MEDIOLANUM S.p.A.

ANNUAL REPORT 2009

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.

ANNUAL REPORT 2009

Registered office: Meucci Building Via F. Sforza – Basiglio – Milano Tre (Milan)
Share capital € 73,140,057.90 fully paid up
Tax, VAT and Milan Register of Companies Registration No. 11667420159

MEDIOLANUM
MEDIOLANUM GROUP

Corporate Governance Officers

Board of directors

Roberto Ruozi	Chairman of the Board
Alfredo Messina	Deputy Chairman of the Board
Massimo Antonio Doris	Executive Deputy Chairman
Ennio Doris	Chief Executive Officer
Luigi Berlusconi	Director
Pasquale Cannatelli	Director
Maurizio Carfagna	Director
Bruno Ermolli	Director
Edoardo Lombardi	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	Alternate Auditor
Antonio Marchesi	Alternate Auditor

Board secretary

Luca Maria Rovere

Independent auditors

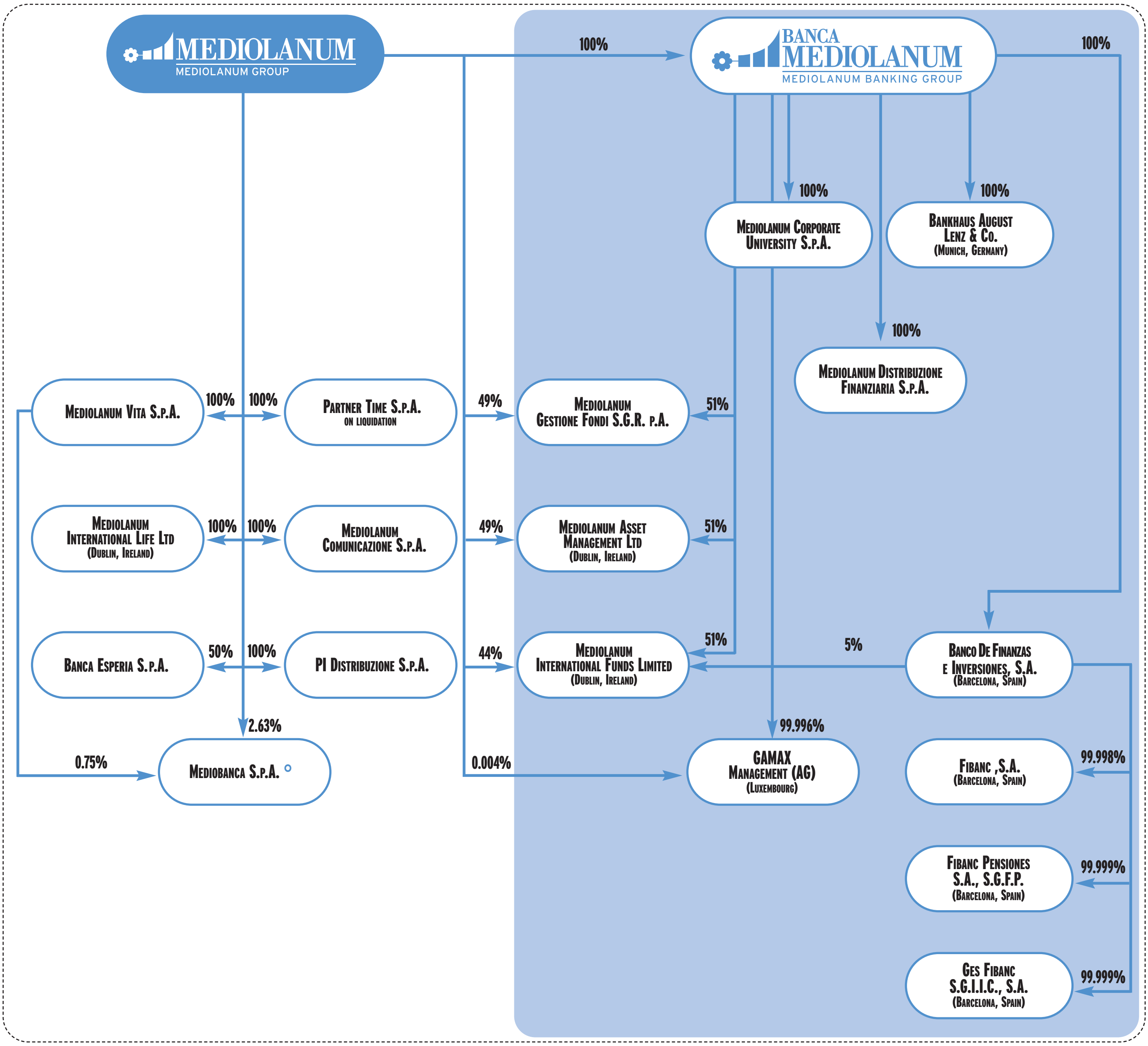
Reconta Ernst & Young S.p.A.

Officer responsible for preparing accounting and financial reporting documents

Luigi Del Fabbro

Group structure

as of December 31, 2009



• THE MEDIOLANUM FINANCIAL CONGLOMERATE

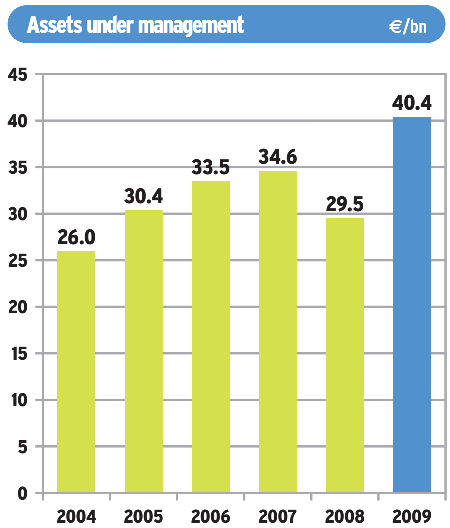
• MEDIOLANUM BANKING GROUP

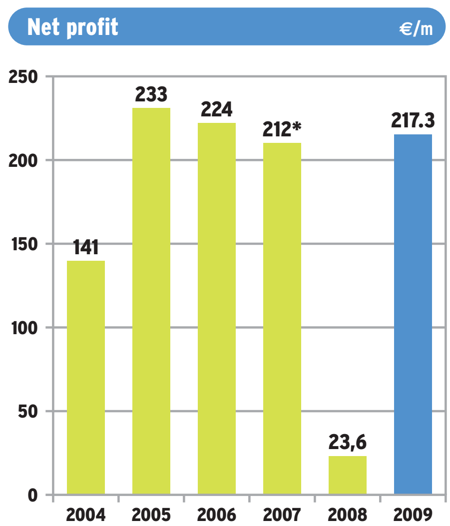
° Since Mediobanca hold treasury shares, total shareholding amounts to 3.45 of voting rights.

Mediolanum Group's Financial Highlights

€/million	Dec. 31, 2009	Dec. 31, 2008	Change %
Assets under management and administration	40,393.9	29,531.5	+37%
Gross Inflows	11,586.1	7,676.8	+51%
Net Inflows	6,928.4	2,499.0	+177%
Profit before tax (°)	257.6	165.1	+56%
Income Tax (°)	40.3	33.8	+19%
Net profit (°)	217.3	131.3	+66%
€			
Earnings per share (°)	0.297	0.180	+65%

(°) Dec. 31, 2008 income statement comparative figures relate only to ordinary activities, i.e. they do not include non-recurring items (-€107.6 million net of taxation) relating to the operation put in place to safeguard the interests of customers after the default of Lehman Brothers.





* IAS/IFRS 4 applied

Consolidated Annual Financial Statements 2009

Directors' Report

Dear Shareholder

For financial year 2009 the Mediolanum Group reported net profit of €217.3 million, up €193.6 million from €23.7 million in 2008.

As you may recall, prior year's financial results had been impacted by the non-recurring costs associated with the operation put in place to safeguard customer interests after the default of Lehman Brothers. After related taxation, said non-recurring costs had had a negative impact of €107.6 million on the 2008 consolidated net profit. Excluding said one-off costs, prior year's normalised consolidated net profit had been €131.3 million, which compared to the results posted in the year under review shows 66% growth in consolidated net profit for financial year 2009.

Since a large portion of the assets the Group manages on behalf of customers is invested in equities, the positive stock market performance in 2009 contributed to the outstanding results for the year under review, especially in terms of growth in performance fees (up €104.5 million) and in the value of investments carried at fair value (up €57.8 million). On the other hand, the Group posted increased losses on the valuation of other financial instruments (€26.7 million) and greater commissions paid out to the sales network on the net inflows they brought in (€20.4 million).

2009 was hallmarked by notable business growth across the board and this positive trend is being confirmed in the first months of 2010.

For financial year 2009 the Mediolanum Group reported record high assets under management and administration at €40,393.9 million, jumping 37% over 2008 (€29,531.5 million).

The impressive growth in net inflows and the recovered value of assets under management contributed to this achievement.
Specifically, net inflows for the year climbed 177% to €6,928.4 million from the already notable figure reported in the prior year (€2,499 million), confirming the expectations for excellent Mediolanum Group's business growth.

In the domestic market, net inflows into asset management products (Life products and Mutual Funds), excluding the 'Freedom' account, jumped 101% to €1,993 million from €991 million at year end 2008.
Growth was largely in equity and flexible funds and partly offset by lower inflows into money market and balanced funds as well a class III life products.

In the domestic market, net inflows into assets under administration, including the 'Freedom' account exceeded all expectations jumping 132% to €3,758 million.

The Freedom product brought true innovation into the Italian market and was a great success. By the end of December 2009/By mid-March 2010, 117,849 new accounts had been opened, of which 48% by new customers, for a total balance of €6,840 million, of which some 65% deposited by new customers.
Another upside of the Freedom product is its ability to attract high-quality customers. In fact, deposits made upon opening the new Freedom account were higher than those attained with another successful product introduced in the past, the Riflex account, which took about 3.5 years to reach those same levels.
The Freedom product is a launching pad for developing a high-net-worth customer base. There is already tangible evidence of growth in inflows into managed assets coming from Freedom account holders.

However, the huge success of the Freedom product in part cannibalised other banking products and services, e.g. securities accounts, custodian services and repurchase agreements, causing outflows from other types of bank accounts, and weighing down on net interest income. Therefore, for the first year of life of this new product, net interest income earned on customer deposits is slightly negative for existing customer accounts, but this is going to be offset by net interest income on new customer deposits.

According to data released by the financial newspaper *Il Sole 24 ore* last January 30, Banca Mediolanum ranked first among top Italian sales networks with over €5.8 billion net inflows in the year 2009, a figure which is more than 3.6 times higher than the inflows reported by the competitor who came in second in the ranking.

According to data released by Assogestioni, in 2009 Banca Mediolanum posted €1.9 billion net inflows into mutual funds versus net outflows of €0.7 billion recorded by the whole domestic industry. In particular, Banca Mediolanum recorded €1.14 billion net inflows into equity funds versus €3.34 billion posted by the entire domestic industry.
The Assogestioni ranking of top asset managers in terms of volumes shows that the Mediolanum Group was in the sixth place versus seventh place in June 2009, sixth place in December 2008 and tenth place in December 2007; its market share grew from 2.94% in December 2008 to 3.81% in December 2009.

The macroeconomic environment

In the year 2009 the economy went through the final phase of a deep, protracted recession and eventually turned around. The fiscal and monetary policy actions put in place by governments and central banks were key to ensure gradual improvements in the world economies. The continuation of these measures in the coming months will be crucial to shore-up growth and make it sustainable over time.
In the US, GDP growth of 2.2% in the third quarter and 5.9% in the fourth quarter (annualised, quarterly measurement) confirmed the end of the recession that had marked the previous four consecutive quarters (Q2 2009: down 0.7%; Q1 2009: down 6.4%; Q4 2008: down 5.4%; Q3 2008: down 2.7%).
In the Euro zone, too, the economy reversed trend in the third quarter 2009 (up 0.4% in the quarter, non-annualised) after five consecutive quarters of negative growth (Q2.2009: down 0.1%; Q1 2009: down 2.5%; Q4 2008: down 1.9%; Q3 2008: down 0.4%; Q2 2008: down 0.3%). Specifically GDP growth was 0.6% in Italy, 0.7% in Germany and 0.3% in France.
Japan, too, benefitted from the improved economic climate in 2009, while the UK recorded the sixth consecutive quarter of negative growth at the end of September and only marginal growth (0.1%) in the last quarter of 2009. Unlike developed economies, emerging market displayed faster growth and many of them reported no slowdown at all.

In the second half of 2009, industrial production and business sentiment showed signs of gradual progress, both in the US and in Europe.
However, there are still uncertainties surrounding employment and consumer spending. In the US unemployment hit 10% and consumer sentiment improved only slightly. In the Euro zone, too, unemployment reached 10% and consumer surveys reveal persisting concerns about the economy.
The US housing market, whose collapse had been one of the causes of the financial crisis, showed signs of stabilisation in the second half of the year.
The uncertainties surrounding the sustainability of growth, rising unemployment and limited use of plant capacity contributed to dampen inflationary pressures. In December, the CPI rose 0.9% in the Euro zone and 2.7% in the US, on an annual basis. Excluding food and energy, the CPI grew 1.1% and 1.8%, respectively.
Subdued inflation enabled the European Central Bank to cut the main refinancing rate from 2.5% to 1% while the Federal Reserve kept rates on hold at 0-0.25%.

Financial Markets

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

bank lending and the entire financial system brought about steady declines in interbank rates. 3-month EURIBOR declined from 2.892% at the beginning of the year to 0.7% at year end 2009, while the 3-month US LIBOR dropped from 1.425% at the start of the year to 0.25063% at December 31, 2009.
In 2009, the foreign exchange value of the US dollar against the euro moved from 1.3971 at the beginning of the year to 1.4321 at year end. The performance of the US dollar appeared to be strongly correlated to stock markets and commodity prices. As stock markets bottomed in March the dollar hit its high at 1.2457, then, as stock markets recovered, it weakened to 1.5144. Only in December, when the markets substantially moved sideways, that correlation ceased to play out and the dollar strengthened up to 1.4321.
The sterling depreciated against the Euro from 0.95483 at the start of the year to 0.88689 at December 31, 2009, in a context of high volatility and notable weakness of the British economy.
The yen strengthen from 126.7 at the beginning of the year to 133.2 at year end 2009.
Reflecting the improved global economic landscape, main commodity prices were on the rise. In 2009 oil prices grew more than 70% from $45.6 per barrel at year end 2008 to $77.93 at year end 2009.

The Insurance Market

In 2009, new premiums written under individual life policies grew 67.6% over the prior year to €59 billion. The analysis of historical data starting from 2005, when new business written was €53.2 billion, shows annual average growth of 2.6%.
Like in 2008, in 2009 new life insurance premiums written by EU companies conducting business in Italy declined (ANIA data). Including these companies, in 2009, new life insurance premiums written in Italy amounted to €63.3 billion, growing 52.1% over 2008 with CAGR of 1.6% over 2005.
The analysis of new business written by Italian and non-EU companies by distribution channel shows that in 2009 the main contributors to growth were banks and post offices with over €40 billion, up 65.9% over 2008 and in line with the 2005 figure. Agents too gave a notable contribution with €6.6 billion new premiums written, up 6.1% over 2008, confirming their increasing weight in the past few years. Conversely, business written though employers (subsidiary agencies) declined again in 2009.
In 2009, business written through financial advisors showed a significant increase as new premiums written through this channel totalled over €10 billion.
In this respect, a notable contribution was given by the exceptional results of Mediolanum Vita that at December 31, 2009 reported new business written of €7.4 billion largely in connection with the new MEDIOLANUM PLUS policy associated with the Banca Mediolanum Freedom bank account (€7.2 billion).
The analysis by type of product/class shows further strengthening of class I products. This reflects the strong demand for safer products that offer protection and low volatility of returns. After showing signs of recovery as early as 2008, in the year under review, premiums written under this product class posted remarkable growth compared to recent years to over €50 billion (average annual growth of 23.4% since 2005). The positive trend is confirmed also by the pick-up in sales of other products featuring financial guarantees, namely investment plans, that in 2008 returned to grow with premiums written of €2.3 billion after two year of marked decline (down 62.9% in 2007 and down more than 40% in 2008). In 2009, premiums written under "unit- and index-linked" products fell to €5.6 billion (down more than 60% over 2008). Since 2005 this segment has been significantly shrinking, shedding on average 30% p.a., with dramatic drops in premiums written under index-linked products in the past two years, namely down 46.1% in 2008 and down 76.0% in 2009. Again in 2009, premiums/contributions under individual pension funds declined, reaching €475 million, shedding more than 20% on 2008 after dropping 17.1% in 2007.

The median change was 21.9% versus an average market value of 67.6%. Considering group policies and business in-force in 2009 gross premiums are estimated to have grown 45.0% on 2008.

The Banking Business

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

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

In the period under review, interest rates on deposits fell sharply from 1.99% at year end 2008 to 0.68% at year end 2009.

In 2009, bank loans shrank reflecting the dramatic deceleration of Italy's growth in the current cycle. At year end, loans to companies and individuals domiciled in Italy grew 1.7% (4.9% at year end 2008). At the end of December 2009, loans to companies and individuals amounted to €1,552.2 billion. Specifically, loans to households and non-financial firms amounted to €1,345.2 billion, up 0.5% (4.7% at year end 2008). Maturity analysis shows that medium/long-term loans grew 4%, while short-term loans declined 7.5%.

In 2009, residential loans had a marked acceleration posting 6.1% growth at year end versus 0.5% at year end 2008. Consumer credit accelerated too, especially in the final part of the year, posting about 5% growth versus 3.9% at year end 2008.

The average weighted rate on total loans declined from 6.09% at year end 2008 to 3.76% at December 31, 2009.

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

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

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

Mediolanum Group's performance

The Group's performance was negatively affected in the first quarter when the financial crisis reached its peak but as the crisis subsided and global equity and bond markets recovered, the Group's business was buoyant for the rest of the year 2009.

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

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

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, 2009	Dec. 31, 2008	Change %
ITALY			
Life Insurance products	6,877.5	2,666.6	157.9%
Mutual funds and managed accounts	3,196.9	2,203.2	45.1%
Bank accounts and securities in custody	(768.0)	1,619.5	(147.4%)
Other products	21.4	15.9	34.3%
Banca Esperia Group (*)	2,049.4	1,031.6	98.7%
SPAIN			
Life Insurance products	97.0	84.3	15.1%
Mutual funds and managed accounts	150.6	192.6	(21.8%)
Bank accounts and securities in custody	(67.2)	(182.9)	(63.3%)
GERMANY			
Life Insurance products	13.0	10.0	30.0%
Mutual funds and managed accounts	28.5	43.2	(34.0%)
Bank accounts and securities in custody	(13.0)	(7.3)	78.1%
TOTAL	11,586.1	7,676.7	50.9%

Net Inflows

€/m	Dec. 31, 2009	Dec. 31, 2008	Change %
ITALY			
Life Insurance products	5,136.8	894.9	474.0%
Mutual funds and managed accounts	1,426.5	95.8	1,389.0%
Bank accounts and securities in custody	(768.0)	1,619.5	(147.4%)
Banca Esperia Group (*)	1,143.5	202.7	464.1%
SPAIN			
Life Insurance products	48.9	25.3	93.3%
Mutual funds and managed accounts	23.9	(133.5)	(117.9%)
Bank accounts and securities in custody	(67.2)	(182.9)	(63.3%)
GERMANY			
Life Insurance products	9.8	6.6	48.5%
Mutual funds and managed accounts	(12.8)	(22.1)	(42.1%)
Bank accounts and securities in custody	(13.0)	(7.3)	78.1%
TOTAL	6,928.4	2,499.0	177.2%

(*) The figures relating to the Banca Esperia Group are stated on a pro-rata basis according to the stake held by the Mediolanum Group in that entity, i.e. 50% at December 31, 2009 and 48.5% at December 31, 2008.

In the year under review net inflows soared to €6,928.4 million from €2,499.0 million in the prior year.
All business lines contributed to growth. Specifically: inflows into Life Products climbed 474% from €894.9 million at December 31, 2008 to €5,136.8 million at December 31, 2009; inflows into Banca Esperia soared 464.1% from €202.7 million at December 31, 2008 to €1,143.5 million at December 31, 2009; and inflows into Mutual Funds and Managed Accounts jumped 1,389% from €95.8 million at December 31, 2008 to €1,426.5 million at December 31, 2009.

Consolidated Assets under Management and Assets under Administration(*)

€/m	Dec. 31, 2009	Dec. 31, 2008	Change %
Life products	19,560.6	12,313.4	58.9%
Mutual funds and managed accounts	15,759.2	11,704.7	34.6%
Banking Products	5,785.8	6,385.2	(9.4%)
Consolidation adjustments	(8,167.0)	(6,462.2)	26.4%
BANCA MEDIOLANUM	32,938.6	23,941.1	37.6%
Banca Esperia Group (**)	5,591.3	3,937.2	42.0%
DOMESTIC MARKET	38,529.9	27,878.3	38.2%
Life products	377.1	274.0	37.6%
Mutual funds and managed accounts	655.9	577.5	13.6%
Banking Products	783.8	771.4	1.6%
Consolidation adjustments (***)	(233.8)	(218.0)	7.2%
SPANISH MARKET	1,583.0	1,404.9	12.7%
Life products	44.5	31.0	43.5%
Mutual funds and managed accounts	237.2	191.3	24.0%
Banking Products	12.2	25.4	(52.0%)
Other Products	0.3	0.6	(50.0%)
Consolidation adjustments	(13.2)	-	n/a
GERMAN MARKET	281.0	248.3	13.2%
FOREIGN MARKETS	1,864.0	1,653.2	12.8%
MEDIOLANUM GROUP	40,393.9	29,531.5	36.8%

(*) The figures relate to retail customers only.
(**) The figures relating to the Banca Esperia Group are stated on a pro-rata basis according to the stake held by the Mediolanum Group in that entity, i.e. 50% at December 31, 2009 and 48.5% at December 31, 2008.
(***) Compared to the figure reported in the prior year, the balance of consolidation adjustments at December 31, 2008 reported herein show an about €52.8 million increase due to the cancellation of the Mediolanum International Funds invested in funds managed by Fibanc.

At December 31, 2009, consolidated assets under management and assets under administration grew 36.8% to €40,393.9 million from €29,531.5 million at the end of the prior year.

The analysis of consolidated inflows, assets under management and administration is set out below.

Life Products

At December 31, 2009, total life products amounted to €19,982.2 million versus €12,618.4 million at the end of the prior year. The year-on-year increase of €7.363,8 million (58%) was largely owed to the new business generated by the '*Mediolanum Plus*' policy associated with the Banca Mediolanum '*Freedom*' bank account (€4,571.8 million) and to the increased value of assets underlying unit and index-linked products.

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

€/m	Dec. 31, 2009	Dec. 31, 2008	Change
Unit-linked life products	8,206.9	6,306.7	1,900.2
Index-linked life products	5,829.0	4,985.5	843.5
Traditional life products	5,946.3	1,326.2	4,620.1
Total Life Products	19,982.2	12,618.4	7,363.8

Climbing 251% from €2,749.9 million in the prior year, gross premiums written in 2009 amounted to €9,651.1 million, of which €7,245.7 million relating to the '*Mediolanum Plus*' policy.

New life business soared 459% to €8,372.2 million from €1,497.3 million at December 31, 2008.

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

€/m	Dec. 31, 2009	Dec. 31, 2008	Change
Recurring premiums	99.0	256.1	(157.1)
Single premiums and group policies	8,273.2	1,241.2	7,032.0
Total new business	8,372.2	1,497.3	6,874.9
of which Mediolanum Plus	7,245.7		
Pension plans in force	507.9	873.8	(365.9)
Other business in-force	771.0	378.8	392.2
Total in-force business	1,278.9	1,252.6	26.3
Total gross premiums written	9,651.1	2,749.9	6,901.2
Ceded premiums	(5.1)	(4.5)	(0.6)
Premiums relating to financial contracts (IFRS4)	(4.5)	(6.6)	2.1
Net premiums written	9,641.5	2,738.8	6,902.7

Recurring premiums declined 61% from €256.1 million at December 31, 2008 to €99 million at December 31, 2009.

Excluding *Mediolanum Plus*, single premiums and group policies were down 17% to €1,027.5 million from 1,241.2 million at December 31, 2008. The decline was largely in relation to index-linked policies.

Total in-force business amounted to €1,278.9 million, slightly up (2%) from €1,252.6 million in the prior year.

The analysis of premiums written by class is set out in the table below.

€/'000		Dec. 31, 2009	Dec. 31, 2008	Change
Insurance/reinsurance				
Class I	Traditional life policies	7,293,212	51,002	7,242,210
Class III	Fund-related insurance	2,352,544	2,692,392	(339,848)
Class V	Investment plans	4,316	4,918	(602)
Class VI	Pension funds	1,085	1,570	(485)
Total		9,651,157	2,749,882	6,901,275

The increase in class I policies largely relates to the new product *Mediolanum Plus*.

At December 31, 2009, total amounts paid and change in reserves amounted to €9,539.1 million versus €2,663.5 million at the end of the prior year.

€/'000	Dec. 31, 2009	Dec. 31, 2008	Change
Surrenders	3,335,921	837,001	2,498,920
Maturities	1,104,636	902,654	201,982
Claims	76,227	59,143	17,084
Annuities	7,163	6,987	176
Total amounts paid	4,523,947	1,805,785	2,718,162
Change in Technical Reserves	5,021,727	834,549	4,187,178
Recoveries from reinsurers	(6,607)	(6,792)	185
Total amounts paid and change in reserves	9,539,067	2,633,542	6,905,525

The increase in total amounts paid in the period was largely due to *Mediolanum Plus* policy surrenders (€2,736 million). Excluding them, surrenders declined from €837 million at December 31, 2008 to €600 million at December 31, 2009.

Mutual Funds and Managed Accounts

At December 31, 2009, assets under management increased to €16,652.4 million from €12,473.5 million in the prior year.

Assets under Management

€/m	Dec. 31, 2009	Dec. 31, 2008
'Best of brands' funds of funds	2,427.0	1,470.8
'Portfolio' funds of funds	835.8	811.8
'Elite' funds of funds	108.9	90.3
Funds of hedge funds	437.2	453.1
Total Funds of Funds	3,808.9	2,826.0
'Challenge'	10,487.8	7,669.8
Other Italy-based mutual funds	1,802.7	1,302.0
Other internationally-based mutual funds	842.1	789.3
Total Other Mutual Funds	13,132.6	9,761.1
'Chorus' managed accounts	142.8	135.8
Real estate funds and others	431.8	400.2
Duplications	(863.6)	(649.6)
Total mutual funds and managed accounts	16,652.4	12,473.5
of which:		
equity	61%	57%
bond	15%	17%
money market	6%	11%
other	18%	15%

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

Gross inflows

€/m	Dec. 31, 2009	Dec. 31, 2008	Change
'Best of brands' funds of funds	932.6	558.4	374.2
'Portfolio' funds of funds	72.4	136.4	(64.0)
'Elite' funds of funds	16.3	20.7	(4.4)
Total funds of funds	1,021.3	715.5	305.8
'Challenge'	1,338.7	778.4	560.3
'Top Managers'	-	361.8	(361.8)
Other Italy-based mutual funds	878.0	414.6	463.4
Other internationally-based mutual funds	76.9	111.8	(34.9)
Total other mutual funds	2,293.6	1,666.6	627.0
'Chorus' managed accounts	1.8	15.3	(13.5)
Real estate funds and others	59.3	40.1	19.2
Total mutual funds and managed accounts	3,376.0	2,437.5	938.5

Net inflows

€/m	Dec. 31, 2009	Dec. 31, 2008	Change
'Best of brands' funds of funds	502.9	360.0	142.9
'Portfolio' funds of funds	(74.1)	(141.3)	67.2
'Elite' funds of funds	(2.1)	(11.4)	9.3
Total funds of funds	426.7	207.3	219.4
'Challenge'	672.4	(13.9)	686.3
'Top Managers'	-	48.4	(48.4)
Other Italy-based mutual funds	365.6	(70.2)	435.8
Other internationally-based mutual funds	(42.3)	(167.1)	124.8
Total other mutual funds	995.8	(202.8)	1,198.6
'Chorus' managed accounts	(13.6)	(94.7)	81.1
Real estate funds and others	28.8	20.5	8.3
Total mutual funds and managed accounts	1,437.6	(69.7)	1,507.3

Gross inflows grew from €2,437.5 million in the prior year to €3,376.0 million at December 31, 2009. Net inflows amounted to €1,437.6 million versus net outflows of €69.7 million at December 31, 2008.

Assets under administration

At year end 2009, the Group recorded €848.2 million net outflows from assets under administration versus €1,429.3 million net inflows at December 31, 2008. This was largely due to the huge success of the '*Freedom*' product.

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

€/m	Dec. 31, 2009	Dec. 31, 2008	Change
Customer deposits	4,260.5	4,071.9	188.6
Securities in custody	2,271.3	2,178.6	92.7
Repurchase agreements	50.1	931.4	(881.3)
Total Assets under Administration	6,581.9	7,181.9	(600.0)
of which:			
Banca Mediolanum	5,785.8	6.385.2	(599.4)

At year end 2009, the total number of customers – either bank account holders or investors in financial/insurance products sold by Banca Mediolanum – grew from 1,084,740 at year end 2008 to 1,097,795. 921,332 of these customers were primary account holders.

