from non-recurring gains upon the realisation of intercompany holdings, based on current reasonable estimates, in 2009 the company is expected to report positive financial results, yet below the 2008 level.

Information on Stock Option Plans

On May 13, 2008, the Mediolanum Board of Directors resolved the capital increases to serve the stock option plans for employees, contract workers and directors, pursuant to art. 2443 of the Italian Civil Code. For further details readers are referred to Part I of the Notes.

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

Dear Shareholder,

We assure you that the financial statements for the year ended December 31, 2008 presented to you for examination and approval were prepared in compliance with the law in force.
In requesting your approval of the financial statements including this report, we propose the following appropriation of the year's net profit of €179,333,313.27:

- distribution of a full-year dividend of €0.150 per share (par value of €0.10) to the shareholders, including the interim dividend of €0.085 paid in November 2008. The final dividend of €0.065 per share will be due for payment from May 21, 2009, (ex-dividend date May 18, 2009). Said dividend will not be payable for treasury shares held after the close of business on May 15, 2009;
- the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit.

Basiglio, March 24, 2009

For the Board of Directors
The Chairman
(Roberto Ruozi)

Accounts 2008

Balance sheet

Assets

€	Dec. 31, 2008	Dec. 31, 2007
Non current assets		
Fixed assets		
Intangible assets	9,162	30,242
Tangible assets	147,130	229,934
Investments in subsidiaries and associates	901,602,919	550,750,434
Available-for-sale financial assets	21,029,856	327,995,622
Total Non current assets	922,789,067	879,006,232
Current assets		
Receivables from		
Subsidiaries	755,916	758,478
Related parties	3,940	11,986
Others	2,024,744	15,495,370
Total Receivables	2,784,600	16,265,834
Cash and cash equivalents		
Bank deposits	107,617,848	16,998,441
Cash	10,018	12,817
Total Cash and cash equivalents	107,627,866	17,010,628
Tax Assets		
Current	29,855,031	67,279,305
Deferred	4,661,239	94,427
Total Tax Assets	34,516,270	67,373,732
Other assets	83,115	60,313
Total Current assets	145,011,848	100,710,507
TOTAL ASSETS	1,067,800,915	979,716,739

Shareholders' equity and liabilities

€	Dec. 31, 2008	Dec. 31, 2007
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	73,009,611	72,947,593
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	51,959,505	51,277,388
Lehman Brothers operation equity reserve	107,599,550	-
Retained earnings	183,792,880	161,436,788
Valuation reserve for AFS financial instruments	(1,622,674)	57,831,234
Net profit (loss) for the period	179,333,313	167,564,088
Total Capital and reserves	592,027,069	509,011,975
Non current liabilities		
Completion-of-service entitlements	1,292,074	1,225,350
Total Non current liabilities	1,292,074	1,225,350
Liabilities		
Due to banks	425,450,142	375,669,654
Due to the shareholders	12,400,450	-
Other financial liabilities at amortised cost	-	13,620,518
Due to suppliers	667,238	779,934
Other payables	2,034,686	2,014,270
Tax liabilities		
Current	32,690,135	60,517,490
Deferred	-	834,896
Other liabilities	1,239,121	16,042,652
Current liabilities	474,481,772	469,479,414
TOTAL LIABILITIES	475,773,846	470,704,764
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,067,800,915	979,716,739

Income Statement

€	Dec. 31, 2008	Dec. 31, 2007
Dividends and similar income		
from subsidiaries	167,570,444	183,263,073
from available-for-sale financial assets	14,460,787	10,478,146
Interest income and similar income	2,990,342	2,388,923
Interest expense and similar charges	(18,602,788)	(14,192,341)
Net income from trading	-	243
Gains (losses) on sale or buyback of:		
available-for-sale financial assets	-	12,035
loans and other financial instruments	-	-
Impairment/reversal of impairment of:		
available-for-sale financial assets	-	-
loans and other financial instruments	(7,980)	(58,442)
NET INCOME FROM FINANCIAL OPERATIONS	166,410,805	181,891,637
Staff costs	(7,603,237)	(6,531,412)
Other administrative expenses	(6,061,315)	(7,304,507)
Amortisation and depreciation		
intangible assets	(23,241)	(97,267)
tangible assets	(85,251)	(202,951)
Other income (expenses)	2,470,826	(5,524,759)
OPERATING EXPENSES	(11,302,218)	(19,660,896)
Profit (loss) on investments in subsidiaries, associates and joint-ventures	22,955,173	(758,684)
Profit (loss) on disposal of investments	-	-
PROFIT (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	178,063,760	161,472,057
Income tax	1,269,553	6,092,031
PROFIT (LOSS) AFTER TAX ON CONTINUING OPERATIONS	179,333,313	167,564,088
NET PROFIT (LOSS) FOR THE YEAR	179,333,313	167,564,088
EARNINGS PER SHARE	0.246	0.230

Cash flow statement

Indirect method

€/'000	Dec. 31, 2008	Dec. 31, 2007
Profit (loss) before tax for the period	178,064	161,472
Changes in non-monetary items		
Completion-of-service entitlements	440	111
Amortisation and depreciation	108	300
Stock Options	663	793
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	4,460	6,623
Income tax paid	-	(6,580)
Net cash from monetary items relating to investment and financial activities	-	-
NET CASH FROM OPERATING ACTIVITIES	183,735	162,719
Net cash from subsidiaries, associates and joint ventures	(103,456)	59
Net cash from available-for-sale financial assets	(691)	(97,094)
Net cash from tangible and intangible assets	(4)	(134)
Other cash flows from investment activities	-	-
NET CASH FROM INVESTING ACTIVITIES	(104,151)	(97,169)
Net cash from equity instruments	744	857
Net cash from treasury shares	-	-
Distribution of dividends	(145,870)	(145,745)
Net cash from subordinated liabilities	-	-
Net cash from other financial liabilities	156,159	68,671
NET CASH FROM FINANCING ACTIVITIES	11,033	(76,217)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,011	27,678
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,617	(10,667)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	107,628	17,011

Statement of changes in shareholders' equity

€	Balance at Jan. 1, 2007	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital	72,883,532	-	-
Share premium account	50,484,670	-	-
Reserves:			
a) retained earnings	112,648,114	109,968,185	-
b) other	-	-	-
Valuation reserves:			
a) AFS fin. instruments	120,485,331	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	193,739,971	(109,968,185)	(83,771,786)
Shareholders' equity	548,196,502	-	(83,771,786)

€	Balance at Jan. 1, 2008	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital	72,947,593	-	-
Share premium account	51,277,388	-	-
Reserves:			
a) retained earnings	161,436,788	83,718,631	-
b) other	-	-	-
Valuation reserves:			
a) AFS fin. instruments	57,831,234	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	167,564,088	(83,718,631)	(83,845,457)
Shareholders' equity	509,011,975	-	(83,845,457)

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

	Movements in the year						
	Shareholders' Equity						
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2008	Shareholders' equity at Dec. 31, 2008
-	62,018	-	-	-	-	-	73,009,611
-	682,117	-	-	-	-	-	51,959,505
107,599,550	-	-	(62,025,444)	-	662,905	-	291,392,430
-	-	-	-	-	-	-	-
(59,453,908)	-	-	-	-	-	-	(1,622,674)
-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	179,333,313	179,333,313
48,145,642	744,135	-	(62,025,444)	-	662,905	179,333,313	592,027,069

Notes to the Separate Annual Financial Statements 2008

Notes to the Separate Annual Financial Statements

These notes are structured as follows:

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

PART A - ACCOUNTING BASIS

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

In the preparation of the separate financial statements the company applied the International Accounting and Financial Reporting Standards (IAS/IFRS) (including SIC and IFRIC interpretations) in effect at December 31, 2008, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.

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

The separate financial statements also include the Directors' Report.

In accordance with art. 5 of Legislative Decree 38/2005 the separate financial statements were prepared using the euro as reporting currency.

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

In applying IAS/IFRS, no departure was made from requirements therein.
The accounts and the notes also include comparative information for the year ended December 31, 2007.

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2008.
The accounting policies applied in the preparation of the separate financial statements, with respect to the classification, recognition and derecognition of the various items of assets and liabilities as well as the recognition of items of income and expense, are consistent with those applied in the preparation of the consolidated financial statements for the year ended December 31, 2008.

Equity investments

This account relates to investments in subsidiaries and associates carried at cost..
On initial recognition these investments are measured at cost, i.e. the fair value of the investment, plus any directly attributable transaction costs or income.
After initial recognition equity investments continue to be carried at cost.

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

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

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

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

Available-for-sale financial assets

This account relates to shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures.
Available-for-sale financial assets are initially recognised on the settlement date.
On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income.
After initial recognition available-for-sale financial assets continue to be measured at fair value. The gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Company assesses whether there is objective evidence of any impairment loss.

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

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

Loans and receivables

This account relates to trade receivables.

A receivable is initially recognised on the billing date or due date.

At each interim and annual reporting date the Company assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition.

An impaired account is individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount at the time of assessment and the present value of estimated future cash flows. Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of receivables which are expected to be recovered in the short term are not discounted.

