MEDIOLANUM S.p.A.

ANNUAL REPORT 2010

MEDIOLANUM
MEDIOLANUM GROUP

Table of Contents

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

ANNUAL REPORT 2010

Registered office: Meucci Building Via F. Sforza – Basiglio – Milano Tre (Milan)
Share capital € 73,287,996.00 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 Simonelli	Chairman
Riccardo Perotta	Standing Auditor
Francesco Vittadini	Standing Auditor
Ferdinando Gatti	Alternate Auditor
Antonio Marchesi	Alternate Auditor

Board secretary

Luca Maria Rovere

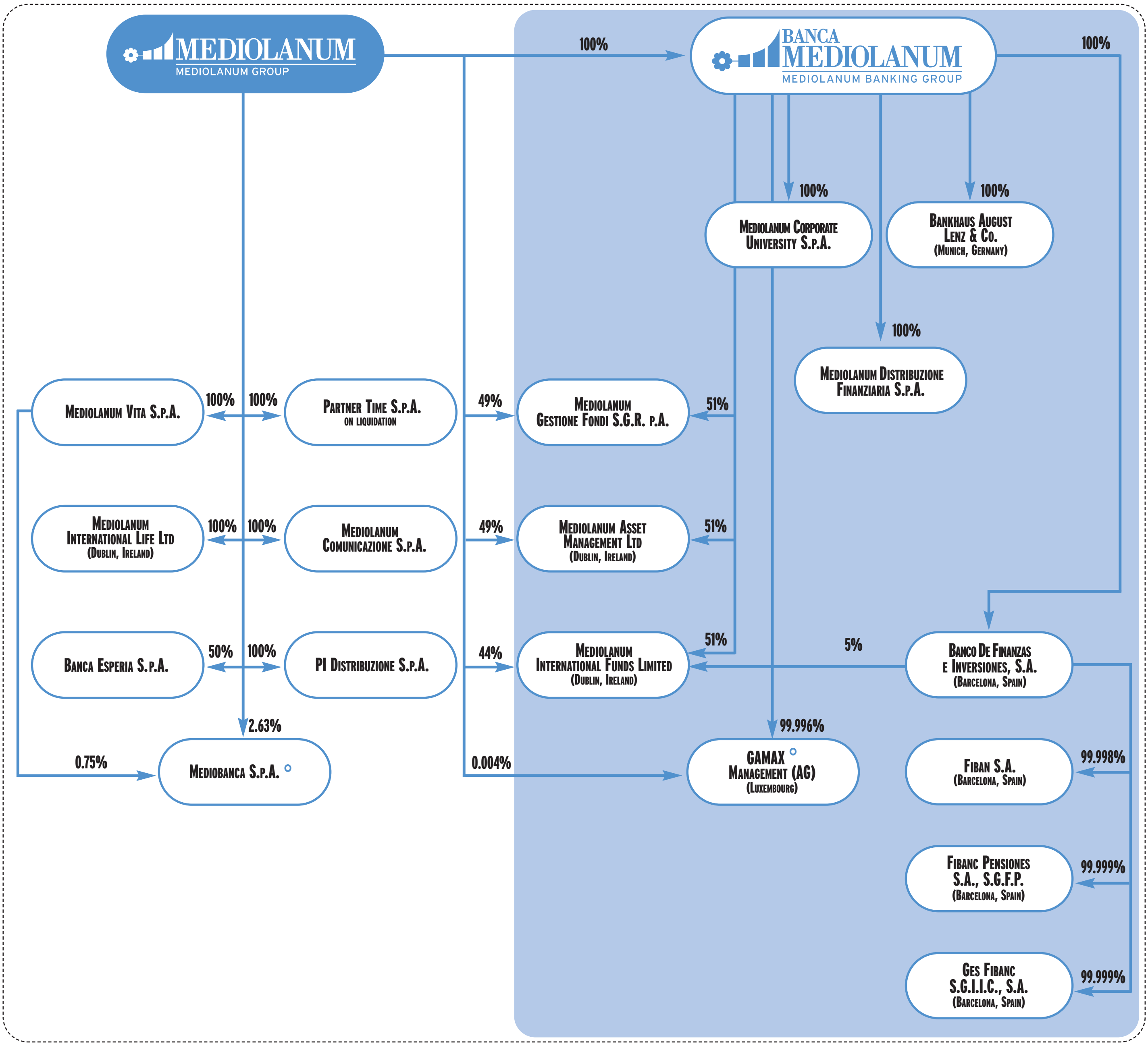
Independent auditors

Reconta Ernst & Young S.p.A.

Officer responsible for preparing accounting and financial reporting documents

Luigi Del Fabbro

Group structure
as of December 31, 2010



• THE MEDIOLANUM FINANCIAL CONGLOMERATE

• MEDIOLANUM BANKING GROUP

° Since Mediobanca hold treasury shares, total shareholding amounts to 3.47 of voting rights.

Mediolanum Group's Financial Highlights

€/million	Dec. 31, 2010	Dec. 31, 2009	Change %
Assets under management and administration (*)	45,848.7	40,393.9	14%
Net inflows *of which managed assets*	4,048.3 *2,193.0*	6,928.4 *2,107.6*	-42% *4%*
Gross income from ordinary activities (°)	274.5	257.6	7%
Non-recurring income (°°)	30.9	-	ns
Total gross income	305.4	257.6	19%
Income Tax (°)	58.8	40.3	46%
Net profit from ordinary activities (°)	223.7	217.3	3%
Total Net profit	246.6	217.3	13%
Euro	Dec. 31, 2010	Dec. 31, 2009	Change %
Earnings per share - ordinary activities	0.306	0.297	3%
Earnings per share - total	0.337	0.297	13%

(*) The figures relate to retail customers only.

(°) Cf. reclassified income statement set out under 'Segmental Information'.

(°°) The figure relates to the non-recurring income generated on the sale of Lehman Brothers securities that had been held under the operation put in place in 2008 to safeguard the interests of customers after the default of Lehman Brothers. The amount equivalent to said non-recurring income after related taxation – i.e. €22.9 million – was transferred from the specific equity reserve raised at that time and used to reimburse the two majority shareholders, Doris Group and Fininvest Group, that had covered the cost of said operation through a capital injection.

Consolidated Annual Financial Statements 2010

Directors' Report

Dear Shareholder,

For financial year 2010 the Mediolanum Group reported net profit of €246.6 million. The figure includes non-recurring income of €30.9 million generated upon the sale of Lehman Brothers securities that had been held under the operation put in place in 2008 to safeguard customer interests after the default of Lehman Brothers. Said non-recurring income after taxation had a positive impact of €22.9 million on consolidated results at December 31, 2010.
You are reminded that, although recognised in the 2008 income statement, the cost of that operation had been, in fact, fully covered by the two majority shareholders, the Doris Group and the Berlusconi family wholly owned entity Fininvest S.p.A., via a €120 million capital injection made on November 12, 2008. Said majority shareholders had waived their 2008 interim dividend amounting to €47.5 million, and extended an interest-free financing facility for the balance of €72.5 million. The interest-free financing facility had been recognised under a specific equity reserve in the balance sheet of Mediolanum S.p.A. fully covering the net losses of Mediolanum Group companies in relation to said operation that at December 31, 2008 amounted to €107.6 million.
Following the sale of said securities, the total net loss of the Mediolanum Group, considering the net gains on the sale of the underlying securities portfolio, amounted to €84.7 million and entailed a €22.9 million reduction in the equity reserve raised at the time.