At December 31, 2009, the number of bank accounts grew 3% from 565,476 at year end 2008 to 581,722, corresponding to 816,780 account holders. The number of credit cards increased to 167,475 and the number of debit cards was 412,133.

At year end 2009, bank account holders accounted for 74.4% of total bank customers, a percentage which confirms customer satisfaction with the quality, breadth and depth of the banking product offering.

The Sales Networks

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

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

At December 31, 2009, the number of Banca Mediolanum licensed financial advisors declined to 4,945 from 5,077 at year end 2008 and the number of non-licensed advisors to 358 from 774 at the end of the prior year. 335 non-licensed advisors work also as financial agents for Mediolanum Distribuzione Finanziaria S.p.A. (vs. 747 at December 31, 2008).

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

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

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

In 2009, there were 4 Private Banking branches, namely in Milan, Rome, Padua and Bologna. These branches are located on the upper floors of prestigious buildings in the heart of the city centres and mainly serve the purpose of providing a sophisticated ambience for meetings with private banking customers.

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

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

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

Consolidated Income Statement at December 31, 2009

€/m	Dec. 31, 2009	Dec. 31, 2008
Net premiums written	9,641.5	2,738.8
Amounts paid and change in reserves	(9,539.1)	(2,633.5)
Net life insurance revenues (ex commissions)	102.4	105.3
Entry fees	82.5	56.3
Management fees	277.6	283.5
Performance fees	154.9	50.4
Banking service fees	90,1	75.7
Other fees	26.1	31.0
Total commission income	631.2	496.9
Net interest income	162.7	160.9
Net income (loss) on investments at fair value	57.0	(0.8)
Net financial income	219.7	(160.1)
Equity method valuation	6.0	2.0
Net income (loss) on other investments	(18.3)	12.1
Other revenues	24.0	21.5
TOTAL REVENUES	965.0	797.9
Commission expenses and acquisition costs	(334.1)	(278.30)
Administrative expenses	(342.5)	(324.6)
Amortisation, depreciation and impairment	(25.5)	(18.8)
Net provisions for risks	(5.3)	(11.1)
TOTAL COSTS	(707.40)	(632.8)
PROFIT BEFORE TAX	257.6	165.1
Income tax	(40.3)	(33.8)
Minority interests	-	-
NET PROFIT FOR THE PERIOD	217.3	131.3

2008 comparatives relate to 2008 ordinary activities i.e. they do not include the non-recurring items associated with the operation put in place to safeguard customers after the failure of Lehman Brothers (- €107.6 million net of taxation).

In the following analysis, 2009 results are compared to 2008 results from ordinary activities. Consolidated income statement figures were reclassified, where appropriate, to ensure meaningful comparisons between 2008 and 2009 financial data

For the year under review net premiums written amounted to €9,641.5 million versus €2,738.8 million in the prior year (up 252%).
The increase in net premiums written was largely owed to the enormous success of the '*Mediolanum Plus*' policy associated with the Banca Mediolanum S.p.A. '*Freedom*' bank account (€7,245.7 million).

Due to growth in new business, amounts paid and change in reserves rose 262% to €9,539.1 million from €2,633.5 million in the prior year.

Net life insurance revenues before acquisition costs stood at €102.4 million versus €105.3 million in the prior year. The decline largely reflects the fall in sales of index-linked policies and the ensuing lower loadings earned in the period.

Commission income for the year 2009 rose €134.3 million to €631.2 million from €496.9 million in the prior year. This largely reflects growth in performance fees (€104.5 million) that benefitted from the financial market upturn in 2009.

Net financial income amounted to €219.7 million, growing €59.7 million over the prior year thanks to the financial market upturn in 2009 and the notable increase in assets invested in insurance products.

At year end 2009, the Group posted net losses on other investments of €18.3 million versus net income of €12.1 million in the prior year. This reflects impairment recognised in the year on hedge funds classified as Available-for-Sale financial assets (- €20.4 million). After the recognition of impairment, the related equity reserve returned positive with €8.9 million gains versus a negative balance of €30 million in the prior year.

At December 31, 2009, commission expenses and acquisition costs amounted to €334.1 million versus €278.3 million in the prior year. The €55.8 million increase is the result of greater entry fees and incentives paid out to the sales network on the net inflows they brought in.

Other expenses (administrative expenses, amortisation, depreciation and provisions for risks) were up 5.3% to €373.3 million from €354.5 million in the prior year.

Income tax for the year increased from €33.8 million in 2008 to €40.3 million in 2009 (tax rate 15.6%).

Key corporate events and performance of companies within the Group

On March 23, 2009, implementing the resolution carried on January 24, 2008, the Board of Directors of Banca Mediolanum effected a €20 million capital increase to improve capital levels and ratios in accordance with new regulatory capital requirements and in the light of business growth.
For the same purpose, beginning from the second quarter 2009, Banca Mediolanum issued subordinated notes maturing in six to ten years for a total amount of €168.9 million. These subordinated issues entailed an overall increase in the Bank's Tier II capital of €168 million at year end 2009.

In March, the parent companies Mediolanum S.p.A. and Banca Mediolanum S.p.A. made capital contributions for a total of €3 million into Mediolanum Asset Management Ltd to strengthen the equity base of the Irish subsidiary.

In May, Mediolanum S.p.A. and Mediobanca equally increased their stake in Banca Esperia from 48.5% to 50%, each acquiring 375,000 shares for €3.5 million.

On December 21, 2009 Mediolanum International S.A – the Luxembourg-based sub-holding controlled directly by Banca Mediolanum S.p.A. – was liquidated.

Life Insurance Companies

Mediolanum Vita S.p.A. – For the year 2009 this company reported premiums written of €8,655.2 million versus €1,873.6 million in 2008.
The €6,781,559 thousand increase (362.0%) reflects outstanding new business growth (€6,806,766) largely owed to the huge success of the new '*Mediolanum Plus*' policy (€7,245.7 million) associated with the Banca Mediolanum '*Freedom*' bank account, while other products recorded a decline of €439 million.
At December 31, 2009, mathematical reserves and financial liabilities to policyholders amounted to €15,869.2 million (€9,410,8 million in 2008), of which €15,807.4 million relating to individual policies (€9,352.0 million in 2008) and €61.8 million to group policies (€58.8 million in 2008).
At year end 2009, annual gross return on Medinvest segregated funds was 4.85% (vs. 4.14% in 2008). Annualised gross returns on the Mediolanum Freedom segregated funds started in 2009 were 3.60% from Dec.1 to Feb. 28; 4.16% from March 1 to May 31; 3.72% from June 1 to Aug. 31; and 3.525% from Sept. 1 to Nov 30. The accounts of both segregated funds above were audited by Reconta Ernst & Young S.p.A..
For financial year 2009 the company reported net profit of €50.1 million versus a net loss of €17.7 million in the prior year. As you may recall, prior year's results had been impacted by the operation put in place to protect customers after the default of Lehman Brothers, that had entailed losses after related taxation of €58.2 million.

Mediolanum International Life Ltd – For financial year 2009 this company reported premiums written of €992.9 million versus €872.1 million in the prior year.
Premiums written in foreign markets (Spain and Germany) amounted to €98.9 million versus €79.1 million at December 31, 2008.
At December 31, 2009, mathematical reserves and financial liabilities to policyholders amounted to €4,204.3 million (€3,224.0 million in 2008).
For financial year 2009 the company reported net profit of €36.5 million versus a net loss of €35.2 million in the prior year. For this company, too, prior year's result had been impacted by the operation put in place to protect customers after the default of Lehman Brothers, that had entailed losses after related taxation of €49.4 million.
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 – Mediolanum International Funds Ltd relies on specialised third parties for the management of three fund families, *Mediolanum Best Brands*, *Challenge Funds* and *Mediolanum Portfolio Fund*. *Mediolanum Best Brands* invests in financial markets through the funds managed by world-class investment houses; *Challenge Funds* offers diversified investment opportunities either on a global scale or by geography or sector; *Mediolanum Portfolio Fund* is a fund of funds featuring both traditional and active management styles, and the option to neutralise currency fluctuations.
For financial year 2009 the company reported net inflows of €1,668.9 million versus €884.4 million at December 31, 2008 (up 88.7%).
At year end 2009, total assets under management grew to €14,460.8 million from €10,629.4 million in the prior year, benefitting from net inflows growth and the positive performance of financial market in the final part of 2009.
The funds of Mediolanum International Funds Ltd. are distributed in Italy, Spain and Germany.

For financial year 2009 the company reported net profit of €206.3 million versus €125.5 million in the prior year, benefitting from greater performance fees earned in the period amounting to €147.5 million (€50.4 million in 2008) owing to the financial market upturn in 2009.
On October 29, 2009, the company resolved to distribute a 2009 interim dividend for a total amount of €155.0 million.

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

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

Mediolanum Asset Management Ltd – This company mainly engages in asset management by directly managing the assets of the Irish fellow subsidiary Mediolanum International Funds Ltd or providing ancillary services, such as monitoring fund performance and underlying risks.
For financial year 2009, the company reported net profit of €8.8 million versus €9.7 million at December 31, 2008.
On October 29, 2009, the company resolved to distribute a 2009 interim dividend for a total amount of €3.0 million.

Banking operations (including Group product distribution)

Banca Mediolanum S.p.A. – For financial year 2009, the bank reported net profit of €19,021 thousand (after €18,660 thousand tax) versus €32,927 thousand at December 31, 2008 (after €8,687 thousand tax).
In the year 2009, net financial income grew remarkably (€28.8 million). Conversely, net commission income declined (- €20.2 million) due to greater commissions paid out to the sales network on net inflows they brought in, and to the write-downs (- €26.5 million) especially for impairment of hedge funds classified as ‘Available-for-sale financial assets’ (- €20.4 million).
Dividends from subsidiaries increased (€20.4 million), but administrative expenses increased too (€17.4 million).

In 2009, gross inflows into mutual funds and managed accounts totalled €3,196.9 million versus €2,203.2 million in 2008, while gross inflows into insurance and pension products amounted to €6,877.5 million versus €2,666.6 million in 2008.
At year end 2009, the bank had over one million customers.
At December 31, 2009, total balance sheet assets amounted to €8,392 million, down 8.6% from €9,185 million in the prior year.
Inflows of customer assets into bank accounts, repurchase agreements and bonds grew to €6,058 million from €5,720 million at the end of the prior year. Loans to customers amounted to €3,066 million, down 3.8% from €3,188 million in the prior year.
Net interest income increased 4.8% to €139.4 million from €133.0 million at year end 2008. Adding trading profits, gains on hedging transactions and gains from the sale of available-for-sale financial assets that, in the aggregate, amounted to €30 million, net financial income came in at €169.4 million growing 20.1% from €141.0 million in the prior year.
Total income for the year increased 10.2% from €285.6 million in 2008 to €314.6 million.
Operating expenses were up 10.5% to €270.9 million from €245.1 million at year end 2008, owing to greater advertising spending (€5.6 million), the sizeable growth in the banking business and the ensuing further adjustments in organisational and operational structures. Staff costs increased from €84.0 million in 2008 to €91.7 million at the end of the year under review, and the bank's headcount grew to 1,560 employees from 1,489 at the end of the prior year.

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

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

Associates and *joint ventures*

This account relates exclusively to the investments in Banca Esperia S.p.A. (50% stake) and in Mediobanca S.p.A. (3.38% of share capital; 3.45% of voting rights).
For financial year 2009, the Banca Esperia banking group reported gross inflows of €4,099 million, climbing 93% from €2,127 million in the prior year. Also net inflows posted remarkable growth from €418 million in the prior year to €2,287 million at December 31, 2009 (447%), returning to 2007 levels (€2,280 million).
At the end of the year under review, total assets under management and administration rose 38% to €11,183 million from €8,118 million at December 31, 2008.
At year end 2009, the number of private bankers stood at 57 versus 51 at the end of the prior year.
For financial year 2009, the Banca Esperia group reported net profit of €0.2 million versus €4.1 million in the prior year.
Turning now to Mediobanca S.p.A., you are reminded that the investment in this entity was reclassified to 'Investments in Associates and Joint Ventures' at December 31, 2008.
For financial year ended June 30, 2009, the Mediobanca Group reported net profit of €2.4 million versus €1,014.8 million in the prior year. Specifically, for the six-month period from January through June 2009, the Group reported a net loss of €97.9 million compared to outstanding results in the same period of the prior year when it had recorded net profit of €714.4 million.
The half-year report of the Mediobanca Group (June 1 through December 31, 2009) shows net profit of €270.1 million, with a remarkable improvement over the same period of the prior year (€100.3 million after €45.9 million extraordinary tax income). In particular, in the last six months, the Mediobanca Group recorded growth in trading income from €172.7 million to €313 million reflecting the progress in treasury, commissions and other income as a result of the greater contribution given by all corporate and investment banking operations (from €225.8 million to €284.3 million).
At December 31, 2009, consolidated shareholders' equity after minority interests and net profit for the year amounted to €6,201.5 million versus €5,703.6 million at June 30, 2009 and €5,456.8 million at December 31, 2008.
In September 2009, pursuant to article 2433 of the Italian Civil Code, the Board of Directors of Mediobanca resolved to effect a bonus share issue granting shareholders 1 share for every 20 shares held and 1 warrant for each share held. The warrants entitle holders to subscribe to newly issued shares, namely 1 share every 7 warrants, at a price of €9, between January 1, 2010 and March 18, 2011. If fully exercised, share capital will increase by about €1 billion.
At December 31, 2009 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.
The impact on the income statement of investments accounted for by the equity method was positive for €6.0 million versus a positive balance in the prior year, relating to Banca Esperia only, of €2.0 million. The impact of other gains or losses recognised directly in equity was positive for €23.3 million versus a negative balance in the prior year, relating to Banca Esperia only, of €4.1 million.

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 2009 Social Report.

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

On March 3, 2010, the Bank of Italy, CONSOB and ISVAP jointly issued a new document following their document No. 2 of February, 2009.
The document points out that after the significant business downturn in 2009 and the ensuing marked deterioration of credit quality, the economic climate is now improving, yet the outlook is still uncertain and this may weigh on business fundamentals and consequently on key financials.
The regulators therefore called upon Senior Management to adhere strictly to international accounting and financial reporting standards and applicable legislation and provide complete, clear and timely information about the risks and uncertainties to which their companies are exposed, the capital their companies have to cover those risks and their earnings generation ability.
As to the entity's ability to continue as a going concern, the management of Mediolanum S.p.A. confirm they reasonably expect the company will continue in operation in the foreseeable future and therefore the financial statements for the year ended December 31, 2009 were prepared based on the going concern assumption. Following their examination of the financial position, result of operations and cash-flows, they also confirm they did not find any evidence of uncertainties in relation to the ability of the entity to continue in operation as a going concern.
In relation to 'Impairment of Assets' (IAS 36), the impairment method used by the Mediolanum Group included assessment of impairment by an independent valuer. For goodwill relating to the Group's foreign subsidiaries, the independent valuer based his assessment on current multi-year business plans previously approved by the Board of Directors of Banca Mediolanum S.p.A., which is the immediate parent company of those subsidiaries. The impairment process was later validated by the Board of Directors of Banca Mediolanum S.p.A.. For further details readers are referred to Part C of the Notes to the consolidated financial statements.
With regard to information on the criteria used to measure equity instruments classified as 'available for sale' and the requirements set out in paragraph 61 of IAS 39, the Mediolanum Group assesses separately if there is a 'significant' or 'prolonged' decline in the value of the assets. If it finds out that there has been a 'significant' or a 'prolonged' decline in value the Group recognises the impairment loss on the AFS equity instrument irrespective of any other considerations.

Specifically, for equity instruments the Group considers there is evidence of impairment when the decline in the original fair value exceeds one third or is prolonged for over 36 months. In exceptional circumstances, in the event of erratic market movements, Senior Management may depart from the criteria above providing adequate disclosures thereof in financial reporting.
For details on disclosures to be made in the notes, readers are referred to Parts B, C and F of the Notes.
Information on "fair value hierarchy" (IFRS 7) is given in Parts B, C and F of the Notes for positions held at December 31, 2009, without including comparative information as comparatives are not required for the first year of application.
Finally, there are no financial debt contract clauses (IFRS 7) or debt restructuring (IAS 39) involving the Mediolanum Group.

Other information

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

Basiglio, 24 March 2010

For the Board of Directors
The Chairman
(Roberto Ruozi)

Consolidated Accounts 2009

Balance sheet

Assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Intangible assets		
1.1 Goodwill	157,264	161,302
1.2 Other intangible assets	14,649	16,427
Total intangible assets	171,913	177,729
2. Tangible assets		
2.1 Property	62,259	63,443
2.2 Other tangible assets	21,704	22,422
Total tangible assets	83,963	85,865
3. Reinsurers' share of technical reserves	100,277	100,328
4. Investments		
4.1 Investment property	90,518	4,777
4.2 Investments in subsidiaries, associates and JVs	432,684	396,140
4.3 Held to maturity investments	1,581,409	1,351,960
4.4 Loans and receivables	4,847,829	5,418,082
4.5 Available for sale financial assets	2,956,206	1,524,602
4.6 Financial assets at fair value through profit and loss	17,798,081	12,884,997
Total investments	27,706,727	21,580,558
5. Receivables		
5.1 Arising out of direct insurance business	8,340	10,657
5.2 Arising out of reinsurance business	-	127
5.3 Other receivables	1,273	3,376
Total receivables	9,613	14,160
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	1,521	448
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	99,196	80,239
6.4 Current tax assets	210,970	168,691
6.5 Other assets	293,611	257,073
Total other assets	605,298	506,451
7. Cash and cash equivalents	213,764	185,865
TOTAL ASSETS	28,891,555	22,650,956

Shareholders' equity and liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Shareholders' equity		
1.1 Group shareholders' equity		
1.1.1 Share capital	73,140	73,010
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	53,477	51,960
1.1.4 Retained earnings and other equity reserves	618,584	700,433
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	8,931	(30,004)
1.1.8 Other gains or losses recognised directly in equity	23,051	(3,512)
1.1.9 Net profit (loss) for the year attributable to the Group	217,280	23,675
Total capital and reserves attributable to the Group	992,418	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	992,418	813,517
2. Provisions	109,869	95,833
3. Technical reserves	20,002,983	12,380,981
4. Financial liabilities		
4.1 Financial liabilities at fair value through profit and loss	367,748	1,020,288
4.2 Other financial liabilities	6,941,286	7,946,608
Total financial liabilities	7,309,034	8,966,896
5. Payables		
5.1 Arising out of direct insurance business	9,440	10,850
5.2 Arising out of reinsurance business	1,697	252
5.3 Other payables	244,633	235,572
Total payables	255,770	246,674
6. Other liabilities		
6.1 Liabilities of disposal groups held for sale	732	1,106
6.2 Deferred tax liabilities	49,893	11,540
6.3 Current tax liabilities	34,820	18,842
6.4 Other liabilities	136,036	115,567
Total other liabilities	221,481	147,055
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	28,891,555	22,650,956

Income statement

€/'000	Dec. 31, 2009	Dec. 31, 2008
1. Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	9,646,615	2,743,320
1.1.2 Reinsurance premiums	(5,131)	(4,518)
Total premiums written	9,641,484	2,738,802
1.2 Commission income	631,157	496,962
1.3 Net income on financial instruments at fair value through profit and loss	2,357,396	(3,521,213)
1.4 Income on investments in subsidiaries, associates and JVs	6,026	1,997
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	285,487	315,550
1.5.2 Other income	7,448	19,830
1.5.3 Realised gains	30,641	6,109
1.5.4 Unrealised gains	5,511	5,368
Total income on other financial instruments and investment property	329,087	346,857
1.6 Other revenues	25,925	23,270
Total revenues and income	12,991,075	86,675
2. Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(11,893,839)	782,790
2.1.2 Reinsurers' share	6,607	6,792
Net claims and benefits	(11,887,232)	789,582
2.2 Commission expense	(239,049)	(192,743)
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	(88,186)	(195,957)
2.4.2 Other expenses	(349)	(196)
2.4.3 Realised losses	(8,681)	(5,749)
2.4.4 Unrealised losses	(41,722)	(15,008)
Loss on other financial instruments and investment property	(138,938)	(216,910)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(86,633)	(83,698)
2.5.2 Investment management expenses	(380)	(395)
2.5.3 Other administrative expenses	(314,082)	(297,512)
Total operating expenses	(401,095)	(381,605)
2.6 Other costs	(66,769)	(62,393)
Total costs	(12,733,083)	(64,069)
Profit (loss) before tax for the period	257,992	22,606
3. Income tax	(40,323)	1,069
Profit (loss) for the period	217,669	23,675
4. Profit (loss) from discountinued operations	(389)	-
Group net profit (loss) for the period	217,280	23,675
of which pertaining to the Group	217,280	23,675
Earning per share (in euro)	0.297	0.032

Comprehensive income

€/'000	Dec. 31, 2009	Dec. 31, 2008
CONSOLIDATED NET PROFIT (LOSS)	217,280	23,675
Changes in net exchange differences reserve	-	-
Profit (loss) on available for sale financial assets	56,992	(76,202)
Profit (loss) on cash flow hedges	-	-
Profit (loss) on hedges of investments in foreign operations	-	-
Changes in the equity of investees	26,563	(3,606)
Changes in intangible assets revaluation reserve	-	-
Changes in tangible assets revaluation reserve	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-
Actuarial gains (losses) and adjustments on defined benefit plans	-	-
Other	-	-
Taxation on other components of comprehensive income	(18,057)	9,201
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	65,498	(70,607)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	282,778	(46,932)
attributable to the Group	282,778	(46,932)
attributable to minority interests	-	-

Statement of changes in shareholders' equity

€/'000	Balance at Dec. 31, 2007	Adjustment to closing balance	Amount credited	Trasferred to the Income Statement	Other movement	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	523,519	-	238,939	-	(62,025)	700,433
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Net profit (loss) for the period	212,243	-	(104,723)	-	(83,845)	23,675
Other components of comprehensive income	37,091	-	(72,232)	1,625	-	(33,516)
Total shareholders' equity attributable to the Group	895,033	-	62,729	1,625	(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	-	62,729	1,625	(145,870)	813,517

€/'000	Balance at Dec. 31, 2008	Adjustment to closing balance	Amount credited	Trasferred to the Income Statement	Other movement	Balance at Dec. 31, 2009
Shareholders' equity attributable to the Group						
Share capital	73,010	-	130	-	-	73,140
Other equity instruments	-	-	-	-	-	-
Capital reserves	51,960	-	1,517	-	-	53,477
Retained earnings and other equity reserves	700,433	-	(19,735)	-	(62,114)	618,584
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Net profit (loss) for the period	23,675	-	193,605	-	-	217,280
Other components of comprehensive income	(33,516)	-	46,703	18,795	-	31,982
Total shareholders' equity attributable to the Group	813,517	-	222,220	18,795	(62,114)	992,418
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	813,517	-	222,220	18,795	(62,114)	992,418

Consolidated cash flow statement

Indirect method

€/'000	Dec. 31, 2009	Dec. 31, 2008
Profit (loss) before tax for the period	257,992	22,606
Changes in non-monetary items	9,601,392	(5,026,513)
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)	7,622,053	(2,075,564)
Change in deferred acquisition costs	-	-
Change in provisions	14,036	16,958
Non-monetary income (losses) on financial instruments, investment property and equity investments	1,998,347	(2,624,972)
Other changes	(33,044)	(342,935)
Changes in receivables and payables arising out of operating activities	(23,155)	(107,964)
Changes in receivables and payables arising out of direct insurance and reinsurance operations	2,479	8,179
Changes in other receivables and payables	(25,634)	(99,785)
Income tax paid	(28,335)	(35,947)
Net cash from monetary items relating to investment and financial activities	(1,037,465)	(652,517)
Liabilities on financial contracts issued by insurance companies	(652,540)	(329,911)
Amounts due to banks and banking customers	(1,005,322)	1,392,530
Loans to and receivables from banks and banking customers	578,982	(810,697)
Other financial instruments at fair value through profit or loss	41,415	(904,439)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,770,429	(5,800,335)
Net cash from investment property	(85,741)	(563)
Net cash from subsidiaries, associates and joint ventures	(3,500)	-
Net cash from loans and receivables	(8,729)	(25,387)
Net cash from held-to-maturity investments	(229,449)	(759,636)
Net cash from available-for-sale financial assets	(1,431,604)	(185,991)
Net cash from tangible and intangible assets	7,718	(12,352)
Other cash flows from investment activities	(6,952,846)	6,829,950
NET CASH FLOWS FROM INVESTING ACTIVITIES	(8,704,151)	5,846,021
Net cash from equity instruments attributable to the Group	71,167	40,679
Net cash from treasury shares	-	-
Distribution of dividends attributable to the Group	(109,546)	(145,870)
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	(38,379)	(105,191)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	185,865	245,370
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,899	(59,505)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	213,764	185,865

Notes to the Consolidated Annual Financial Statements 2009

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 consolidated balance sheet
Part D - Information on the consolidated 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, 2009 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 under European Parliament and Council Regulation (EC) 1606 of July 19, 2002.
The Mediolanum Group is a financial conglomerate that operates primarily in the insurance business under Legislative Decree 142 of May 30, 2005.
In accordance therewith, the Mediolanum Group's financial statements for the year ended December 31, 2009 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, as subsequently amended by ISVAP Regulation 2784 of March 8, 2010.

Accounting Basis

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

The consolidated financial statements consist of:

- Balance Sheet,
- Income Statement,
- Statement of Comprehensive Income,
- Statement of Changes in Shareholders' Equity,
- Statement of Cash Flows,
- Explanatory Notes,

in addition to the Directors' Report.

The consolidated financial statements were prepared pursuant to section 154 ter of Legislative Decree 58/98 introduced by Legislative Decree 195/07 which transposed into national legislation the so called "Transparency Directive".

Said statute requires listed issuers whose home Member State is Italy to approve the annual financial statements and publish the annual report including:

- the separate financial statements,
- the consolidated financial statements, where applicable,
- the directors' reports and
- the responsibility statement pursuant to section 154-bis, paragraph 2

not later than 120 days after the end of the financial year.

The complete independent auditors' reports as per section 156 of the Consolidated Finance Act are published together with the annual report.

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

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

The accounts and the notes also include comparative information for the year ended December 31, 2008. 2008 comparatives were reclassified as appropriate to ensure consistency and meaningful comparisons with 2009 financial information.

The accounts and the notes were prepared also in accordance with ISVAP Regulation 7 of July 13, 2007, as amended by ISVAP Regulation 2784 of March 8, 2010 to incorporate certain changes introduced in international accounting and financial reporting standards IAS/IFRS since the date of the previous ISVAP regulation. Certain tables set out in the notes have been rationalised to bring financial reporting more in line with European harmonised standards.

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

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

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

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

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

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 tables 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. (on 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.	450,000	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
Gamax Management Ag	7,161	0.004%	Luxembourg	Fund management

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

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Distribuz. Finanz. S.p.A.	1,000	100.000%	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR p.A.	5,165	51.000%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	51.000%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.000%	Dublin	Asset management and advice
Gamax Management AG	7,161	99.996%	Luxembourg	Sub-holding company
Banco de Finanzas e Inversiones S.A.	86,032	100.000%	Barcelona	Banking
Bankhaus August Lenz & Co. AG	20,000	100.000%	Munich	Banking
Mediolanum Corp. University S.p.A.	20,000	100.000%	Basiglio	Education and Training

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	99.999%	Barcelona	Fund management
Fibanc S.A.	301	99.998%	Barcelona	Financial Advice
Fibanc Pensiones S.G.F.P. S.A.	902	99.999%	Barcelona	Pension Fund management
Mediolanum International Funds Ltd	150	5.000%	Dublin	Asset management and advice

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	50.000%	Milan	Banking
Mediobanca S.p.A.	430,529	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 2009 and the date on which these financial statements were approved, there was no event which could materially impact the business or result of operations of the Mediolanum 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, 2009.

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

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

Financial assets 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,

[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.

plus any directly attributable transaction costs or income. When reclassified out of the Held-to-Maturity Investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.
After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Group assesses whether there is objective evidence of any impairment loss.
If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Held-to-maturity investments

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

Hedging

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

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

Total exposure is considered if at the reporting date:
• the past due/overdrawn amount,
or:
• the mean value of daily past due/overdrawn amounts in the last quarter was 5% or more of total exposure.

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

Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of loans which are expected to be recovered in the short term are not discounted.
The asset's original effective interest rate remains unchanged over time also in the event of a restructuring as a result of which the interest rate changes or the loan or receivable actually carries no interest.
The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
If no objective evidence of impairment exists for individually assessed loans – i.e. generally, performing loans – those loans are collectively assessed for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics and the related loss probability is estimated using historical loss rates based on observable data at the time of assessment that can reliably estimate the loss probability of each loan group.
Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

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 higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is 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.
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 related premiums. Mathematical reserves include all revaluations applied in accordance with contract terms, as well as provisions for demographic risk. Mathematical reserves are not lower than surrender value.
Life technical reserves also include provisions for premiums due in the six months after the reporting date and provisions for future expenses relating to the contract, e.g. handling costs and additional health premiums.
At each reporting date the adequacy of insurance reserves is assessed by calculating the present value of estimated future cash-flows from underlying contracts. When the value of reserves is lower than estimated future cash flows, the Company increases reserves and the difference over estimated future cash-flows is 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.
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:
- commissions are measured on an accrual basis;
- interest income and interest expense are recognised on an accrual basis applying the effective interest method;
- dividends are recognised in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the income statement only when actually received.