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

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

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

Tangible assets

Tangible assets include furnishings, fixtures, fittings, plant and equipment.

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

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

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

Tangible assets are carried at cost less any accumulated depreciation and impairment losses.

Tangible assets are systematically depreciated on a straight-line basis over their useful lives.

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

If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount of the asset that exceeds what the carrying amount less accumulated depreciation would have been had the impairment loss not been recognised at the date the impairment is reversed.
A tangible asset is derecognised from the balance sheet on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

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

Financial liabilities

Other financial liabilities include the various forms of funding from banks and companies within the Group. Those financial liabilities are initially recognised when amounts are received.
They are initially measured at fair value, i.e. generally the amount received, plus any additional costs/income directly attributable to the individual funding transaction. Internal administrative costs are not added.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.
A financial liability is derecognised when it expires or is extinguished.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques in accordance with the rules governing 'defined benefit plans'. Future disbursements are estimated on the basis of past data (such as employee turnover and retirement) and demographic patterns, including assumptions for pay hikes pursuant to section 2120 of the Italian Civil Code (application of a fixed rate of 1.5 percent and a rate equal to 75 percent of ISTAT inflation rate). To determine the present value of benefit obligations the Projected Unit Credit Method is used, applying a discount rate, which is determined on the basis of market yields and reflects the estimated timing of benefit payments. The resulting values are recognised under staff costs as the net total of current service costs, past service costs, interest and expected return on any plan assets and actuarial gains or losses. Actuarial gains or losses are fully recognised under staff costs.

Entitlements accrued from January 1, 2007 allocated to either INPS or private pension plans are defined contribution payment obligations, since the company's obligation is limited to the amount it agrees to contribute to the fund. The defined contribution obligations for each period are the amounts to be contributed for that period.

Employee pension plan

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

Tax assets and liabilities

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

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

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

Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the companies' tax position.

The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Income Statement

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

Specifically, dividends are recognised in the income statement when their distribution to shareholders is established.

Other information

Use of estimates

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

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

Senior management regularly check valuations and estimates made on the basis of past experience and other reasonable factors. Due to the uncertainty typically related to these financial items, actual values may differ from estimates due to the occurrence of unexpected events or changes in operating conditions.
For information about the methods used to determine the financial items above and main risk factors readers are referred to the previous sections of these notes for information on accounting policies and to Part F for information on financial risk.

Impairment

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

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

the entity shall proceed to assess each investment taking account of any particularly high volatility or erratic moves of the market as well as any other qualitative factor.

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

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

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

Share-based payments

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

PART C - INFORMATION ON THE BALANCE SHEET

ASSETS

Intangible assets

€/'000	Dec. 31, 2008 Assets measured at cost	Dec. 31, 2008 Assets measured at fair value	Dec. 31, 2007 Assets measured at cost	Dec. 31, 2007 Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
B.1 Internally generated	-	-	-	-
B.2 Other	9	-	30	-
Total	9	-	30	-

Year's movements in intangible assets

€/'000				Total
A. Opening balance	-	-	-	30
B. Increases				
B.1 Additions	-	-	-	2
B.2 Reversal of impairment	-	-	-	-
B.3 Increases in fair value	-	-	-	-
- in equity	-	-	-	-
- through profit or loss	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases				
C.1 Sells	-	-	-	-
C.2 Value adjustments	-	-	-	-
- Amortization	-	-	-	23
- Impairment	-	-	-	-
- in equity	-	-	-	-
- through profit or loss	-	-	-	-
C.3 Decreases in fair value	-	-	-	-
- in equity	-	-	-	-
- through profit or loss	-	-	-	-
C.4 Other changes	-	-	-	-
D. Closing balance	-	-	-	9

Tangible assets

€/'000	Dec. 31, 2008 Assets measured at cost	Dec. 31, 2008 Assets measured at fair value	Dec. 31, 2007 Assets measured at cost	Dec. 31, 2007 Assets measured at fair value
1. owned	147	-	230	-
- furnishings	131	-	163	-
- electronic equipment	1	-	4	-
- other	15	-	63	-
2. under finance lease	0	-	0	-
Total (at cost and revalued)	147	-	230	-

Year's movements in tangible assets

€/'000	Furnishings	Electronic equipment	Other	Total
A. Opening balance	163	4	63	230
B. Increases				
B.1 Additions	-	-	2	2
B.2 Reversal of impairment	-	-	-	-
B.3 Increases in fair value	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases				
C.1 Sales	-	-	-	-
C.2 Depreciation	32	3	50	85
C.3 Impairment	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
C.4 Decreases in fair value	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
C.5 Other changes	-	-	-	-
D. Closing balance	131	1	15	147

Investments in subsidiaries and associates

€/'000	Dec. 31, 2008	Dec. 31, 2007
Subsidiaries:		
Banca Mediolanum S.p.A.	430,239	371,239
Mediolanum Vita S.p.A.	116,681	116,681
Mediolanum International Life Ltd	70,131	25,131
Mediolanum Gestione Fondi SGR p.A.	2,507	2,507
Mediolanum International Funds Ltd	1,194	1,261
Mediolanum Comunicazione S.p.A.	5,786	6,786
PI Distribuzione S.p.A.	516	516
Mediolanum Asset Management Ltd	441	441
Partner Time S.p.A. (in liquidation)	898	374
Mediolanum International S.A.	2	2
Total subsidiaries	628,395	524,938
Associates and joint ventures:		
Mediobanca S.p.A.	247,396	0
Banca Esperia S.p.A.	25,812	25,812
Total associates and joint ventures	273,208	25,812
TOTAL	901,603	550,750

In the year under review, there were the following movements in investments in subsidiaries:

- in March a 2.5% interest in Mediolanum International Funds Ltd was sold to the indirect subsidiary Banco de Finanzas e Inversiones S.A.. The sale generated a €25,204 thousand gain;
- in March and August capital injections were made into the subsidiary Partner Time S.p.A. (in liquidation) for a total amount of €1,500 thousand, of which €500 thousand as capital contributions and €1,000 thousand to cover the year's losses;
- in May and September the share capital of the subsidiary Banca Mediolanum S.p.A. was increased by a total amount of €59,000 thousand,
- in November a €45,000 thousand capital injection was made into the subsidiary Mediolanum International Life Ltd. following the operation put in place to safeguard the interests of customers after the default of Lehman Brothers.

In the year under review losses were incurred on the following investments:

- €976 thousand on Partner Time S.p.A., in liquidation, to align its carrying amount with equity at December 31, 2008,
- €1,000 thousand on Mediolanum Comunicazione S.p.A. in relation to the coverage of losses reported for the year by this subsidiary.

At December 31, 2008, the investment in Mediobanca S.p.A. was reclassified out of 'Available-for-Sale Financial Assets' to 'Investments in Associates and Joint Ventures'.

Mediolanum holds directly 2.68% and indirectly, through its subsidiary Mediolanum Vita S.p.A., 0.77% of Mediobanca S.p.A. voting shares. Mediolanum is also a party to the Mediobanca S.p.A. Shareholders Agreement made to ensure ownership stability, Board representation and management consistency. The parties to said Shareholders Agreement locked up 45.24% of share capital.

By a resolution carried at the Extraordinary General Meeting of last October 28, the Mediobanca shareholders reintroduced the traditional governance model and elected the members of the new Board of Directors that will hold office for three years (2008/2011). Ennio Doris, who had served on the previous Supervisory Board, was one of the members elected to the new Mediobanca Board of Directors.

The reclassification of the investment in Mediobanca S.p.A. was made in light of its strategic nature. In fact, following the December 2007 acquisition of a further 1.5% interest in Mediobanca S.p.A, our Group has become one of the five largest shareholders of that financial institution and the second largest shareholder among the parties to the Mediobanca Shareholders Agreement.

Mediolanum S.p.A. and Mediobanca S.p.A. also hold an equal 48.5% stake in Banca Esperia S.p.A., the Banking Group specialising in private banking services for high net-worth individuals.

Following the reclassification, the investment in Mediobanca S.p.A. was carried at cost, calculated as the average acquisition cost, i.e. €11.47 per share for a total amount of €247.4 million. Compared to December 31, 2007, the reclassification entailed a decrease in the value of the investment previously recognised under 'available-for-sale financial assets' against the decline in the AFS equity reserve of €56.3 million, net of tax effects.

At December 31, 2008, the investment in Mediobanca S.p.A. was tested for impairment with the assistance of an independent advisor. Two different methods were applied, i.e. the Dividend Discount Model (DDM) in the Excess Capital variant using IBES estimates and consensus estimates of net profit and customer loans in the 2009 – 2012 period; and the Sum of Parts (SOP) method whereby the value of the company is given by the sum of the values of all its business divisions.

The impairment test did not reveal any evidence of impairment as the average values of the investment determined as set out above were above its carrying amount.