Excluding the effects of the sale of Lehman Brothers securities, the Group's consolidated net profit amounted to €223.7 million up about 3% over the prior year's balance of €217.3 million.
Profit before tax was €274.5 million versus €257.6 million in the prior year (up 6.6%).

This result is particularly notable considering that in 2010 financial markets fared worse than in the prior year. Specifically, in the year under review there was a notable decline in net interest income due to low interest rates, and a significant decrease in net income on investments at fair value owed in part to losses on fair value measurement of these holdings at year end. This had an overall impact of €67.3 million on the Group's net profit for financial year 2010.
The Group's results for the period under review were also impacted by the €7.4 million impairment losses recognised on CGU Germany's goodwill following the impairment test conducted with the assistance of an independent advisor at year end 2010.

In 2010, management fees rose by about €93 million thanks to robust net inflows into mutual funds and year-on-year average net asset value growth of 31%.

Growth in that recurring component of commission income is all the more appreciable analysing quarterly performance. Q4 2010 management fees totalled €100 million rising notably over the €86 million posted in Q1 2010 and even more compared to the €59 million recorded in Q1 2009.

Again in 2010 the Group strategy, focused on growing assets under management and administration and related recurring revenues, proved to deliver excellent results.

Performance fees were down about €3 million over 2009, yet their decline was contained thanks to significant growth in NAV. In fact, the NAV subject to performance fees amounted to about €15 billion at the end of December 2010 versus €11 billion in the prior year. Had NAV remained unchanged, performance fees for the year 2010 would have recorded a greater decline of about €46 billion.

At year end 2010, Mediolanum Group's total assets under management and administration amounted to €45,848.7 million, growing 14% from €40,393.9 million at December 31, 2009.

Growth in net inflows and NAV contributed to this achievement.
Specifically, net inflows for the year amounted to €4,048.3 million, a notable figure although lower than in the prior year (€6,928.4 million). Net managed assets inflows (including third-party structured bonds) grew 4%, confirming expectations for significant Mediolanum Group's business growth.

For the year under review, Banca Mediolanum posted net inflows of €3,284.7 million, down 43% from the exceptional figure of €5,795.4 million recorded in the prior year.

The analysis of net inflows shows that net inflows into asset management products (Life products, Funds and Structured Bonds), excluding *Freedom*, increased 5% to €2,131 million from €2.037.8 million at year end 2009. Net inflows of assets under administration, including *Freedom* amounted to €1,154 million versus the exceptional figure of €3,758 million posted in the prior year.

According to data released by the financial newspaper *Il Sole 24 ore* last January 29, Banca Mediolanum ranked first among top Italian sales networks with €3.4 billion net inflows in the year 2010, a figure which is more than 2.5 times higher than the inflows reported by the competitor who came in second in the ranking.
According to data released by Assogestioni, in 2010 Banca Mediolanum posted €2.16 billion net inflows into mutual funds versus about €5.69 billion recorded by the whole domestic industry.
The Assogestioni ranking of top asset managers in terms of volumes shows that the Mediolanum Group was in the fourth place versus sixth place in December 2009, sixth place in December 2008 and tenth place in December 2007; its market share grew from 3.81% in December 2009 to 4.44% in December 2010.

The macroeconomic environment

In 2010, the recent deep and prolonged recession was finally over and recovery in place. The fiscal and monetary policy measures taken by governments and central banks have been key to that achievement. While shrinking by almost one percentage point in the prior year, in 2010, global GDP averaged 5% growth. GDP growth was 2.8% in the US and averaged 1.8% in the Eurozone. Specifically, Germany fully reaped the benefits of rising exports and investments in machinery and equipment posting a 3.6% increase in GDP. Italy posted GDP growth of just 1%. Output growth was seen largely by those domestic businesses, especially bigger companies, that export to emerging economies. Domestic demand remained weak as uncertainties over employment and the continuing stagnation of real household income weighed down on consumer spending more than in other Eurozone economies. With GDP growth at 7.1% emerging economies continued to be a mainstay of the world economy.

Economists continue to focus their attention on the sustainability of the current recovery in an environment of high unemployment and low consumer confidence, especially in the US and Europe. In both geographic areas in the period under review, unemployment was close to 10% on average, and economic climate surveys showed only marginal improvements.

Over the last three years, the crisis has widened the public deficit of all advanced economies by more than 6% of GDP, and increased public debt by nearly 25%, bringing it close to 100% of GDP. The mounting pressure on the sovereign debt of certain countries in the Eurozone has heightened attention to the risks of prolonged imbalances. The steady rise in market yields on Greek and Irish sovereign issues required the concerted action of the European Union, the European Central Bank and the International Monetary Fund. The yield spreads between German treasuries and Italian and Spanish treasuries notably widened with subsequent increase in interest expense.

Economic uncertainty, low consumer spending, high unemployment levels and the underutilisation of plants contributed to dampen inflationary pressures. In December, the CPI rose 2.2% in the Eurozone and 1.5% in the US, on an annual basis. Excluding food and energy, the CPI grew 1.0% and 0.8%, respectively.

The lack of inflationary expectations allowed the European Central Bank, Bank of England and Federal Reserve to keep the refinancing rate unchanged at 1%, 0.5% and between 0% and 0.25%, respectively.

Financial Markets

In 2010, the emergence of a serious sovereign debt crisis in peripheral Eurozone countries affected the risk propensity of investors and the performance of financial markets and currencies. The steady rise in market yields on Greek and Irish sovereign issues required the concerted action of the European Union, the European Central Bank and the International Monetary Fund. The yield spreads between German treasuries and Italian, Spanish and Portuguese treasuries notably widened.

Yields on 2-year and 10-year Italian treasuries rose from 1.54% and 4.14% at the beginning of the year to 2.88% and 4.82% at December 31, 2010, respectively. Yields on Spanish treasuries for the same maturities increased from 1.87% and 3.98% to 3.46% and 5.45%, respectively. On the other hand, yields on German treasuries on two and ten year maturities dropped respectively from 1.33% and 3.39% at December 31, 2009 to 0.86% and 2.96% at December 31, 2010 with subsequent steepening of the yield curve.

The financial crisis also brought about the widening of yields on bonds issued by European companies, especially banks and financial institutions.

In the US, treasuries yields declined across all main maturities: specifically, yields on 2-year and 10-year treasuries fell from 1.13% and 3.84% at the start of the year to 0.59% and 3.29% at year end 2010, respectively.

Lastly, the sovereign debt of emerging countries benefitted from narrowing yield spreads.

In 2010, global stock markets progressed 9.5% on average (MSCI World in USD). In the US the S&P 500 was up 12.8%, and the NASDAQ Composite rose by 16.9%. In Europe stock markets grew 8.6% (DJ Stoxx 600), while the Italian stock market shed 13.2% (FTSEMIB), the DAX was up by 16% and the CAC fell 3.3%. The sovereign debt crisis in peripheral countries in the Eurozone resulted in a deep underperformance of the Spanish (IBEX -17.4%), Greek (Athex Composite Share Index -35.6%) and Italian stock markets. In Japan, the Nikkei 225 was down by 3%, while emerging economies posted an average stock market growth of over 16.4% (MXEF in USD). Stock market growth was driven by cyclical stocks (industrials, technologies, commodities).

Reflecting the improved global economic landscape, main commodity prices were on the rise. In 2010 oil prices were up by more than 12%.