Other information

Use of estimates

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

Senior management regularly check valuations and estimates made on the basis of past experience and other reasonable factors. Due to the uncertainty typically related to these financial items, actual values may differ from estimates due to the occurrence of unexpected events or changes in operating conditions.
For information about the methods used to determine the financial items above and main risk factors readers are referred to the previous sections of these notes for information on accounting policies and to Part 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 fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.
Specifically, for equities, there is evidence of impairment where the decline in the original fair value exceeds one-third or is prolonged for over 36 months.

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

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

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

Fair value disclosures

Reclassifications of assets

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

€/'000					No reclassification impact on profit/loss (before tax)		Impact of reclassifications for the year (before tax)	
Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Book value at Dec. 31, 2009 (4)	Fair value at Dec. 31, 2009 (5)	Valuation (6)	Other (7)	Valuation (8)	Other (9)
A. Debt securities			272,664	273,907	8,032	18,784	6,790	12,830
	HFT	AFS	166,787	166,787	6,790	15,489	6,790	9,535
	HFT	Loans & Receivables	105,877	107,120	1,242	3,295	-	3,295
Total			272,664	273,907	8,032	18,784	6,790	12,830

In the year under review there was no reclassification of assets. The information in the table above relates exclusively to reclassifications made in 2008 of financial instruments which were, in part, sold in 2009.
Readers are reminded that, in October 2008, the International Accounting Standard Board (IASB) issued certain amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and to IFRS 7 'Financial Instruments: Disclosures' allowing for reclassification of certain financial instruments in certain circumstances. Specifically, the amendments allow to reclassify financial assets – other than derivatives – that are no longer held for the purpose of selling or repurchasing them in the near term (held for trading) out of the 'financial assets at fair value through profit or loss' category to other categories.
These amendments were incorporated into European legislation by Commission Regulation (EC) No. 1004/2008 of October 15, 2008.
The IASB partly lifted the prohibition under the previous version of IAS 39 to reclassify financial assets held for trading out of the 'fair value through profit or loss' category to other categories of financial instruments.
Specifically, these are portfolios of instruments measured at amortised cost that may consist of quoted debt securities held to maturity and unquoted debt securities that qualify as loans.
After initial recognition the securities in these portfolios are not measured at fair value through profit or loss but are regularly assessed for impairment.
The amendments also allows the reclassification of financial assets out of the 'held for trading' to the 'available-for-sale' category for which changes in fair value are usually recognised in equity and not through profit or loss.

No reclassification is allowed for non derivative financial instruments measured at 'fair value through profit or loss' under the fair value option (e.g. structured instruments or other investments backing liabilities at fair value through profit or loss).
The reclassifications are allowed only in rare circumstances when a financial asset is no longer held for the purpose of selling or repurchasing it in the near term and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
The 2008 financial crisis was considered by the IASB to be such a rare circumstance.
The amendments also allow the reclassification of financial assets out of the 'available-for-sale' category if they are not quoted in an active market and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
Owing to the exceptional circumstances due to the financial market crisis, the reclassification of financial instruments was allowed with retrospective application from July 1, 2008.

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

Fair value hierarchy

Fair value hierarchy of financial assets and liabilities

	Level 1		Level 2		Level 3		Total	
€/'000	2009	2008	2009	2008	2009	2008	2009	2008
Available for sale financial assets	2,626,627	1,313,979	254,027	210,623	75,552	-	2,956,206	1,524,602
Financial assets at fair value through profit or loss								
Financial assets held for trading	3,615,792	1,722,914	246,280	11,771	23,815	-	3,885,887	1,734,685
Financial assets at fair value	7,534,366	11,150,312	5,746,536	-	631,292	-	13,912,194	11,150,312
Total	13,766,785	14,187,205	6,246,843	222,394	730,659	-	20,754,287	14,409,599
Financial liabilities at fair value through profit or loss								
Financial liabilities held for trading	258,251	736,304	14,587	11,739	8,485	-	281,323	748,043
Financial liabilities at fair value	33,609	206,882	51,042	65,363	1,774	-	86,425	272,245
Total	291,860	943,186	65,629	77,102	10,259	-	367,748	1,020,288

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

For further information on fair value hierarchy levels readers are referred to Part F - Information on risks and risk management.

PART C - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

INTANGIBLE ASSETS

€/'000	Dec. 31, 2009	Dec. 31, 2008
Goodwill	157,264	161,302
Other intangible assets	14,649	16,427
Total	171,913	177,729

This section provides information about the impairment test conducted as per IAS 36 on cash generating units (CGUs) in operation at December 31, 2009 as recommended by the Bank of Italy, CONSOB and ISVAP in their jointly issued document of March 4, 2010.
The purpose of the impairment test was to ascertain that the carrying amount of each cash generating unit (CGU) did not exceed its recoverable amount, i.e. the higher of its fair value less cost to sell and its value in use.
The impairment test was conducted with the assistance of an independent advisor applying the methods and assumptions set out below.

DEFINITION OF CGUs AND ALLOCATION OF GOODWILL

Goodwill allocation reflected the business reporting system of the Mediolanum Group which entailed identification of CGUs and related goodwill allocation primarily by geographic segment of operations. For Italy, there has been further segmentation by business line. At balance sheet date goodwill was allocated to the following CGUs:

€/'000	Dec. 31, 2009
CGU SPAIN	122.8
CGU GERMANY	11.7
CGU ITALY LIFE	22.7
OTHER CGUs	0.1
TOTAL	157.3

Goodwill allocated to the CGU Spain included goodwill relating to Fibanc amounting to €122.8 million.
Goodwill allocated to the CGU Germany included goodwill relating to Bankhaus August Lenz & Co AG (BAL) amounting to €3.9 million and goodwill relating to the German division of Gamax Asset Management AG (Gamax) amounting to €7.8 million. In conformity with the Group's business reporting system, Gamax's goodwill was allocated to two different CGUs, Germany and Italy Life, on a pro-rata basis of total assets under management and administration adjusted for profitability. Specifically, 74% was allocated to the CGU Italy Life (goodwill of €22.7 million) and 26% to the CGU Germany (goodwill of €7.8 million).

MEASUREMENT METHOD

Under IAS 36 value in use can be calculated applying the Discounted Cash Flow (DCF) method. The DCF method determines the value in use of a CGU, or an entity, by computing the present value of future cash flows (from operations) it is expected to generate over time.
For lenders, it is common practice to apply the Free Cash Flow to Equity (FCFE) model known in Anglo-Saxon countries as 'Dividend Discount Model' (DDM), in the Excess Capital variant, that determines the value of the entity on the basis of the future cash flows it expects to be capable of distributing to the shareholders, without impacting the assets supporting its future growth, in compliance with regulatory capital requirements, and applying a discount rate which reflects the specific equity risk. Please note that although the name Dividend Discount Model contains the term 'dividend', the cash flows it calculates are not the dividends the entity expects to distribute to its shareholders, but the cash flows potentially available to equity holders net of the assets needed for business operations.

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

CGU SPAIN - IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

When testing for impairment, the recoverable amount of the CGU Spain was determined based on value in use calculated by applying the DDM method to the information set out in the 2010-2014 Business Plan (the 2010-2014 Plan) approved by the Board of Directors of Banca Mediolanum last February.
The 2010-2014 Plan was built on reasonable, consistent assumptions and represents the management's best estimates of the range of possible developments that may occur over the useful life of the CGU.
The 2010-2014 Plan forecasts the development of the Banca Mediolanum business model in Spain based on the reorganisation and future sustained growth of the sales network accompanied by growth in net inflows, assets under management and administration. The achievement of the 2010-2014 Plan targets relies on the expertise and track record of the Mediolanum Group's management. At December 31, 2009 Fibanc performance was in line with set targets.
Specifically, the 2010-2014 Plan for Fibanc is based on the following assumptions:
- growth in assets under management and administration at a CAGR of 16% over year end 2009;
- same business mix as in 2009 through the entire time horizon of the Plan;
- growth in the Family Bankers (FB) sales network from 489 people in 2009 to 1,336 in 2014;
- staff costs increase in line with target inflation (2%), compensation policy and planned personnel growth with recruitment of 3 new resources annually starting from 2011;
- reduction of general expenses in the 2010-2013 period with cost savings of about €18 million;
- growth in risk-weighted assets (RWA) at a CAGR of 11% over year end 2009.

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

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

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

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

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

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

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

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

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

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

CGU GERMANY – IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

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

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

- the Gamax German division was assessed applying the Goodwill/AuM multiple adjusted for asset profitability as observed in a panel of listed asset management companies. The multiple applied was 4.42%, the value of Assets under Management of the Gamax German division was €205 million at December 31, 2009 and equity allocated to the CGU was €6.2 million;

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

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

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

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

CGU ITALY LIFE

The recoverable amount of this CGU is assumed higher than the goodwill allocated to the CGU amounting to €22.7 million. The comparison between Mediolanum's stock market capitalisation (€3,092 million) and its TBV (€826 million at September 30, 2009) did not reveal any evidence of impairment of goodwill attributable to the CGU Italy Life.

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

Analysis of intangible assets

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	Finite life	Indefinite life	Finite life	Indefinite life
Goodwill				
- group	-	157,264	-	161,302
- minorities	-	-	-	-
Other intangible assets:				
Measured at cost				
- Other intangible assets	14,649	-	16,427	-
Total	14,649	157,264	16,427	161,302

Year's movements in intangible assets

		Other intangible assets: internally generated		Other intangible assets: other		
€/'000	Goodwill	Finite life	Indefinite life	Finite life	Indefinite life	Total
Opening balance	161,302	-	-	16,427	-	177,729
Increases						
- Additions	-	-	-	11,226	-	11,226
Decrease						
- Disposals	-	-	-	(2)	-	(2)
- Value adjustments	(4,038)	-	-	(11,804)	-	(15,842)
- Amortisation	-	-	-	(11,804)	-	(11,804)
- Impairment	(4,038)	-	-	-	-	(4,038)
- In the income statement	(4,038)	-	-	-	-	(4,038)
- Other changes	-	-	-	(1,198)	-	(1,198)
Closing balance	157,264	-	-	14,649	-	171,913

At December 31, 2009, €4 million goodwill allocated to other CGUs and relating to Mediolanum Comunicazioni was written off in connection with the change in the business scope of this company that is going to be engaged exclusively in communications services for Mediolanum Group companies.

TANGIBLE ASSETS

Property

€/'000	Dec. 31, 2009	Dec. 31, 2008
Land	32,179	32,179
Buildings	30,080	31,264
Total	62,259	63,443

For enhanced accurateness an amount of €12,079 thousand was reclassified out of 'Buildings' to 'Land'. For comparability, prior year's balances were reclassified accordingly.

Other tangible assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Furnishings	5,075	5,598
Electronic equipment	12,143	10,911
Other	4,486	5,913
Total	21,704	22,422

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

€/'000	Land	Buildings	Furnishings	Electronic equipment	Othe	Total
Opening balance	32,179	31,264	5,598	10,911	5,913	85,865
Increases						
- Additions	-	257	909	3,541	1,820	6,527
- Other changes	-	-	7	2,656	-	2,663
Decreases						
- Disposals	-	-	-	(18)	(1,435)	(1,453)
- Depreciation	-	(1,441)	(1,430)	(4,942)	(1,191)	(9,004)
- Decrease in fair value						
- Reclassifications						
- disposal groups						
- Other changes	-	-	9	5	(621)	(635)
Closing balance	32,179	30,080	5,075	12,143	4,486	83,963

REINSURERS' SHARE OF TECHNICAL RESERVES

€/'000	Dec. 31, 2009	Dec. 31, 2008
Life business reserves		
Mathematical reserves	99,678	99,812
Reserve for outstanding claims	599	516
Total reinsurers' share of life technical reserves	100,277	100,328

INVESTMENTS

Investment property

€/'000	Dec. 31, 2009	Dec. 31, 2008
Land	51,819	3,546
Buildings	38,699	1,231
Total	90,518	4,777

The increase in 'Investment Property' was in connection with the acquisition of office premises in Rome by the subsidiary Mediolanum Vita.
The investment was recognised among the assets of the MEDINVEST segregated fund.
At December 31, 2009, the market value of investment property, as determined by external valuers, amounted to €95,975 thousand.

Year's movements in investment property

€/'000	Land	Buildings
Opening balance	3,546	1,231
Increases		
- Additions	48,561	38,160
Decreases		
- Disposals	(288)	(68)
- Depreciation	-	(624)
Closing balance	51,819	38,699

Investments in associates and joint ventures

€/'000	Dec. 31, 2009	Dec. 31, 2008
Mediobanca S.p.A.	376,543	344,913
Banca Esperia S.p.A.	56,141	51,227
Total	432,684	396,140

The year's movements in investments in associates and joint ventures mainly relate to equity accounting for investments in Mediobanca and Banca Esperia according to the respective share of equity included in the consolidated accounts at December 31, 2009. Readers are reminded that the investment in Mediobanca S.p.A. was reclassified to "Investments in Associates and Joint Ventures" at December 31, 2008. The impact on the income statement of investments accounted for by the equity method was positive for €6.0 million versus a positive balance in the prior year, relating to Banca Esperia only, of €2.0 million. The impact of other gains or losses recognised directly in equity was positive for €23 million versus a negative balance in the prior year, relating to Banca Esperia only, of €3.5 million.

At December 31, 2009, the investment in Mediobanca S.p.A. was tested for impairment with the assistance of an independent advisor. The impairment test, made applying the Dividend Discount Model (DDM) in the Excess Capital variant, showed a recoverable amount of the investment in Mediobanca between €423.5 million and €475.9 million and did not reveal any evidence of impairment as the average values of the investment determined applying that model were above its carrying amount.

Year's movements in investments in associates and joint ventures

€/'000	Dec. 31, 2009
Opening balance	396,140
Banca Esperia:	
- net profit	87
- change in equity	4,827
Mediobanca:	
- net profit	5,939
- change in equity	25,691
Closing balance	432,684

Held-to-maturity investments

€/'000	Dec. 31, 2009	Dec. 31, 2008
Debt securities	1,581,409	1,351,960
Total	1,581,409	1,351,960
Fair value	*1,607,762*	*1,351,258*

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

Held-to-maturity investments

	Dec. 31, 2009				Dec. 31, 2008		
		fair value				fair value	
€/'000	Value	L1	L2	L3	Value	L1	L2+L3
Debt securities	1,581,409	496,121	1,111,641	-	1,351,960	1,351,258	-
Total	1,581,409	496,121	1,111,641	-	1,351,960	1,351,258	-

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

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Debt securities		
Governments and Central Banks	308,617	502,658
Banks	1,272,792	849,302
Total	1,581,409	1,351,960

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Time of maturity		
1-5 years	1,398,198	1,176,675
5-10 years	80,609	20,389
Other 10 years	102,602	154,896
Total	1.581,409	1.351,960

Loans and receivables

€/'000	Dec. 31, 2009	Dec. 31, 2008
Banks	1,587,902	2,013,754
Banking customers	3,215,513	3,368,643
Other	44,414	35,685
Total	4,847,829	5,418,082

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

Time-to-maturity of loans and receivables

€/'000	Dec. 31, 2009	Dec. 31, 2008
Time-to-maturity		
within 1 year	2,582,049	3,855,741
1-5 years	168,530	160,938
Over 5 years	2,097,250	1,401,403
Total	4,847,829	5,418,082

Loans and receivables: banks

€/'000	Dec. 31, 2009	Dec. 31, 2008
Deposits with Central Banks		
- For reserve requirements	56,225	107,387
Loans to banks		
- Time deposits	492,413	1,426,315
- Other loans	353,965	480,052
- Debt securities	685,299	-
Total	1,587,902	2,013,754
Fair value	*1,772,554*	*2,157,996*

Loans and receivables: banking customers

€/'000	Dec. 31, 2009	Dec. 31, 2008
Bank accounts	350,814	340,452
Repurchase agreements	44,366	514,184
Mortgage loans	2,065,563	1,278,776
Credit cards, personal loans and salary-guaranteed loans	119,520	75,116
Finance leases	520	813
Other	555,651	1,062,320
Debt securities	79,079	96,984
Total	3,215,513	3,368,643
Fair value	*3,246,878*	*3,379,083*

Beginning from the year under review "Impaired Assets" are included in the balance of their respective asset category and are no longer shown as a separate line item. To ensure comparability prior year's balances were reclassified accordingly.

Analysis of customer loans by borrower

€/'000	Dec. 31, 2009	Dec. 31, 2008
Debt securities		
- financial companies	79,079	96,984
Loans to:		
- non financial companies	96,082	86,580
- financial companies	507,624	1,488,012
- insurance companies	562	5,466
- others	2,532,166	1,691,601
Total	3,215,513	3,368,643

Available-for-sale financial assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Debt securities	2,734,057	1,297,153
Equities	37,345	32,430
Holdings in UCITS	184,803	195,019
Total	2,956,206	1,524,602

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

Available-for-sale financial assets

	Dec. 31, 2009			Dec. 31, 2008	
€/'000	L1	L2	L3	L1	L2+L3
Debt securities	2,618,072	115,985	-	1,293,007	4,146
Equities	8,555	16,141	12,650	5,303	27,127
Holdings in UCITS	-	121,901	62,902	15,669	179,350
Total	2,642,262	254,027	59,917	1,313,979	210,623

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

Analysis of available-for-sale financial assets by issuer

€/'000	Dec. 31, 2009	Dec. 31, 2008
Debt securities		
- Governments and central banks	1,161,392	1,020,061
- Banks	1,476,117	251,382
- Other issuers	96,548	25,710
Equities		
- Banks	3,001	-
- Other issuer	34,345	32,430
Holdings in UCITS	184,803	195,019
Total	2,956,206	1,524,602

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Time-to-maturity		
1-5 years	2,105,947	1,065,001
5-10 years	609,255	41,927
Over 10 years	16,008	190,256
Indefinite	224,996	227,418
Total	2,956,206	1,524,602

Financial assets at fair value through profit or loss

€/'000	Dec. 31, 2009	Dec. 31, 2008
Financial assets held for trading		
Debt securities	3,851,288	1,705,087
Equities	10	17
Holdings in UCITS	25,462	16,167
Trading derivatives	9,127	13,414
Total	3,885,887	1,734,685
Financial assets at fair value		
Debt securities	5,784,411	4,901,973
Holdings in UCITS	8,126,604	6,248,339
Hedging derivatives	1.179	-
Total	13,912,194	11,150,312
Total financial assets at fair value through profit or loss	17,798,081	12,884,997

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

Financial assets at fair value through profit or loss

	Dec. 31, 2009			Dec. 31, 2008	
€/'000	L1	L2	L3	L1	L2+L3
Financial assets held for trading					
Debt securities	3.609.261	239.564	2.463	1.701.451	3.636
Equities	10	-	-	7	10
Holdings in UCITS	6.520	-	18.942	16.167	-
Trading derivatives	1	6.716	2.410	5.289	8.125
Total	3.615.792	246.280	23.815	1.722.914	11.771
Financial assets at fair value					
Debt securities	-	5.153.119	631.292	4.901.973	-
Holdings in UCITS	7.534.366	592.238	-	6.248.339	-
Hedging derivatives	-	1.179	-	-	-
Total	7.534.366	5.746.536	631.292	11.150.312	-
Total financial assets at fair value through profit or loss	11.150.158	5.992.816	655.107	12.873.226	11.771

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

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2009	Dec. 31, 2008
Non-derivatives		
Debt securities		
- Governments and central banks	1,076,802	1,000,065
- Government agencies	-	6
- Banks	634,671	484,782
- Other Issuers	2,139,815	220,234
Equities		
- Other Issuers	10	17
Holdings in UCITS	25,462	16,167
Total non-derivatives	3,876,760	1,721,271
Derivatives		
- Banks	7,545	11,526
- Customers	1,582	1,888
Total derivatives	9,127	13,414
Total	3,885,887	1,734,685

Analysis of financial assets at fair value by debtor/issuer

€/'000	Dec. 31, 2009	Dec. 31, 2008
Debt securities		
- Governments and central banks	16,789	13,011
- Banks	3,651,102	2,794,441
- Other Issuers	2,116,520	2,094,521
Holdings in UCITS	8,126,604	6,248,339
Trading derivatives	-	-
Banks	1,179	-
Total	13,912,194	11,150,312

Non-current assets and disposal groups

'Non-current assets and disposal groups' amounted to €1,521 thousand. This account includes all balance-sheet assets relating to Partner Time S.p.A. that was liquidated (FY 2008: €448 thousand).

Deferred tax assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Charge to the income statement	84,736	63,299
Charge to equity	14,460	16,940
Total	99,196	80,239

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Opening balance	63,299	33,372
Increases		
Deferred tax assets arisen in the year		
- relating to prior years	361	92
- changes in the accounting policies	3,830	5,085
- other	23,473	35,349
New taxes or increased tax rates	-	1
Other increases	7,467	122
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(704)	(3,449)
Other decreases	(12,990)	(7,273)
Closing balance	84,736	63,299

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Opening balance	16,940	4,994
Increases		
Deferred tax assets arisen in the year		
- others	13,300	13,643
New taxes or increased tax rates	1	-
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(2,224)	(88)
- others	(13,557)	-
Other decreases	-	(1,609)
Closing balance	14,460	16,940

Analysis of deferred tax assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Charge to the income statement	84,636	63,299
provisions for risks and charges	30,684	26,849
loan loss provision	4,850	2,655
expenses deductible in future years	8,914	12,432
taxed income relating to future years	21	30
other	40,167	21,333
Charge to equity	14,460	16,940
fair value measurement of AFS securities	14,460	16,940
Total	99,096	80,239

Other Assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Items in transit - lending	110,484	135,292
Due from tax authorities	49,597	18,128
Security deposits	7,830	7,772
Receivables from financial advisors	73,177	51,520
Advances to suppliers and professionals	5,349	5,065
Other receivables	29,523	18,837
Prepayments	5,368	3,981
Others	12,283	16,478
Total	293,611	257,074

The December 31, 2008 balance of 'Other Assets' reported in the prior year's financial statements was €258,838 thousand. In the year under review an amount of €2,349 thousand relating to provision of financial services was reclassified out of 'Other Assets: other receivables' (€2,199 thousand) and "Other Assets: items in transit – lending' (€150 thousand) to 'Loans and Receivables'. On the other hand, an amount of €584 thousand that in the prior year had been erroneously offset under 'Other payables' (Balance Sheet Liabilities) was added to the prior year's balance of 'Other Assets: due from tax authorities'.

SHAREHOLDERS' EQUITY AND LIABILITIES

EQUITY

€/'000	Dec. 31, 2009	Dec. 31, 2008
Share capital	73,140	73,010
Capital reserves	53,477	51,960
Retained earnings and other equity reserves	618,584	700,433
(Treasury shares)	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	8,931	(30,004)
Other gains (losses) recognised directly in equity	23,051	(3,512)
Group's profit (loss) for the year	217,280	23,675
Group's capital and reserves	992,418	813,517

Share capital is fully paid up and amounts to €73,140,057.90, divided into 731,400,579 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, 2009		Dec. 31, 2008	
€/'000	Gains	Losses	Gains	Losses
Debt securities	39,761	(31,698)	4,732	(18,440)
Equities	1,178	(288)	526	(1,955)
Holdings in UCITS	1,600	(1,622)	3,145	(18,012)
Total	42,539	(33,608)	8,403	(38,407)

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

€/'000	Debt securities	Equities	Holdings in UCITS	Total
Opening balance	(13,708)	(1,429)	(14,867)	(30,004)
Increases				
Increase in fair value	50,891	2,384	3,837	57,112
Reclassification to the income statement from reserves:				
- impairment	-	525	13,277	13,802
- realised gains	5,392	-	318	5,710
other increases	2	-	23	25
Decreases				
Decrease in fair value	(8,469)	(567)	(2,492)	(11,528)
Reclassification to the income statement from reserves:				
- realised losses	(599)	-	(118)	(717)
Other decreases	(31,361)	(23)	-	(25,469)
Closing balance	8,063	890	(22)	8,931

Net profit for the year attributable to the Group

Earnings per share

€/'000	Dec. 31, 2009	Dec. 31, 2008
Profit for the year	217,280	23,675
Weighted average number of shares outstanding	730,748	729,786
Earnings per share (in euro)	0.297	0.032

Diluted earnings per share

€/'000	Dec. 31, 2009	Dec. 31, 2008
Profit for the year	217,280	23,675
Weighted average number of shares outstanding	730,748	729,786
Adjustments for stock options with potential dilution effect	2,572	2,514
Weighted average number of shares outstanding for diluted earnings per share	733,320	732,300
Diluted earnings per share (in euro)	0.296	0.032

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

€/'000	Capital and reserves	Profit	Shareholders' equity
Parent Company Accounts at Dec. 31, 2009	486,372	113,350	599,722
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	(6,440)	336,758	330,318
Differences on investments accounted for by the equity method	52,434	6,026	58,460
Intercompany dividends	237,433	(237,433)	-
Elimination of intercompany transactions effects	(2,766)	83	(2,684)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	6,882	(166)	6,716
Other	1,223	(1,338)	(114)
Consolidated accounts at Dec. 31, 2009	775,138	217,280	992,418

PROVISIONS

€/'000	Dec. 31, 2009	Dec. 31, 2008
Provision for tax claims	84	221
Other provisions	109,785	95,612
Total	109,869	95,833

Year's movements in provisions

€/'000	Tax claims	Other provisions
Opening balance	221	95,612
Increases		
- Year's provision	-	30,486
- Time-related increased	-	-
- Increased discount rate	-	-
- Other increases	-	572
Decreases		
- Funds utilised in the year	-	(9,268)
- Decreased discount rate	-	-
- Other decreases	(137)	(7,617)
Closing balance	84	109,785

Analysis of other provisions

€/'000	Dec. 31, 2009	Dec. 31, 2008
Provision for other completion-of-service entitlements and similar obligations	1,237	1,134
Provision for sales network benefits	55,033	47,705
Provision for risks related to sales network's illegal actions	27,790	25,584
Other provisions for risks and charges	25,725	21,189
Total	109,785	95,612

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

TECHNICAL RESERVES

€/'000	Dec. 31, 2009	Dec. 31, 2008
Mathematical reserves	5,836,372	1,281,334
Reserve for outstanding claims	155,955	83,387
Technical reserves for contacts under which the investment risk is borne by the policyholder and in connection with pension fund	13,914,643	10,991,259
Other reserves	96,013	25,001
Total	20,002,983	12,380,981

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit and loss

€/'000	Dec. 31, 2009	Dec. 31, 2008
Financial liabilities held for trading		
Short positions on debt securities	258,251	730,061
Trading derivatives	22,689	15,296
Securities issued	-	2,276
Other financial liabilities	383	410
Total Financial liabilities held for trading	281,323	748,043
Financial liabilities at fair value		
Liabilities arising on financial contracts issued by insurance companies:		
- under which the investment risk is borne by the policyholder	57,254	242,723
- in connection with pension fund management	13,265	11,094
Hedging derivatives	15,906	18,428
Total financial liabilities at fair value	86.425	272.245
Total financial liabilities at fair value through profit or loss	367,748	1.020,288

Financial liabilities at fair value through profit or loss

	Dec. 31, 2009				Dec. 31, 2008		
€/'000	Total	L1	L2	L3	Total	L1	L2+L3
Financial liabilities held for trading							
Short positions on debt securities	258,251	258,251	-	-	730,061	730,061	-
Trading derivatives	22,688	-	14,203	8,485	15,296	3,967	11,329
Securities issued	-	-	-	-	2,276	2,276	-
Other financial liabilities	383	-	383	-	410	410	-
Total financial liabilities held for trading	281,323	258,251	14,586	8,485	748,043	736,304	11,739
Financial liabilities at fair value							
Liabilities arising on financial contracts issued by insurance companies:							
- under which the investment risk is borne by the policyholder	57,254	20,344	35,136	1,774	242,723	195,788	46,935
- in connection with pension fund management	13,265	13,265	-	-	11,094	11,094	-
Hedging derivatives	15,906	-	15,906	-	18,428	-	18,428
Total financial liabilities at fair value	86,425	33,609	51,042	1,774	272,245	206,882	65,363
Total financial liabilities at fair value through profit or loss	367,747	291,860	65,828	10,259	1,020,288	943,186	77,102

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

Other financial liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
Banks	1,644,362	2,291,703
Banking customers	5,005,392	5,529,156
Securities outstanding	179,450	13,537
Interest-free financing facility	12,400	12,400
Deposits from reinsurers	99,682	99,812
Total	6,941,286	7,946,608

The 'Interest-free financing facility' balance of €12,400 thousand relates to the residual amount due to the two majority shareholders, Doris Group and Fininvest Group, in connection with the €120 million interest-free financing facility they extended in November 2008 to cover the costs of the operation put in place by the Mediolanum Group to safeguard customer interests after the default of Lehman Brothers. In connection therewith an amount of €107,600 thousand was recognised in a specific equity reserve.

'Other financial liabilities" include current payables for the provision of financial services previously recognised under 'Other liabilities: other'. For the sake of comparability an amount of €923 thousand was added to the 2008 comparative balance (Other financial liabilities: Banks).