Available-for-sale financial assets

	Dec. 31, 2008		Dec. 31, 2007	
€/'000	Book value	of which: equity reserve	Book value	of which: equity reserve
Mediobanca S.p.A.	-	-	304,517	57,121
Assicurazioni Generali S.p.A.	5,112	(1,623)	8,251	1,516
Sia SSB S.p.A.	6,204	-	6,204	-
Istituto Europeo di Oncologia	4,703	-	4,703	-
Cedacri S.p.A.	4,940	-	4,250	-
Nomisma S.p.A.	71	-	71	-
TOTAL	21,030	(1,623)	327,996	58,637

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

€ Company	Share Capital	% hoding	Registered Office
Assicurazioni Generali S.p.A.	1,410,113,747	0.020	Piazza Duca degli Abruzzi 2 Trieste (TS)
Sia SSB S.p.A.	22,091,287	1.282	Via Farabelli 14 Milan (MI)
Istituto Europeo di Oncologia	79,071,770	4.700	Via Ripamonti 435 Milan (MI)
Cedacri S.p.A.	12,609,000	5.504	Via del Conventino 1 Collecchio (PR)
Nomisma S.p.A.	5,345,327	1.320	Strada Maggiore 44 Bologna (BO)

In December 2008, additional 63 shares in Cedacri S.p.A. were acquired for €691 thousand.

CURRENT ASSETS

RECEIVABLES

Receivables from subsidiaries:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Central functions and personnel		
Mediolanum Vita S.p.A.	124	117
Banca Mediolanum S.p.A.	462	441
Mediolanum Gestione Fondi SGR p.A.	127	123
Mediolanum Comunicazione S.p.A.	17	38
Partner Time S.p.A. (in liquidation)	17	30
PI Distribuzione S.p.A.	2	2
Mediolanum International Life Ltd	3	3
Mediolanum Distribuzione Finanziaria S.p.A.	4	4
Total	756	758

The balance of this account largely relates to services provided by the Tax and Corporate Affairs staff.

Receivables from related parties:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Mediolanum Assicurazioni S.p.A.	3	3
Other	1	9
Total	4	12

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

Receivables from others:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Due within one year		
IRS	1,895	13,093
Other	130	2,402
Total	2,025	15,495

The notable decline in receivables from the IRS is due to reimbursements made by the IRS between October and December. Reimbursements related to corporate income tax paid and included related interest.

CASH AND CASH EQUIVALENTS

€/'000	Dec. 31, 2008	Dec. 31, 2007
Bank deposits	107,618	16,999
Cash	10	12
Total	107,628	17,011

"Bank deposits" relate to bank accounts balances including interest accrued at year end. Cash held with the subsidiary Banca Mediolanum S.p.A. amounted to €106,950 thousand.

TAX ASSETS

Current Tax Assets:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Tax consolidation regime		
Mediolanum Vita S.p.A.	-	27,577
Mediolanum Gestione Fondi SGR p.A.	1,839	4,364
PI Distribuzione S.p.A.	-	37
Mediolanum Distribuzione Finanziaria S.p.A.	122	36
Total tax consolidation regime	1,961	32,014
IRS		
(IRES & IRAP) advances	10,759	8,911
Carried forward	-	6,195
Withholding tax under the tax consolidation regime	16,642	19,592
Withholding tax on bank interest	493	567
Total IRS	27,894	35,265
Total current tax assets	29,855	67,279

Deferred tax assets:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Deferred tax assets	4,661	94
Total	4,661	94

OTHER ASSETS

Other assets consist of prepayments amounting to €83 thousand (vs. €60 thousand at December 31, 2007) and relating to amounts due in the following year for services rendered and repairs made.

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITAL AND RESERVES

Share Capital

Share capital is fully paid up and amounts to €73,009,610.90 divided into 730,096,109 ordinary shares.
In 2008 to service the Stock Options Plans, capital was increased by €62,018.00 which corresponds to 620,180 shares.

Share premium account

The balance on the share premium account increased from €51,277 thousand at December 31, 2007 to €51,959 thousand at the end of the year under review. The increase relates to the subscriptions for the shares issued under the Stock Option Plan.

Reserve established following the capital injection made to cover the non-recurring costs of the 'Lehman Brothers operation'

The balance of this reserve amounts to €107,600 thousand and relates to the capital injection made by the majority shareholders, Doris Group and Fininvest Group, to cover the losses recorded by the Mediolanum Group's companies at December 31, 2008, under the operation put in place to safeguard the interest of customers after the default of Lehman Brothers. Specifically, this reserve is made up of the waived interim dividend in the amount of €47,518 thousand and of the interest-free financing facility extended by the majority shareholders in the amount of €60,082 thousand.

Retained earnings

Retained earnings:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Legal reserve	17,363	17,363
Extraordinary reserves	346,675	324,930
FTA reserve	(112,407)	(112,407)
2008 interim dividend	(62,058)	(61,973)
Other	(5,780)	(6,476)
TOTAL	183,793	161,437

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

Revaluation reserve for Available-for-sale financial assets

At year end 2008, the balance of the AFS revaluation reserve was negative in the amount of €1,623 thousand, and entirely related to the effect of the fair value measurement of the investment in Assicurazioni Generali S.p.A.. At the end of the prior year, the balance of this reserve had been positive in the amount of €57,831 thousand and related also to the investment in Mediobanca S.p.A. (€57,121 thousand), which at December 31, 2008 was reclassified to 'investments in associates and joint ventures'.

NON CURRENT LIABILITIES

EMPLOYEE COMPLETION-OF-SERVICE ENTITLEMENT

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

€/'000

Balance at December 31, 2007	1,225
Amount accrued and posted to the income statement	440
Transferred from other Mediolanum Group companies	261
Benefits paid during the year	(291)
Advances made in the year	(50)
Transferred to other Mediolanum Group companies	(29)
Invested in Pension Funds	(227)
Contributions transferred to INPS	(37)
Balance at December 31, 2008	1,292

CURRENT LIABILITIES

Due to banks

This account relates to €425,000 thousand due under credit facilities provided by banks plus the related interest expense at year end.

Due to the Shareholders

This account relates to the residual balance of €12,400 thousand due to the two majority shareholders, Doris Group and Fininvest Group, of the €72,482 thousand interest-free financing facility granted by them in November 2008 to cover the costs of the operation conducted by the Mediolanum Group to safeguard customer interests after the default of Lehman Brothers. In connection with the losses incurred by the subsidiaries Mediolanum Vita S.p.A. and Mediolanum International Life Ltd under said operation, a portion of the interest-free financing facility amounting to €60,082 thousand was recognised under a specific equity reserve.

Other financial liabilities at amortised cost

During the year the amount due to the subsidiary Mediolanum Vita S.p.A. was fully repaid.

Due to suppliers

The balance on this account of €667 thousand (vs. €780 thousand at December 31, 2007) primarily relates to the supply of goods and the provision of services.

Other payables

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
Trade payables		
Mediolanum Vita S.p.A.	20	503
Banca Mediolanum S.p.A.	449	266
Alba Servizi Aerotrasporti S.p.A.	264	26
Fininvest S.p.A.	38	15
Others	2	1
Other miscelaneous payables		
IRS - withholding tax	377	406
Social security agencies	273	229
Directors/statutory auditors	254	184
Shareholders	78	6
Others	280	378
Total	2,035	2,014

Other miscellaneous payables include withholding taxes on wages, salaries and professional fees, paid in January 2009. Amounts payable to social security agencies are paid when they become due.

TAX LIABILITIES

Current Tax Liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
IRS		
Ires	1,836	24,678
Irap	3,329	-
Total IRS	5,165	24,678
Tax consolidation regime		
Banca Mediolanum S.p.A.	11,000	18,478
Mediolanum Vita S.p.A.	14,277	13,813
Mediolanum Gestione Fondi SGR p.A.	2,003	2,923
Mediolanum Distribuzione Finanziaria S.p.A.	170	307
Partner Time S.p.A. (in liquidation)	19	303
Mediolanum Comunicazione S.p.A.	5	10
PI Distribuzione S.p.A.	51	4
Total Tax consolidation regime	27,525	35,839
Total current tax liabilities	32,690	60,517

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

Deferred tax liabilities

€/'000	Dec. 31, 2008	Dec. 31, 2007
Deferred tax liabilities	-	835
Total	-	835

OTHER LIABILITIES

Other liabilities amounted to €1,239 thousand (vs. €16,043 thousand at December 31, 2007), while commitments under the Banca Esperia S.p.A. stock options plan amounted to €608 thousand (vs. €15,508 thousand at December 31, 2007).

PART D - INFORMATION ON THE INCOME STATEMENT

DIVIDEND AND SIMILAR INCOME

Dividends *from subsidiaries* amounted to €167,570 thousand as set out in the table below:

€/'000	Dec. 31, 2008	Dec. 31, 2007
Banca Mediolanum S.p.A.	40,000	50,000
Mediolanum Vita S.p.A.	48,978	32,132
Mediolanum Gestione Fondi SGR p.A.	3,858	5,097
Mediolanum International Funds Ltd	60,324	69,889
Mediolanum Asset Management Ltd	4,410	5,145
Mediolanum International Life Ltd	10,000	21,000
Total	167,570	183,263

Dividends from *available-for-sale financial assets* amounted to €14,461 thousand (vs. €10,478 thousand at December 31, 2007) and primarily relate to the dividend of €14,018 thousand received from Mediobanca in November 2008 (vs. €10,025 thousand at December 31, 2008).