In 2010, the US dollar strengthened against the euro from 1.4321 at the beginning of the year to 1.3384 at year end. In the first half of the year, the US currency benefited from fears over the sustainability of peripheral govern-

ment debt in the Eurozone, reaching a high of 1.1923 on June 7. In later months, expectations of a new quantitative easing move by the Federal Reserve led to a low of 1.4207 on November 4. Lastly, the Irish financial crisis led to further strengthening of the dollar in the closing weeks of the year.
The financial crisis in the Eurozone also had repercussions on the euro's exchange rate against the sterling and the yen.

The Insurance Market

Data released by ANIA, the Association of Italian Insurers, show that in the year 2010 new business written rose 7.9% over the prior year to €63.7 billion. The analysis of historical data starting from 2006, when new business written was €48.8 billion, shows annual average growth of 6.9%.
The analysis by type of product/class shows that in 2010, with premiums written of €49.5 billion class I products posted a 3.1% decline over 2009 shedding almost nine percentage points in terms of market share (from 86.4% to 77.6%). On the other hand, in the year under review, policyholders showed renewed interest in class III products, specifically in 'classical' unit-linked policies. After two years of shifting to more traditional products, in 2010 policyholders returned to focus on unit- and index-linked policies with business almost doubling to €11.1 billion. However, in the five years from 2006 through 2010 those products posted an average annual decline of 17.1% mostly in index-linked policies. As to Class V products, in 2010 investment plans continued to display growth albeit at a slower pace (up 31.3%), with premiums totalling €3.1 billion. New premiums written/contributions paid under individual pension plans grew 28.7% over the prior year to €612 million. In 2010 the median change in new business was 12.4% and average market value 7.9%. Considering group policies and business in-force, in 2010 gross premiums are estimated to have grown 11.3% on 2009.
The analysis of new business written by distribution channel shows that in 2010 the main contributors to growth were again banks and post offices with €44.6 billion, up 9.5% over 2009 and CAGR of 5.3% in the 2006-2010 period. In the recently ended year, 12% of new life policies were sold by agents with €7.7 billion new premiums written, up 15.3% over 2009 (annual average growth in the past five years of 4.8%). Business written through subsidiary agencies also recorded good results with €1.5 billion new policies up 8.8% over 2009, reversing the negative trend of prior years. Conversely, in 2010, business written through financial advisors showed a 3.5% decline in new premiums written which totalled over €9.9 billion.
Premiums written by EU companies conducting business in Italy (ANIA data) amounted to €5.7 billion. Including these companies, in 2010, new business grew 5.8% over the prior year to €69.4 billion.

The Banking Business

At year end 2010, the financial assets of households amounted to about €3,560 billion, remaining essentially unchanged over the prior year. Specifically, bank accounts and deposits were up 0.3% accounting for 29.9% of total financial assets of households; holdings in life insurance, pension funds and severance funds rose 7.6%, with a weight of 17.5% (16.2% in the prior year); holdings in mutual funds also posted growth rising 10.8% and accounting for 5.7% of total financial assets of households. Conversely, holdings in equities were down 4.8% with a weight of 23.4%. Also holdings in government and corporate bonds declined, namely by 6.8% (bonds issued by financial and monetary institutions were up 2.1% while treasuries declined 24.8%), accounting for 19.2% of total financial assets of households (20.5% in the prior year).
In 2010, in Italy, bank funding remained sustained although a little less buoyant than in the prior year. At year end, total funding of Italian banks (euro-denominated bank accounts, term deposits, repurchase agreements and bonds)

amounted to €2,191.3 billion, up 3%. The analysis of the various components shows customer deposits grew 6.3% and bank bonds were down 1.7% on an annual basis.
In 2010, bank loans picked up again after the dramatic deceleration of 2009 due to the deep cyclical downturn in Italy's economy. At year end, loans to companies and individuals domiciled in Italy grew 4.3%. At the end of December 2010, loans to companies and individuals amounted to €1,683.5 billion. Specifically, loans to households and non-financial firms amounted to €1,461 billion, up 3.8%. Maturity analysis shows that medium/long-term loans grew by 4.9% and short-term loans by 0.8%.
Credit facilities to households were also on the upside growing 7.6% at year end 2010 versus 5.9% in 2009. Consumer credit decelerated growing by only 2% in the year under review. Home loans were up 8% versus 6.1% at year end 2009.
Interest on bank deposits marginally increased from 0.68% at year end 2009 to 0.70% at year end 2010. Average interest on bonds was 2.91% and interest on repurchase agreements rose to 1.58%. At the end of December 2010, average interest on bank deposits, repurchase agreements and bonds was 1.50%. Interest on loans to businesses and households also increased. At year end 2010, interest on active bank accounts of households was 4.65%, while interest on mortgage loans amounted to 2.97%. The average spread between lending and funding interest rates narrowed and was 2.16% versus 2.42% in 2009.
At year end 2010 gross non-performing loans amounted to €77.8 billion. The ratio of gross non-performing loans to total loans was 4% versus 3.3% in the prior year. Net non-performing loans amounted to €46.9 billion up about €11 billion over year end 2009. The ratio of net non-performing loans to total loans was 2.46% (vs. 2.03% at December 2009), while the ratio of net non-performing loans to regulatory capital was 13.46% at December 2010 (vs. 10.47% at year end 2009).
At year end 2010, securities in custody with Italian banks (either actively managed or held by customers) amounted to €1,538 billion (vs. €1,546 billion at year 2009). About 45% was held directly by consumer households.
At December 2010 the securities portfolio of Italian banks in the aggregate amounted to €562 billion climbing 28% over the prior year. The proprietary securities portfolio of banks grew by about €123 billion.

Mediolanum Group's performance

In 2010 new initiatives were largely taken in the asset management segment.

In April 2010, the merger of the open-ended funds managed by Mediolanum Gestione Fondi became effective. That entailed the consolidation of 22 funds into 5 new funds. The merger was made to enhance the funds offering of said management company with innovative solutions featuring largely flexible investment policies and active, dynamic management.

In May 2010, Banca Mediolanum entered into alliances with three of the most prestigious international investment houses, namely: DWS Investments (Deutsche Bank Group) and the US firms Franklin Templeton Investments and Allianz Group's PIMCO.
Adding to those made in March 2008 with BlackRock, J.P. Morgan Asset Management and Morgan Stanley Investment Management, these three alliances further broadened and deepened the offering of asset management products to Mediolanum Group's customers across Italy.
Today people can invest their savings in any markets or sectors across the world. However, if they want to seize the best investment opportunities and maximise returns they need the local presence, specific expertise and excellent

management skills that only major international investment management groups can offer. This is why Banca Mediolanum entered into strategic alliances with the investment management firms named above combining its recognised talent in the provision of sound investment management advice with its partners' global reach and well-established management skills.
The alliances made in 2008 have already proven their worth in terms of both inflows growth – even at a time when the market was seeing massive outflows – and returns. Thus, especially at international level, partnering up with Banca Mediolanum is considered not only a source of excellent business at a particularly challenging juncture, but also an indication of the high professional status enjoyed by Banca Mediolanum's partners.
Thanks to the alliances with international partners, Banca Mediolanum's Private and Family Bankers can now offer their clients additional investment opportunities as part of a top-notch range of products that takes advantage of the specific sector expertise of the partners and allows for maximum investment diversification.
Specifically, the alliance with DWS Investments gives Mediolanum customers the opportunity to invest in those growth sectors that are reshaping the global economic landscape such as the agro-food business, energy efficiency and sustainable development, as well as infrastructure. The alliance with Franklin Templeton Investments, an investment house specialised in emerging markets, expands the investment offering in these economies that are expected to continue to grow at a much faster pace. Last but not least, the alliance with PIMCO gives Mediolanum customers the edge of funds that invest in inflation-protected bonds, commodities, property and other asset classes.
These three investment lines add to the other international lines of Mediolanum Best Brands that so far have delivered excellent results especially under accumulation plans, a form of investment that reveals the true value of Family Bankers' advice on products that are the very best investment management boutiques can offer.