Financial liabilities: Banks

€/'000	Dec. 31, 2009	Dec. 31, 2008
Central banks	135,345	400,116
Other banks		
- Bank accounts and demand deposits	4,103	524,992
- Time deposits	1,055,615	434,513
- Loans	445,000	425,000
- Other liabilities	4,299	507,082
Total	1,644,362	2,291,703

Time-to-maturity of amounts due to banks

€/'000	Dec. 31, 2009	Dec. 31, 2008
Time to maturity		
within 1 year	1,519,362	1,991,703
1-5 years	125,000	300,000
Total	1,644,362	2,291,703

The item "Financial liabilities: Banks" largely relates to financial liabilities maturing within one year (€1,519,362 thousand) and residually to contracts maturing within 18 months (€125,000 thousand).

Financial liabilities: Banking customers

€/'000	Dec. 31, 2009	Dec. 31, 2008
Bank accounts	4,861,050	4,529,608
Loans	127,350	989,720
Other liabilities	16,992	9,828
Total	5,005,392	5,529,156

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

PAYABLES

Other Payables

€/'000	Dec. 31, 2009	Dec. 31, 2008
Employee completion-of-service entitlements	11,840	12,737
Payables to suppliers	129,042	106,902
Due to tax authorities	61,118	39,427
Other miscellaneous payables	42,633	76,506
Total	244,633	235,572

The December 31, 2008 balance of "Other Payables" reported in the prior year's financial statements was €234,988 thousand. For the sake of comparability an amount of €584 thousand that in the prior year had been erroneously offset under 'Other Assets' (Balance Sheet Assets) was added to the prior year's balance of 'Other Payables: due to tax authorities'.

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

€/'000	Dec. 31, 2009
Opening balance	12,737
Increases	
- Amounts set aside in the year	4,983
- Other increases	191
Decreases	
- Funds used in the year	(4,806)
- Other decreases	(1,265)
Closing balance	11,840

Other miscellaneous payables

€/'000	Dec. 31, 2009	Dec. 31, 2008
Mediolanum Group associates	1,175	1,038
Social security agencies	5,649	5,318
Consultants, professionals, directors and statutory auditors	1,377	900
Companies within the Fininvest Group and the Doris Group	1,643	2,643
Employees	3,429	373
Tax payable by policyholders	1,194	1,291
Other	28,166	64,943
Total	42,633	76,506

OTHER LIABILITIES

Deferred tax liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
charge to the income statement	30,568	7,612
charge to equity	19,325	3,928
Total	49,893	11,540

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Opening balance	(7,612)	(9,776)
Increases		
Deferred tax liabilities arisen in the year		
- other	(23,285)	(1,812)
Other increases	(3)	-
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	267	1,293
- other	62	1,520
Other decreases	3	1,163
Closing balance	(30,568)	(7,612)

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Opening balance	(3,928)	(1,826)
Increases		
Deferred tax liabilities arisen in the year		
- relating to prior years	-	(82)
- other	(16,828)	(2,059)
Other increases	(755)	(975)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	1,130	54
- other	1,053	960
Other decreases	3	-
Closing balance	(19,325)	(3,928)

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
Charge to the income statement	30,568	7,612
Income taxable in future years	30,184	7,231
Future expenses deductible in the year	223	227
Deducted expenses relating to future years	161	154
Charge to equity	19,325	3,928
Fair value measurement of AFS securities	19,325	3,928
Total	49,893	11,540

Liabilities associated with disposal groups held for sale

The balance of this account amounting to €732 thousand includes all liabilities relating to the investments in Partner Time S.p.A. that is under liquidation (FY 2008: €1,106 thousand).

Other liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
Items in transit - lending	106,604	85,437
Provision for staff costs	7,946	7,211
Agents' severance benefits	3,146	3,105
Security deposits	3,166	3,894
Accrued expenses	1,581	632
Other	13,593	15,289
Total	136,036	115,568

The December 31, 2008 balance of 'Other Liabilities' reported in the prior year's financial statements was €116,490 thousand. An amount of €923 thousand in current payables for the provision of financial services was reclassified out of 'Other liabilities: other' to 'Other financial liabilities' and the 2008 comparative set out in the table above adjusted accordingly for the sake of comparability.

PART D – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

As of December 31, 2009

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	9,646,615	(5,131)	9,641,484
Total premiums written	9,646,615	(5,131)	9,641,484
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(4,333,217)	6,652	(4,326,565)
- Change in reserve for outstanding claims	(56,682)	83	(56,599)
- Change in mathematical reserves	(4,549,460)	(128)	(4,549,588)
- Change in other technical reserves	(33,881)	-	(33,881)
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(2,920,599)	-	(2,920,599)
Total amounts paid and change in technical reserves	(11,893,839)	6,607	(11,887,232)
Life Insurance net income (expense)	(2,247,224)	1,476	(2,245,748)

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, 2009	Dec. 31, 2008
Gross premiums written		
Class III products	2,352,544	2,692,392
Traditional products	7,294,071	50,928
Total gross premiums written	9,646,615	2,743,320

COMMISSION INCOME

€/'000	Dec. 31, 2009	Dec. 31, 2008
Guarantees issued	204	249
Management, brokerage and consulting services:	563,451	436,927
- Financial instruments brokerage	3,532	4,542
- Currency brokerage	1	2
- Asset management	485,763	363,584
- individual portfolio management	5,831	2,510
- collective portfolio management	479,932	361,074
- Securities in custody and under administration	3,603	3,752
- Custodian bank	578	685
- Sales of securities	2,959	81
- Order taking	6,666	6,311
- Services to third parties	60,349	57,970
- asset management	665	596
- individual portfolio management	22	17
- collective portfolio management	643	579
- insurance products	47,372	45,954
- other products	12,312	11,420
Collection and payment services	34,890	27,057
Loadings on investment contracts	2,018	5,338
Other services	30,593	27,391
Total	631,157	496,962

The 2008 comparative balance of 'Commission Income' shows a €4,666 thousand decline over the balance reported in the prior year (€501,628 thousand). The adjustment was made for the sake of comparability of financial information. Specifically, the adjustment consists of a €731 thousand amount reclassified to 'Other Revenues' and of €3,935 thousand intercompany commission income not offset against intercompany commission expenses upon 2008 accounts consolidation. The 2008 comparative balance of 'Commission Expenses' was adjusted accordingly by the same amount.

COMMISSION EXPENSES

€/'000	Dec. 31, 2009	Dec. 31, 2008
Management, brokerage and consulting services:	184,525	139,081
- Financial instruments brokerage	1,696	2,086
- Asset management	4,547	1,191
- Securities in custody and under administration	1,380	1,176
- Off-premises sales of securities, products and services	176,902	134,628
Collection and payment services	33,385	28,136
Commissions on the acquisition of investment contracts	855	1,863
Other services	20,284	23,663
Total	239,049	192,743

The 2008 comparative balance of 'Commission Expenses' shows a €3,935 thousand decline over the balance reported in the prior year (€196,678 thousand). The adjustment was made for the sake of comparability of financial information and relates to intercompany commission expenses not offset against intercompany commission income upon 2008 accounts consolidation. As noted earlier, the 2008 comparative balance of 'Commission Income' was adjusted accordingly by the same amount.

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
Financial assets		
Interest income and other investment income		
- from financial assets held for trading	64,436	90,842
- from financial assets at fair value through profit or loss	195,891	163,182
Net income from financial assets held for trading	112,146	(112,270)
Net income from financial assets at fair value through profit or loss	2,039,762	(3,527,661)
Financial liabilities		
Interest expense and similar charges		
- from financial liabilities held for trading	(20,184)	(16,703)
- from financial liabilities at fair value through profit or loss	(5,037)	(31,150)
Net income from financial liabilities held for trading	(6,497)	(29,345)
Net income from financial liabilities at fair value through profit or loss	(23,121)	(58,108)
Total	2,357,396	(3,521,213)

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	76,607	47,179	(3,171)	(11,312)	109,303
Equities	-	49	(10)	(66)	(27)
Holdings in UCITS	1,299	125	(1,352)	(1)	71
Loans	-	-	-	-	-
Other	-	-	-	-	-
Other financial assets and liabilities: exchange differences	-	-	-	-	98
Derivatives					
Financial derivatives					
- debt securities and interest rates	4,943	30,754	(4,763)	(30,721)	213
- equities and stock indices	3	12	(5)	-	10
- currencies and gold	-	-	-	-	1,601
- other	-	6,073	-	(5,196)	877
Credit derivatives	-	-	-	-	-
Total	82,852	84,192	(9,301)	(47,296)	112,146

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	1,022,790	399,803	(159,666)	(348,044)	914,883
Equities	-	-	-	-	-
Holdings in UCITS	1,173,829	131,241	(36,419)	(141,585)	1,127,066
Loans	-	-	(5,889)	-	(5,889)
Helding derivatives	3,702	-	-	-	3,702
Total	2,200,321	531,044	(201,974)	(489,629)	2,039,762

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	836	8,319	(7,371)	(8,281)	(6,497)
Total	836	8,319	(7,371)	(8,281)	(6,497)

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

The balance of this account amounting to €23,121 thousand (vs. €58,108 thousand at December 31, 2008), relates exclusively to profits/losses generated on investment contracts issued by the Group insurance companies.

INCOME ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This balance of this account amounting to €6,026 thousand relates exclusively to income on investments accounted for under the equity method, namely: the investment in Banca Esperia S.p.A., amounting to €87 thousand (FY 2008: €1,997 thousand), and the investment in Mediobanca S.p.A., amounting to €5,939 thousand.

INCOME (LOSS) ON OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest income and other income	292,935	335,380
Realised gains	30,641	6,109
Unrealised gains	5,511	5,368
Total income	329,087	346,857
Interest expense and similar charges	(88,535)	(196,153)
Realised losses	(8,681)	(5,749)
Unrealised losses	(41,722)	(15,008)
Total charges	(138,938)	(216,910)
Total net investment income	190,149	129,947

For enhanced accurateness, certain reclassifications were made. The December 31, 2008 balance of 'income on other financial instruments and investment property' was reduced by €303 thousand (line item: unrealised gains), while the balance of 'loss on other financial instruments and investment property' was increased by €162 adding up to a total negative movement of €465 thousand against a reclassification of equal amount to 'Other Costs'.

Analysis of net investment income

€/'000	Dec. 31, 2009	Dec. 31, 2008
Investment property	3,838	186
Available for sale financial assets	68,940	60,790
Held to Maturity Investments	66,462	29,218
Loans and Receivables	139,105	235,729
Other	(88,196)	(195,976)
Total	190,149	129,947

Analysis of net income from investment property

€/'000	Dec. 31, 2009	Dec. 31, 2008
Realised gains	240	-
Other income	4,561	419
Other expenses	(339)	(177)
Unrealised losses	(624)	(56)
Total net income from investment property	3,838	186

Analysis of net income from held-to-maturity investments

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest income and other income	66,138	29,218
Realised gains	324	-
Total net income from HTM investments	66,462	29,218

Analysis of net income from available-for-sale financial assets

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest income and other income	68,389	61,346
Realised gains	29,804	6,109
Realised losses	(8,681)	(5,749)
Unrealised losses	(20,572)	(916)
Total net income from AFS financial assets	68,940	60,790

Analysis of Loans and Receivables

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest income and other income	153,847	244,397
Realised gains	273	-
Unrealised gains	5,511	5,368
Unrealised losses	(20,526)	(14,036)
Total net income from loans and receivables	139,105	235,729

Analysis of net income from financial liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
Interest expense and other charges	(88,196)	(195,976)
Total	(88,196)	(195,976)

OTHER REVENUES

€/'000	Dec. 31, 2009	Dec. 31, 2008
Fixed duties on insurance products	13,751	13,435
Recoveries of expenses on contracts and services rendered	4,134	4,159
Other	8,040	5,676
Total	25,925	23,270

For enhanced accurateness, certain reclassifications were made. The 2008 comparative balance of 'Other Revenues' includes (+) €731 thousand reclassified out of 'Commission Income' and (-) €2,324 thousand reclassified out of 'Other Administrative Expenses'.

OPERATING EXPENSES

€/'000	Dec. 31, 2009	Dec. 31, 2008
Agents' Commissions and other acquisition costs	86,633	83,698
Investment management expenses	380	395
Other administrative expenses		
Employees	142,055	136,488
Advertising and promotions	20,910	16,634
Advisory services and collaborations	26,465	29,233
IT systems	40,193	37,230
Miscellaneous communications services	23,521	22,726
Other general expenses	60,938	55,201
Total other administrative expenses	314,082	297,512
Total	401,095	381,605

For enhanced accurateness, certain reclassifications were made. The 2008 comparative balance reflects the reclassification of €2,324 thousand out of 'Other Administrative Expenses' to 'Other Revenues'.

Average number of employees by category

€/'000	Dec. 31, 2009	Dec. 31, 2008
Employees:		
senior management	103	100
middle management	288	230
other employees	1,674	1,572
Total employees	2,065	1,902
Other personnel	26	42
Total	2,091	1,944

OTHER COSTS

€/'000	Dec. 31, 2009	Dec. 31, 2008
Employees	4,351	4,333
Amortisation of intangible assets	11,804	10,574
Depreciation of investment property and other assets	9,004	8,205
Provisions for risks and charges	20,871	22,088
Other miscellaneous expenses	20,739	17,193
Total	66,769	62,393

For enhanced accurateness, certain reclassifications were made. The 2008 comparative balance reflects the reclassification of €465 thousand out of 'Other Costs' to 'Income (loss) on other financial instruments and investment property'.

Provisions for risks and charges

€/'000	Dec. 31, 2009	Dec. 31, 2008
Provision for sales network benefits	10,469	5,301
Provision for risks related to financial advisors' illegal actions	5,160	8,334
Other provisions for risks and charges	5,242	8,453
Total	20,871	22,088

INCOME TAX

€/'000	Dec. 31, 2009	Dec. 31, 2008
Current taxes (-)	(36,716)	(36,176)
Change in prior years' current taxes (+/-)	(2,088)	(2,219)
Change in deferred tax assets (+/-)	21,437	37,304
Change in deferred tax liabilities (+/-)	(22,956)	2,160
Income tax charge for the year (-) (-1+/-2+3+/-4+/-5)	(40,323)	1,069

Reconciliation between the theoretical tax rate and the effective tax rate

€/'000	Dec. 31, 2009	Dec. 31, 2008
Theoretical tax rate	9.58%	13%
Profit before tax	257,992	22,606
Theoretical tax	24,704	2,985
Current tax losses	-	(10,648)
Taxable income - permanent differences	9,385	(2,114)
Other adjustments	(3,966)	(314)
Irap & other taxes	10,200	9,022
Tax expense	*40,323*	*(1,069)*
Effective tax rate	15.63%	n/a

PART E - SEGMENTAL INFORMATION

Segment reporting

This section presents consolidated financial data reported by operating segment. In compliance with IFRS 8, segment reporting reflects the management reporting approach of the Mediolanum 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 operating segments.
To ensure utmost consistency of data and comparability with prior year's balances, in accordance with IFRS 8, the Group reclassified prior year's data as per the new segment reporting approach.

Note on the method applied to segment reporting

Pursuant to IFRS 8, for the purpose of segment reporting of consolidated results the Mediolanum Group identified the following operating segments:

- ITALY – LIFE
- ITALY – ASSET MANAGEMENT
- ITALY – BANKING
- ITALY – OTHER
- SPAIN
- GERMANY

For the purpose of segment reporting income and expense items were directly assigned to the specific operating segment by product. Indirect costs and other residual items were spread over the various segments applying allocation policies.

Reconciliation of the income statement at December 31, 2009 to the reclassified income statement for segment reporting purposes

€/'000	Consolidated income statements
1.1 Net premiums written	
1.1.1 Gross premiums written	9,646,615
1.1.2 Reinsurance premiums	(5,131)
Total premiums written	9,641,484
1.2 Commission income	631,157
1.3 Net income on financial instruments at fair value through profit and loss	2,357,396
1.4 Income on investments in subsidiaries, associates and jvs	6,026
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	285,487
1.5.2 Other income	7,448
1.5.3 Realised gains	30,641
1.5.4 Unrealised gains	5,511
Total income on other financial instruments and investment property	329,087
1.6 Other revenues	25,925
Total revenues	12,991,075
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(11,893,839)
2.1.2 Reinsurers' share/recoveries from reinsurers	6,607
Net claims and benefits	(11,887,232)
2.2 Commission expense	(239,049)
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	(88,186)
2.4.2 Other expenses	(349)
2.4.3 Realised losses	(8,681)
2.4.4 Unrealised losses	(41,722)
Loss on other financial instruments and investment property	(138,938)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(86,633)
2.5.2 Investment management costs/expenses	(380)
2.5.3 Other administrative expenses	(314,082)
Total operating expenses	(401,095)
2.6 Other costs	(66,769)
Total costs	(12,733,083)
Profit (loss) before tax for the period	257,992
3. Income tax	(40,323)
4. Profit (loss) from discountinued operations	(389)
Group net profit (loss) for the period	217,280
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as financial contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

RECLASSIFIED INCOME STATEMENT - REVENUES

Net premiums written	Net amounts paid and change in technical technical reserves	Entry fees	Interest income and similar income	Net income on investments at fair value	Equity method	Net income on other investments	Other revenues
9,646,615	-	-	-	-	-	-	-
(5,131)	-	-	-	-	-	-	-
9.641,484	-	-	-	-	-	-	-
-	-	631,157	-	-	-	-	-
-		-	235,106	2,122,290	-	-	-
-	-	-	-	-	6,026	-	-
-	-	-	285,487	-	-	-	-
-	-	-	2,887	-	-	4,561	-
-	-	-	-	-	-	30,641	-
-	-	-	-	-	-	5,511	-
-	-	-	288,374	-	-	40,713	-
-	-	-	-	-	-	-	25,925
9,641,484	-	631,157	523,480	2,122,290	6,026	40,713	25,925
	(11,892,557)	-	-	-	-	-	-
-	6,607	-	-	-	-	-	-
-	(11,885,950)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(88,186)	-	-	-	-
-	-	-	(10)	-	-	(339)	-
-	-	-	-	-		(8,681)	-
-	-	-	-	-	-	(41,098)	-
-	-	-	(88,196)	-	-	(50,118)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(4,038)	-
-	(11,885,950)	-	(88,196)	-	-	(54,156)	-
9,641,484	(11,885,950)	631,157	435,284	2,122,290	6,026	(13,443)	25,925
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(389)	-
9,641,484	(11,885,950)	631,157	435,284	2,122,290	6,026	(13,832)	25,925
-	2,348,308	-	(269,722)	(2,065,287)	-	(13,299)	-
-	(1,425)	-	(2,887)	-	-	8,849	(1,936)
9,641,484	(9,539,067)	631,157	162,675	57,003	6,026	(18,282)	23,989

Reconciliation of the income statement at December 31, 2009 to the reclassified income statement for segment reporting purposes

€/'000
1.1 Net premiums written
1.1.1 Gross premiums written
1.1.2 Reinsurance premiums
Total premiums written
1.2 Commission income
1.3 Net income on financial instruments at fair value through profit and loss
1.4 Income on investments in subsidiaries, associates and jvs
1.5 Income on other financial instruments and investment property
1.5.1 Interest income
1.5.2 Other income
1.5.3 Realised gains
1.5.4 Unrealised gains
Total income on other financial instruments and investment property
1.6 Other revenues
Total revenues
2. Costs
2.1 Net claims and benefits
2.1.1 Amounts paid and change in technical reserves
2.1.2 Reinsurers' share/recoveries from reinsurers
Net claims and benefits
2.2 Commission expense
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
2.4.2 Other expenses
2.4.3 Realised losses
2.4.4 Unrealised losses
Loss on other financial instruments and investment property
2.5 Operating expenses
2.5.1 Agents' commissions and other acquisition costs
2.5.2 Investment management costs/expenses
2.5.3 Other administrative expenses
Total operating expenses
2.6 Other costs
Total costs
Profit (loss) before tax for the period
3. Income tax
4. Profit (loss) from discountinued operations
Group net profit (loss) for the period
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	G&A expenses	Amortisation and depreciation	Provision for risks and charges	Income tax	Net profit
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	.	-	-
	-	(1,282)	-	-	-	-
	-	-	-	-	-	-
	-	(1,282)	-	-	-	-
	(239,049)	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	(624)	-	-	-
	-	-	(624)	-	-	-
	(80,921)	(5,712)	-	-	-	-
	-	(380)	-	-	-	-
	-	(314,082)	-	-	-	-
	(80,921)	(320,174)	-	-	-	-
	-	(21,054)	(20,806)	(20,871)	-	-
	(319,970)	(342,510)	(21,430)	(20,871)	-	-
	(319,970)	(342,510)	(21,430)	(20,871)	-	-
	-	-	-	-	(40,323)	-
	(319,970)	(342,510)	(21,430)	(20,871)	(40,323)	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(14,139)	33	(4,038)	15,543	-	-
	(334,109)	(342,477)	(25,468)	(5,328)	(40,323)	217,280

CONSOLIDATED INCOME STATEMENT & BALANCE SHEET BY LINE OF BUSINESS AS AT DECEMBER 31, 2009

	ITALY					
	LIFE	BANKING	ASS. MAN.	OTHER	Consolidation adjustments	TOTAL
Net premiums written	9,545,971	-	-	-	-	9,545,971
Amounts paid & change in technical reserves	(9,457,085)	-	-	-	-	(9,457,085)
Life revenues ex-commission	88,886	-	-	-	-	88,886
Entry fees	-	-	79,885	-	-	79,885
Management fees	155,924	-	108,912	-	-	264,836
Performance fees	89,007	-	62,602	-	-	151,609
Banking service fees	-	59,134	-	-	(713)	58,421
Other fees	1,111	1,599	17,988	3,769	-	24,467
Total commission income	246,042	60,733	269,387	3,769	(713)	579,218
Interest income and similar income	18,490	139,357	1,107	(4,057)	-	154,897
Net income on investments at fair value	31,525	24,825	(5)	24	-	56,369
Net financial income	50,015	164,182	1,102	(4,033)	-	211,266
Equity method	-	-	-	6,026	-	6,026
Income from other investments	6,848	(27,110)	(11)	1,761	-	(18,512)
Other revenues	15,008	7,085	187	1,235	-	23,515
TOTAL REVENUES	406,799	204,890	270,665	8,758	(713)	890,399
Acquisition costs & other commission expenses	(126,867)	(43,412)	(119,888)	(3,077)	-	(293,244)
G&A expenses	(100,608)	(133,086)	(65,447)	(2,961)	713	(301,389)
Amortisation and depreciation	(4,594)	(10,494)	(3,472)	(4,191)	-	(22,751)
Provision for risks and charges	(2,579)	(771)	(3,047)	(146)	-	(6,543)
TOTAL COSTS	(234,648)	(187,763)	(191,854)	(10,375)	713	(623,927)
PROFIT/ (LOSS) BY SEGMENT before tax	172,151	17,127	78,811	(1,617)	-	266,472
Income Tax	-	-	-	-	-	(42,353)
NET PROFIT / (LOSS)	-	-	-	-	-	224,119
Goodwill	22,915	-	-	-	-	22,915
Investment property	90,518	-	-	-	-	90,518
Investments in subsidiaries, associates and JVs	-	-		432,684	-	432,684
Held to maturity & loans and receivables assets	293,519	2,084,717	-	-	-	2,378,236
Available for sale assets	1,893,188	825,732	20,618	23,520	-	2,763,058
Financial assets/liabilities at fair value through profit and loss	3,022,632	583,486	-	-	-	3,606,118
Financial assets under which the investment risk is borne by the policyholder	13,550,088	-	-	-	-	13,550,088
Treasury loans	(753,260)	309,486	(54,653)	446,241	-	(52,186)
- of which intercompany	*783,000*	*17,543*	*38,704*	*10,848*	-	*850,095*
Loans to customers	-	3,005,634	-	-	-	3,005,634
Banking inflows	-	5,968,332	-	-	-	5,968,332
- of which intercompany	-	*1,127,334*	-		-	*1,127,334*
Net technical reserves	19,522,446	-	-	-	-	19,522,446

ABROAD			
SPAIN	GERMANY	Consolidation adjustments	TOTAL
82,497	13,016	-	9,641,484
(70,524)	(11,458)	-	(9,539,067)
11,973	1,558	-	102,417
2,355	259	-	82,499
9,322	3,684	(219)	277,623
2,778	479	-	154,866
5,243	26,407	(5)	90,066
1,394	242	-	26,103
21,092	31,071	(224)	631,157
7,140	638	-	162,675
491	143	-	57,003
7,631	781	-	219,678
-	-	-	6,026
545	(315)	-	(18,282)
593	447	(566)	23,989
41,834	33,542	(790)	964,985
(15,408)	(25,681)	224	(334,109)
(28,390)	(13,264)	566	(342,477)
(1,551)	(1,166)	-	(25,468)
1,215	-	-	(5,328)
(44,134)	(40,111)	790	(707,382)
(2,300)	(6,569)	-	257,603
2,231	(201)	-	(40,323)
(69)	(6.770)	-	217,280
122,809	11,540	-	157,264
-	-	-	90,518
-	-	-	432,684
2,957	9,008	-	2,390,201
193,148	-	-	2,956,206
13,462	4,009	-	3,623,589
377,512	43,204	-	13,970,804
(98,525)	(41,763)	-	(192,474)
(11,813)	*(5,730)*	-	*832,552*
117,163	4,357	-	3,127,154
329,792	16,695	-	6,314,819
346	*3,105*	-	*1,130,785*
388,520	45,426	-	19,956,392

CONSOLIDATED INCOME STATEMENT & BALANCE SHEET BY LINE OF BUSINESS AS AT DECEMBER 31, 2008

	ITALY					
	LIFE	BANKING	ASS. MAN.	OTHER	Consolidation adjustments	TOTAL
Net premiums written	2,659,675	-	-	-	-	2,659,675
Amounts paid & change in technical reserves	(2,561,802)	-	-	-	-	(2,561,802)
Life revenues ex-commission	97,873	-	-	-	-	97,873
Entry fees	-	-	52,798	-	-	52,798
Management fees	158,462	-	110,988	-	-	269,450
Performance fees	27,800	-	21,657	-	-	49,457
Banking service fees	-	51,374	-	-	(727)	50,647
Other fees	3,937	23	20,686	3,778	-	28,424
Total commission income	190,199	51,397	206,129	3,778	(727)	450,776
Interest income and similar income	25,921	132,915	3,404	(14,882)	-	147,358
Net income on investments at fair value	(3,824)	5,439	(9)	(26)	-	1,580
Net financial income	22,097	138,354	3,395	(14,908)	-	148,938
Equity method	-	-	-	1,997	-	1,997
Income from other investments	(2,828)	(5,230)	314	19,926	-	12,182
Other revenues	14,053	4,150	521	1,623	-	20,347
TOTAL REVENUES	321,394	188,671	210,359	12,416	(727)	732,113
Acquisition costs & other commission expenses	(124,803)	(40,831)	(75,359)	(3,070)	-	(244,063)
G&A expenses	(100,347)	(116,467)	(62,168)	(2,070)	727	(280,325)
Amortisation and depreciation	(4,777)	(8,257)	(3,457)	(109)	-	(16,600)
Provision for risks and charges	(5,632)	(1,178)	(3,761)	(254)	-	(10,825)
TOTAL COSTS	(235,559)	(166,733)	(144,745)	(5,503)	727	(551,813)
PROFIT/ (LOSS) BY SEGMENT before tax	85,835	21,938	65,614	6,913	-	180,300
Income Tax	-	-	-	-	-	(35,968)
NET PROFIT / (LOSS)	-	-	-	-	-	144,332
Goodwill	22,915	-	-	4,038	-	26,953
Investment property	4,777	-	-	-	-	4,777
Investments in subsidiaries, associates and JVs	-	-	-	396,140	-	396,140
Held to maturity & loans and receivables assets	280,597	1,204,032	-	-	-	1,484,629
Available for sale assets	499,700	861,862	6,174	21,069	-	1,388,805
Financial assets/liabilities at fair value through profit and loss	418,061	558,914	-	-	-	976,975
Financial assets under which the investment risk is borne by the policyholder	10,721,305	-	-	-	-	10,721,305
Treasury loans	(145,813)	(43,000)	(47,184)	331,330	-	95,333
- of which intercompany	*191,021*	*(78,522)*	*40,453*	*105,379*	-	*258,331*
Loans to customers	-	3,090,936	-	-	-	3,090,936
Banking inflows	-	5,598,339	-	-	-	5,598,339
- of which intercompany	-	*413,659*	-	-	-	*413,659*
Net technical reserves	12,018,544	-	-	-	-	12,018,544

ABROAD			
SPAIN	GERMANY	Consolidation adjustments	TOTAL
69,171	9,956	-	2,738,802
(61,786)	(9,954)	-	(2,633,542)
7,385	2	-	105,260
3,063	462	-	56,323
10,083	4,077	(137)	283,473
778	137	-	50,372
6,350	18,749	(6)	75,740
2,147	484	-	31,055
22,421	23,909	(143)	496,963
10,838	2,677	1	160,874
(2,184)	(244)	-	(848)
8,654	2,433	1	160,026
-	-	-	1,997
(38)	-	-	12,144
1,046	699	(551)	21,541
39,468	27,043	(693)	797,931
(13,872)	(20,520)	145	(278,310)
(32,651)	(12,163)	548	(324,591)
(1,395)	(840)	-	(18,835)
(159)	(153)	-	(11,137)
(48,077)	(33,676)	693	(632,873)
(8,609)	(6,633)	-	165,058
2,361	(176)	-	(33,783)
(6,248)	(6,809)	-	131,275
122,809	11,540	-	161,302
-	-	-	4,777
-	-	-	396,140
-	-	-	1,484,629
100,795	-	-	1,489,600
9,387	1,234	-	987,596
267,788	30,993	-	11,020,086
(166,148)	(63,564)	-	(134,379)
48,526	*30,007*	-	*336,864*
134,920	8,324	-	3,234,180
348,891	32,413	-	5,979,643
353	*3,809*	-	*417,821*
277,047	31,997	-	12,327,588

ITALY - LIFE

€/'000	Dec. 31, 2009	Dec. 31, 2008	Change	% chg
Net premiums written	9,545,971	2,659,675	6,886,296	259%
Amounts paid and change in reserves	(9,457,085)	(2,561,802)	(6,895,283)	269%
Net life insurance revenues (ex commissions)	88,886	97,873	(8,987)	(9%)
Commission income	246,041	190,199	55,842	29%
Net interest income	18,490	25,921	(7,431)	(29%)
Net income (loss) on investments at fair value	31,525	(3,824)	35,349	(924%)
Net financial income	50,015	22,097	27,918	126%
Net income on other investments	6,848	(2,828)	9,676	(342%)
Other revenues	15,008	14,053	955	7%
TOTAL REVENUES	406,798	321,394	85,404	27%
Commission expenses & acquisition costs	(126,867)	(124,803)	(2,064)	2%
General and administrative expenses	(100,608)	(100,347)	(261)	0%
Amortisation, depreciation and provisions	(4,594)	(4,777)	183	(4%)
Net provisions for risks	(2,579)	(5,632)	3,053	(54%)
TOTAL COSTS	(234,648)	(235,559)	911	0%
PROFIT BEFORE TAX	172,150	85,835	86,315	101%

At the end of 2009, net life insurance revenues before acquisition costs amounted to €88.9 million versus €97.9 million in the prior year. The €9 million decline reflects, on the one hand, falling loadings for the period due to lower sales of index-linked policies, and on the other hand, the decrease in net income from the release of technical reserves owing to reduced surrenders for the period, net of surrenders relating to *Mediolanum Plus*.