INTEREST INCOME AND SIMILAR INCOME

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
On bank accounts	1,828	2,098
On receivables from IRS	1,162	291
Total	2,990	2,389

Interest income on bank accounts primarily relates to accounts held with the subsidiary Banca Mediolanum S.p.A..

INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges amounted to €18,603 thousand (vs. €14,192 thousand at the end of the prior year) and primarily relate to interest expense on financing facilities.

STAFF COSTS

An analysis of this account is set out in the table below.

€/'000	Dec. 31, 2008	Dec. 31, 2007
Wages and salaries	4,517	4,018
Social security contributions	1,445	1,322
Completion-of-service entitlements	631	517
Remuneration of Directors	1,484	1,401
Directors' benefits	675	782
Key personnel	(1,174)	(1,535)
Pension fund	25	26
Total	7,603	6,531

Average number of employees

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

Category	Dec. 31, 2008
Senior management	9
Middle management	10
Other personnel	19
Total	38

OTHER ADMINISTRATIVE EXPENSES

€/'000	Dec. 31, 2008	Dec. 31, 2007
Advisory and other professional services	1,300	2,063
Vehicle rental	1,363	1,290
Utilities	389	526
Banca Mediolanum central functions	477	464
Miscellaneous services	857	935
Property rental/management costs	206	197
Emoluments of corporate officers	160	131
Donations	88	88
Other	1,221	1,611
Total	6,061	7,305

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

OTHER INCOME/EXPENSES

€/'000	Dec. 31, 2008	Dec. 31, 2007
Central functions:		
- subsidiaries	668	668
- companies that are part of the Fininvest Group and of the Doris Group	10	10
Other income	1,793	295
Total other income	2,471	973
Other expenses	0	(6,497)
Total other expenses	0	(6,497)
Total other income (expenses)	2,471	(5,524)

'*Central functions*' relate to corporate affairs and tax management services provided by Mediolanum S.p.A. '*Other income*' primarily relates to the valuation of commitments under the Banca Esperia S.p.A. Stock Option Plan.

INCOME TAX

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

€/'000	Dec. 31, 2008	Dec. 31, 2007
Current tax expense (IRES)	-	(6,193)
Change in deferred tax assets (IRES)	(4,603)	46
Total tax expense for the year (IRES)	(4,603)	(6,147)
Current tax expense (IRAP)	3,329	-
Change in deferred tax assets (IRAP)	5	5
Total tax expense for the year (IRAP)	3,334	5
Change in deferred tax liabilities	-	50
Total	1,269	6,092

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

€/'000	Rate %	Taxable amount	Tax expense
Calculation of taxable income (IRES)			
Profit before tax	-	178,064	-
Theoretical tax	27.50%	-	48,967
Temporary differences taxable in following years	-	137	-
Temporary differences deductible in following years	-	150	-
Prior years' temporary differences	-	(162)	-
Permanent differences	-	(194,794)	-
Total taxable income	-	(16,604)	-
Taxable income (27.50%)	-	(16,604)	-
Current tax expenses for the year	-	-	(4,566)
Average rate on profit before tax	(2.56%)	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	69,853	-
Costs which are not significant for the purpose of IRAP calculation	-	(1,256)	-
Total	-	68,597	-
Theoretical tax	4.82%		3,306
Temporary differences taxable in following years	-	0	-
Temporary differences deductible in following years	-	(95)	-
Prior years' temporary differences	-	556	-
Permanent differences	-	0	-
Taxable income (at a rate of 4.82%)	-	69,058	-
Current tax expenses for the year	-	-	3,329
Average rate on profit before tax	4.85%	-	-

PART E - SEGMENT REPORTING

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

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

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

PART G - BUSINESS COMBINATIONS

Transactions concluded during the year

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

Post-balance sheet date transactions

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

PART H - RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/General Managers	Other key managers
Emoluments & social security contributions	1,673	1,458
Other pension benefits and insurance	-	31
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	614	204

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

2. Information on related party transactions

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

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

In addition, personnel was seconded to companies within the Mediolanum Group.
All transactions are made on an arm's length basis at market conditions, except for personnel seconded to other companies and services provided by central functions which are charged on the basis of actual costs incurred.
For companies that are within the scope of the tax consolidation regime, related party transactions include also amounts receivable and payable as a result of the application of said tax regime.

Analysis of related party balances at December 31, 2008 by related party category

€/'000	Tax assets	Receivables	Cash	Other payables	Tax liabilities	Other financial liabilities
(a) Parent company	-	-	-	38	-	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-
(c) Subsidiaries	1,961	756	106,950	470	41,232	-
(d) Associates	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-
(f) Key managers	-	-	-	-	-	-
(g) Other related parties	-	3	-	265	-	-

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

€/'000	
Interest Income on current accounts:	
Banca Mediolanum S.p.A.	1,814
Interest expense on other financial liabilities:	
Mediolanum Vita S.p.A.	276
Central tax and corporate affairs services charged:	
Mediolanum Vita S.p.A.	260
Banca Mediolanum S.p.A.	260
Mediolanum Gestione Fondi SGR p.A.	60
Partner Time S.p.A. (in liquidation)	40
Mediolanum Comunicazione S.p.A.	15
Mediolanum Distribuzione Finanziaria S.p.A.	15
Mediolanum Assicurazioni S.p.A.	10
PI Distribuzione S.p.A.	8
Other incomes:	
Mediolanum Gestione Fondi SGR p.A.	30
Banca Mediolanum S.p.A. central services:	
IT Services	456
Other administrative services	477
Office rental:	
Banca Mediolanum S.p.A.	182
Aircraft rental:	
Alba Servizi Aerotrasporti S.p.A.	754
Key personnel:	
Charged by Banca Mediolanum S.p.A.	696
Charged by Banca Mediolanum S.p.A.	1,636
Charged by Mediolanum Gestione Fondi SGR p.A.	298
Charged by Mediolanum Vita S.p.A.	67
Charged by Mediolanum Vita S.p.A.	230
Charged by Mediolanum Comunicazione S.p.A.	103
Other costs:	
Fininvest S.p.A.	38
Finedim Italia S.p.A.	21

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

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

In 2008, 620,180 Mediolanum dividend-bearing ordinary shares were issued following the exercise of stock options held by Directors and Contract Workers of companies of the Mediolanum Group.
This entailed a €62 thousand increase in Mediolanum's ordinary share capital and a €682 thousand increase in the share premium account.
In addition, on May 13, 2008, the Mediolanum Board of Directors resolved to increase share capital pursuant to art. 2443 of the Italian Civil Code to service the stock option plans for employees, contract workers and directors.
By the Board of Directors resolution above:

- 650,000 rights were granted to employees of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2011 up until the fifth trading day of May 2012 at a price of €3.909;
- 722,000 rights were granted to directors of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2010 up until the fifth trading day of May 2015 at a price of €1.067;
- 1,026,612 rights were granted to contract workers of the company and its subsidiaries. Those rights are exercisable from the first trading day of May 2011 up until the fifth trading day of May 2016 at a price of €1.067.

For information on fair value of stock options and the year's movements readers are referred to the relevant section of the notes to the consolidated financial statements.

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €663 thousand and entailed a corresponding increase in the Company's equity reserves.

SCHEDULES

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

Basiglio, March 24, 2009

For the Board of Directors
The Chairman
(Roberto Ruozi)

SCHEDULES

SCHEDULE 1

Analysis of equity reserves

Type/description	Amount	Possible utilisation (A, B, C)	Usable amount	Utilisation in the prior three years: loss coverage	Utilisation in the prior three years: other
Share capital:	73,009,611	-	-	-	-
Capital reserves:					
- share premium account	51,959,505	A B C	51,959,505	-	-
- Lehman Brothers operation equity reserve	107,599,550	B	107,599,550	-	-
Retained earnings:					
- legal reserve	17,362,794	B	17,362,794	-	-
- other reserves	164,384,970	A B C	164,384,970	-	-
Valutation reserves:					
- available-for-sale financial assets	1,622,674	A B C	-	-	-
Total	415,939,104		341,306,819	-	-
of which non-distributable	-		124,962,344	-	-
of which distributable	-		216,344,475	-	-

Legend:

A: capital increase

B: loss coverage

C: distribution to shareholders

SCHEDULE 2

Analysis of deferred taxation

	FY 2007		FY 2008	
	Amount of temporary differences	Tax rate applied	Amount of temporary differences	Tax rate applied
Deferred tax assets:				
Impairment losses on tangible assets	-	-	-	-
Impairment losses on intangible assets	-	-	-	-
Provisions for risks and charges	-	-	-	-
Business expenses	235,376	32.3176	140,549	32.32
Remuneration of Directors	66,768	27.5000	150,446	27.50
TARSU (solid waste disposal tax)	-	-	5,245	27.50
Adjustment to completion-of-service entitlements under IAS	-	-	32,892	27.50
Total	302,144	-	329,131	-
Deferred tax liabilities:				
Accelerated depreciation and amortisation	-	-	-	-
Excess depreciation and amortisation	-	-	-	-
Impairment of loans	-	-	-	-
Available-for-sale financial assets	2,931,875	27.5000	-	-
Adjustment to completion-of-service entitlements under IAS	104,111	27.5000	-	-
Total	3,035,986	-	-	-

Net deferred tax liabilities (assets)	-	740,467	-	(97,280)
Deferred tax assets on tax losses for the year	-	-	(4,564)	-
Deferred tax assets on tax losses for the prior year	-	-	-	-
Temporary differences excluded from the calculation of deferred tax liabilities (assets)	-	-	-	-
Tax losses carried forward	-	-	-	-
Net amount	-	-	-	-

Deferred tax assets on tax losses for the year relate to both Mediolanum S.p.A.'s tax losses as well as the tax losses transferred to the parent company by Group companies under the tax consolidation regime.