In July 2010, Mediolanum Vita sold the Previgest Pension Fund to Mediolanum Gestione Fondi. Said Pension Fund was merged into the open-ended 'Previgest Fund Mediolanum' pension fund with effectiveness from July 1, 2010.

Freedom continues to be a key product and a major platform for growth in asset management which is Mediolanum Group's core business, in spite of net inflows being down €0.5 billion compared to the impressive figure recorded in 2009 (€4.6 billion).
The slowdown in net inflows into the *Freedom* bank account in 2010 was due to the inevitable reduction in net interest paid on the account from 3% in the prior year to 2% as of April 2010, which made the product less attractive although it still is the bank account offering the best returns.
To attract new customers, last September a new commercial initiative was launched entailing the payment of 2.2% net interest through March 2011 to new customers opening a *Freedom* bank account. The initiative was communicated via a specific advertising campaign.
Net interest of 2.2% is also paid on new deposits made by existing customers investing in 4-month repurchase agreements, while net interest paid on existing *Freedom* accounts balances for the current quarter is 1.82%. Although net interest paid on *Freedom* bank accounts balances is lower than the net interest paid in the last six months, i.e. 2%, *Freedom* is still the bank account product offering the best returns. In fact, other banks offer higher interest on time deposits only.
Freedom new commercial initiative goes hand in hand with a charitable project coordinated by 'Francesca Rava Foundation' whereby for each new *Freedom* account opened Banca Mediolanum will cover one-month schooling for a child in Haiti.

At year end 2010 there were about 150,000 Freedom primary account holders with average asset balances of €115,000, an amount which is almost double the average balance of other bank account holders, i.e. about €57,7000. Thanks to the high profile of customers acquired in 2010 the average assets of Banca Mediolanum customers grew from €36,214 at year end 2009 to €41,630 at year end 2010.
Freedom assets amounted to €6.53 billion of which €5.03 billion invested in Mediolanum Plus policies. About 11% of that balance was made up of new inflows from new or existing customers.

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

Consolidated Inflows, Assets under Management and Assets under Administration

Net Inflows

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
ITALY			
Life Insurance products	(827,7)	566,1	ns
Asset Management Products	2.101,1	1.426,5	47%
Total managed assets inflows	1.273,4	1.992,6	(36%)
Third-party structured bonds	857,6	45,2	ns
'Freedom' Life Policies	453,5	4.570,8	(90%)
Administered assets	700,2	(813,2)	ns
BANCA MEDIOLANUM	3.284,7	5.795,4	(43%)
BANCA ESPERIA (*)	696,5	1.143,5	(39%)
Total - ITALY	3.981,3	6.938,8	(43%)
SPAIN	35,1	5,6	ns
GERMANY	32,0	(16,0)	ns
Total FOREIGN MARKETS	67,1	(10,4)	ns
TOTAL NET INFLOWS	4.048,3	6.928,4	(42%)

(*) The figures relate to retail customers only.

Assets under Management and under Administration(*)

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
ITALY			
Life Products	15,068.7	14,988.8	1%
'Freedom' Life Policies	5,025.3	4,571.8	10%
Asset Management products	19,509.2	15,759.2	24%
Banking products	7,195.6	5,785.8	24%
Consolidation adjustments	(9,285.2)	(8,167.0)	14%
BANCA MEDIOLANUM	37,513.6	32,938.6	14%
Banca Esperia Group (**)	6,372.5	5,591.3	14%
Total - ITALY	43,886.1	38,529.9	14%
SPAIN	1,621.8	1,583.0	2%
GERMANY	340.8	281.0	21%
Total FOREIGN MARKETS	1,962.6	1,864.0	5%
TOTAL ASSETS UNDER MANAGEMENT & ADMINISTRATION	45,848.7	40,393.9	14%

(*) 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, 2010, total assets under management and administration amounted to €45,848.7 million up 14% from €40,393.9 million at December 31, 2009.

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

ITALY - LIFE

At December 31, 2010, total life products amounted to €15,068.7 million versus €14,988.8 million at year end 2009.

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
Unit-linked life products	9.308,8	8.128,5	15%
Index-linked life products	4.428,4	5.485,8	(19%)
Traditional life products	1.331,5	1.374,5	(3%)
Total Life Products (ex-'Freedom')	15.068,7	14.988,8	1%
'Freedom' Life Policies	5.025,3	4.571,8	10%

Gross premiums written in the year amounted to €9,024.6 million, down 6% from €9,552.5 million in the prior year.

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
Recurring premiums	104.0	134.2	(23%)
Single premiums and group policies	203.0	957.4	(79%)
Total new business	307.0	1,091.6	(72%)
Pension plans in force	560.7	521.2	8%
Other business in force	642.6	693.9	(7%)
Total in-force business	1,203.3	1,215.1	(1%)
Total Premiums Written (ex-'*Freedom*')	1,510.3	2,306.8	(35%)
'Freedom' Premiums Written	7,514.3	7,245.7	4%
Total Gross Premiums Written	9,024.6	9,552.5	(6%)

New business stood at €307 million, down 72% from €1,091.6 million at December 31, 2009.
Excluding *Freedom*, i.e. the *Mediolanum Plus* policy, gross premiums written in the period under review were down 35% to €1,510.3 million. Specifically, single premiums declined about 79%, yet the decline was offset by sales of third-party structured bonds in the banking segment. 'Synergy'(+€85.4 million), the new unit-linked policy that replaced index-linked products, is expected to generate significant business as soon as financial markets pick up momentum.
Recurring premiums were down 23% from €134.2 million at December 31, 2009 to €104 million at December 31, 2010. The decline was due to customers shifting to Best Brands accumulation plans.
Total in-force business amounted to €1,203.3 million, remaining essentially in line with the prior year's balance of €1,215.1 million (-1%).
Excluding *Freedom*, amounts paid increased 34% from €1,741.1 million in 2009 to €2,337.9 million at the end of the period under review.

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
Claims	76.0	72.5	5%
Coupons	155.0	190.8	(19%)
Maturities	1,187.7	912.2	30%
Surrenders	919.3	565.6	63%
Amounts paid (ex-'Freedom')	2,337.9	1,741.1	34%
Amounts paid under 'Freedom' contracts	7,187.4	2,735.5	163%

Maturities were up 30% to €1,187.7 million, of which €931.8 million relating to index-linked policies.
Surrenders increased 63% especially on whole life policies as customers took profits on financial market rebounds.

ITALY - ASSET MANAGEMENT

The analysis of assets under management in the retail segment is set out below.

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
'Best brands' funds of funds	4,044.2	2,322.6	74%
'Portfolio' funds of funds	806.3	834.2	(3%)
'Elite' funds of funds	-	108.9	ns
Funds of hedge funds	341.1	437.2	(22%)
Total Funds of Funds	5,191.5	3,702.9	40%
'Challenge' funds	12,046.7	10,327.6	17%
Other Italy-based mutual funds	2,240.3	1,802.7	24%
Other internationally-based mutual funds	246.9	271.6	(9%)
Total Other Mutual Funds	14,533.9	12,401.8	17%
'Chorus' managed accounts	73.0	86.4	(16%)
Real estate funds and others	535.1	431.8	24%
Duplication adjustments	(824.4)	(863.6)	(5%)
Total asset management products	19,509.2	15,759.2	24%
of which (*):			
Equity	62%	60%	-
Bond	26%	15%	-
Money market	3%	7%	-
Other	9%	18%	-

(*) Flexible funds were allocated to the relevant class as of year end 2010.