Commission income for the year amounted to €246 million versus €190.2 million at December 31, 2008. The €55.8 million increase in commission income was largely owed to the growth in performance fees in the life business segment (+€61.2 million).

Net financial income amounted to €50 million versus €22.1 million in the prior year. The improvement was owed to the financial market upturn in 2009 and the notable increase in assets invested in insurance products in connection with the success of the new *Mediolanum Plus* policy.

Costs at €234.6 million remained essentially in line with the prior year's balance of €235.6 million.

ITALY - ASSET MANAGEMENT

€/'000	Dec. 31, 2009	Dec. 31, 2008	Change	% chg
Entry fees	79,885	52,798	27,087	51%
Management fees	108,912	110,988	(2,076)	(2%)
Performance fees	62,602	21,657	40,945	189%
Other fees	17,988	20,686	(2,698)	(13%)
Total commission income	269,387	206,129	63,258	31%
Net interest income	1,107	3,404	(2,297)	(67%)
Net income (loss) on investments at fair value	(5)	(9)	4	(44%)
Net financial income	1,102	3,395	(2,293)	(68%)
Net income on other investments	(11)	314	(325)	(104%)
Other revenues	187	521	(334)	(64%)
TOTAL REVENUES	270,665	210,359	60,306	29%
Commission expenses & acquisition costs	(119,888)	(75,359)	(44,529)	59%
General and administrative expenses	(65,447)	(62,168)	(3,279)	5%
Amortisation, depreciation and provisions	(3,472)	(3,457)	(15)	0%
Net provisions for risks	(3,047)	(3,761)	714	(19%)
TOTAL COSTS	(191,854)	(144,745)	(47,109)	33%
PROFIT BEFORE TAX	78,811	65,614	13,197	20%

Commission income for the year amounted to €269.4 million, up €63.3 million from €206.1 million at December 31, 2008. 2009 commission income benefitted from growth in performance fees (€40.9 million) and entry fees (€27.1 million) as a result of the notable increase in gross inflows.

At the end of the year under review, costs in this segment amounted to €191.9 million versus €144.7 million in the prior year. In particular, commission expenses were up €44.5 million due to greater entry fees and incentives paid out to the sales network on the net inflows they brought. The ratio of commission expenses to commission income (ex performance fees) was about 58% in 2009 versus 41% in the prior year.

ITALY - BANKING

€/'000	Dec. 31, 2009	Dec. 31, 2008	Change	% chg
Banking service fees	59,134	51,374	7,760	15%
Other fees	1,599	23	1,576	6,852%
Total commission income	60,733	51,397	9,336	18%
Net interest income	139,357	132,915	6,442	5%
Net income (loss) on investments at fair value	24,825	5,439	19,386	356%
Net financial income	164,182	138,354	25,828	19%
Net income on other investments	(27,110)	(5,230)	(21,880)	418%
Other revenues	7,085	4,150	2,935	71%
TOTAL REVENUES	204,890	188,671	16,219	9%
Commission expenses & acquisition costs	(43,412)	(40,831)	(2,581)	6%
General and administrative expenses	(133,086)	(116,467)	(16,619)	14%
Amortisation, depreciation and provisions	(10,494)	(8,257)	(2,237)	27%
Net provisions for risks	(771)	(1,178)	407	(35%)
TOTAL COSTS	(187,763)	(166,733)	(21,030)	13%
PROFIT BEFORE TAX	17,127	21,938	(4,811)	(22%)

At year end 2009, net financial income grew €25.8 million to €164.2 million from €138.4 million at December 31, 2008, thanks to greater spreads earned on corporate bonds and notable income from trading.

Commission income rose 18% from €51.4 million at December 31, 2008 to €60.7 million at the end of the year under review. The €9.3 million increase was mainly owed to greater banking service fees.

Costs amounted to €187.8 million versus €166.7 million in the prior year. The €21 million increase was in connection with greater advertising spending and staff costs largely due to growth in the retail banking business and the related reinforcement of the organisational structure.

ITALY - OTHER

€/'000	Dec. 31, 2009	Dec. 31, 2008	Change	% chg
Commission income	3,769	3,778	(9)	0%
Net interest income	(4,057)	(14,882)	10,825	(73%)
Net income (loss) on investments at fair value	24	(26)	50	(192%)
Net financial income	(4,033)	(14,908)	10,875	(73%)
Equity method valuation	6,026	1,997	4,029	202%
Net income on other investments	1,761	19,926	(18,165)	(91%)
Other revenues	1,234	1,624	(390)	(24%)
TOTAL REVENUES	8,757	12,417	(3,660)	(29%)
Commission expenses & acquisition costs	(3,077)	(3,069)	(8)	0%
General and administrative expenses	(2,961)	(2,070)	(891)	43%
Amortisation, depreciation and provisions	(4,192)	(109)	(4,083)	3,746%
Net provisions for risks	(147)	(254)	107	(42%)
TOTAL COSTS	(10,377)	(5,502)	(4,875)	89%
PROFIT BEFORE TAX	(1,620)	6,915	(8,535)	(123%)

At year end 2009, net financial income for this segment was negative at €4 million improving from prior year's negative balance of €14.9 million. Net financial income for the year benefitted from significant interest rate declines. The negative balance was in connection with the debt of the parent company Mediolanum S.p.A. in relation to the strategic investments in the Mediobanca and Banca Esperia Groups.

'Equity method valuation' relates to the share of profits from Mediobanca, amounting to €5,939 thousand, and Banca Esperia, amounting to €87 thousand (FY 2008: €1,997 thousand).

SPAIN

€/'000	Dec. 31, 2009	Dec. 31, 2008	Change	% chg
Net premiums written	82,497	69,171	13,326	19%
Amounts paid and change in reserves	(70,524)	(61,786)	(8,738)	14%
Net life insurance revenues (ex. commissions)	11,973	7,385	4,588	62%
Commission income	21,092	22,421	(1,329)	(6%)
Net interest income	7,140	10,838	(3,698)	(34%)
Net income (loss) on investments at fair value	491	(2,184)	2,675	(122%)
Net financial income	7,631	8,654	(1,023)	(12%)
Net income on other investments	545	(38)	583	n/a
Other revenues	593	1,046	(453)	(43%)
TOTAL REVENUES	41,834	39,468	2,366	6%
Commission expenses & acquisition costs	(15,408)	(13,872)	(1,536)	11%
General and administrative expenses	(28,390)	(32,651)	4,261	(13%)
Amortisation, depreciation and provisions	(1,551)	(1,395)	(156)	11%
Net provisions for risks	1,215	(159)	1,374	(864%)
TOTAL COSTS	(44,134)	(48,077)	3,943	(8%)
PROFIT BEFORE TAX	(2,300)	(8,609)	6,309	(73%)

Net life insurance revenues before acquisition costs were up €4.6 million to €12 million from €7.4 million in the prior year.

Commission income was down from €22.4 million in the prior year to €21.1 million at the end of the year under review.

Costs declined 8% from €48.1 million in the prior year to €44.1 million thanks to improved structural cost effectiveness.

GERMANY

€/'000	Dec. 31, 2009	Dec. 31, 2008	Change	% chg
Net premiums written	13,016	9,956	3,060	31%
Amounts paid and change in reserves	(11,458)	(9,954)	(1,504)	15%
Net life insurance revenues (ex. commissions)	1,558	2	1,556	n/a
Commission income	31,071	23,909	7,162	30%
Net interest income	638	2,677	(2,039)	(76%)
Net income (loss) on investments at fair value	143	(244)	387	(159%)
Net financial income	781	2,433	(1,652)	(68%)
Net income on other investments	(315)	-	(315)	n/a
Other revenues	447	699	(252)	(36%)
TOTAL REVENUES	33,542	27,043	6,499	24%
Commission expenses & acquisition costs	(25,681)	(20,520)	(5,161)	25%
General and administrative expenses	(13,264)	(12,163)	(1,101)	9%
Amortisation, depreciation and provisions	(1,166)	(840)	(326)	39%
Net provisions for risks	-	(153)	153	(100%)
TOTAL COSTS	(40,111)	(33,676)	(6,435)	19%
PROFIT BEFORE TAX	(6,569)	(6,633)	64	(1%)

New business and ATM expansion put us on a good track, although in the year we had to make extraordinary investments for compliance with regulatory changes.

Commission income grew 30% to €31.1 million from €23.9 million at December 31, 2008. The €7.2 million increase was largely owed to growth in banking service fees.

Commission expenses amounted to €25.7 million, up 25%.

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 by the holding company Mediolanum S.p.A..

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 2009. 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, misconduct or inappropriate behaviour of personnel, 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 and rating) 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 IFRS 7

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.
IFRS 7 was amended twice, in October 2008 and in March 2009. The date of application was July 1, 2008 for the first amendments, and January 1, 2009 for the second amendments.
The disclosures required under IFRS 7 are both qualitative and quantitative and relate to exposure to credit risk, liquidity risk and market risk. Qualitative disclosures relate to the "*objectives, policies, processes and methods adopted by management for risk measurement and management*", 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.
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.

In March 2009, the IASB issued amendments to IFRS 7 to respond to market pricing predicaments following the financial crisis and the need for improved transparency. A key change introduced by the IASB was a fair value measurement hierarchy ('fair value hierarchy') that has the following 3 levels:
- Level 1 fair value measurements are those derived from quoted prices in active markets;
- Level 2 fair value measurements are those derived from inputs that are based on observable market data other than quoted prices;
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

The Mediolanum Group classified its assets and liabilities at fair value in accordance with the rules set out in said amendments, providing disclosures both by line of business and by type of product.
For its insurance business, the Mediolanum Group also disclosed separately risk information relating to its own risk and the risk of its clients (assets backing Class III reserves).

Information on 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

As noted in the previous section, 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.

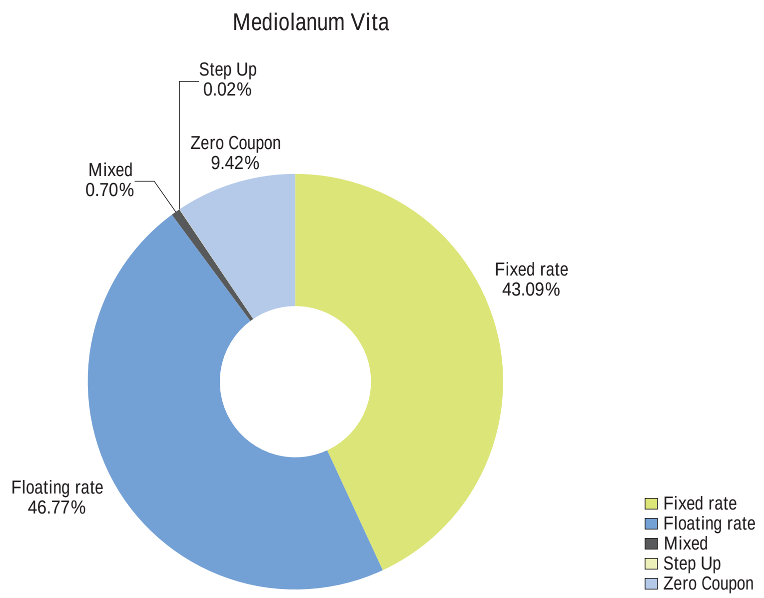
Liquidity risk

Liquidity risk is essentially in relation to Mediolanum Vita S.p.A.'s. free capital and traditional portfolio since for Class III reserves there are buyback arrangements in place ensuring that the assets backing said reserves can be promptly realised. 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):

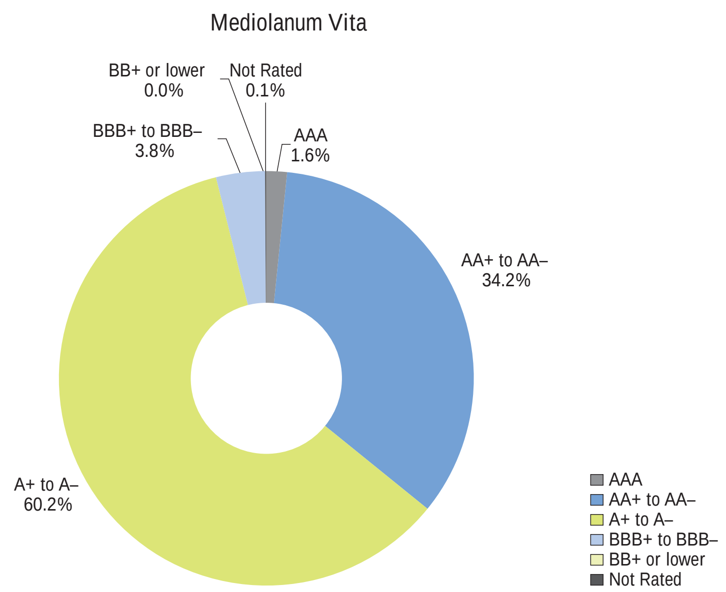
- for fixed-rate instruments it shows all cash flows (principal and interest) at maturity;
- for floating-rate instruments coupons are posted at maturity, while principal is posted at the first re-pricing date after the analysis.

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

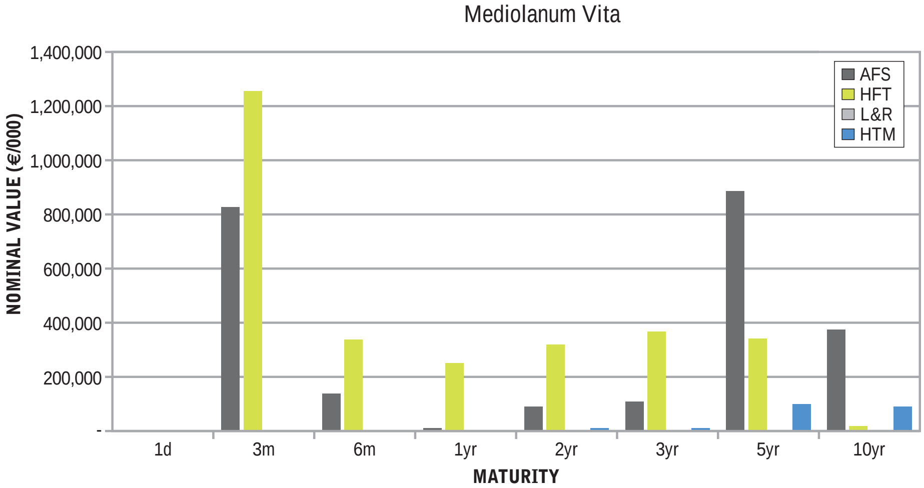
Analysis of the insurance traditional portfolio by type of assets (2009)



Analysis of the insurance traditional portfolio by rating (2009)



Analysis of thr insurance traditional portfolio (free capital and traditional reserve)



Market risk

Market risk associated with Mediolanum Vita's 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 and to possible changes in spreads.

As to exposure to interest rate risk, the table below sets 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 sensitivity to interest rate movements.

HFT Mediolanum Vita Securities Portfolio - MARKET RISK
(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
Nominal value	2,632,586	244,370	977%
Market value	2,623,609	315,263	732%
Modified Duration	0.98	5.38	(82%)
VaR99% - 1 day	4,572	2,662	72%
VaR99% - 15 days	14,459	8,419	72%
Sensitivity + 100bps	(25,589)	(17,287)	48%
Sensitivity - 100bps	24,531	16,982	44%

AFS Mediolanum Vita Securities Portfolio - MARKET RISK
(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
Nominal value	2,104,068	474,003	344%
Market value	2,623,609	506,727	418%
Modified Duration	3.22	5.99	(46%)
VaR99% - 1 day	10,559	4,598	130%
VaR99% - 15 days	33,390	14,541	130%
Sensitivity + 100bps	(67,907)	(28,959)	134%
Sensitivity - 100bps	72,731	30,704	137%

HTM Mediolanum Vita Securities Portfolio - MARKET RISK
(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
Nominal value	267,856	250,009	7%
Market value	256,393	261,927	(2%)
Modified Duration	8.26	8.77	(6%)
VaR99% - 1 day	2,020	2,864	(29%)
VaR99% - 15 days	6,388	9,057	(29%)
Sensitivity + 100bps	(20,802)	(21,405)	(3%)
Sensitivity - 100bps	23,948	23,400	2%

L&R Mediolanum Vita Securities Portfolio - MARKET RISK
(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
Nominal value	455	-	n/a
Market value	461	-	n/a
Modified Duration	3.03	-	n/a
VaR99% - 1 day	2	-	n/a
VaR99% - 15 days	7	-	n/a
Sensitivity + 100bps	(13)	-	n/a
Sensitivity - 100bps	14	-	n/a

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)
(Year end 2009 vs. 2008)

Rating (S&P Equivalent)	2009 (€/'000)	%	2008 (€/'000)	%	Change (%)
Total Portfolio	5,081,270	100.0%	1,022,172	100%	397%
AAA	82,966	1.6%	-	-	-
AA+ to AA-	1,736,100	34.2%	64,267	6.3%	2,601%
A+ to A-	3,060,937	60.3%	954,793	93.4%	221%
BBB+ to BBB-	194,760	3.8%	3,112	0.3%	6,158%
BB+ or lower	-	-	-	-	-
Not rated	6,507	0.1%	-	-	-

In addition to rating analysis, the Mediolanum Vita HFT portfolio is also monitored for exposure to spread movements. Although the comparison with prior year's data suggests a slight increase in exposure, this is largely in connection with increased assets rather than actual changes in the creditworthiness of the issuers of the securities held in the portfolio.

Mediolanum Vita HFT Portfolio - Exposure to Spread Movements
(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
TOTAL PORTFOLIO	19,565	14,611	34%

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 (e.g. exposure limits, asset quality and volatility) 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, or listed instruments with daily remargining risk is residual.

To mitigate counterparty risk arising on derivative positions, in 2009 the Group entered into ISDA Master Agreements and Credit Support Annexes (CSAs) (collateralisation).
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. In addition, credit risk is mitigated by collateralisation under CSAs (where applicable).

Credit Risk

Exposure to credit risk is monitored also in relation to Index Linked contracts since this type of insurance investment entails 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 100,000 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 Herfindhal 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. Exposures are indicated at market value and on a consolidated basis.

Group - Index Linked Portfolio Concentration Risk
(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
EL	38,548	114,873	(66%)
UL	450,070	308,286	46%
Credit VaR (95%)	488,618	423,160	15%
Normalised Herfindahl Index (concentration index)	5.14%	5.07%	1%

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 Dec. 31, 2009)

	Reinsured technical reserves (€/'000)	EL (€/'000)	Moody's rating	S&P's rating	PD	LGD
Total	99,682	854				
Swiss Reinsurance Co	39,480	494	A1	A+	2.09%	60%
Munchener Ruck Italia S.p.A.	22,611	108	Aa3	AA-	0.80%	60%
Scor Global Life SE	17,428	78	A2	A	0.74%	60%
Swiss Re Frankona Ruck	9,577	120	A1	A+	2.09%	60%
Scor Global Life Deutschland	8,026	36	A2	A	0.74%	60%
Hannover Rueck AG	2,560	19	n/a	AA-	1.21%	60%

Fair Value Hierarchy Disclosures

Fair value hierarchy information relating to Mediolanum Vita's Free Capital, Traditional Reserve and Class III Portfolios is set out in the table below.

Mediolanum Vita
As of Dec. 31, 2009

€/'000	L1	L2	L3	TOTAL
Free capital				
Assets				
Debt securities	4,500,905	272,312	1,722	4,774,939
Equities	665	-	1,785	2,451
Holdings in UCITS	6,520	-	32,792	39,312
Loans	-	-	-	-
Financial derivatives	-	-	1,728	1,728
Credit derivatives	-	-	-	-
TOTAL ASSETS	4,508,090	272,312	38,027	4,818,429
Liabilities				
Financial derivatives	-	(12,289)	(8,485)	(20,774)
TOTAL LIABILITIES	-	(12,289)	(8,485)	(20,774)
TOTAL A+L	4,508,090	260,023	29,542	4,797,655
Class III				
Assets				
Debt securities	-	2,073,118	294,516	2,367,634
Equities	-	-	-	-
Holdings in UCITS	7,309,376	6,454	-	7,315,830
Loans	-	-	-	-
Financial derivatives	-	18,813	161,962	180,775
Credit derivatives	-	-	-	-
TOTAL ASSETS	7,309,376	2,098,385	456,478	9,864,239
Liabilities				
Liabilities under financial contracts issued by insurance companies	(13,265)	(1,794)	(1,774)	(16,833)
Deposits received from reinsurers	-	-	-	-
Financial liabilities of reinsurance contracts	-	-	-	-
Amounts due to banks	-	-	-	-
Amounts due to customers	-	-	-	-
Debt securities	-	-	-	-
TOTAL LIABILITIES	(13,265)	(1,794)	(1,774)	(16,833)
TOTAL A+L	7,296,111	2,096,591	454,704	9,847,406

As you can see from the data above, 99% of Level 3 assets are assets backing Class III reserves and as such any movement in their fair value is directly reflected in the same amount in mathematical reserves without impact on the Company's profitability. These assets mostly consist of options on stock market indices whose value is linked to parameters such as volatility and correlation that are not directly observable in the market.
Free Capital includes certain assets resulting from the buyback of Index Linked from customers pending sale to counterparties under arrangements in force.

Fair value hierarchy information relating to Mediolanum International Life Ltd's Free Capital and Class III Portfolios is set out in the table below.

Mediolanum International Life Ltd
As of Dec. 31, 2009

€/'000	L1	L2	L3	TOTAL
Fee Capital				
Assets				
Debt securities	102,396	11,210	-	113,606
Equities	-	-	-	-
Holdings in UCITS	-	-	-	-
Loans	-	-	-	-
Financial derivatives	-	2,685	682	3,367
Credit derivatives	-	-	-	-
TOTAL	102,396	13,896	682	116,973
Class III				
Assets				
Debt securities	-	3,061,192	174,814	3,236,006
Equities	-	-	-	-
Holdings in UCITS	320,654	585,784	-	906,438
Loans	-	-	-	-
Financial derivatives	-	-	-	-
Credit derivatives	-	-	-	-
TOTAL ASSETS	320,654	3,646,976	174,814	4,142,444
Liabilities				
Liabilities under financial contracts issued by insurance companies	(20,344)	(33,342)	-	(53,686)
Deposits received from reinsurers	-	-	-	-
Financial liabilities of reinsurance contracts	-	-	-	-
Amounts due to banks	-	-	-	-
Amounts due to customers	-	-	-	-
Debt securities	-	-	-	-
TOTAL LIABILITIES	(20,344)	(33,342)	-	(53,686)
TOTAL A+L	300,311	3,613,634	174,814	4,088,759

As you can see from the data above, 99% of Level 3 assets are assets backing Class III reserves and as such any movement in their fair value is directly reflected in the same amount in mathematical reserves without impact on the Company's profitability. These assets mostly consist of options on stock market indices whose value is linked to parameters such as volatility and correlation that are not directly observable in the market.
Free Capital includes certain assets resulting from the buyback of Index Linked from customers pending sale to counterparties under arrangements in force.

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	Watch list	Re-structured	Past Due	Other Assets	Total
1. Financial assets held for trading	-	-	-	-	843,663	843,663
2. Available-for sale financial assets	-	102	-	-	808,724	808,826
3. Held-to-maturity investments	-	-	-	-	1,329,347	1,329,347
4. Loans to banks	-	-	-	-	1,673,368	1,673,368
5. Loans to customers	7,699	22,181	328	13,315	3,288,379	3,331,902
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	1,179	1,179
Total at Dec. 31, 2009	7,699	22,283	328	13,315	7,944,660	7,988,285
Total at Dec. 31, 2008	5,945	11,405	522	14,843	8,817,192	8,849,907

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. Exposure to counterparty risk is measured applying the present value method to OTC derivative contracts. 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. To protect against counterparty risk arising from said derivatives contracts the Group entered into ISDA Master Agreements. In addition, in 2009 the Group put in place ad-hoc procedures and tools for the management of collaterals in relation to derivative transactions and used *Credit Support Annexes* as key instruments to mitigate related counterparty risk.

The mark-to-market value at December 31, 2009 of the derivatives portfolio by counterparty is set out in the table below.

OTC derivatives – Counterparty risk
(As of Dec. 31, 2009)

€/'000	IRO	IRS	OIS	Total
Counterparty	791	1,242	-	2,033
BNP Paribas SA	-	568	-	568
Crédit Agricole SA	7	-	-	7
Intesa Sanpaolo S.p.A.	-	509	-	509
HSBC Bank Plc	147	-	-	147
Mediobanca S.p.A.	50	148	-	198
Royal Bank of Scotland Plc	49	17	-	66
UniCredit S.p.A.	538	-	-	538

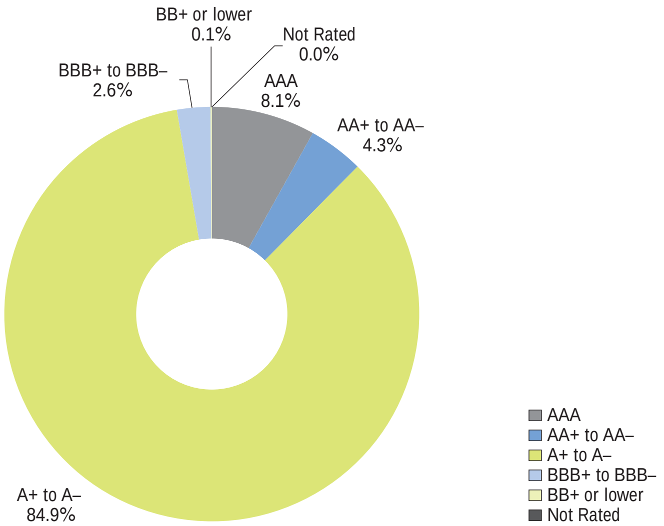
Issuer Risk - Analysis of the Banking Group's securities portfolio by rating

HFT, HTM, AFS, L&R Portfolio - Rating Composition
(Year end 2009 vs. 2008)

Rating (S&P Equivalent)	2009 (€/'000)	%	2008 (€/'000)	%	Change (%)
Total Portfolio	3,374,432	100%	2,538,276	100%	33%
AAA	274,983	8.1%	116,141	4.6%	137%
AA+ to AA-	143,803	4.3%	577,880	22.8%	(75%)
A+ to A-	2,865,478	84.9%	1,580,146	62.3%	81%
BBB+ to BBB-	88,148	2.6%	162,110	6.4%	(46%)
BB+ or lower	2,021	0.1%	1,998	0.1%	1%
Not Rated	-	-	100,00	3.9%	(100%)

Total portfolio value does not take account of accruals.

Rating Composition portfolio HFT-HTM-AFS-L&R (2009)



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.
As required by the Banking Supervisor (Bank of Italy) the banking group's exposure to concentration risk in monitored for the purposes of ICAAP only for the 'Business & Others' Portfolio. The Group exposure in that portfolio is of limited size and relevance. In addition, the Banking Group put in place a system for monitoring concentration risk on a weekly basis in accordance with rules governing management of large exposures.