SCHEDULE 3

Analysis of directly and indirectly controlled subsidiaries and associates

€/'000		Equity	
Name	Share capital	Total	Share
Subsidiary			
Banca Mediolanum S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	430,000	518,932	518,932
Mediolanum Vita S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	87,720	164,647	164,647
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	20,423	10,007
Mediolanum Comunicazione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	775	760	760
Partner Time S.p.A. (in liquidation) Via F. Sforza P.zzo Meucci Basiglio (MI)	520	897	897
PI Distribuzione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	517	517	517
Mediolanum International S.A. 180, rue des Aubèpines L - 1145 Luxembourg	71,500	47,629	1
Mediolanum International Life Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	1,395	71,516	71,516
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	6,669	3,268
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	29,752	13,091

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

Net profit			
Total	Share	% holding	Carrying amount
32,927	32,927 [1]	100	430,239
(17,703)	(17,703)	100	116,681
4,244	2,080	49	2,507
(1,113)	(1,113)	100	5,786
(1,249)	(1,249)	100	898
(93)	(93)	100	516
218	0	0.003	2
(35,206)	(35,206)	100	70,130
9,695	4,751	49	441
125,480	55,211	44.0	1,193

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

€/'000		Equity	
Name	Share capital	Total	Share
Subsidiary			
Mediolanum Distribuzione Finanziaria S.p.A. P.zzo Meucci Basiglio (MI)	1,000	1,295	1,295
Mediolanum Corporate University S.p.A. P.zzo Meucci Basiglio (MI)	20,000	19,273	19,273
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	16,694	16,694
Bankhaus August Lenz & Co. AG Holbeinstrasse 11 81679 Münich	20,000	44,807	44,807
Banco de Finanzas e Inversiones S.A. Avenida Diagonal 668/670 Barcelona	86,032	134,225	134,225
Fibanc Faif S.A. Avenida Diagonal 668/670 Barcelona	60	42	42
Fibanc Pensiones S.G.F.P., S.A. Avenida Diagonal 668/670 Barcelona	902	1,537	1,537
Fibanc S.A. Avenida Diagonal 668/670 Barcelona	301	414	414
Ges Fibanc S.G.I.I.C., S.A. Calle Enteza 325/335 Barcelona	2,506	3,896	3,896
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	20,423	10,416
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	6,669	3,401
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	29,752	16,661
Mediolanum International S.A. 180, rue des Aubèpines L - 1145 Luxembourg	71,500	47,629	47,628
Associates			
Mediobanca S.p.A. Piazzetta E. Cuccia, 1 Milano	410,028	5,249,990	138,442
Banca Esperia S.p.A. Via Del Lauro, 7 Milano	13,000	83,332	40,416

Net profit			
Total	Share	% holding	Carrying amount
207	207	100	-
(735)	(735)	100	-
1,432	1,432	100	-
(7,402)	(7,402)	100	-
(1,275)	(1,275)	100	-
(11)	(11)	100	-
101	101	100	-
4	4	100	-
351	351	100	-
4,244	2,164	51	-
9,695	4,944	51	-
125,480	70,269	56.0	-
218	218	99.997	-
622,579	16,417	2.637	247,396
9,253	4,488	48.5	25,812

SCHEDULE 4

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

As of December 31, 2008

Company name	Country	Total holding %
Banca Esperia S.p.A.	Italy	48.500
Banca Mediolanum S.p.A.	Italy	100.000
Banco de Finanzas e Inversiones, S.A.	Spain	100.000
Bankhaus August Lenz & Co. AG	Germany	100.000
Fibanc Pensiones, S.A., S.G.F.P.	Spain	99.999
Fibanc, S.A.	Spain	99.998
Gamax Management AG	Luxembourg	100.000
Ges. Fibanc, S.G.I.I.C., S.A.	Spain	99.999
Mediolanum Asset Management Ltd	Ireland	100.000
Madiolanum Comunicazione S.p.A.	Italy	100.000
Mediolanum Corporate University S.p.A.	Italy	100.000
Mediolanum Distribuzione Finanziaria S.p.A.	Italy	100.000
Mediolanum Gestione Fondi SGR p.A.	Italy	100.000
Mediolanum International Funds Ltd	Ireland	100.000
Mediolanum International Life Ltd	Ireland	100.000
Mediolanum International S.A.	Luxembourg	100.000
Mediolanum Vita S.p.A.	Italy	100.000
Partner Time S.p.A. in liquidation	Italy	100.000
PI Distribuzione S.p.A.	Italy	100.000

Note: Within the Mediolanum Banking Group, Gamax Management AG established a Luxembourg-bases open-ended investment company named "Mediolanum Specialities Sicav - Sif".

Type of holding	Shareholder	% holding
direct ownership	Mediolanum S.p.A.	48.500
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.999
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.998
indirect ownership	Mediolanum International S.A.	100.000
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.999
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	49.000
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	49.000
indirect ownership	Banca Mediolanum S.p.A.	51.000
direct ownership	Mediolanum S.p.A.	44.000
indirect ownership	Banco de Finanzas e Inversiones, S.A.	5.000
direct ownership	Mediolanum S.p.A.	100.000
indirect ownership	Banca Mediolanum S.p.A.	99.997
direct ownership	Mediolanum S.p.A.	0.003
direct ownership	Mediolanum S.p.A.	100.000
direct ownership	Mediolanum S.p.A.	100.000
direct ownership	Mediolanum S.p.A.	100.000

SCHEDULE 5

Remuneration of members of the board of directors, statutory auditors, general managers and other key management officers - pursuant to art. 78 of CONSOB Regulation 11971/1999

Surname and name	Position	Period
RUOZI ROBERTO	Chairman of the Board of Directors of Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
MESSINA ALFREDO	Deputy Chairman of Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
LOMBARDI EDOARDO	Executive Deputy Chairman of Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
DORIS ENNIO	Chief Executive Officer Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
BERLUSCONI LUIGI	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
BERLUSCONI MARINA	Director Mediolanum S.p.A.	Jan 1, 2008/Apr 22, 2008
CANNATELLI PASQUALE	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
CARFAGNA MAURIZIO	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
DORIS MASSIMO ANTONIO	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
ERMOLLI BRUNO	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Member of the Compensation Committee Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
MOLTENI MARIO	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Member of the Audit Committee	Jan 1, 2008/Dec. 31, 2008
	Member of the Compensation Committee Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Apr 17, 2008
PELLEGRINO DANILO	Director Mediolanum S.p.A.	Apr 22, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
RENOLDI ANGELO	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Chairman of the Supervisory Board (Legislative Decree 231/2001) of Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Member of the Audit Committee	Jan 1, 2008/Dec. 31, 2008
	Member of the Compensation Committee Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
SCIUMÈ PAOLO	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Member of the Audit Committee	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
ZUNINO ANTONIO	Director Mediolanum S.p.A.	Jan 1, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
SIMONELLI EZIO MARIA	Chairman of the Board of Statutory Auditors of Mediolanum S.p.A.	Apr 22, 2008/Dec. 31, 2008
PEROTTA RICCARDO	Standing Auditor of Mediolanum S.p.A.	Apr 22, 2008/Dec. 31, 2008
VITTADINI FRANCESCO	Standing Auditor of Mediolanum S.p.A.	Jan 1, 2008/Apr 22, 2008 Aug 29, 2008/Dec. 31, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
MAURI ARNALDO	Chairman of the Board of Statutory Auditors of Mediolanum S.p.A.	Jan 1, 2008/Apr 22, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
DALLOCCHIO MAURIZIO	Standing Auditor of Mediolanum S.p.A.	Apr 22, 2008/Aug 29, 2008
GIAMPAOLO FRANCESCO ANTONIO	Standing Auditor of Mediolanum S.p.A.	Jan 1, 2008/Apr 22, 2008
	Other positions held in subsidiaries	Jan 1, 2008/Dec. 31, 2008
KEY MANAGEMENT (***)		Jan 1, 2008/Dec. 31, 2008

(*) The expiration date is the date of the AGM called to approve the financial statements for that year.
(**) Amount transferred to the company the officer belongs to.
(***) Information relating to Key Management Officers is indicated in the aggregate.
(a) services provided by a company controlled by the officer
(b) professional fees