At December 31, 2010, total assets under management amounted to €19,509.2 million, growing 24% from €15,759.2 million at December 31, 2009.

In April 2010, Mediolanum Gestione Fondi SGR p.A. 22 open-ended funds were consolidated into 5 new funds (bond and flexible funds).

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

Net inflows

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
'Best brands' funds of funds	1,357.9	474.0	186%
'Portfolio' funds of funds	(99.8)	(73.1)	37%
'Elite' funds of funds	(3.9)	(2.1)	86%
Total Funds of Funds	1,254.3	398.8	215%
'Challenge' funds	471.8	646.6	(27%)
Other Italy-based mutual funds	309.1	365.6	(15%)
Total Other Mutual Funds	780.9	1,012.3	(23%)
'Chorus' managed accounts	(17.6)	(13.4)	32%
Real estate funds and others	83.6	28.8	190%
Total asset management products	2,101.1	1,426.5	47%

Gross inflows

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
'Best brands' funds of funds	2,336.1	881.1	165%
'Portfolio' funds of funds	52.7	72.4	(27%)
'Elite' funds of funds	3.8	16.3	(77%)
Total Funds of Funds	2,392.7	969.8	147%
'Challenge' funds	1,533.8	1,288.4	19%
Other Italy-based mutual funds	965.9	878,0	10%
Total Other Mutual Funds	2,499.8	2,166.4	15%
'Chorus' managed accounts	0.5	1.4	(64%)
Real estate funds and others	103.7	59.3	75%
Total asset management products	4,996.7	3,196.9	56%

In the period under review gross inflows amounted to €4,996.7 million, climbing 56% from €3,196.9 million reported for the same period of the prior year. Growth was mostly driven by *Best Brands* funds of funds (up €1,455 million; +165%) and *Challenge* funds (up €245.4 million; +19%), particularly *Challenge* Flexible and Total Return funds.

ITALY - BANKING

At December 31, 2010, the Group reported net inflows into administered assets of €700.2 million versus net outflows of €813.2 million in 2009.
Sales of third-party structured bonds generated €857.6 million inflows.

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

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
Customer Deposits	3,882.1	3,976.9	(2%)
Banca Mediolanum Bonds	334.1	175.1	91%
Third-party Structured Bonds	833.5	42.5	ns
Securities in custody	1,488.3	1,541.2	(3%)
Repurchase agreements	657.8	50.1	ns
Total Assets under Administration	7,195.6	5,785.8	24%

At December 31, 2010, Banca Mediolanum bank accounts were 568,328 versus 581,722 at the end of the prior year (down 2.3%) and primary account holders were 897,158 versus 921,332 at year end 2009 (down 2.6%).
At year end 2010, the total number of customers – either bank account holders or investors in financial/insurance products sold by Banca Mediolanum – was 1,076,550, and bank account holders accounted for 74% of total bank customers, a percentage which confirms customer satisfaction with the quality, breadth and depth of the banking product offering.

SPAIN

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
Assets under Management & Administration	1,621.9	1,583.0	2%
Assets under Management	*991.2*	*930.3*	7%
Assets under Administration	*630.7*	*652.7*	(3%)
Gross Inflows	261.6	180.4	45%
Assets under Management	*270.0*	*247.6*	9%
Assets under Administration	*(8.4)*	*(67.2)*	(88%)
Net Inflows	35.1	5.6	ns
Assets under Management	*43.5*	*72.8*	(40%)
Assets under Administration	*(8.4)*	*(67.2)*	(88%)

Assets under Management and under Administration were up 2% over the same period of the prior year, remaining essentially in line with the balance reported at December 31, 2009.

Gross inflows for the period rose 45% over the same period of the prior year. Specifically, gross inflows into asset management products amounted to €270 million versus €247.6 million at December 31, 2009.

Net inflows amounted to €35.1 million versus €5.6 million at year end 2009.
At December 31, 2010, Fibanc customers were 87,250 versus 87,081 at December 31, 2009, and primary account holders were 63,264 versus 66,130 in the prior year (down 4%).

GERMANY

€/million	Dec. 31, 2010	Dec. 31, 2009	Change
Assets under Management & Administration	340.8	281.0	21%
Assets under Management	*317.2*	*268.4*	18%
Assets under Administration	*23.6*	*12.6*	87%
Gross Inflows	86.8	28.5	205%
Net Inflows	32.0	(16.0)	ns
Assets under Management	*18.5*	*(3.0)*	ns
Assets under Administration	*13.5*	*(13.0)*	ns

Assets under Management and under Administration grew 21%.
Net inflows for the period under review amounted to €32 million versus net outflows of €16 million in the prior year. Specifically, net inflows into asset management products were €18.5 million versus net outflows of €3.0 million at December 31, 2009.

At December 31, 2010 total customers were 3,486 versus 3,452 at the end of the prior year (up 1%).

The Sales Networks

Number	Dec. 31, 2010	Dec. 31, 2009	Change
ITALY			
Licensed financial advisors	4,772	4,945	(3%)
Non-licensed advisors / agents (*)	44	358	(88%)
BANCA MEDIOLANUM	4,816	5,303	(9%)
SPAIN	484	454	7%
GERMANY	36	43	(16%)
Total	5,336	5,800	(8%)

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

In the period under review the number of Banca Mediolanum licensed financial advisors was down 3% (173 people) while the number of non-licensed advisors/agents declined 88% (314 people). This was owed to the new recruitment policy which entails the hiring of licensed advisors only, and the gradual exit of non-licensed advisors/agents.

Consolidated Income Statement at December 31, 2010

€/million	Dec. 31, 2010 Ordinary activities	Dec. 31, 2010 Non-recurring items	Dec. 31, 2010 Total	Dec. 31, 2009
Net premiums written	9,123.5	-	9,123.5	9,641.5
Amounts paid and change in technical reserves	(9,082.4)	-	(9,082.4)	(9,539.1)
Net life insurance revenues (ex-commissions)	41.1	-	41.1	102.4
Entry fees	116.9	-	116.9	82.5
Management fees	370.8	-	370.8	277.6
Performance fees	151.6	-	151.6	154.9
Banking service fees	145.0	-	145.0	90.1
Other fees	30.0	-	30.0	27.0
Total commission income	814.2	-	814.2	632.1
Net interest income	141.2	-	141.2	162.7
Net income (loss) on investments at fair value	11.2	-	11.2	57.0
Net financial income	152.4	-	152.4	219.7
Equity contribution	14.4	-	14.4	6.0
Realised gains (losses) on other investments	14.7	30.9	45.6	17.3
Impairment of loans	(9.7)	-	(9.7)	(15.0)
Impairment of other investments	(15.2)	-	(15.2)	(20.6)
Net income (loss) on other investments	(10.2)	30.9	20.7	(18.3)
Other revenues	22.9	-	22.9	23.8
TOTAL REVENUES	1,034.8	30.9	1,065.7	965.7
Acquisition costs & sales network commission expenses	(325.1)	-	(325.1)	(289.9)
Other commission expenses	(59.7)	-	(59.7)	(47.7)
General and Administrative expenses	(343.8)	-	(343.8)	(339.7)
Amortisation and depreciation	(16.5)	-	(16.5)	(25.5)
Net provisions for risks	(15.2)	-	(15.2)	(5.3)
TOTAL COSTS	(760.3)	-	(760.3)	(708.1)
PROFIT BEFORE TAX	274.5	30.9	305.4	257.6
Income tax	(50.8)	(8.0)	(58.8)	(40.3)
Minority interests	-	-	-	-
NET PROFIT FOR THE PERIOD	223.7	22.9	246.6	217.3

The reclassified consolidated income statement above highlights the effects of the sale of Lehman Brothers securities which had been held in connection with the operation conducted in 2008 to safeguard customers holding 'index-linked policies with Lehman Brothers bonds as underlying assets'. The cost of said operation had been covered by Mediolanum S.p.A.'s two majority shareholders, the Doris Group and Fininvest S.p.A., through a capital injection. That had entailed raising a specific equity reserve.