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

(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
Nominal value	484,961	595,148	(19%)
Market value	457,260	597,909	(24%)
Modified Duration	0.42	0.32	31%
VaR99% - 1 day	141	230	(39%)
VaR99% - 1 year	2,272	3,707	(39%)
Sensitivity + 100bps	(2,147)	(1,543)	39%
Sensitivity - 100bps	1,895	1,697	12%

Exposure to Spread Movements

Banca Mediolanum HFT Portfolio Exposure to Spread Movements - VaR 99% – 15 days

(Year end 2009 vs. 2008)

€/'000	2009	2008	Change (%)
TOTAL PORTFOLIO	990	1,854	(47%)

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 Banking Group's 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

ALM PRO is the system used for managing Banking Book's Assets and Liabilities against the risk of adverse movements in interest rates. As such, ALM PRO assists management in assessing Banca Mediolanum's funding and lending policies and their possible impact on the bank's financial condition and earnings. In 2009, Banca Mediolanum put in place a dedicated ALM PRO policy including limits and procedures for monitoring annual Net Interest Income and the Economic Value of the Bank.

Movements in annual Net Interest Income
(As of Dec. 31, 2009)

€/'000	Balance	+ 100bps	- 100bps
Total Assets	7,155,079	44,976	(44,501)
Total Liabilities	(7,043,477)	(47,567)	30,523
Off-balance sheet positions (hedging derivatives)	-	4,836	(3,204)
YEAR'S MOVEMENT	-	2,245	(17,183)

Liquidity risk

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

Fair value hierarchy disclosures

Fair value hierarchy information relating to the Mediolanum Banking Group is set out in the table below.

As of Dec. 31, 2009 - BANKING GROUP

€/'000	L1	L2	L3	TOTAL
Assets	1,624,371	199,391	60,658	1,884,420
Debt securities	1,624,033	72,027	741	1,696,801
Equities	337	253	10,865	11,455
Holdings in UCITS	-	121,901	49,052	170,953
Loans	-	-	-	-
Financial derivatives	1	5,210	-	5,211
Credit derivatives	-	-	-	-
Liabilities	(258,251)	(18,204)	-	(276,455)
Amounts due to banks	(22,599)	-	-	(22,599)
Amounts due to customers	(235,652)	(383)	-	(236,036)
Financial derivatives	-	(17,821)	-	(17,821)
TOTAL	1,366,120	181,187	60,658	1,607,965

In accordance with IASB/IFRS requirements, Level 3 includes holdings in real estate funds that are part of the Banca Mediolanum's AFS portfolio, minority interests in unlisted companies and debt securities measured using an internal model when risk data are not directly observable in the market.

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 investment 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% IPS55: 0% 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 and Freedom 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).

The insurance companies within the Group are engaged in the implementation of activities under the new solvency II framework. In 2009, these companies conducted a detailed gap analysis in relation to organisational and functional requirements for the implementation of Solvency II. In view of participating in the Quantitative Impact Study 5 (QIS 5) in 2010, both Mediolanum Vita and Mediolanum International Life started a number of activities focused on in-depth analysis and understanding of measurements under future solvency requirements.

Operational Risk

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

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

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.

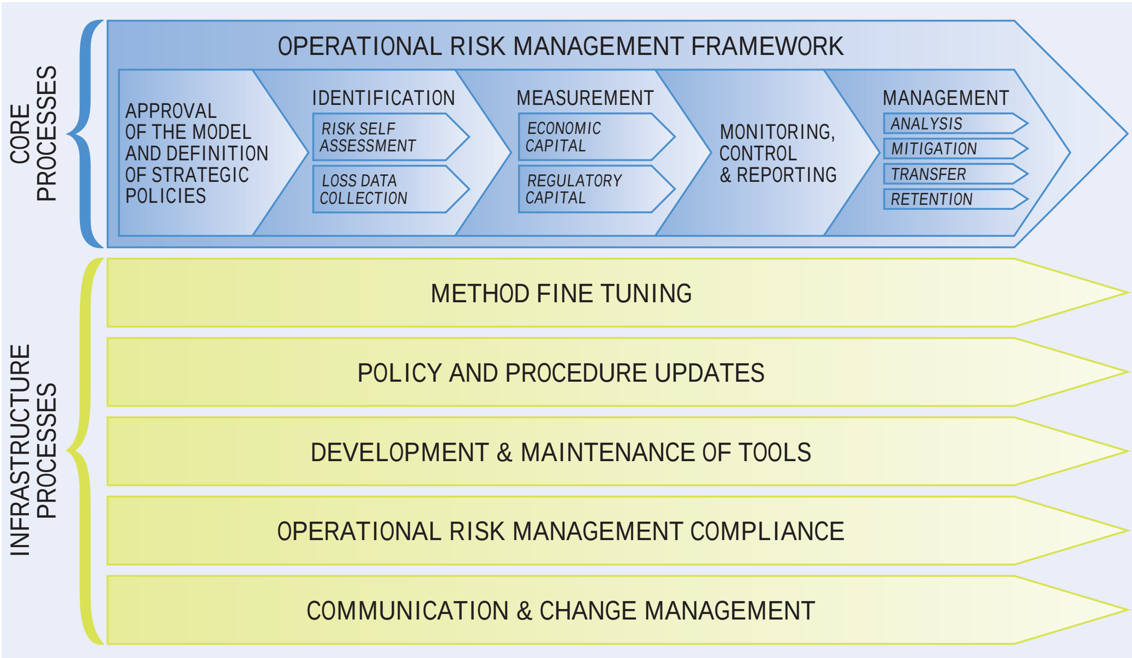
The internal rating system has been fully operational since 2007, and throughout 2008 was applied to the most relevant Italian and foreign companies that are part of the Group.

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.

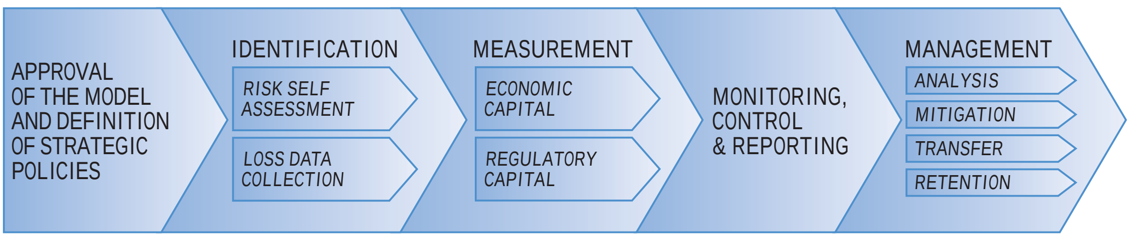
The system uses four ratings, which identify a different level of risk and related response, i.e.:

- 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.



In 2009, over 230 organisational units of Companies within the Mediolanum Group were examined, identifying over/about 3,000 operational risk checkpoints. About 80% of these checkpoints were judged to be adequate or in need of being just better formalised. About 200 risk mitigation actions were taken in relation to risk controls that were judged to be unsatisfactory or in need of improvement.

Said work was conducted by the operational risk management staff of each consolidated entity with the assistance of local officers at subsidiaries who are responsible for liaising with the correspondent unit of the Parent Company for guidance and control. In fulfilling said exercise, staff relied on 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.

Compliance Risk

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.
Banca Mediolanum and in particular the Banking Group Compliance Officer is responsible for ensuring strong governance of compliance risk management across the Mediolanum Group.

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 2009 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, Mediobanca Group);
- parents and subsidiaries.

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.

Related party transactions as of Dec. 31, 2009

1. Information on related party transactions

€/'000	Associates	Other related parties
Loans and Receivables	103,541	7,955
Financial Assets at fair value through profit or loss	606,484	-
Held to Maturity Investments	-	-
Available for Sale Financial Assets	12,103	-
AFS Reserve	1,368	-
Other financial liabilities	174,848	14,647

€/'000	Associates	Other related parties
Net income on financial instruments at fair value through profit or loss	58,086	-
Interest income and similar income	159	555
Interest expense and similar charges	117	7,186
Net commission expense	-	1,522
Net income from trading	1,795	-
Other miscellaneous income	1,795	916
Charges for miscellaneous services	-	2,806

2. Key management compensation

€/'000	Directors, Deputy/General, Manager	Other key managers
Emoluments & social security contributions	4,973	907
Non-cash benefits	141	17
Post-employment benefits	-	-
Share-based awards (stock options)	878	148

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 resolved to implement the stock option plan.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.
The stock options granted to directors and contract workers would be exercisable upon the condition that the closing price of Mediolanum ordinary shares on the Exercise Date was not lower than the closing price of Mediolanum S.p.A. on the Grant Date. If that condition was met, the exercise price would be equal to the MEDIOLANUM S.p.A. equity value per share as reported in the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the thirty six calendar months after the Vesting Date.

At the Extraordinary General Meeting held on April 26, 2005, the shareholders of Mediolanum resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 9,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which could be implemented on multiple occasions and in different years.
The stock options granted to employees would be exercisable upon the expiration of a two-year vesting period at a share price equal to the fair market value – as defined by tax rules – of the Mediolanum stock on the date of the Board of Directors' resolutions relating to the respective capital increases.
The exercise of the Options granted to employees was subject to the satisfaction of the Vesting Conditions established annually by the company that employs them.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees were allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares were to be made in full on a single occasion in the first five business days of each of the sixty calendar months subsequent to the Vesting Date.

The stock options granted to directors and contract workers would be exercisable upon the expiration of a vesting period of two years for Directors and of three years for Contract Workers, at a share price equal to weighted average of (i) the company's equity value per share as reported in the last financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six months

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

At the Extraordinary General Meeting of Mediolanum S.p.A. held on April 23, 2009, the shareholders resolved to extend assessment of the satisfaction of vesting conditions over the entire exercise period i.e. the period spanning from the Vesting Date to 60 months thereafter. The shareholders also resolved to revoke the authority to increase share capital for a consideration through the issue of shares to be allotted to the employees and directors of the Company and its subsidiaries, conferred upon the Board of Directors by the shareholders at the General Meetings of April 26, 2005 and April 19, 2007, and partly executed, and to amend article 6 of the Bylaws accordingly.
As to the Director Stock Option Plan, at its Meeting of May 13, 2009, the Board of Directors of Mediolanum S.p.A. approved the reduction of the vesting period from 36 to 24 months and the extension of the exercise period from 12 to 60 months.
At the same meeting, the Board of Directors of Mediolanum S.p.A. also resolved to increase share capital for a consideration by €60,613.50 by issuing shares to be subscribed by the contract workers of the Company and its subsidiaries in the first five business days of each of the 60 calendar months subsequent to the expiration of three years from May 13, 2009 and to amend article 6 of the Bylaws accordingly.
Finally, at its May 13, 2009 meeting, the Board of Directors of Mediolanum S.p.A. resolved to effect the share capital increases under article 2443 of the Italian Civil Code to serve the Contract Worker Stock Option Plan and allot 606,135 rights to the contract workers of the Company and its subsidiaries. The rights are exercisable from the 1st trading day of May 2012 and not later that the 5th trading day of May, 2017 at a price of €1.022.

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 financial year 2009, 1,304,470 new Mediolanum dividend-bearing ordinary shares were issued following the exercise of stock options by Directors and Contract Workers of companies within the Mediolanum Group. This entailed a €130,447.00 increase in Mediolanum ordinary share capital and a €1,517,603.70 increase in the share premium account.

The year's movements in option holdings are set out in the table below.

€/'000 Number of options and exercise price	December 31, 2009 Number of options	Average exercise price	Average expiration	December 31, 2008 Number of options	Average exercise price	Average expiration
A. Opening balance	7,347,936	3.08062	Sept.-13	5,702,064	3.45099	Jan.-2013
B. Increases	606,135	-		2,398,612	-	
B.1. New issues	606,135	1.02200	May-17	2,398,612	1.83715	Dec.-14
B.2 Other	-	-	x	-	-	x
C. Decreases	(2,028,786)	-		(752,740)	-	
C.1. Cancelled	(87,000)	5.61968	x	(126,500)	5.53945	x
C.2. Exercised (*)	(1,304,470)	1.26339	x	(620,180)	1.19987	x
C.3 Lapsed	(637,316)	5.20045	x	(6,060)	0.53900	x
C.4 Other	-	-	x	-	-	x
D. Closing balance	5,925,285	3.00482	Jan.-15	7,347,936	3.08062	Sept.-13
E. Options exercisable at year end	2,031,227	5.74488	x	1,947,963	5.48206	x

(*) Average unit market price at exercise date is €3.88

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 €3,550 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 24, 2010

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, and in accordance with Regulation No. 7 of July 13, 2007, as subsequently amended by ISVAP Regulation 2784 of March 8, 2010.

In accordance with the regulations mentioned above, for segment reporting purposes, balance sheet and income statement balances were allocated as follows: 'Life Business' includes only the balances of the Life Insurance companies within the Group while 'Financial Business' includes the balances of the parent company Mediolanum S.p.A., the Mediolanum Banking Group and other Group companies. 'Intersegment' shows intercompany balances that were offset against each other.
This presentation of segmental information differs from that of prior years. The new format was adopted to present information in a manner that is more in line with the Mediolanum Group management reporting approach, as noted in Part E - Segmental information.

BALANCE SHEET AS AT DECEMBER 31, 2009

Segment Reporting by Business sector

	LIFE INSURANCE	
€/'000	2009	2008
1. Intangible assets	98,361	98,422
2. Tangible assets	18,181	18,264
3. Reinsurers' share of technical reserves	100,277	100,328
4. Investments	19,329,090	12,445,082
4.1 Investment property	90,518	4,777
4.2 Investments in subsidiaries, associates and joint ventures	-	-
4.3 Held-to-maturity investments	252,062	244,912
4.4 Loans and receivables	44,425	35,696
4.5 Available-for-sale financial assets	1,893,188	499,700
4.6 Financial assets at fair value through profit or loss	17,048,897	11,659,997
5. Receivables	8,614	10,948
6. Other assets	369,915	265,541
6.1 Deferred acquisition costs	-	-
6.2 Other	369,915	265,541
7. Cash and cash equivalents	975,376	253,529
Total assets	20,899,814	13,192,114
1. Shareholders' equity	-	-
2. Provisions	1,205	3,639
3. Technical reserves	20,002,983	12,380,981
4. Financial liabilities	307,271	357,590
4.1 Financial liabilities at fair value through profit or loss	91,293	257,754
4.2 Other financial liabilities	215,978	99,836
5. Payables	142,822	141,754
6. Other liabilities	82,061	20,552
Total liabilities and shareholders' equity	-	-

BANKING		INTERSEGMENT		TOTAL	
2009	2008	2009	2008	2009	2008
73,552	79,307	-	-	171,913	177,729
65,782	67,601	-	-	83,963	85,865
-	-	-	-	100,277	100,328
8,660,429	9,243,834	(282,792)	(108,358)	27,706,727	21,580,558
-	-	-	-	90,518	4,777
432,684	396,140	-	-	432,684	396,140
1,329,347	1,107,048	-	-	1,581,409	1,351,960
4,990,528	5,412,951	(187,124)	(30,565)	4,847,829	5,418,082
1,063,018	1,024,902	-	-	2,956,206	1,524,602
844,852	1,302,793	(95,668)	(77,793)	17,798,081	12,884,997
1,120	3,212	(121)	-	9,613	14,160
285,325	405,115	(49,942)	(164,205)	605,298	506,451
-	-	-	-	-	-
285,325	405,115	(49,942)	(164,205)	605,298	506,451
202,506	337,653	(964,118)	(405,317)	213,764	185,865
9,288,714	10,136,722	(1,296,973)	(677,880)	28,891,555	22,650,956
-	-	-	-	992,418	813,517
108,664	92,194	-	-	109,869	95,833
-	-	-	-	20,002,983	12,380,981
8,292,407	9,115,972	(1,290,644)	(506,666)	7,309,034	8,966,896
276,476	762,534	(21)	-	367,748	1,020,288
8,015,931	8,353,438	(1,290,623)	(506,666)	6,941,286	7,946,608
190,472	239,916	(77,524)	(134,996)	255,770	246,674
191,409	162,720	(51,989)	(36,217)	221,481	147,055
-	-	-	-	28,891,555	22,650,956

INCOME STATEMENT AS AT DECEMBER 31, 2009

Segment Reporting by Business sector

	LIFE INSURANCE	
€/'000	2009	2008
1.1 Net premiums written	9,641,820	2,738,802
1.1.1 Gross premiums written	9,646,951	2,743,320
1.1.2 Reinsurance premiums	(5,131)	(4,518)
1.2 Commission income	248,928	192,731
1.3 Net income on financial instruments at fair value through profit and loss	2,328,100	(3,579,976)
1.4 Income on investments in subsidiaries, associates and jvs	-	-
1.5 Income on other financial instruments and investment property	83,978	43,237
1.6 Other revenues	15,008	14,053
Total revenues and income	12,317,834	(591,153)
2.1 Net claims and benefits	(11,888,635)	788,514
2.1.1 Amounts paid and change in technical reserves	(11,895,242)	781,722
2.1.2 Reinsurers' share	6,607	6,792
2.2 Commission expense	(860)	(1,865)
2.3 Losses on investments in subsidiaries, associates and jvs	-	-
2.4 Loss on other financial instruments and investment property	(6,257)	(7,767)
2.5 Operating expenses	(214,823)	(211,812)
2.6 Other costs	(31,477)	(36,467)
Total costs	(12,142,052)	530,603
Profit (loss) before tax for the period	175,782	(60,550)

BANKING		INTERSEGMENT		TOTAL	
2009	2008	2009	2008	2009	2008
-	-	(336)	-	9,641,484	2,738,802
-	-	(336)	-	9,646,615	2,743,320
-	-	-	-	(5,131)	(4,518)
716,737	623,876	(334,508)	(319,645)	631,157	496,962
36,569	68,602	(7,273)	(9,839)	2,357,396	(3,521,213)
6,026	1,997	-	-	6,026	1,997
255,561	325,284	(10,452)	(21,664)	329,087	346,857
46,764	43,302	(35,847)	(34,085)	25,925	23,270
1.061,657	1,063,061	(388,416)	(385,233)	12,991,075	86,675
-	-	1,403	1,068	(11,887,232)	789,582
-	-	1,403	1,068	(11,893,839)	782,790
-	-	-	-	6,607	6,792
(447,620)	(374,635)	209,431	183,757	(239,049)	(192,743)
-	-	-	-	-	-
(142,604)	(233,986)	9,923	24,843	(138,938)	(216,910)
(322,059)	(317,321)	135,787	147,528	(401,095)	(381,605)
(67,164)	(53,963)	31,872	28,037	(66,769)	(62,393)
(979,447)	(979,905)	388,416	385,233	(12,733,083)	(64,069)
82,210	83,156	-	-	257,992	22,606

Subsidiaries consolidated line by line

Company	Country	Method (1)
Mediolanum Vita S.p.A.	086	G
Partner Time S.p.A. (on liquidation)	086	G
Banca Mediolanum S.p.A.	086	G
Mediolanum Comunicazione S.p.A.	086	G
Mediolanum Gestione Fondi SGR p.A.	086	G
Mediolanum International Funds Ltd	040	G
Mediolanum Asset Management Ltd	040	G
P.I. Distribuzione S.p.A.	086	G
Banco de Finanzas e Inversiones S.A.	067	G
Fibanc Pensiones S.G.F.P. S.A.	067	G
Fibanc S.A.	067	G
Ges Fibanc S.G.I.I.C. S.A.	067	G
Mediolanum International Life Ltd	040	G
Bankhaus August Lenz & Co. AG	094	G
Gamax Management AG	092	G
Mediolanum Distribuzione Finanziaria S.p.A.	086	G
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) Company	Country	Method (1)
Banca Esperia S.p.A.	086	7
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
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	50.00	50.00	50.00	56,141,000
B	2.63	3.38	3.45	376,543,000

Analysis of tangible and intangible assets

€/'000	At cost	Remeasured or at fair value	Book value
Investment property	90,518	-	90,518
Other property	62,259	-	62,259
Other tangible assets	21,704	-	21,704
Other intangible assets	14,649	-	14,649

Analysis of financial assets

	Held-to-maturity investments		Loans and receivables	
€/'000	FY 2009	FY 2008	FY 2009	FY 2008
Equity instruments and derivatives at cost	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt instruments	1,581,409	1,351,960	-	-
of which listed	*496,121*	*1,351,258*	-	-
Holdings in UCITS	-	-	-	-
Loans to and receivables from banking customers	-	-	3,215,513	3,368,643
Loans to and receivables from banks	-	-	1,587,902	2,013,754
Deposits with cedents	-	-	-	-
Financial assets of insurance contracts	-	-	-	-
Other loans and receivables	-	-	44,414	35,685
Trading derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	-	-	-	-
Total	1,581,409	1,351,960	4,847,829	5,418,082

	Financial assets at fair value through profit or loss							
	Available-for-sale financial assets		Financial assets held for trading		Financial assets at fair value through profit or loss		Book value	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
	-	-	-	-	-	-	-	-
	37,345	32,430	10	17	-	-	37,355	32,447
	8,555	5,303	10	7	-	-	8,565	5,310
	2,734,058	1,297,153	3,851,288	1,705,087	5,784,411	4,901,973	13,951,166	9,256,173
	2,618,072	1,293,007	3,609,261	1,701,451	-	4,901,973	6,723,454	9,247,689
	184,803	195,019	25,462	16,167	8,126,604	6,248,339	8,336,869	6,459,525
	-	-	-	-	-	-	3,215,513	3,368,643
	-	-	-	-	-	-	1,587,902	2,013,754
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	44,414	35,685
	-	-	9,127	13,414	-	-	9,127	13,414
	-	-	-	-	1,179	-	1,179	-
	-	-	-	-	-	-	-	-
	2,956,206	1,524,602	3,885,887	1,734,685	13,912,194	11,150,312	27,183,525	21,179,641

Analysis of reinsurers' share of technical reserves

	Insurance		Reinsurance		Book value	
€/'000	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Life business reserves	100,277	100,328	-	-	100,277	100,328
Outstanding claims	599	516	-	-	599	516
Mathematical reserves	99,678	99,812	-	-	99,678	99,812
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	100,277	100,328	-	-	100,277	100,328

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

	Investment funds & indices		Pension funds		Total	
€/'000	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
On-balance sheet assets	13,897,750	11,139,218	13,265	11,094	13,911,015	11,150,312
Intercompany assets *	95,667	77,793	-	-	95,667	77,793
Total Assets	13,993,417	11,217,011	13,265	11,094	14,006,682	11,228,105
On-balance sheet financial assets	77,949	224,964	13,265	11,094	91,214	236,058
On-Balance Sheet Technical Reserves	13,914,643	10,991,259	-	-	13,914,643	10,991,259
Intercompany liabilities *	-	-	-	-	-	-
Total Liabilities	13,992,592	11,216,223	13,265	11,094	14,005,857	11,227,317

* Asset and liabilites eliminated upon consolidation

Analysis of technical reserves

€/'000	Insurance		Reinsurance		Book value	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
Life business reserves	20,002,983	12,380,981	-	-	20,002,983	12,380,981
Outstanding claims	155,955	83,387	-	-	155,955	83,387
Mathematical reserves	5,836,372	1,281,334	-	-	5,836,372	1,281,334
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	13,914,643	10,991,259	-	-	13,914,643	10,991,259
Other reserves	96,013	25,001	-	-	96,013	25,001
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
of which deferred liabilities to policyholders	-	-	-	-	-	-
Total Technical Reserves	20,002,983	12,380,981	-	-	20,002,983	12,380,981

Analysis of financial liabilities

	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss	
€/'000	FY 2009	FY 2008	FY 2009	FY 2008
Quasi-equity instruments	-	-	-	-
Subordinated liabilities	-	-	-	-
Liabilities under financial contracts issued by insurance companies of which	-	-	70,519	253,817
contracts under which the investment risk is borne by the policyholder	-	-	57,254	242,723
pension fund management	-	-	13,265	11,094
other contracts	-	-	-	-
Deposits received from reinsureres	-	-	-	-
Financial liabilities of insurance contracts	-	-	-	-
Debt securities issued	-	2,276	-	-
Amounts due to banking customers	-	-	-	-
Amounts due to banks	-	-	-	-
Other financing received	-	-	-	-
Trading derivatives	22,689	15,296	-	-
Hedging derivatives	-	-	15,906	18,428
Other financial liabilities	258,634	730,471	-	-
Total	281,323	748,043	86,425	272,245

Analysis of technical account items

	FY 2009		
€/'000	Gross	Reinsurers' share	Net
General Business			
PREMIUMS WRITTEN	-	-	-
a Premiums written	-	-	-
b Change in unearned premiums reserve	-	-	-
CLAIMS INCURRED	-	-	-
a Claims paid	-	-	-
b Change in outstanding claims reserve	-	-	-
c Change in recoveries	-	-	-
d Change in other technical reserves	-	-	-
Life Business			
PREMIUMS WRITTEN	9,646,615	5,131	9,641,484
AMOUNTS PAID AND CHANGE IN TECHNICAL RESERVES	11,893,839	6,607	11,887,232
a Amounts paid	4,333,217	6,652	4,326,565
b Change in outstanding claims reserve	56,682	83	56,599
c Change in mathematical reserves	4,549,460	(128)	4,549,588
d Change in technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	2,920,599	-	2,920,599
e Change in other technical reserves	33,881	-	33,881

	Other financial liabilities		Book value	
	FY 2009	FY 2008	FY 2009	FY 2008
	-	-	-	-
	-	-	-	-
	-	-	70,519	253,817
	-	-	57,254	242,723
	-	-	13,265	11,094
	-	-	-	-
	99,682	99,812	99,682	99,812
	-	-	-	-
	179,450	13,537	179,450	15,813
	5,005,392	5,529,156	5,005,392	5,529,156
	1,644,362	2,291,703	1,644,362	2,291,703
	12,400	12,400	12,400	12,400
	-	-	22,689	15,296
	-	-	15,906	18,428
	-	-	258,634	730,471
	6,941,286	7,946,608	7,309,034	8,966,896

	FY 2008		
	Gross	Reinsurers' share	Net
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	2,743,320	4,518	2,738,802
	(782,790)	6,792	(789,582)
	1,517,559	7,325	1,510,234
	(36,176)	(700)	(35,476)
	23,796	167	23,629
	(2,281,902)	-	(2,281,902)
	(6,067)	-	(6,067)

Analysis of net interest income and investment income

€/'000	Interest income (expense)	Other income	Other expense
Investment income	498,444	8,034	339
a from investment property	-	4,561	339
b from investments in subsidiaries, associates and joint ventures	-	-	-
c from held-to-maturity investments	66,138	-	-
d from loans and receivables	107,063	-	-
e from available-for-sale financial assets	65,502	2,887	-
f from financial assets held for trading	64,436	-	-
g from financial assets at fair value through profit or loss	195,305	586	-
Income on amounts receivable	416	-	-
Net cash and cash equivalents	46,368	-	-
Loss on financial liabilities	(49,926)	-	-
a on financial liabilities held for trading	(20,184)	-	-
b on financial liabilities at fair value through profit or loss	(5,037)	-	-
c on other financial liabilities	(24,705)	-	-
Expense on amounts payable	(63,481)	-	10
Total	431,821	8,034	349

Insurance - Analysis of expenses

	General Business		Life Business	
€/'000	FY 2009	FY 2008	FY 2009	FY 2008
Gross agents' commissions & other acquisition costs	-	-	149,467	141,881
a Acquisition commissions	-	-	103,251	92,837
b Other acquisition costs	-	-	15,293	13,659
c Change in deferred acquisition costs	-	-	-	-
d Collection commissions	-	-	30,923	35,385
Commissions and profit sharing from reinsurers	-	-	-	-
Investment management expenses	-	-	4,091	2,927
Other administrative expenses	-	-	61,265	67,004
Total	-	-	214,823	211,812

			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 2009	Net income (loss) for FY 2008
652,001	545,606	612,534	2,284,774	5,506	211,275	36,913	2,042,092	2,654,626	(3,188,258)
240	-	4,462	-	-	-	624	(624)	3,838	186
6,026	-	6,026	-	-	-	-	-	6,026	1,997
324	-	66,462	-	-	-	-	-	66,462	29,218
273	-	107,336	-	5,506	-	15,717	(10,211)	97,125	105,458
29,804	8,681	89,512	-	-	-	20,572	(20,572)	68,940	60,790
84,290	47,296	101,430	84,453	-	9,301	-	75,152	176,582	(21,428)
531,044	489,629	237,306	2,200,321	-	201,974	-	1,998,347	2,235,653	(3,364,479)
-	-	416	-	5	-	4,809	(4,804)	(4,388)	39,268
-	-	46,368	-	-	-	-	-	46,368	91,468
8,319	8,281	(49,888)	836	-	30,492	-	(29,656)	(79,544)	(227,903)
8,319	8,281	(20,146)	836	-	7,371	-	(6,535)	(26,681)	(46,048)
-	-	(5,037)	-	-	23,121	-	(23,121)	(28,158)	(89,258)
-	-	(24,705)	-	-	-	-	-	(24,705)	(92,597)
-	-	(63,491)	-	-	-	-	-	(63,491)	(103,379)
660,320	553,887	545,939	2,285,610	5,511	241,767	41,722	2,007,632	2,553,571	(3,388,804)

Analysis of other components of comprehensive income

€/'000	Recognition FY 2009	Recognition FY 2008	Adjustments owed to reclassification to the income statement FY 2009	Adjustments owed to reclassification to the income statement FY 2008
Net exchange differences reserve	-	-	-	-
Profit (loss) on available for sale financial assets	20,140	(68,626)	18,795	1,625
Profit (loss) on cash flow hedges	-	-	-	-
Profit (loss) on hedges of investments in foreign operations	-	-	-	-
Changes in the equity of investees	26,563	(3,606)	-	-
Changes in intangible assets revaluation reserve	-	-	-	-
Changes in tangible assets revaluation reserve	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-
Actuarial gains (losses) and adjustments on defined benefit plans	-	-	-	-
Other	-	-	-	-
Total other components of comprehensive income	46,703	(72,232)	18,795	1,625

Analysis of reclassified financial assets and effects on profit (loss) and comprehensive income

€/'000 Category of reclassified financial assets from	to	Type of assets	Amount of assets reclassified in FY 2009 on re-classification date	Book value of reclassified assets at Dec. 31, 2009: Assets reclassified in the year n	Book value of reclassified assets at Dec. 31, 2009: Assets reclassified up until the year n	Fair value of reclassified assets at Dec. 31, 2009: Assets reclassified in the year n	Fair value of reclassified assets at Dec. 31, 2009: Assets reclassified up until the year n
HFT	AFS	Debt securities	-	-	166,787	-	166,787
HFT	Loans & Receivables	Debt securities	-	-	105,877	-	107,120
Total			-	-	272,664	-	273,907

Other changes		Total changes		Taxation		Balance	
FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
-	-	-	-	-	-	-	-
-	-	38,935	(67,001)	(18,057)	9,201	8,931	(30,004)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	26,563	(3,606)	-	-	23,051	(3,512)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	65,498	(70,607)	(18,057)	9,201	31,982	(33,516)

Assets reclassified in FY 2009		Assets reclassified up until FY 2009		Assets reclassified in FY 2009		Assets reclassified up until FY 2009	
Profit or loss recognised in the income statement	Profit or loss recognised under other comprehensive income components	Profit or loss recognised in the income statement	Profit or loss recognised under other comprehensive income components	Profit or loss that would have been recognised in the income statement if no re-classification had been made	Profit or loss that would have been recognised under other comprehensive income components if no reclassification had been made	Profit or loss that would have been recognised in the income statement if no re-classification had been made	Profit or loss that would have been recognised under other comprehensive income components if no reclassification had been made
-	-	9,535	6,790	-	-	22,279	-
-	-	3,295	-	-	-	4,537	-
-	-	12,830	6,790	-	-	26,816	-

Fair value hierarchy of financial assets and financial liabilities

€/'000	
Available for sale financial assets	
Financial assets at fair value through profit or loss	Financial assets held for trading
	Financial assets at fair value
Total	
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading
	Financial liabilities at fair value
Total	

(*) Level 1 corresponds to the previous classification 'listed', while Level 2 to 'unlisted'.