Expiration (*)	Emoluments received for the position held in the reporting company	Non cash benefits	Bonuses and other incentives	Other
Dec. 31, 2010	100,000.00			
Dec. 31, 2010	200,000.00			
	21,208.33			
Dec. 31, 2010	300,000.00			(a) 98,030.47
	577,875.01			
Dec. 31, 2010	600,000.00			
	190,000.00			
Dec. 31, 2010	21,666.67			
Dec. 31, 2007	5,000.00			
Dec. 31, 2010	(**) 21,666.67			
Dec. 31, 2010	21,666.67			
	2,750.00			
Dec. 31, 2010	21,666.67			
	30,000.00			399,247.63
Dec. 31, 2010	21,666.67			
	2,000.00			
Dec. 31, 2010	21,666.67			
	12,000.00			
	2,000.00			
	6,666.67			
Dec. 31, 2010	(**) 16,666.67			
	(**) 16,625.00			
Dec. 31, 2010	21,666.67			
	25,000.00			
	12,000.00			
	2,000.00			
	80,000.00			
Dec. 31, 2010	21,666.67			(b) 208,789.16
	12,000.00			
	12,000.00			
Dec. 31, 2010	21,666.67			
	205,333.33			
Dec. 31, 2010	40,000.00			
Dec. 31, 2010	26,666.67			
Dec. 31, 2010	23,333.33			
	30,000.00			
Dec. 31, 2007	15,000.00			
	69,836.67			
Dec. 31, 2010	13,333.33			
Dec. 31, 2007	10,000.00			
	29,516.45			
	1,000,766.52	6,720.12	158,646.00	

SCHEDULE 6

Stock options granted to members of the board of directors, general managers and other key management officers

		Options held at the beginning of the year		
(A)	(B)	(1)	(2)	(3)
Surname and name	Position	No. of options	Average exercise price	Average expiration
MESSINA ALFREDO	Deputy chairman	139,000	1.257	2,144
LOMBARDI EDOARDO	Executive Deputy Chairman	495,000	1.255	2,135
KEY MANAGEMENT (*)		356,600	2.120	1,787

Please Note: Average expiration runs from December 31, 2008 for both options granted during the year and options held at year end.
(*) Information relating to Key Management Officers is indicated in the aggregate.

Notes: Each option corresponds to the subscription for or the purchase of one share.
Any bonus stock option shall be recorded as a stock option granted and exercised at a nil price.
The table is prepared for all Directors and General Managers to whom options are granted under a stock option plan including those who are employees of the company.

SCHEDULE 7

Interest of members of the board of directors, statutory auditors, general managers and other key management officers - pursuant to art. 79 of CONSOB Regulation 11971/1999

Surname and name	Company		No. of shares held at the end of the prior year (Dec. 31, 2007)
MESSINA ALFREDO	MEDIOLANUM S.p.A.	(pd)	100,000
LOMBARDI EDOARDO	MEDIOLANUM S.p.A.	(pd)	480,500
DORIS ENNIO	MEDIOLANUM S.p.A.	(pd)	23,119,070
		(pi)	149,009,557
		(u) (*)	46,260,000
		(c)	44,379,895
CARFAGNA MAURIZIO	MEDIOLANUM S.p.A.	(pd)	97,500
		(c)	2,000
DORIS MASSIMO ANTONIO	MEDIOLANUM S.p.A.	(pi)	14,507,180
		(c)	7,000
ERMOLLI BRUNO	MEDIOLANUM S.p.A.	(c)	14,500
MAURI ARNALDO	MEDIOLANUM S.p.A.	(pd)	500
		(c)	300
KEY MANAGEMENT(**)	MEDIOLANUM S.p.A.		228,750

(so) exercise of stock options
(pd) direct holding
(pi) indirect holding
(u) usufruct
(c) spouse
(*) joint usufruct with spouse Tombolato Lina
(**) information relating to Key Management Officers is indicated in the aggregate

Options granted during the year			Options exercised during the year			Options lapsed during the year	Options held at the end of the year		
(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
No. of options	Average exercise price	Average expiration	No. of options	Average exercise price	Average mkt price upon exercise	No. of options	No. of options	Average exercise price	Average expiration
80,000	1.067	2,316	66,000	1.210	3.759	-	153,000	1.178	2,142
272,000	1.067	2,316	247,500	1.210	3.759	-	519,500	1.178	2,143
135,000	1.067	2,316	142,500	1.210	3.310	-	349,100	2.084	1,700

No. of shares acquired in 2008	No. of shares sold in 2008	No. of shares held at the end of the current year (Dec. 31, 2008)
66,000 (so)	-	166,000
247,500 (so)	-	728,000
-	-	23,119,070
-	-	149,009,557
-	-	46,260,000
4,256,000	-	48,635,895
-	-	97,500
-	-	2,000
-	-	14,507,180
-	-	7,000
-	-	14,500
-	-	500
-	-	300
142,500 (so)	10,000	-
3,500	-	364,750

SCHEDULE 8

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

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

Separate Financial Statements for the year ended December 31, 2008

(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	268
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	-
Other	Entities in the Ernst & Young network	10
Total		278

Consolidated Financial Statements for the year ended December 31, 2008

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee (€/'000)
Audit	Reconta Ernst & Young S.p.A. and other entities that are part of their network	1,403
Certification	Entities in the Ernst & Young network	-
Tax advice	Entities in the Ernst & Young network	341
Other	Entities in the Ernst & Young network	13
Total		1,757

In addition to the amounts above, entities that are part of the Ernst & Young's network also invoiced an additional total amount of €1,220 thousand, of which €347 thousand in relation to Italian funds and €873 thousand in relation to international funds.

Responsibility Statements Pursuant to section 154-bis, paragraph 2, Legislative Decree 58/98

Responsibility Statements
Pursuant to section 154-bis, paragraph 2, Legislative Decree 58/98

1. We, the undersigned Ennio Doris, Chief Executive Officer, and Luigi Del Fabbro, Chief Financial Officer responsible for Mediolanum S.p.A. accounting and financial reporting, also pursuant to section 154 bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998, hereby confirm to the best of our knowledge:
   - the adequacy in relation to the characteristics of the business and
   - the effective application of accounting and financial reporting procedures in the preparation of the consolidated financial statements for financial year 2008.

2. The adequacy and the effective application of accounting and financial reporting procedures for the preparation of the consolidated financial statements for the year ended December 30, 2008 were assessed applying a process defined by Mediolanum S.p.A. in accordance with the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is an internationally accepted framework.

3. We also confirm that:

   3.1 the consolidated financial statements for the year ended December 31, 2008:

   a) have been prepared in accordance with the International Accounting Standards adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002;
   b) reflect the accounting entries and records;
   c) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union as well as the regulations issued to implement the provisions of section 9 of Legislative Decree 38/2005, give a true and fair view of the financial position, result of operations and cash flows of the issuer and the companies included in the consolidated financial statements;

   3.2 the directors' report includes reliable information on the performance, result of operations and the business of the issuer and the companies included in the consolidated accounts, as well as description of principal risks and uncertainties.

Basiglio, March 24, 2009

Chief Executive Officer	Chief Financial Officer
(Ennio Doris)	*(Luigi Del Fabbro)*

Report of the Board of Statutory Auditors

Report of the board of statutory auditors
to the general meeting convened to approve Mediolanum S.p.A. financial statements for the year ended December 31, 2008 pursuant to article 153 of Legislative Decree No. 58/1998 and to article 2429 paragraph 3 of the Italian Civil Code

Dear Shareholder,

pursuant to article 153 of Legislative Decree No. 58 of February 24, 1998 and to article 2429 of the Italian Civil Code, we report on our supervisory activities. We have performed our statutory supervisory duties in accordance with the Italian Civil Code, articles 148 et seq. of the aforesaid Legislative Decree, with the instructions contained in CONSOB Communication No. DEM/1025564 of April 6, 2001, and also taking into account the principles of conduct recommended by the National Council of Accountants.

* * *

The current Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting held on April 22, 2008. Following the entry into effect of CONSOB regulations on cumulative positions held by the members of control bodies of publicly traded companies, on August 29, 2008, Statutory Auditor Maurizio Dallocchio resigned from his position and was replaced by Francesco Vittadini on the same date.

In the light of the foregoing, we advise you that Mediolanum S.p.A. financial statements for the year ended December 31, 2008, which reported net profit of €179,333,313, were prepared in accordance with the international accounting and financial reporting standards IAS/IFRS issued by the International Accounting Standards Board as adopted by the European Commission.

In addition to the specific statutory disclosures required in financial reporting, the notes to the financial statements set out information deemed appropriate to give a true and fair view of the Company's financial position, results of operations and cash flows.

The Directors' Report sets out appropriate comprehensive information on operations.

You are reminded that Mediolanum S.p.A., being the parent company of the Mediolanum Group, a financial conglomerate operating mainly in the insurance sector, is required to submit the Consolidated Financial Statements, which include the accounts of your Company and those of its directly or indirectly controlled subsidiaries.