The €22.9 million non-recurring income after taxation generated from the sale of said securities entailed a decline of the same amount in the specific equity reserve established at the time of the operation.

In the analysis that follows, 2009 financials are compared to 2010 results from ordinary activities.
To ensure meaningful comparisons between 2009 and 2010 financial data, consolidated income statement figures were reclassified, where necessary.

For the year under review **net premiums written** amounted to €9,123.5 million versus €9,641.5 million in the prior year (down 5%). The decline was largely owed to index-linked policies being no longer distributed in Italy. This also entailed a decline in **amounts paid and change in technical reserves** from €9,539.1 million in the prior year to €9,082.4 million at the end of the period under review (down 5%).

Net life insurance revenues before acquisition costs amounted to €41.4 million versus €102.4 million in the prior year. The decline largely reflects the discontinued distribution of index-linked policies and the ensuing decrease in loadings earned in the period.

Total commission income for the year 2010 rose €182.1 million to €814.2 million from €632.1 million in the prior year. This largely reflects the greater management fees earned in the year (up €93.2 million) as a result of the good performance of markets and the robust inflows into mutual funds, as well as, in part, the greater banking service fees (up €55 million) that mostly benefitted from sales of third-party structured bonds (€43.9 million).

Net financial income amounted to €152.4 million, down €67.3 million over the prior year, largely due to lower interest rates and reduced gains on securities trading.

At year end 2010, the Group posted **net losses on other investments** of €10.2 million, improving by €8.1 million over the prior year's figure. This reflects lower losses on measurements of Available-for-Sale financial assets (+ €12.6 million) and lower impairment losses on loans (+€5.4 million). This account also includes the €7.4 million impairment losses on the goodwill of Bank August Lenz and Gamax.

At December 31, 2010, **acquisition costs & sales network commission expenses** amounted to €325.1 million versus €289.9 million in the prior year. The €35.2 million increase is in connection with greater entry fees and revenues on sales of structured bonds generated in the year as well as the greater management fees owed to managed assets growth.

Other expenses (administrative expenses, amortisation, depreciation and provisions for risks) were up 1.3% to €375.5 million from €370.5 million in the prior year. Specifically, in the period under review, the Group recorded greater net provisions for risks (up €9.9 million), largely provisions to cover risks of financial advisors' misconduct and litigations up €4.5 million and €3.2 million, respectively, over the prior year. On the other hand, amortisation and depreciation fell from €25.5 million in 2009 to €16.5 million at year 2010, also as a result of the sale of servers to Cedacri under relevant outsourcing arrangements.

Income tax for the year increased from €40.3 million in 2009 to €50.8 million at year end 2010 (tax rate 18.5%).

The analysis of income statement data by operating segment is set out below.

ITALY - LIFE

€/'000	Dec. 31, 2010	Dec. 31, 2009	Change	Change %
Net premiums written	9,003,188	9,545,971	(542,783)	(6%)
Amounts paid & change in technical reserves	(8,977,543)	(9,457,085)	479,542	(5%)
Net life insurance revenues (ex-commissions)	25,645	88,886	(63,241)	(71%)
Total commission income	271,106	246,968	24,138	10%
Net interest income	14,190	18,490	(4,300)	(23%)
Net income (loss) on investments at fair value	7,747	31,525	(23,778)	(75%)
Net financial income	21,937	50,015	(28,078)	(56%)
Net income (loss) on other investments	3,950	6,849	(2,899)	(42%)
Other revenues	12,454	15,005	(2,552)	(17%)
TOTAL REVENUES	335,092	407,723	(72,632)	(18%)
Acquisition costs & sales network commission expenses	(92,339)	(123,620)	31,281	(25%)
Other commission expenses	(6,146)	(5,382)	(764)	14%
General and Administrative expenses	(96,950)	(99,397)	2,447	(2%)
Amortisation and depreciation	(3,764)	(4,594)	830	(18%)
Net provisions for risks	(5,121)	(2,579)	(2,542)	99%
TOTAL COSTS	(204,320)	(235,572)	31,252	(13%)
PROFIT BEFORE TAX	130,772	172,151	(41,379)	(24%)

In the 'Italy – Life' operating segment, **net life insurance revenues** before acquisition costs totalled €25.6 million versus €88.9 million in the prior year. The €63.2 million decline over the prior year was mostly due to the discontinued distribution of index-linked policies and the related impact on loadings for the period.

Total commission income amounted to €271.1 million euro, up €24.1 million from €247 million at year end 2009. The increase largely reflects, on the one hand, greater management fees, up €38.3 million, thanks to growth in net inflows and net asset value of investments in unit-linked products, and, on the other hand, the €12.5 million decline in performance fees.

At December 31, 2010, **net financial income** amounted to €21.9 million versus €50 million in the prior year. The decline reflects lower gains on fair value measurement of securities held for trading.

Costs were down €31.3 million largely due to lower commissions paid out to the sales network following the discontinued distribution of index-linked policies.

ITALY - ASSET MANAGEMENT

€/'000	Dec. 31, 2010	Dec. 31, 2009	Change	Change %
Entry fees	112,615	79,885	32,730	41%
Management fees	161,313	108,912	52,401	48%
Performance fees	70,449	62,602	7,847	13%
Other fees	21,135	17,988	3,147	17%
Total commission income	365,512	269,388	96,124	36%
Net interest income	1,215	1,107	108	10%
Net income (loss) on investments at fair value	(9)	(5)	(4)	80%
Net financial income	1,206	1,102	104	9%
Net income (loss) on other investments	(529)	(11)	(518)	4,657%
Other revenues	156	181	(25)	(14%)
TOTAL REVENUES	366,346	270,660	95,686	35%
Acquisition costs & Sales network commission expenses	(160,882)	(114,530)	(46,351)	40%
Other commission expenses	(7,987)	(5,637)	(2,350)	42%
General and Administrative expenses	(78,887)	(65,161)	(13,726)	21%
Amortisation and depreciation	(2,905)	(3,472)	566	(16%)
Net provisions for risks	(7,968)	(3,047)	(4,921)	162%
TOTAL COSTS	(258,629)	(191,847)	(66,782)	35%
PROFIT BEFORE TAX	107,717	78,813	28,904	37%

In the 'Italy – Asset Management' segment, **total commission income** was up €96.1 million to €365.5 million from €269.4 million in the prior year. Commission income benefitted from growth in management fees (up €52.4 million) and performance fees (up €7.8 million) owing to the good performance of equity markets and net inflows for the year, as well as greater entry fees (up €32.7 million) as a result of the significant increase in gross inflows.

Costs for the year totalled €258.6 million versus €191.8 million in the prior year. In particular, acquisition costs & sales network commission expenses increased €46.4 million owing to greater entry and management fees as well as rewards on net inflows generated in the year. The ratio of commission expenses to commission income (ex-performance fees) remained essentially unchanged at 54.5% versus 55% in the prior year.