Level 1		Level 2		Level 3		Total	
2009	2008 (*)	2009	2008 (*)	2009	2008 (*)	2009	2008
2,626,627	1,313,979	254,027	210,623	75,552	-	2,956,206	1,524,602
3,615,792	1,722,914	246,280	11,771	23,815	-	3,885,887	1,734,685
7,534,366	11,150,312	5,746,536	-	631,292	-	13,912,194	11,150,312
13,776,785	14,187,205	6,246,843	222,394	730,659	-	20,754,287	14,409,599
258,251	736,304	14,587	11,739	8,485	-	281,323	748,043
33,609	206,882	51,042	65,363	1,774	-	86,425	272,245
291,860	943,186	65,629	77,102	10,259	-	367,748	1,020,288

Independent Auditors' Report

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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, 2009, comprising the balance sheet, the statements of income, comprehensive income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree No. 38/2005 is the responsibility of the Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   The consolidated financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, management has restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated April 6, 2009. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of our opinion as of and for the year ended December 31, 2009.

3. In our opinion, the consolidated financial statements of the Mediolanum Group at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Mediolanum Group for the year then ended.

4. The management of Mediolanum S.p.A. is responsible for the preparation of the Directors' Report and the Report on Corporate Governance and on the company's ownership structure published in the section "Corporate Governance/Documents of Business Conduct" of the website of Mediolanum S.p.A. in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report and the information reported in compliance with art. 123-bis of Legislative Decree No. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and on the company's ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' Report and the information reported in compliance with art. 123-bis of Legislative Decree No. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and on the company's ownership structure, are consistent with the consolidated financial statements of Mediolanum Group as of December 31, 2009.

Milan, April 6, 2010

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

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

Separate Annual Financial Statements 2009

Directors' Report

Dear Shareholder,

The separate financial statements for the year ended December 31, 2009 we present for your approval show net profit of €113.3 million versus net profit €179.3 million in the prior year.

The decline in net profit was largely in connection with reduced dividends from subsidiaries (-€37.4 million) and equity investments classified as available-for-sale financial assets (-€14.1 million). Readers are reminded that the prior year's result of operations had benefitted from €25.2 million gains from the sale of shareholdings to Group companies.
In the year under review, net interest expense declined €11.3 million.

BUSINESS REVIEW

In the year 2009, to strengthen their equity base, the capital of the subsidiary Banca Mediolanum was increased, in the aggregate, by €20 million and a €1.47 million capital contribution was made into the subsidiary Mediolanum Asset Management Ltd.

In addition, in the year under review, €1 million was contributed to the subsidiary Mediolanum Comunicazione S.p.A. to cover prior years' losses. At December 31, 2009, the carrying amount of this subsidiary was written down and an impairment loss of €4.6 million was recognised in the income statement. The value of goodwill inherent in the subsidiary's carrying amount was written off. This reflects the changed business purpose of the company that is going to be engaged exclusively in the provision of communication services for Mediolanum Group companies.

In May, Mediolanum S.p.A. and Mediobanca equally increased their stake in Banca Esperia from 48.5% to 50%, each acquiring 375,000 shares for €3.5 million.
Investments in associates and joint ventures consist of investments in Banca Esperia and Mediobanca. Readers are reminded that the investment in Mediobanca S.p.A. was reclassified to 'Investments in Associates and Joint Ventures" at December 31, 2008. Following the resolution passed by the Board of Directors of Mediobanca last September 18, on October 1, the Company received 1,078,319 Mediobanca shares and 21,566,393 warrants under the bonus issue effected by Mediobanca. This did not entail any changes in the carrying amount of the investment, while the value of each share was reduced from €11.47 to €10.925.
At December 31, 2009 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.
At its Meeting of last November 11, the Board of Directors of Mediolanum S.p.A. resolved to issue an indefinite-maturity subordinated loan up to €120 million to the subsidiary Mediolanum Vita S.p.A. The loan will pay a floating interest that will be reviewed quarterly and be equal to the higher of a minimum annual rate of 4.50% and 3-

month EURIBOR (plus 250 percentage points p.a.). The purpose of the loan is to provide the funds needed to meet solvency requirements following remarkable business growth recorded since the early part of the year in connection with the introduction of the new '*Mediolanum Plus*' policy. On December 17, 2009 by Registered Letter 19 09-007249, ISVAP allowed the Insurance Company to include the subordinated loan in the calculation of solvency margins. The first tranche of said loan, amounting to €90 million, was extended on December 28, 2009.
Upon maturity, in July, the €125 million credit lines in force were renewed for 18 months less 1 day, while in December a €35 million hot money facility was put in place. At year end that facility had been drawn down for €20 million.
At December 31, 2009 amounts due to banks stood at €445.1 million, up €19.6 million from €425.5 million at year end 2008.
Interest expense declined from €18.6 million at year end 2008 to €6.3 million at the end of the year under review benefitting from falling interest rates. At the end of 2009, interest income amounted to €2.1 million versus €3 million at the end of the prior year.

Dividends from subsidiaries amounted to €130.2 million versus €167.6 million in 2008. The decline was largely due to reduced dividends from insurance operations for the extraordinary costs they had to bear in connection with the operation put in place to protect the interests of customers holding index-linked policies with Lehman Brothers bonds as underlying. Readers are reminded that the operation was made possible thanks to 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 made by the majority shareholders provided a total of €120 million, of which €107.6 million recognised in a specific equity reserve.
Dividends from subsidiaries include 2009 interim dividends of €89.7 million versus €46.2 million in the prior year.

At year end 2009, dividends from other investments recognised as 'available-for-sale financial assets' amounted to a €0.4 million versus €14.5 million in 2008. The prior year's balance had benefitted from €14 million extraordinary dividends paid out by Mediobanca.

At December 31, 2009, staff costs and other administrative expenses amounted to €13.1 million versus €13.7 million at the end of the prior year.

For financial year 2009 the company reported other net income of €2.3 million versus 2.5 million in the prior year. The balance largely reflects the adjustments to the value of commitments under the Banca Esperia S.p.A. stock option plan against which the relevant expense had been recognised in the income statement in prior years. The reduced value of commitments entailed income of €1.9 million in the year under review versus €1.7 million in the prior year.

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

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

For information on disclosures pursuant to the new document jointly issued by the Bank of Italy, CONSOB and ISVAP last March 3, readers are referred to the Directors' Report and the Notes to the consolidated financial statements.

Main risks and uncertainties

For information about the risks and uncertainties to which the Mediolanum Group is exposed readers are referred to the Directors' Report and the Notes to the consolidated financial statements.

Other information

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 event

After December 31, 2009 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 byt he Boards of Directors of the respective companies, the Company is expected to generate good earnings for the year 2010.

Information on Stock Option Plans

In 2009, 1,304,470 new Mediolanum dividend-bearing ordinary shares were issued following the exercise of stock options by Directors and Contract Workers of companies within the Mediolanum Group. This entailed a €130,447.00 increase in Mediolanum ordinary share capital and a €1,517,603.70 increase in the share premium account.

At the Extraordinary General Meeting of Mediolanum S.p.A. held on April 23, 2009, the shareholders resolved to extend assessment of the satisfaction of vesting conditions over the entire exercise period i.e. the period spanning

from the Vesting Date to 60 months thereafter. The shareholders also resolved to revoke the authority to increase share capital for a consideration through the issue of shares to be allotted to the employees and directors of the Company and its subsidiaries, conferred upon the Board of Directors by the shareholders at the General Meetings of April 26, 2005 and April 19, 2007, and partly executed, and to amend article 6 of the Bylaws accordingly.
As to the Director Stock Option Plan, at its Meeting of May 13, 2009, the Board of Directors of Mediolanum S.p.A. approved the reduction of the vesting period from 36 to 24 months and the extension of the exercise period from 12 to 60 months. At the same meeting, the Board of Directors also resolved to increase share capital for a consideration by €60,613.50 by issuing shares to be subscribed by the contract workers of the Company and its subsidiaries in the first five business days of each of the 60 calendar months subsequent to the expiration of three years from May 13, 2009 and to amend article 6 of the Bylaws accordingly.

For further information 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, 2009 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 €113,350,017.22:

- 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 2009. The final dividend of €0.065 per share will be due for payment from May 27, 2010, (ex-dividend date May 24, 2010). Said dividend will not be payable for treasury shares held after the close of business on May 21, 2010;
- the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit.

Basiglio, March 24, 2010

For the Board of Directors
The Chairman
(Roberto Ruozi)

Accounts
2009

Balance sheet

Assets

€	Dec. 31, 2009	Dec. 31, 2008
Non current assets		
Fixed assets		
Intangible assets	5,719	9,162
Tangible assets	116,257	147,130
Investments in subsidiaries and associates	922,800,280	901,602,919
Loans to subsidiaries	90,033,288	-
Available-for-sale financial assets	23,479,672	21,029,856
Total Non current assets	1,036,435,216	922,789,067
Current assets		
Receivables from		
Subsidiaries	809,446	755,916
Related parties	25,948	3,940
Others	3,375,487	2,024,741
Cash and cash equivalents		
Bank deposits	10,325,837	107,617,848
Cash	14,672	10,018
Tax Assets		
Current	71,260,045	29,855,031
Deferred	4,248,703	4,661,239
Other assets	78,268	83,115
Total Current assets	90,138,406	145,011,848
TOTAL ASSETS	1,126,573,622	1,067,800,915

Shareholders' equity and liabilities

€	Dec. 31, 2009	Dec. 31, 2008
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	73,140,058	73,009,611
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	53,477,108	51,959,505
Lehman Brothers operation equity reserve	107,599,550	107,599,550
Retained earnings	254,128,539	183,792,880
Valuation reserve for AFS financial instruments	72,263	(1,622,674)
Net profit (loss) for the period	113,350,017	179,333,313
Total Capital and reserves	599,722,419	592,027,069
Non current liabilities		
Completion-of-service entitlements	939,776	1,292,074
Other provisions	525,000	-
Total Non current liabilities	1,464,776	1,292,074
Liabilities		
Due to banks	445,090,599	425,450,142
Due to the shareholders	12,400,450	12,400,450
Other financial liabilities at amortised cost	402,607	469,627
Due to suppliers	445,535	303,844
Other payables	2,026,844	1,928,453
Tax liabilities		
Current	63,323,594	32,690,135
Deferred	754,879	-
Other liabilities	941,919	1,239,121
Current liabilities	525,386,427	474,481,772
TOTAL LIABILITIES	526,851,203	475,773,846
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,126,573,622	1,067,800,915

Income Statement

€	Dec. 31, 2009	Dec. 31, 2008
Dividends and similar income		
from subsidiaries	130,199,438	167,570,444
from available-for-sale financial assets	383,314	14,460,787
Interest income and similar income	2,050,086	2,990,342
Interest expense and similar charges	(6,342,805)	(18,602,788)
Gains (losses) on sale or buyback of:		
Loans & Receivables and other financial instruments	-	(7,980)
NET INCOME FROM FINANCIAL OPERATIONS	126,290,033	166,410,805
Staff costs	(6,813,178)	(7,603,237)
Other administrative expenses	(6,241,544)	(6,061,315)
Amortisation and depreciation		
intangible assets	(3,443)	(23,241)
tangible assets	(35,913)	(85,251)
Provisions for risks and charges		
Other provisions	(525,000)	-
Other income (expenses)	2,287,383	2,470,826
OPERATING EXPENSES	(11,331,695)	(11,302,218)
Profit (loss) on investments in subsidiaries, associates and joint-ventures	(4,772,867)	22,955,173
PROFIT (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	110,185,471	178,063,760
Income tax	3,164,546	1,269,553
PROFIT (LOSS) AFTER TAX ON CONTINUING OPERATIONS	113,350,017	179,333,313
NET PROFIT (LOSS) FOR THE YEAR	113,350,017	179,333,313
EARNINGS PER SHARE	0.155	0.246

Statement of Comprehensive Income

€	Dec. 31, 2009	Dec. 31, 2008
NET PROFIT (LOSS) FOR THE PERIOD	113,350,017	179,333,313
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
AVAILABLE-FOR-SALE FINANCIAL ASSETS	1,694,937	(59,453,908)
SHARE OF EQUITY ACCOUNTED ASSOCIATES & JVs		
REVALUTATION RESERVE	-	-
TOTAL OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	1,694,937	(59,453,908)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	115,044,954	119,879,405

Statement of changes in shareholders' equity

€	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)

€	Balance at Jan. 1, 2009	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital	73,009,611	-	-
Share premium account	51,959,505	-	-
Reserves:			
a) retained earnings	291,392,430	131,902,121	-
b) other	-	-	-
Valuation reserves:			
a) AFS fin. instruments	(1,622,674)	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	179,333,313	(131,902,121)	(47,431,192)
Shareholders' equity	592,027,069	-	(47,431,192)

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
-	-	-	-	-	-	-	-
							Total
-	-	-	-	-	-	(59,453,908)	(1,622,674)
							Total
-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	179,333,313	179,333,313
107,599,550	744,135	-	(62,025,444)	-	662,905	119,879,409	592,027,069

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, 2009	Shareholders' equity at Dec. 31, 2009
-	130,447	-	-	-	-	-	73,140,058
-	1,517,603	-	-	-	-	-	53,477,108
-	-	-	(62,114,777)	-	548,315	-	361,728,089
-	-	-	-	-	-	-	-
							Total
-	-	-	-	-	-	1,694,937	72,263
							Total
-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	113,350,017	113,350,017
-	1,648,050	-	(62,114,777)	-	548,315	115,044,954	599,722,419

Cash flow statement

Indirect method

€/'000	Dec. 31, 2009	Dec. 31, 2008
Profit (loss) before tax for the period	110,185	178,064
Changes in non-monetary items		
Completion-of-service entitlements	269	440
Amortisation and depreciation	39	108
Stock Options	548	663
Other	(16,697)	476
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	(8,869)	4,460
Net cash from monetary items relating to investment and financial activities	-	-
NET CASH FROM OPERATING ACTIVITIES	85,475	184,211
Net cash from subsidiaries, associates and joint ventures	(4,500)	(103,932)
Net cash from available-for-sale financial assets	-	(691)
Net cash from tangible and intangible assets	(5)	(4)
Other cash flows from investment activities	(90,000)	-
NET CASH FROM INVESTING ACTIVITIES	(94,505)	(104,627)
Net cash from equity instruments	1,648	744
Net cash from treasury shares	-	-
Distribution of dividends	(109,546)	(145,870)
Net cash from subordinated liabilities	-	-
Net cash from other financial liabilities	19,641	156,159
NET CASH FROM FINANCING ACTIVITIES	(88,257)	11,033
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	107,628	17,011
Net increase (decrease) in cash and cash equivalents	(97,287)	90,617
Cash and cash equivalents at end of the period	10,341	107,628

Notes to the Separate Annual Financial Statements 2009

Notes to the Separate Annual Financial Statements 2009

These notes are structured as follows:

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

PART A - ACCOUNTING BASIS

Pursuant to Legislative Decree No. 38 of February 28, 2005, the Mediolanum S.p.A. separate financial statements for the year ended December 31, 2009 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, 2009, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.

In this respect, you are advised that the main changes connected with amendments to the international accounting and financial reporting standards in the year under review were as follows:

- the revised version of IAS 1 'Presentation of Financial Statements' introduced a new primary statement, 'the Statement of Comprehensive Income', to present all valuation gains and losses arising on transactions with parties other than owners that are recognised in equity separately from income and expenses for the period. Valuation gains and losses relate to changes in the value of available-for-sale financial assets;
- the amendments to IFRS 7 'Financial Instruments: Disclosures' introduced new disclosures in respect of financial instruments recognised at fair value and liquidity risk. The adoption of the amendments entailed the introduction of the so-called 'fair value hierarchy' (level 1, 2 and 3) and ensuing changes in a number of tables set out in the notes that now present the three levels of fair value in lieu of the previous distinction between listed/unlisted instruments.

  Disclosures required by the changes commented above had already been largely made in the 2008 financial statements.

The separate financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows (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.
The accounts and the notes also include comparative information for the year ended December 31, 2008.
The financial statements were prepared in compliance with the general requirements of IAS 1 and the specific accounting standards adopted by the European Commission, as presented in Part B (Accounting Policies) herein, as well as in compliance with the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS, no departure was made from requirements therein.

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, 2009.
The accounting policies applied in the preparation of the separate financial statements, with respect to the classification, measurement, recognition and derecognition of the various items of assets and liabilities as well as the items of income and expense, are consistent with those applied in the preparation of the separate financial statements for the year ended December 31, 2008.

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

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 do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.
Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on the date they are extended if they are loans or receivables.
On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the Held-to-Maturity Investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.
After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the 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 higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is 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.

Provisions for risks and charges

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

Current and deferred taxation

Income taxes are recognised in the income statement except for items which are credited/charged directly to equity. Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company which adhered to 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 so-called 'liability method' on temporary differences between the tax base of an asset or liability and its carrying amount at the balance sheet date. A deferred tax liability is recognised for all taxable temporary differences.
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.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.
The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Income Statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.
Specifically, 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 fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.
Specifically, for equities, there is evidence of impairment where the decline in the original fair value exceeds one-third or is prolonged for over 36 months.
If there is objective evidence of impairment, the amount of the impairment loss is measured:
- as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate computed at initial recognition, for financial assets carried at amortised cost;
- as the difference between amortised cost and current market value, for available-for-sale financial assets.

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

Share-based payments

Stock options are share-based payments.
Stock options granted, and the corresponding increase in equity, are measured by reference to the fair value of the stock option at Grant Date, and accounted for during the Vesting Period.
The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate 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, 2009 Assets measured at cost	Dec. 31, 2009 Assets measured at fair value	Dec. 31, 2008 Assets measured at cost	Dec. 31, 2008 Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
B.1 Internally generated	-	-	-	-
B.2 Other	6	-	9	-
Total	6	-	9	-

Year's movements in intangible assets

€/'000				Total
A. Opening balance	-	-	-	9
B. Increases				
B.1 Additions	-	-	-	-
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 Sales	-	-	-	-
C.2 Value adjustments	-	-	-	-
- Amortisation	-	-	-	3
- 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	-	-	-	6

Tangible assets

€/'000	Dec. 31, 2009 Assets measured at cost	Dec. 31, 2009 Assets measured at fair value	Dec. 31, 2008 Assets measured at cost	Dec. 31, 2008 Assets measured at fair value
1. owned	116	-	147	-
- furnishings	109	-	131	-
- electronic equipment	-	-	1	-
- other	7	-	15	-
2. under finance lease	-	-	-	-
Total (at cost and re-valued)	116	-	147	-

Year's movements in tangible assets

€/'000	Furnishings	Electronic equipmen	Other	Total
A. Opening balance	131	1	15	147
B. Increases				
B.1 Additions	5	-	-	5
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	27	1	7	36
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	109	-	7	116

Investments in subsidiaries, associates and joint ventures

€/'000	Dec. 31, 2009	Dec. 31, 2008
Subsidiaries:		
Banca Mediolanum S.p.A.	450,239	430,239
Mediolanum Vita S.p.A.	116,681	116,681
Mediolanum International Life Ltd	70,131	70,131
Mediolanum Gestione Fondi SGR p.A.	2,507	2,507
Mediolanum International Funds Ltd	1,194	1,194
Mediolanum Comunicazione S.p.A.	2,154	5,786
PI Distribuzione S.p.A.	376	516
Mediolanum Asset Management Ltd	1,911	441
Partner Time S.p.A. (on liquidation)	898	898
Mediolanum International S.A.	-	2
Gamax Management AG	2	-
Total subsidiaries	646,093	628,395
Associates and joint ventures:		
Mediobanca S.p.A.	247,396	247,396
Banca Esperia S.p.A.	29,311	25,812
Total associates and joint ventures	276,707	273,208
TOTAL	922,800	901,603

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

- in April, Mediolanum S.p.A. effected capital increases in the subsidiaries Banca Mediolanum S.p.A. (€20,000 thousand) and Mediolanum Asset Management Ltd (€1,470 thousand);
- in May, Mediolanum S.p.A. acquired additional 375,000 Banca Esperia S.p.A. shares increasing its stake in the company to 50%;
- in December, Mediolanum International S.A., a company in which Mediolanum S.p.A. held an interest of 0.003%, was liquidated. Following the liquidation, Mediolanum S.p.A. received one share in Gamax Management AG corresponding to a 0.004% interest.

In the year under review, €1 million was contributed to the capital of the subsidiary Mediolanum Comunicazione S.p.A. to cover prior years' losses. At December 31, 2009, the carrying amount of this subsidiary was written down and an impairment loss of €4,632 thousand was recognised in the income statement. The value of goodwill inherent in the subsidiary's carrying amount was written off. This reflects the changed business purpose of the company that is going to be engaged exclusively in the provision of communication services for Mediolanum Group companies.

The value of the investment in PI Distribuzione S.p.A. was written down by €141 thousand to align its carrying amount to the company's equity at year end.

Stakes in subsidiaries are recognised at values that are in line or lower than the value of equity therein at December 31, 2009.

At December 31, 2009, the investment in Mediobanca S.p.A. was tested for impairment with the assistance of an independent advisor. The impairment test showed that the carrying amount was aligned with the value of the investment calculated applying the Dividend Discount Model (DDM) in the Excess Capital variant, namely a value between €14.3 and €16.0 per share. The test did not reveal any evidence of impairment.
As to the investment in Banca Esperia, the report issued by an independent advisor last May set out a value of €6.57 per share versus a carrying amount of €2.345 per share. For this investment, too, there was no evidence of impairment.

"*Loans to subsidiaries*" related to the indefinite-maturity subordinated loan up to €120,000,000.00 (one hundred and twenty million euro) granted to the subsidiary Mediolanum Vita S.p.A. The first draw-down was €90 million paying an interest rate of 4.50%. This account also included interest accrued on the loan at year end.

Available-for-sale financial assets

	Dec. 31, 2009		Dec. 31, 2008	
€/'000	Book Value	of which: equity reserve	Book bilancio	of which: equity reserve
Fair value – Level 1	7,562	72	5,112	(1,623)
Assicurazioni Generali S.p.A.	5,226	(1,508)	5,112	(1,623)
Mediobanca warrants	2,336	1,580	-	-
Fair value – Level 2	-	-	-	-
Fair value – Level 3	15,918	-	15,918	-
Sia SSB S.p.A.	6,204	-	6,204	-
Istituto Europeo di Oncologia	4,703	-	4,703	
Cedacri S.p.A.	4,940	-	4,940	-
Nomisma S.p.A.	71	-	71	-
TOTAL	23,480	72	21,030	(1,623)

Level 3 AFS financial assets relate to shareholdings in unlisted companies that based on information reported in the last published financial statements did not show evidence of impairment.

For the following holdings:

€ Company	Share Capital	% holding	Registered Office
Assicurazioni Generali S.p.A.	1,556,864,483	0.018	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 September 2009, the Board of Directors of Mediobanca resolved to effect a bonus issue granting shareholders 1 share for every 20 shares held and 1 warrant for each share held prior to the date of the bonus issue. These instruments were made available to shareholders from October 1, 2009.

CURRENT ASSETS

RECEIVABLES

'*Receivables from subsidiaries*' (€809 thousand) and '*Receivables from other related parties*' (€26 thousand) related to amounts receivable for the provision of corporate affairs services and staff secondment.

'*Other receivables*' amounting to €3,375 thousand mostly consisted of reimbursements due from the IRS and other miscellaneous receivables.

CASH AND CASH EQUIVALENTS

€/'000	Dec. 31, 2009	Dec. 31, 2008
Bank deposits	10,326	107,618
Cash	15	10
Total	10,341	107,628

"Bank deposits" related to bank accounts balances including interest accrued at year end. Cash held with the subsidiary Banca Mediolanum S.p.A. amounted to €10,038 thousand.

TAX ASSETS

The analysis of current tax assets is set out in the table below.

€/'000	Dec. 31, 2009	Dec. 31, 2008
Tax consolidation regime		
Mediolanum Vita S.p.A.	16,626	-
Mediolanum Gestione Fondi SGR p.A.	4,943	1,839
Mediolanum Distribuzione Finanziaria S.p.A.	136	122
Mediolanum Comunicazione S.p.A.	76	-
Total Tax consolidation regime	21,781	1,961
IRS		
(IRES & IRAP) advances	3,326	10,759
Carried forward	32,910	-
Withholding tax under the tax consolidation regime	12,700	16,642
Withholding tax on bank interest	543	493
Total IRS	49,479	27,894
Total current tax assets	71,260	29,855

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITAL AND RESERVES

Share Capital

Share capital is fully paid up and amounts to €73,140,057.90 divided into 731,400,579 ordinary shares.
In 2009, to service the Stock Options Plans, capital was increased by €130,447 which corresponds to 1,304,470 shares.

Share premium account

The balance on the share premium account increased from €51,959 thousand at December 31, 2008 to €53,477 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'

At €107,600 thousand the balance of this reserve remained unchanged over the prior year.

Retained earnings

Analysis of retained earnings

€/'000	Dec. 31, 2009	Dec. 31, 2008
Legal reserve	17,363	17,363
Extraordinary reserve	416,552	346,675
FTA reserve	(112,407)	(112,407)
2009 interim dividend	(62,148)	(62,058)
Other	(5,231)	(5,780)
TOTAL	254,129	183,793

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

AFS Revaluation Reserve

The AFS revaluation reserve amounted to €72 thousand and relates to the effects of the fair value measurement of the investment in Assicurazioni Generali S.p.A. (-€1,508 thousand) and the Mediobanca warrants (+€1,580 thousand).

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, 2008	1,292
Amount accrued and posted to the income statement	281
Benefits/advances paid during the year	(312)
Transferred to other Mediolanum Group companies	(54)
Invested in Pension Funds	(226)
Contributions transferred to INPS	(41)
Balance at December 31, 2009	940

OTHER PROVISIONS

This account relates to €525 thousand set aside in the year in connection with the risk of fines arising on the tax audit made in relation to the 2006 tax reporting period by the IRS Lombardy Regional Office.

CURRENT LIABILITIES

Payables

The account '*Due to banks*' includes €455,000 thousand due under credit facilities and the related interest expense accrued at year end.

Amounts *Due to the Shareholders* relate to the residual balance of €12,400 thousand due to the two majority shareholders, Doris Group and Fininvest Group, out of the total €120 million 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. Against it, a €107,600 thousand equity reserve was recognised in the company's balance sheet.

Amounts *Due to subsidiaries* (€403 thousand) and Amounts *Due to other related parties* (€446 thousand) relate to outsourcing and other services rendered.