For the third year in a row, alongside the Annual Report and Accounts your company prepared the Social Report, which demonstrates the connection between competitive business strategies, the values of the Group and the relationship with the stakeholders.

* * *

With regards to the manner in which the Board of Statutory Auditors performed its statutory duties, we advise you that:

- we attended the meetings of the Board of Directors and of the Audit Committee;

- we held a number of meetings with the head of Internal Audit to exchange information on activity performed and on audit programmes;
- we performed periodic checks to verify compliance with the law and articles of incorporation, adherence to principles of proper management and the adequacy of the company's organisational structure and internal control system;
- during the abovementioned visits we checked the book of the independent auditing firm and held regular meetings with its managers;
- we constantly monitored the events relating to the Company and the Group.

In conclusion of our activity, in accordance with the recommendations and instructions given by CONSOB, we wish to highlight the following:

1. Most significant transactions with regard to the company's financial position, result of operations or cash flows.

During the year, the Statutory Auditors received regular information from Directors on the activities carried out by the Company and its subsidiaries including transactions which could have a significant impact on financial position, result of operations and cash flows.

In their Report, the Directors have illustrated said transactions, which include in particular:

- the sale of a 2.5% stake in Mediolanum International Funds Ltd to the Spanish subsidiary Banco de Finanzas e Inversiones S.A. – Fibanc made in March 2008. The value of the stake was determined by independent valuers;
- the purchase of an additional 0.50% interest in Cedacri;
- the replacement of credit lines in force, upon their maturity in September 2008, with new credit lines, for a total amount of 200 million euro;
- the decision made by the Board of Directors on October 21, 2008, to mandate the Group's Insurance Companies, Mediolanum Vita S.p.A. and Mediolanum International Life Ltd, to take measures to protect the interests of customers holding index-linked policies with Lehman Brothers bonds as underlying assets. The cost of the Lehman Brothers operation is completely covered by the capital injection made by the two Mediolanum S.p.A. majority shareholders, Doris Group and Fininvest S.p.A., with no disbursements by minority shareholders. The capital injection by the majority shareholders, Doris Group and Fininvest S.p.A., provides €120 million, which is the total estimated cost of the operation. Specifically, the two majority shareholders waived their 2008 interim dividend and made up for the difference through an interest-free financing facility;
- the procedures started in November 2008 to obtain CONSOB authorisation to issue bonds up to €400 million in view of progressively replacing bank debt. Said procedures were completed in March of the current year.

In this regard, the Board of Statutory Auditors ascertained that the transactions that were resolved and implemented were in accordance with the law and the company's Bylaws, and in line with proper management principles. The Board of Statutory Auditors therefore satisfied itself that said transactions were not manifestly imprudent or risky, did not represent a potential conflict of interest, were not in contrast with the resolutions passed at General Meetings and did not put the company's equity at risk. For more detailed information on the characteristics of the transactions and their impact on the accounts you are referred to the Directors' Report.

The Directors' Report also sets out that after December 31, 2008 there were no other events which could have a significant impact on the financial position, result of operations and cash flows of the Company.

2. Atypical and/or unusual intercompany or related party transactions.

During the year, we did not detect or receive any indication from the Board of Directors, the Independent auditors or the head of Internal Audit of the existence of any atypical and/or unusual third-party, intercompany or related party transactions.

Related party transactions, which mainly refer to the exchange of services with Group companies, as illustrated by the Directors in the Notes to the Financial Statements, were carried out on an arm's length basis, except for staff secondment and centrally managed services, which are charged on the basis of actually incurred costs.
Details on related party transactions in excess of €10,000 and their impact on accounts are set out in the Notes to the Financial Statements.
The Board of Statutory Auditors has satisfied itself that the abovementioned transactions, which are of an ordinary nature, were fair and in the best interests of the company, and were in connection and expedient to the achievement of the company's purpos.

3. Appropriateness of the information disclosed in the Directors' Report on atypical and/or unusual intercompany or related party transactions.
See section 2. above.

4. Disclosures contained in the Independent Auditors' Report.
The independent auditors issued their report on the Annual Financial Statements without observations, certifying that they are in accordance with applicable rules governing financial statement preparation.

5. Notices or complaints under article 2408 of the Italian Civil Code.
We report that during the year the Board of Statutory Auditors received a complaint by a shareholder of a fact he deemed inappropriate under article 2408 of the Italian Civil Code, concerning the alleged failure to file with Borsa Italia S.p.A. the minutes of the General Meeting of April 19, 2007.
We promptly examined the complaint and found that:

- in compliance with current legislation, the company had correctly filed the minutes with the NIS of Borsa Italiana on April 27, 2007;
- the minutes were not available on the website of Borsa Italiana due to problems in the operation of their data processing centre;
- since April 2007 the minutes had been available on the Company's website, under section "Corporate Governance" – "General Meeting", in the "archive" subsection, since they referred to the previous year.

We then informed the complaining shareholder that his complaint was devoid of merit, on the basis of the outcome of our verification.

6. Conferral of further appointments to the independent auditors or other parties linked to them and related costs.
We have reviewed evidence of the fees paid by the Company to the independent auditors Reconta Ernst & Young S.p.A., and entities that are part of their international network as detailed below:

Separate Financial Statements for the year ended December 31, 2008

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Reconta Ernst & Young S.p.A. and other entities that are part of their network	268
Other	Other entities in the Ernst & Young network	10
Total		278

Consolidated Financial Statements for the year ended 31 December 2008

(in thousands of euro, excluding VAT and expenses)

Service	Company	Fee
Audit	Reconta Ernst & Young S.p.A. and other entities that are part of their network	1,403
Tax advice	Other entities in the Ernst & Young network	341
Other	Other entities in the Ernst & Young network	13
Total		1,757

7. Opinions given pursuant to the law.

During the year we have given the opinions requested of the Board of Statutory Auditors pursuant to law and the company's Bylaws.

8. Frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors.

Since we took up office on April 22, 2008, we attended 5 meetings of the Board of Directors (on April 23, May 13, July 31, October 21 and November 12, 2008) and held 4 meetings of the Board of Statutory Auditors (June 5, June 26, September 16 and November 4, 2008). Overall, including the activity of the prior Board of Statutory Auditors, 9 meetings of the Board of Statutory Auditors were held in 2008.
No Executive Committee has been established.

9. Remarks on adherence to principles of proper management.

On the basis of the information obtained or received from directors and the independent auditors, also by attending the meetings of the Board of Directors, the Board of Statutory Auditors has monitored adherence to principles of proper management, checking compliance of management choices with general criteria of economic rationality and the directors' observance of their duty of diligence in fulfilling their mandate. The Board of Statutory Auditors has no remark to make in this respect.

10. Remarks on the adequacy of the organisational structure.

From the date we took office, we have examined the Company's organisational structure and assessed its adequacy in relation to the industry, market, size and prospects. We reviewed the adequacy of the Company's organisational structure within the scope of our authority by means of inspections, collection of information and regular meetings with the independent auditors Reconta Ernst & Young S.p.A.. No material aspect requiring disclosure emerged from our examination.

11. Adequacy of the internal control system.

Internal control, which is the system set up to verify compliance with the internal operational and administrative procedures adopted to ensure proper management, prevent possible financial and operational risks as well as any frauds against the company, is in substance adequate to the size of the Company.
In particular, we regularly collected information on the activities performed, during the meetings of the Audit Committee and in meetings with the head of Internal Audit, appointed on March 18, 2008, and by acquiring specific periodic documentation.
The Board of Statutory Auditors acknowledges, as highlighted in the annual report of the Supervisory Board pursuant to Legislative Decree 231/2001, that the internal control system of the Mediolanum Group is currently being revised to meet the requirements of the Supervisory Authorities, and that the organisational Models and related behavioural and operational procedures are being updated to bring them into line with new regulations.

12. Accounting system adequacy and reliability.

The Board of Statutory Auditors, on the basis of its reviews and verifications, has satisfied itself that the accounting system is adequate and that it is reliable and suitable to represent fairly the result of operations.

13. Adequacy of the instructions given to subsidiaries.

We are satisfied that the instructions given by the Company to its subsidiaries, pursuant to article 114, paragraph 2, of Legislative Decree 58/1998, enabled subsidiaries to provide timely information to the Parent Company for its compliance with statutory disclosure requirements.

14. Remarks on meetings with the independent auditors.

The meetings held with the representatives of the independent auditing firm Reconta Ernst & Young S.p.A., pursuant to article 150 of Legislative Decree 58/1998, revealed no issues needing to be brought to your attention.

15. Compliance with the Code of Conduct for listed companies.

As set out in the Board of Directors' Report on corporate governance, in 2000 the company adhered to the Code of Conduct for listed companies issued by Borsa Italiana. Corporate governance rules are continuously reviewed and fine-tuned to bring them in line with regulatory changes.

In compliance with the provisions of paragraph 5 of article 3 of the Code of Conduct, the Board of Statutory Auditors has verified the correct application of the criteria and control procedures adopted by the Board of Directors to evaluate the independence of its members, and has verified the compliance of each member of the Board of Statutory Auditors with the independence requirements set forth in the Code of Conduct.