ITALY - BANKING

€/'000	Dec. 31, 2010	Dec. 31, 2009	Change	Change %
Banking service fees	103,978	59,134	44,844	76%
Other fees	6,957	5,368	1,589	30%
Total commission income	110,935	64,502	46,433	72%
Net interest income	120,199	139,357	(19,158)	(14%)
Net income (loss) on investments at fair value	3,395	24,825	(21,430)	(86%)
Net financial income	123,594	164,182	(40,588)	(25%)
Net income (loss) on other investments	(3,616)	(27,111)	23,495	(87%)
Other revenues	9,175	6,889	2,286	33%
TOTAL REVENUES	240,088	208,462	31,626	15%
Acquisition costs & Sales network commission expenses	(51,538)	(34,555)	(16,983)	49%
Other commission expenses	(12,706)	(12,798)	92	(1%)
General and Administrative expenses	(127,723)	(131,871)	4,147	(3%)
Amortisation and depreciation	(7,039)	(10,494)	3,454	(33%)
Net provisions for risks	(2,263)	(771)	(1,493)	194%
TOTAL COSTS	(201,270)	(190,488)	(10,782)	6%
PROFIT BEFORE TAX	38,818	17,974	20,844	116%

In the 'Italy – Banking' segment **net financial income** amounted to €123.6 million versus €164.2 million at December 31, 2009. The €40.6 million decline reflects lower net interest income due to reduced spreads on treasury management operations as well as lower gains on fair value measurement.

Total commission income amounted to €110.9 million versus €64.5 million at December 31, 2009. The €46.4 million (72%) growth was largely owed to commissions earned on sales of third-party structured bonds and certificates that had been marginal in 2009.

At the end of the period under review **costs** amounted to €201.3 million versus €190.5 million at December 31, 2009. The €10.8 million increase reflects the greater acquisition costs and sales network commission expenses connected to greater revenues on sales of third-party structured bonds and certificates. On the other hand, there was a general decline in general and administrative expenses as well as amortisation and depreciation.

ITALY - OTHER

€/'000	Dec. 31, 2010	Dec. 31, 2009	Change	Change %
Total commission income	-	-	-	-
Net interest income	(347)	(4,057)	3,710	(91%)
Net income (loss) on investments at fair value	-	24	(24)	(100%)
Equity contribution	14,387	6,026	8,361	139%
Net income (loss) on other investments	(3,845)	1,762	(5,607)	(318%)
Other revenues	727	1,227	(500)	(41%)
TOTAL REVENUES	10,922	4,982	5,940	119%
Acquisition costs & sales network commission expenses	-	-	-	-
Other commission expenses	-	(190)	190	(100%)
General and administrative expenses	(1,555)	(2,920)	1,364	(47%)
Amortisation and depreciation	(53)	(4,192)	4,139	(99%)
Net provisions for risks	-	(147)	147	(100%)
TOTAL COSTS	(1,608)	(7,448)	5,839	(78%)
PROFIT BEFORE TAX	9,314	(2,466)	11,779	(478%)

For the year under review, **net financial income** in this segment showed a negative balance of €0.3 million versus a negative balance of €4 million in the prior year, benefitting from lower interest rates in 2010 and interest earned on the subordinated loan extended by Mediolanum S.p.A. to Mediolanum Vita. The negative balance reflects the debt position of the Parent Company Mediolanum S.p.A. in relation to its strategic investments in the Mediobanca Group and in the Banca Esperia Group.

Equity contribution relates to the share of profits in Mediobanca amounting to €13.6 million, and in Banca Esperia amounting to €0.8 million.

SPAIN

€/'000	Dec. 31, 2010	Dec. 31, 2009	Change	Change %
Net premiums written	94,835	82,497	12,338	15%
Amounts paid and change in technical reserves	(81,812)	(70,524)	(11,288)	16%
Net life insurance revenues (ex-commissions)	13,023	11,973	1,050	9%
Total commission income	25,255	21,092	4,163	20%
Net interest income	5,632	7,140	(1,508)	(21%)
Net income (loss) on investments at fair value	369	491	(122)	(25%)
Net financial income	6,001	7,631	(1,630)	(21%)
Net income (loss) on other investments	1,224	545	679	125%
Other revenues	396	593	(197)	(33%)
TOTAL REVENUES	45,899	41.834	4.065	10%
Acquisition costs & sales network commission expenses	(16,062)	(13,927)	(2,135)	15%
Other commission expenses	(3,031)	(1,474)	(1,557)	106%
General and administrative expenses	(26,349)	(28,397)	2,048	(7%)
Amortisation and depreciation	(1,737)	(1,551)	(186)	12%
Net provisions for risks	180	1,215	(1,035)	(85%)
TOTAL COSTS	(46,999)	(44,134)	(2,865)	6%
PROFIT (LOSS) BEFORE TAX	(1,100)	(2,300)	1,200	(52%)

In the 'Spain' segment **net life insurance revenues** before acquisition costs amounted to €13 million versus €12 million in the prior year (up €1 million).

Total commission income grew from €21.1 million in the prior year to €25.3 million at the end of the period under review.

Costs amounted to €47 million versus €44.1 million in the prior year. The 6% increase was due to greater acquisition costs and sales network commission expenses as a result of greater gross inflows.

GERMANY

€/'000	Dec. 31, 2010	Dec. 31, 2009	Change	Change %
Net premiums written	25,524	13,016	12,508	96%
Amounts paid and change in technical reserves	(23,085)	(11,458)	(11,627)	101%
Net life insurance revenues (ex-commissions)	2,439	1,558	881	57%
Total commission income	42,332	31,071	11,261	36%
Net interest income	354	638	(284)	(45%)
Net income (loss) on investments at fair value	(315)	143	(458)	(320%)
Net financial income	39	781	(742)	(95%)
Net income (loss) on other investments	(7,402)	(315)	(7,087)	n.a.
Other revenues	433	447	(14)	(3%)
TOTAL REVENUES	37,841	33,542	4,299	13%
Acquisition costs & sales network commission expenses	(4,283)	(3,283)	(1,000)	30%
Other commission expenses	(29,875)	(22,397)	(7,478)	33%
General and administrative expenses	(13,745)	(13,265)	(480)	4%
Amortisation and depreciation	(957)	(1,166)	209	(18%)
Net provisions for risks	-	-	-	-
TOTAL COSTS	(48,860)	(40,111)	(8,749)	22%
PROFIT (LOSS) BEFORE TAX	(11,019)	(6,569)	(4,450)	68%

In the 'Germany' segment, pre-tax results worsened by €4.5 million. This was largely due to the €7.4 million impairment loss recognised on the CGU Germany's goodwill, while earnings before the impairment loss actually improved by about €3 million.

Total commission income increased €11.3 million (36%) from €31.1 million at December 31, 2009 to €42.3 million at the end of the year under review, mainly due to greater banking service fees on Bank Lenz ATM operations.

Acquisition costs & Sales network commission expenses amounted to €29.9 million, up 33%.

Key corporate events and performance of companies within the Group

During 2010, the capital of the subsidiary Mediolanum Vita was strengthened by contributing €50 million for future capital increases. In addition, the final tranche of the indefinite maturity subordinated loan amounting to €30 million was issued.
As to other Group companies, the subsidiaries Mediolanum Comunicazione S.p.A. and PI Distribuzione S.p.A. received funds in the amount of €1,500 thousand and 100 thousand, respectively.