Other payables amounting to €2,027 thousand mostly relate to amounts payable to suppliers (€562 thousand), withholding tax (€719 thousand) and pension contributions (€251 thousand) paid in the first months of 2010.

TAX LIABILITIES

Current Tax Liabilities

€/'000	Dec. 31, 2009	Dec. 31, 2008
IRS		
IRES	-	1,836
IRAP	2,635	3,329
Total IRS	2,635	5,165
Tax consolidation regime		
Banca Mediolanum S.p.A.	37,071	11,000
Mediolanum Vita S.p.A.	20,917	14,277
Mediolanum Gestione Fondi SGR p.A.	2,208	2,033
Mediolanum Distribuzione Finanziaria S.p.A.	269	170
Partner Time S.p.A. (on liquidation)	115	19
PI Distribuzione S.p.A.	71	51
Mediolanum Comunicazione S.p.A.	29	5
Mediolanum Corporate University S.p.A.	9	-
Total Tax consolidation regime	60,689	27,525
Total current tax liabilities	63,324	32,690

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

OTHER LIABILITIES

Other liabilities amounted to €942 thousand versus €1,239 thousand at December 31, 2008. They largely consisted of allowances for staff bonuses, vacation accruals and additional months for the year under review.

PART D - INFORMATION ON THE INCOME STATEMENT

DIVIDEND AND SIMILAR INCOME

Dividends *from subsidiaries* amounted to €130,199 thousand as set out in the table below.

€/'000	Dec. 31, 2009	Dec. 31, 2008
Banca Mediolanum S.p.A.	25,000	40,000
Mediolanum Vita S.p.A.	-	48,978
Mediolanum Gestione Fondi SGR p.A.	2,079	3,858
Mediolanum International Funds Ltd	79,200	60,324
Mediolanum Asset Management Ltd	3,920	4,410
Mediolanum International Life Ltd	20,000	10,000
Total	130,199	167,570

Dividends from *available-for-sale financial assets* amounted to €383 thousand (vs. €14,461 thousand at December 31, 2008) and consisted of dividends from Cedacri S.p.A. SIA SSB and Assicurazioni Generali S.p.A.

INTEREST INCOME AND SIMILAR INCOME

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

€/'000	Dec. 31, 2009	Dec. 31, 2008
On bank accounts	2,009	1,828
On receivables from IRS	8	1,162
Other	33	-
Total	2,050	2,990

Interest income on bank accounts primarily related to accounts held with the subsidiary Banca Mediolanum S.p.A..

INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges amounted to €6,343 thousand (vs. €18,603 thousand at the end of the prior year) and primarily related to interest expense on financing facilities.

STAFF COSTS

An analysis of this account is set out in the table below

€/'000	Dec. 31, 2009	Dec. 31, 2008
Wages and salaries	4,759	4,517
Social security contributions	1,464	1,445
Completion-of-service entitlements	281	631
Remuneration of Directors	1,520	1,484
Directors' benefits	599	675
Key personnel	(1,840)	(1,174)
Pension fund	30	25
Total	6,813	7,603

Average number of employees

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

Category	Dec. 31, 2009
Senior management	7
Middle management	6
Other personnel	17
Total	31

OTHER ADMINISTRATIVE EXPENSES

€/'000	Dec. 31, 2009	Dec. 31, 2008
Advisory and other professional services	1,525	1,300
Vehicle rental	1,340	1,363
Utilites	262	389
Banca Mediolanum central functions	985	477
Miscellaneous services	518	857
Property rental/management costs	195	206
Emoluments of corporate officers	175	160
Donations	109	88
Donations	1,133	1,221
Total	6,242	6,061

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, 2009	Dec. 31, 2008
Central functions:		
- subsidiaries	375	668
- companies that are part of the Fininvest Group and of the Doris Group	75	10
Other income	1,986	1,793
Total other income	2,436	2,471
Other expenses	149	-
Total other expenses	149	-
Total other income (expenses)	2,287	2,471

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, 2009	Dec. 31, 2008
Current tax expense (IRES)	(5,820)	(3)
Change in deferred tax assets (IRES)	20	(4,600)
Total tax expense for the year (IRES)	(5,800)	(4,603)
Current tax expense (IRAP)	2,632	3,329
Change in deferred tax assets (IRAP)	4	5
Total tax expense for the year (IRAP)	2,636	3,334
Change in deferred tax liabilities	-	-
Total	3,164	1,269

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	-	110,185	-
Theoretical tax	27.50%	-	30,301
Temporary differences deductible in following years	-	176	-
Prior years' temporary differences	-	(246)	-
Permanent differences	-	(120,673)	-
Total taxable income	-	(10,558)	-
Taxable income (27.50%)	-	(10,558)	-
Current tax expenses for the year	-	-	(2,903)
Prior years' taxes	-	-	(2,917)
Current tax expense recognised in the income statement	-	-	(5,820)
Average rate on profit before tax	(5.28%)	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	55,503	-
Costs which are not significant for the purpose of IRAP calculation	-	(1,011)	-
Total	-	54,492	-
Theoretical tax	4.82%	-	2,627
Prior years' temporary differences	-	(76)	-
Permanent differences	-	248	-
Taxable income (at a rate of 4.82%)	-	54,664	-
Current tax expense for the year	-	-	2,635
Prior years' taxes			(3)
Current tax expense recognised in the income statement			2,632
Average rate on profit before tax	4.83%	-	-

PART E - SEGMENTAL INFORMATION

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 2009 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	1,726	907
Other pension benefits and insurance	-	17
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	392	148

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, 2009 by related party category

€/'000	Tax assets	Receivables	Cash	Other financial assets	Tax liabilities	Other financial liabilities
(a) Parent company	-	-	-	-	50	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-
(c) Subsidiaries	21,781	809	10,038	90,033	403	60,689
(d) Associates	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-
(f) Key managers	-	-	-	-	-	-
(g) Other related parties	-	23	-	-	395	-

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 other financial assets:	
Mediolanum Vita S.p.A.	33
Corporate affairs services charged:	
Mediolanum Vita S.p.A.	45
Banca Mediolanum S.p.A.	150
Mediolanum Gestione Fondi SGR p.A.	90
Mediolanum Comunicazione S.p.A.	30
Mediolanum Distribuzione Finanziaria S.p.A.	30
Mediolanum Corporate University S.p.A.	30
Mediolanum Assicurazioni S.p.A.	45
Vacanze Italia S.p.A.	30
Other Revenues:	
Mediolanum Gestione Fondi SGR p.A.	30
Banca Mediolanum S.p.A. central services:	
IT services	426
Other administrative services	559
Office rental:	
Banca Mediolanum S.p.A.	126
Aircraft rental:	
Alba Servizi Aerotrasporti S.p.A.	966
Key personnel:	
charged by Banca Mediolanum S.p.A.	452
charged to Banca Mediolanum S.p.A.	2,305
charged to Mediolanum Vita S.p.A.	250
charged to Mediolanum Comunicazione S.p.A.	52
Other Costs:	
Fininvest S.p.A.	50
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 2009, 1,304,470 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 €130,447.00 increase in Mediolanum's ordinary share capital and a €1,517,603.70 increase in the share premium account.

At the Extraordinary General Meeting of Mediolanum S.p.A. held on April 23, 2009, the shareholders resolved to extend assessment of the satisfaction of vesting conditions over the entire exercise period i.e. the period spanning from the Vesting Date to 60 months thereafter. The shareholders also resolved to revoke the authority to increase share capital for a consideration through the issue of shares to be allotted to the employees and directors of the Company and its subsidiaries, conferred upon the Board of Directors by the shareholders at the General Meetings of April 26, 2005 and April 19, 2007, and partly executed, and to amend article 6 of the Bylaws accordingly.

As to the Director Stock Option Plan, at its Meeting of May 13, 2009, the Board of Directors of Mediolanum S.p.A. approved the reduction of the vesting period from 36 to 24 months and the extension of the exercise period from 12 to 60 months.
At the same meeting, the Board of Directors of Mediolanum S.p.A. also resolved to increase share capital for a consideration by €60,613.50 by issuing shares to be subscribed by the contract workers of the Company and its subsidiaries in the first five business days of each of the 60 calendar months subsequent to the expiration of three years from May 13, 2009 and to amend article 6 of the Bylaws accordingly.

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 €548 thousand and entailed a corresponding increase in the Company's equity reserves (December 31, 2008: €663 thousand).

SCHEDULES

Additional information is provided in the Schedules set out in the following pages that form an integral part of these notes.

Basiglio, March 24, 2010

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:	73,140,058	-	-	-	-
Capital reserves:					
- share premium account	53,477,108	A B C	53,477,108	-	-
- 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	234,720,629	A B C	234,720,629	-	-
Valutation reserves:					
- available-for-sale financial assets	72,263	A B C	-	-	-
Total	486,372,402		413,160,081	-	-
of which non-distributable	-		124,962,344	-	-
of which distributable	-		288,197,737	-	-

Legend:

A: capital increase

B: loss coverage

C: distribution to shareholders

SCHEDULE 2

Analysis of deferred taxation

	FY 2009		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	64,268	32.32	140,549	32.32
Remuneration of Directors	171,680	27.50	150,446	27.50
TARSU	9,849	27.50	5,245	27.50
Adjustment to completion-of-service entitlements under IAS	12,950	27.50	32,892	27.50
Total	258,747	-	329,131	-
Deferred tax liabilities:				
Accelerated depreciation and amortisation	-	-	-	-
Excess depreciation and amortisation	-	-	-	-
Impairment of loans	-	-	-	-
Available-for-sale financial assets	2,335,640	32.32	-	-
Adjustment to completion-of-service entitlements under IAS	-	-	-	-
Total	2,335,640	-	-	-

Net deferred tax liabilities (assets)	-	680,626	-	(97,280)
Deferred tax assets on tax losses for the year	-	-	(4,563,957)	-
Deferred tax assets on tax losses for the prior year	(4,174,454)	-	-	-
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 Name	Share capital	Equity Total	Equity Share
Subsidiary			
Banca Mediolanum S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	450,000	559,598	559,598
Mediolanum Vita S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	87,720	277,222	277,222
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	23,670	11,598
Mediolanum Comunicazione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	775	1,531	1,531
Partner Time S.p.A. (on liquidation) Via F. Sforza P.zzo Meucci Basiglio (MI)	520	353	353
PI Distribuzione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	517	376	376
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	24,285	1
Mediolanum International Life Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	1,395	87,999	87,999
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	10,416	5,104
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	56,045	24,660

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

Net profit			
Total	Share	% holding	Carrying amount
19,021	19,021 (1)	100	450,239
50,175	50,175	100	116,681
7,586	3.717	49	2,507
(221)	(221)	100	2,154
(545)	(545)	100	898
(140)	(140)	100	376
7,591	0	0.004	2
36,484	36,484	100	70,130
8,758	4,291	49	1,911
206,320	90,781	44	1,193

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

€/'000 Name	Share capital	Equity Total	 Share
Subsidiary			
Mediolanum Distribuzione Finanziaria S.p.A. P.zzo Meucci Basiglio (MI)	1,000	1,263	1,263
Mediolanum Corporate University S.p.A. P.zzo Meucci Basiglio (MI)	20,000	19,506	19,506
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	24,285	24,284
Bankhaus August Lenz & Co. AG Holbeinstrasse 11 81679 Münich	20,000	36,926	36,926
Banco de Finanzas e Inversiones S.A. Avenida Diagonal 668/670 Barcelona	86,032	137,397	137,397

Net profit			
Total	Share	% holding	Carrying amount
105	105	100	0
218	218	100	0
7,591	7,591	99.996	0
(7,885)	(7,885)	100	0
381	381	100	0

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

€/'000 Name	Share capital	Equity Total	Equity Share
Subsidiary			
Fibanc Pensiones S.G.F.P., S.A. Avenida Diagonal 668/670 Barcelona	902	1,586	1,586
Fibanc S.A. Avenida Diagonal 668/670 Barcelona	301	410	410
Ges Fibanc S.G.I.I.C., S.A. Calle Enteza 325/335 Barcelona	2,506	3,898	3,898
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	23,670	12,072
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	10,416	5,312
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	56,045	31,385
Subsidiances			
Mediobanca S.p.A. Piazzetta E. Cuccia, 1 Milan	410,028	4,641,230	122,389
Banca Esperia S.p.A. Via Del Lauro, 7 Milan	13,000	83,958	41,979

Net profit			
Total	Share	% holding	Carrying amount
49	49	100	-
(5)	(5)	100	-
91	91	100	-
7,586	3,869	51	-
8,758	4,467	51	-
206,320	115,539	56	-
20,808	549	2.637	247,396
(1,611)	(806)	50	29,311

SCHEDULE 4

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

As of December 31, 2009

Company name	Country	Total holding %
Banca Esperia S.p.A.	Italy	50.000
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
Mediolanum 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 Vita S.p.A.	Italy	100.000
Partner Time S.p.A. (on 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.	50.000
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	Banco de Finanzas e Inversiones, S.A.	99.999
indirect ownership	Banco de Finanzas e Inversiones, S.A.	99.998
indirect ownership	Banca Mediolanum S.p.A.	99.996
direct ownership	Mediolanum S.p.A.	0.004
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
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, 2009/Dec. 31, 2009
MESSINA ALFREDO	Deputy Chairman of Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
DORIS MASSIMO ANTONIO	Executive Deputy Chairman of Mediolanum S.p.A.	Jan. 1, 2009/May 13, 2009
	Deputy Chairman of Mediolanum S.p.A.	May 13, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
DORIS ENNIO	Chief Executive Officer Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
BERLUSCONI LUIGI	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
CANNATELLI PASQUALE	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
CARFAGNA MAURIZIO	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
ERMOLLI BRUNO	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Member of the Compensation Committee Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
LOMBARDI EDOARDO	Deputy Chairman of Mediolanum S.p.A.	Jan. 1, 2009/May 13, 2009
	Director Mediolanum S.p.A.	May 13, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/May 13, 2009
MOLTENI MARIO	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Member of the Audit Committee	Jan. 1, 2009/Dec. 31, 2009
	Member of the Compensation Committee Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
PELLEGRINO DANILO	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
RENOLDI ANGELO	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Chairman of the Supervisor Board (Legislative Decree 231/2001) of Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Member of the Audit Committee	Jan. 1, 2009/Dec. 31, 2009
	Member of the Compensation Committee Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
SCIUMÈ PAOLO	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Member of the Audit Committee	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
ZUNINO ANTONIO	Director Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
SIMONELLI EZIO	Chairman of the Board of Statutory Auditors of Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
PEROTTA RICCARDO	Standing Auditor of Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
VITTADINI FRANCESCO	Standing Auditor of Mediolanum S.p.A.	Jan. 1, 2009/Dec. 31, 2009
	Other positions held in subsidiaries	Jan. 1, 2009/Dec. 31, 2009
KEY MANAGEMENT (***)		Jan. 1, 2009/Dec. 31, 2009

(*) 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			
	18.000,00			
Dec. 31, 2010	8,333.33			
	200,000.00			
	220,000.00	726.28	73,890.00	338,768.72
Dec. 31, 2010	600,000.00			
	196,666.66			
Dec. 31, 2010	25,000.00			
Dec. 31, 2010	(**) 25,000.00			
Dec. 31, 2010	25,000.00			
	19,666.67			
Dec. 31, 2010	25,000.00			
	3,000.00			
Dec. 31, 2010	100,000.00			
	16,666.67			(a) 106,363.81
	643,000.00			
Dec. 31, 2010	25,000.00			
	12,000.00			
	3,000.00			
Dec. 31, 2010	(**) 25,000.00			
	(**) 15,000.00			
Dec. 31, 2010	25,000.00			
	25,000.00			
	12,000.00			
	3,000.00			
	83,333.33			
Dec. 31, 2010	25,000.00			
	12,000.00			
	20,666.67			(b) 398,283.36
Dec. 31, 2010	25,000.00			
	206,000.00			235
Dec. 31, 2010	60,000.00			
Dec. 31, 2010	40,000.00			
Dec. 31, 2010	40,000.00			
	30,000.00			
	467,108.20	4,999.58	71,152.20	

SCHEDULE 6

Stock options granted to members of the board of directors, general managers and other key management officers

(A)	(B)	Options held at the beginning of the year		
		(1)	(2)	(3)
Surname and name	Position	No. of options	Average exercise price	Average expiration
MESSINA ALFREDO	Deputy chairman	153,000	1.178	2,142
LOMBARDI EDOARDO	Executive Deputy Chairman (*)	519,500	1.178	2,143
KEY MANAGEMENT (**)		211,300	1.976	1,753

Please Note: Average expiration runs from December 31, 2008 for both options granted during the year and options held at year end.
(*) On May 13, 2009 xeased to be Executive Deputy Chairman.
(**) Information relating to Key Management Officers is indicated in the aggregate.

Note: 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, 2008)
MESSINA ALFREDO	MEDIOLANUM S.p.A.	(pd)	166,000
LOMBARDI EDOARDO	MEDIOLANUM S.p.A.	(pd)	728,000
DORIS ENNIO	MEDIOLANUM S.p.A.	(pd)	23,119,070
		(pi)	149,009,557
		(u) (*)	46,260,000
		(c)	48,635,895
DORIS MASSIMO ANTONIO	MEDIOLANUM S.p.A.	(pi)	14,507,180
		(c)	7,000
CARFAGNA MAURIZIO	MEDIOLANUM S.p.A.	(pd)	97,500
		(c)	2,000
ERMOLLI BRUNO	MEDIOLANUM S.p.A.	(c)	14,500
KEY MANAGEMENT (**)	MEDIOLANUM S.p.A.		199,000

(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
-	-	-	73,000	1.300	3.542	0	80,000	1.067	1,951
-	-	-	247,500	1.300	4.495	0	272,000	1.067	1,951
-	-	-	86,300	1.300	3.541	40,000	85,000	1.067	1,951

No. of shares acquired in 2009	No. of shares sold in 2009	No. of shares held at the end of the current year (Dec. 31, 2009)
73,000 (so)	16,000	223,000
247,500 (so)	550,500	425,000
-	-	23,119,070
-	-	149,009,557
-	-	46,260,000
-	-	48,635,895
-	-	14,507,180
-	-	7,000
-	-	97,500
-	-	2,000
-	-	14,500
86,300 (so)	65,000	220,300

Responsibility Statements

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 annual report and accounts for financial year 2009.

2. The adequacy and the effective application of accounting and financial reporting procedures in the preparation of the 2009 annual report and accounts 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 annual report and accounts for the year ended December 31, 2009:
   a) have been prepared in accordance with the International Accounting and Financial Reporting Standards adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002 as well as the regulations implementing section 9 of Legislative Decree 38/2005;
   b) reflect the accounting entries and records;
   c) give a true and fair view of the financial position, result of operations and cash flows of the issuer and of all entities 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 of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Basiglio, March 24, 2010

Chief Executive Officer
(Ennio Doris)

Chief Financial Officer
(Luigi Del Fabbro)

Fees Paid to the Independent Auditors

Fees paid to the independent auditors pursuant to section 160, paragraph 1-bis, 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.

Mediolanum GROUP

(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	1,085
Certification	Entities in the Ernst & Young network	65
Tax advice	Entities in the Ernst & Young network	392
Other	Entities in the Ernst & Young network	334
Total		1,876

Fees paid to the independent auditors pursuant to section 160, paragraph 1-bis, 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.

Mediolanum S.p.A.

(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	211
Certification	Entities in the Ernst & Young network	65
Tax advice	-	-
Other	-	-
Total		276

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, 2009 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.

* * *

We advise you that Mediolanum S.p.A. financial statements for the year ended December 31, 2009, which reported net profit of €113,350,017, were prepared in accordance with the international accounting and financial reporting standards IAS/IFRS and filed within the statutory term.
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, result 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 fourth 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 the company's Bylaws, 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 CONSOB recommendations and instructions, we wish to highlight the following:

1. Most significant transactions with regard to the company's financial position, result of operations and cash flows.

During the year, we 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:

- increases in the capital of the subsidiary Banca Mediolanum by €20 million in the aggregate;
- €1.47 million capital contribution into the subsidiary Mediolanum Asset Management Ltd;
- €1 million contributed to the subsidiary Mediolanum Comunicazione S.p.A. to cover prior years' losses;
- increase in the stake in Banca Esperia from 48.5% to 50%;
- 1,078,319 Mediobanca shares and 21,566,393 warrants allocated to the company under a Mediobanca bonus issue;
- release of the first tranche, amounting to €90 million, of the up to €120 million indefinite-maturity subordinated loan extended to the subsidiary Mediolanum Vita S.p.A.;
- renewal upon maturity, in July 2009, of the €125 million credit lines in force, for about 18 months;
- €35 million hot money facility put in place in December 2009 that at year end had been drawn down for €20 million;
- issue of 1,304,470 new Mediolanum dividend-bearing ordinary shares following the exercise of stock options, that entailed a €130,447 increase in Mediolanum ordinary share capital and a €1,517,604 increase in the share premium account.

In this regard, we 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. We therefore satisfied ourselves 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.

As set out in the Directors' Report, after December 31, 2009 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 relate 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.

We have satisfied ourselves 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 purpose.

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.
During the year we did not receive any notices or complaints under article 2408 of the Italian Civil Code.

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.

Mediolanum S.p.A.

(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	211
Certification	Reconta Ernst & Young S.p.A.	65
Tax advice	-	-
Other	-	-
Total		276

Mediolanum Group

(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	1,085
Certification	Other entities in the Ernst & Young network	65
Tax advice	Other entities in the Ernst & Young network	392
Other	Other entities in the Ernst & Young network	334
Total		1,876

In addition to the amounts set out in the table above, entities that are part of the Ernst & Young network also invoiced an additional total amount of €782.5 thousand, of which €343 thousand relating to Italian funds and €439.5 thousand to international funds.

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.
In 2009, we attended 6 meetings of the Board of Directors (on February 16, March 4, March 24, May 13, July 29, and November 11, 2009) and held 9 meetings of the Board of Statutory Auditors (January 14, April 1, April 6, April 21, May 13, June 17, July 16, October 13 and October 19, 2009).
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, we have 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. We have no remark to make in this respect.

10. Remarks on the adequacy of the organisational structure.
We have examined the Company's organisational structure and reviewed its adequacy 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.
The internal control system, i.e. the system designed 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 as well as by acquiring specific periodic documentation.
We advise you that, as highlighted in the annual report of the Supervisory Board under Legislative Decree 231/2001, the organisational, management and control Model as well as related behavioural and operational procedures are currently being updated to incorporate key changes and that the new Model will be submitted to the Board of Directors for approval within the third quarter of 2010.

12. Accounting system adequacy and reliability.
On the basis of our reviews and verifications, we satisfied ourselves that the accounting system is adequate, it is reliable and suitable to represent fairly the company's affairs.

13. Adequacy of the instructions given to subsidiaries.
We satisfied ourselves that the instructions given by the Company to its subsidiaries, pursuant to article 114, paragraph 2, of Legislative Decree 58/1998, enable 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 early as 2000 the company adhered to the Code of Conduct for listed companies issued by Borsa Italiana and since then it has been regularly reviewing and fine-tuning corporate governance rules to bring them in line with regulatory changes.
In compliance with the provisions of paragraph 5 of article 3 of the Code of Conduct, we verified the correct application of the criteria and control procedures adopted by the Board of Directors to evaluate the independence of its members, as well as compliance of each member of the Board Auditors with the independence requirements set forth in the Code of Conduct.

16. Final remarks on our supervisory work.
In the performance of our statutory supervisory duties, as 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 our authority, we express our favourable opinion on the approval of the financial statements for the year ended December 31, 2009 and agree with the resolutions proposed by the Board of Directors.

Finally, we enclose hereto, in compliance with the public disclosure requirements under article 144 *quinquiesdecies* of the TUIF, the lists of positions held in listed companies by the members of the Board of Statutory Auditors at the date of this report.

Milan, April 8, 2009

THE 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
Alba Leasing	Chairman of the Board of Statutory Auditors	Dec. 31, 2011	
Banca Akros S.p.A.	Statutory Auditor	Dec. 31, 2009	
Banca Popolare di Milano Scarl	Statutory Auditor	Dec. 31, 2011	listed
BDO Remittance Italia S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2010	
Branchini Associati S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2011	
Chef Express S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 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	
Immobiliare Bofac S.p.A.	Statutory Auditor	Dec. 31, 2010	
Konica Minolta Business Solutions Italia S.p.A.	Statutory Auditor	Dec. 31, 2010	
Lega Calcio Service S.p.A.	Chairman of the Board of Statutory Auditors	Dec. 31, 2012	
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
Vegè Italia Scarl	Statutory Auditor	Dec. 31, 2011	
Gosen S.r.l.	Sole Director	Revocation/Resignation	
Gosen Immobiliare S.r.l.	Sole Director	Revocation/Resignation	
Immobiliare Flavia S.r.l.	Sole Director	Revocation/Resignation	
Immobiliare Leonardo S.r.l.	Chairman of the Board	Dec. 31, 2011	
Inspe Futuro S.r.l.	Sole Director	Revocation/Resignation	
Tamid Sport Marketing S.r.l.	Chairman of the Board	Revocation/Resignation	
Vertigo Partners S.r.l.	Director	Revocation/Resignation	
Visibilia Pubblicità S.r.l.	Director	Dec. 31, 2011	
Kenergy S.p.A.	Director	Dec. 31, 2011	

* Number of positions held in listed companies: 3; total number of positions held: 23

Schedule 2

Positions held by Professor Riccardo Perotta

Company	Position
Boing S.p.A.	Statutory Auditor
Coface Assicurazioni S.p.A.	Chairman of the Board of Statutory Auditors
Coface Factoring S.p.A.	Chairman of the Board of Statutory Auditors
Fiat S.p.A.	Chairman of the Board of Statutory Auditors
Hyunday Motor Company Italy S.r.l.	Chairman of the Board of Statutory Auditors
Jeckerson S.p.A.	Chairman of the Board of Statutory Auditors
Mediolanum S.p.A.	Statutory Auditor
Metroweb S.p.A.	Chairman of the Board of Statutory Auditors
Prada S.p.A.	Statutory Auditor
Snam Rete Gas S.p.A.	Statutory Auditor
Value Partners S.p.A.	Chairman of the Board of Statutory Auditors

Schedule 3

Positions held by Dottor Francesco Vittadini

Company	Position
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
Mediamond 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. (on 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.	Chairman of the Board of Statutory Auditors
Auditel S.r.l.	Statutory Auditor
Cofind S.p.A.	Statutory Auditor
Consorzio San Siro Duemila	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.p.A.	Statutory Auditor
Mediaset S.p.A.	Statutory Auditor
Mediolanum S.p.A.	Statutory Auditor
Milan Real Estate S.p.A.	Statutory Auditor
Titanus Elios S.p.A.	Statutory Auditor
Videodue S.r.l.	Statutory Auditor
Immobiliare Osio Sr.l.	Director

Independent Auditors' Report

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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, 2009, comprising the balance sheet, the statements of income, comprehensive income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree No. 38/2005 is the responsibility of the Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   With respect to the financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our report dated April 6, 2009.

3. In our opinion, the financial statements of Mediolanum S.p.A. at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Mediolanum S.p.A. for the year then ended.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
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
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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4. The management of Mediolanum S.p.A. is responsible for the preparation of the Directors' Report and the Report on Corporate Governance and on the company's ownership structure published in the section "Corporate Governance/Documents of Business Conduct" of the website of Mediolanum S.p.A. in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report and the information reported in compliance with art. 123-bis of Legislative Decree No. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and on the company's ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' Report and the information reported in compliance with art. 123-bis of Legislative Decree No. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and on the company's ownership structure, are consistent with the financial statements of Mediolanum S.p.A. as of December 31, 2009.

Milan, April 6, 2010

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

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

General Meeting of April 27, 2010

General Meeting of April 27, 2010

ORDINARY MEETING

At the 2010 Annual General Meeting, shareholders representing 65.45% of share capital by majority of votes resolved:

- to approve the financial statements for the year ended December 31, 2009, which reported net profit of €113,350,017.22 including the Directors' Report;
- to appropriate net profit for the year amounting to €113,350,017.22 as follows:
  - distribution of a full-year dividend of €0.15 per share (par value of €0.10) to the shareholders, including the 2009 interim dividend of €0.085 paid in November 2009 and the final dividend of €0.065 (before withholding tax) per share, excluding treasury shares held after the close of business on May 21, 2010;
  - 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 27, 2010 (coupon No. 20);
- 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 2010;
- to approve the establishment of a stock incentive plan for the directors and managers of the company and its subsidiaries as well as a stock incentive plan for contract workers of the company and its subsidiaries in accordance with the guidelines set out in the report of the Board of Directors;
- to give the Board of Directors any and all powers needed to implement the plans, including the authority to draft the rules governing the plans, to set the criteria for the selection of the beneficiaries as well as the criteria for the definition and measurement of the performance targets for the exercise of the stock options.

EXTRAORDINARY MEETING

- to authorise the Board of Directors pursuant to art. 2443 of the Italian Civil Code to increase share capital for a consideration and in tranches, waiving shareholders' preemptive rights under paragraph 5 of art. 2441 of the Italian Civil Code, in one or more occasions, as follows:
  - up to a maximum nominal amount of €500,000.00 by issuing up to 5,000,000 shares to be allotted to the directors and managers of the Company and its subsidiaries;
  - up to a maximum nominal amount of €700,000.00 by issuing up to 7,000,000 shares to be allotted to the contract workers of the Company and its subsidiaries.