16. Final remarks on the audit work performed.

During the audit work described above, we did not find any omissions, inconsistencies or irregularities requiring reporting.

17. Proposals of the Board of Statutory Auditors to the General Meeting.

In consideration of the foregoing, within the scope of its authority, the Board of Statutory Auditors expresses its favourable opinion on the approval of the financial statements for the year ended December 31, 2008 and agrees with the resolutions proposed by the Board of Directors.

Finally, we enclose hereto, in compliance with the public disclosure requirements established by article 144 *quinquiesdecies* of the TUIF, the lists of positions held in listed companies by the members of the Board of Statutory Auditors as at the date of this report.

Milan, April 6, 2009

BOARD OF STATUTORY AUDITORS
(Ezio Maria Simonelli – Chairman)
(Riccardo Perotta – Statutory Auditor)
(Francesco Vittadini – Statutory Auditor)

ATTACHMENT TO THE REPORT OF THE BOARD OF STATUTORY AUDITORS

Schedule 1

Positions held by Ezio Maria Simonelli, Chairman of the Board of Statutory Auditors*

Company name	Position held	Term of office: until approval of Financial Statements as at	Issuers
Banca Akros S.p.A.	Statutory Auditor	Dec. 31, 2009	
Banca Italease S.p.A.	Statutory Auditor	Dec. 31, 2009	listed
Branchini Associati S.p.A.	Chairman of the Board of Statutory Auditors	June 30, 2011	
Cremonini S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2010	
Dexia Crediop S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2009	
BDO Remittance Italia S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2010	
Factorit S.p.A.	Statutory Auditor	Dec. 31, 2010	
Galileo Network S.r.l.	Chairman of the Board of Statutory Auditors	Dec. 31, 2008	
Immobiliare Bofac S.p.A.	Statutory Auditor	Dec. 31, 2010	
Konica Minolta Business Solutions Italia S.p.A.	Statutory Auditor	March 31, 2010	
Lega Calcio Service S.p.A.	Statutory Auditor	June 30, 2011	
Marr S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2010	listed
Mediolanum S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2010	listed
Milan Entertainment S.r.l.	Statutory Auditor	Dec. 31, 2010	
Milanosport S.p.A.	Statutory Auditor	Dec. 31, 2010	
Unicapital S.p.A.	Statutory Auditor	Dec. 31, 2008	
Inspe Futuro S.r.l.	Sole Director	Revocation/Resignation	
Vertigo Partners S.r.l.	Director	Revocation/Resignation	

* Number of positions held in listed companies: 3; total number of positions held: 18

Schedule 2

Positions held by Professor Riccardo Perotta

Company	Position	Term of office
Boeing S.p.A.	Statutory Auditor	Approval of the financial statements at Dec. 31, 2010
Coface Assicurazioni S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2008
Coface Factoring Italia S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2010
Ecs International Italia S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2009
Fiat S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2011
Gewiss S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2009
Hyunday Motor Company Italy S.r.l.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2010
Jeckerson S.p.A. (Ex Quatra S.r.l.)	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2010
Mediaset Investimenti S.p.A.	Statutory Auditor	Approval of the financial statements at Dec. 31, 2010
Mediolanum S.p.A.	Statutory Auditor	Approval of the financial statements at Dec. 31, 2010
Metroweb S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2008
Snam Rete Gas S.p.A.	Statutory Auditor	Approval of the financial statements at Dec. 31, 2009
Value Partners S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2008
Wanlease Italia S.p.A.	Chairman of the Board of Statutory Auditors	Approval of the financial statements at Dec. 31, 2009

Schedule 3

Positions held by Dottor Francesco Vittadini

Position	Company
Chairman of the Board of Statutory Auditors	A.C. Milan S.p.A.
Chairman of the Board of Statutory Auditors	Asansiro S.r.l.
Chairman of the Board of Statutory Auditors	Finisvim S.p.A.
Chairman of the Board of Statutory Auditors	Digital Multimedia Technologies S.p.A.
Chairman of the Board of Statutory Auditors	Elettronica Industriale S.p.A.
Chairman of the Board of Statutory Auditors	Giambelli S.p.A.
Chairman of the Board of Statutory Auditors	Mediolanum Vita S.p.A.
Chairman of the Board of Statutory Auditors	Medusa Cinema S.p.A.
Chairman of the Board of Statutory Auditors	Milan Entertainment S.r.l.
Chairman of the Board of Statutory Auditors	Reteitalia S.p.A. (in liquidation)
Chairman of the Board of Statutory Auditors	R.T.I. S.p.A.
Chairman of the Board of Statutory Auditors	Video Time S.p.A.
Statutory Auditor	Auditel S.r.l.
Statutory Auditor	Cofind S.p.A.
Statutory Auditor	Digitalia 08 S.r.l.
Statutory Auditor	Fininvest S.p.A.
Statutory Auditor	Holding Italiana Prima S.p.A.
Statutory Auditor	Il Teatro Manzoni S.p.A.
Statutory Auditor	Isim S.p.A.
Statutory Auditor	Med Due S.r.l.
Statutory Auditor	Mediaset S.p.A.
Statutory Auditor	Mediolanum S.p.A.
Statutory Auditor	Medusa Video S.p.A.
Statutory Auditor	Milan Real Estate S.p.A.
Statutory Auditor	Radio and Reti S.p.A.
Statutory Auditor	Titanus Elios S.p.A.
Statutory Auditor	Videodue S.r.l.
Director	Immobiliare Osio S.r.l

Independent Auditors' Report

Reconta Ernst & Young S.p.A.
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Independent auditors' report
Pursuant to Article 156 of Legislative decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Mediolanum S.p.A.

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

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

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 4, 2008.

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

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

Milan, Italy, April 6, 2009

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

MEDIOLANUM S.p.A.

Ordinary and Extraordinary General Meeting of April 23, 2009

RESOLUTIONS ABSTRACT

Ordinary and Extraordinary General Meeting of April 23, 2009

RESOLUTIONS ABSTRACT

The General Meeting was attended by shareholders representing 64.50% of share capital. At the Ordinary General Meeting by majority of votes the shareholders resolved:

Ordinary Business

- to approve the financial statements for the year ended December 31, 2008, which reported net profit of €179,333,313.27 including the Directors' Report;
- to appropriate net profit for the year amounting to €179,333,313.27 as follows:
  - distribution of a full-year dividend of €0.15 per share (par value of €0.10) to the shareholders, including the 2008 interim dividend of €0.085 paid in November 2008.The final dividend of €0.065 (before withholding tax) per share will not be payable for treasury shares held after the close of business on May 15, 2009;
  - the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit;
  - the final dividend will be due for payment from May 21, 2009 (coupon No. 18);
- to elect
  - Francesco Vittadini as standing auditor and
  - Antonio Marchesi as alternate auditor

  the statutory auditors above shall be coterminous with members already in office, whose term expires on the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2010;
- to authorise the Board of Directors to purchase and sell up to 8,000,000 treasury shares with par value of €0.10 each, which correspond to about 1.09% of share capital, within the limit amount of €40 million, for a period of one year and in any case up until the date of the General Meeting convened to approve the financial statements for the year 2009;
- to terminate the 2005 Plan ahead of schedule in relation to Stock Options not yet granted, except for Stock Options under the 2005 Plan allotted to contract workers of the Company and its subsidiaries, considering that residual Stock Options for this category of beneficiaries are going to be granted in the coming months, as achievements against set targets are currently being assessed;
- to amend the 2005 Plan in relation to Stock Options already granted to directors and employees under the 2005 Plan for which the term for assessing vesting conditions has not yet expired, by assessing the satisfaction of vesting conditions not only at the Vesting Date but over the entire Vesting Period, subject to the 2005 Plan goals;
- not to revoke Director Paolo Sciumé, who was therefore reinstated in office as Mediolanum S.p.A. Director with full powers;

At the Extraordinary General Meeting by majority of votes the shareholders resolved:

- to note and approve the amendments to the 2005 Plan as proposed by the Board of Directors in its report to the Ordinary General Meeting and voted by the Ordinary General Meeting;
- to revoke the authority to increase share capital for a consideration, issuing up to 4,000,000 ordinary shares to be allotted to employees of the Company and its subsidiaries, waiving any shareholders' pre-emptive rights, conferred upon the Board of Directors by the shareholders at the General Meeting of April 26, 2005 for a period of five years under art. 2443 of the Italian Civil Code, and partly executed;
- to revoke the authority to increase share capital for a consideration, issuing up to 4,000,000 ordinary shares to be allotted to directors of the Company and its subsidiaries, waiving any shareholders' pre-emptive rights, conferred upon the Board of Directors by the shareholders at the General Meetings of April 26, 2005 and April 19, 2007 for a period of five years under art. 2443 of the Italian Civil Code, and partly executed;
- to amend article 6 of the Bylaws accordingly.

Finally, the shareholders noted the "Annual Report on Corporate Governance" approved by the Board of Directors on March 24, 2009.