From October 25 through November 2, 2010 the Group companies Mediolanum Vita and Mediolanum International Life sold their portfolio of Lehman Brothers securities, which were recognised in Free Capital and had, in part, already matured. Said securities were sold for a total of €41,343 thousand, generating a €30,758 thousand gain. Lehman Brothers securities had been held in connection with the operation conducted in 2008 by Mediolanum Group companies to safeguard customers holding 'index-linked policies with Lehman Brothers bonds as underlying assets'. The 'Lehman Brothers operation' had entailed the recognition of €107,600 thousand losses, net of related

taxation, in 2008. Said amount had been calculated on the basis of the estimated realisable value of the securities. Readers are reminded that there had been no disbursements by minority shareholders as the cost of the operation had been fully covered by Mediolanum S.p.A.'s two majority shareholders, the Doris Group and Fininvest S.p.A., through a capital injection of €120 million – i.e. the estimated maximum cost of the operation – according to their stake in Mediolanum S.p.A., i.e. 47.05% for Fininvest S.p.A. and 52.95% for the Doris Group.
The capital injection had been recognised as follows: €107.6 million, i.e. the amount of the total net losses reported by the Group's companies under the operation, had been recognised in a specific equity reserve of Mediolanum S.p.A., while the balance of €12.4 million had been recognised in a specific liabilities account.
The €22.9 million gain after related taxation generated by the sale of Lehman Brothers securities entailed a decrease of equal amount in the relevant equity reserve.
The final net cost of the Lehman Brothers operation has therefore been €84.7 million. The balance of the interest-free financing facility extended by the majority shareholders, Doris Group and Fininvest S.p.A., amounting to €35.3 million, can therefore be returned to them.

The Parent Company

At December 31, 2010, the Parent Company Mediolanum S.p.A. reported net profit of €115.9 million versus €113.4 million at December 31, 2009.
Dividends recognised in the 2010 income statement amounted to €136.2 million versus €130.6 million in the prior year.
Key information on the performance of the main companies that are part of the Mediolanum Group during the period under review is set out below.

Life Insurance Companies

Mediolanum Vita S.p.A. – For the year 2010 this company reported premiums written of €8,841 million versus €8,655 million in 2009.
The €186,009 thousand increase (2.1%) reflects business growth (€209,470) owed to the success of the '*Mediolanum Plus*' policy (up €268,620 thousand) associated with the Banca Mediolanum '*Freedom*' bank account, while other products recorded a decline of €55,246 thousand.
At December 31, 2010, mathematical reserves and financial liabilities to policyholders amounted to €16,820.7 million (€15,869.28 million in 2009), of which €16,665.6 million relating to individual policies (€15,807.4 million in 2009) and €64.0 million to group policies (€61.8 million in 2009).
At year end 2010, annual gross return on Medinvest segregated funds was 4.75% (vs. 4.85% in 2009). Annualised gross returns on the Mediolanum Freedom segregated funds were 2.79% in the quarter from Dec. 1 to Feb. 28; 2.66% in the quarter from March 1 to May 31; 2.54% in the quarter from June 1 to Aug. 31; and 2.58% in the quarter 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 2010 the company reported net profit of €36.2 million versus €50.1 million in the prior year. In the year under review financial results benefitted from non-recurring income on the sale of Lehman Brothers securities, which were recognised in Free Capital and had, in part, already matured. The sale of said securities generated a €20,876 thousand gain for Mediolanum Vita.

Mediolanum International Life Ltd – For financial year 2010 this company reported premiums written of €288.5 million versus €992.9 million in the prior year. The decline reflects the discontinued distribution of index-linked policies in the Italian market.
Premiums written in foreign markets (Spain and Germany) amounted to €120.4 million versus €98.9 million at December 31, 2009.
At December 31, 2010, mathematical reserves and financial liabilities to policyholders amounted to €3,899 million versus €4,204 million in 2009.
For financial year 2010 the company reported net profit of €19.2 million versus €36.5 million in the prior year. In the year under review financial results benefitted from non-recurring income on the sale of Lehman Brothers securities, which were recognised in Free Capital and had, in part, already matured. The sale of said securities generated a €10,031 thousand gain for Mediolanum International Life Ltd.
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 2010 the company reported net inflows of €2,053.5 million versus €1,668.9 million at December 31, 2009 (up 23%).
At year end 2010, total assets under management grew to €17,841 million from €14,461 million in the prior year, benefitting from net inflows growth and the positive performance of financial markets.
For financial year 2010 the company reported net profit of €225.2 million versus €206.3 million in the prior year, benefitting from performance fees earned in the period amounting to €136 million (€147.5 million in 2009).
On October 28, 2010, the company resolved to distribute a 2010 interim dividend for a total amount of €143.3 million.

Mediolanum Gestione Fondi SGR p.A. – For financial year 2010, this company reported net inflows of €378.5 million versus €383.3 million in the prior year.
At December 31, 2010, total assets under management invested in open-ended mutual funds and the non-occupational pension fund amounted to €2,318.6 million, up 18.2% from €1,960.9 million at the end of the prior year, while assets invested in the 2 real estate funds, *Property* and *Real Estate*, grew to €456.7 million from €382.5 million at year end 2009.
Assets managed on mandates from fellow subsidiaries amounted to €17,208.7 million versus €16,751.5 million at December 31, 2009.
For financial year 2010, the company reported net profit of €18.7 million versus €7.6 million at December 31, 2009.

Gamax Management A.G. – At December 31, 2010, this Luxembourg-based company reported net profit of €6.4 million versus €7.6 million in the prior year.
In the retail segment, the company recorded net inflows of €2.7 million versus net outflows of €13.7 million in the prior year. At year end 2010, assets under management amounted to €238 million versus €206 million at December 31, 2009.
At December 31, 2010 total assets under management (Retail + Institutional) amounted to 470 million versus €463 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. This company also manages assets on mandates from the Irish fellow subsidiary Mediolanum International Life Ltd.
For financial year 2010, the company reported net profit of €11.4 million versus €8.8 million at December 31, 2009.
On October 28, 2010, the company resolved to distribute a 2010 interim dividend for a total amount of €5.2 million.

Banking operations (including Group product distribution)

Banca Mediolanum S.p.A. – For financial year 2010, the bank reported net profit of €66,334 thousand (after €3,233 thousand tax) versus €19,021 thousand at December 31, 2009 (after €18,660 thousand tax).
In the year under review, profit before tax rose by €62.7 million largely reflecting growth in net commission income (up €67.9 million) and dividends from subsidiaries (up €27.0 million), while net financial income was impacted by lower interest rates and was down €41.9 million. Write-downs of financial assets declined by €24.9 million, and provisions for risks and charges increased by €13.3 million.
Total inflows (managed assets and administered assets) amounted to €3,284.7 million versus €5,795.4 million in the prior year.
Net inflows generated by the policy associated with the *Freedom* bank account amounted to €453.3 million versus €4,570.8 million at December 31, 2009. Third-party structured bonds contributed €857.6 million net inflows in the year 2010 versus €42.5 million in 2009 as these products began to be sold only in the final part of that year. Owing to their features these bonds are in fact substitutes for index-linked policies whose distribution was discontinued in November 2009. Inflows into other asset management products amounted to €1,273.5 million versus €1,992.6 at the end of the prior year. Total net inflows into asset management products and sales of third-party structured bonds in the aggregate amounted to €2,131.0 million versus €2,037.8 million in 2009.
At year end 2010, the bank had over one million customers.
At December 31, 2010, total balance sheet assets amounted to €11,139 million, up 32.7% from €8,392 million in the prior year.
Inflows of customer assets into bank accounts, repurchase agreements and bonds climbed to €7,546 million from €6,019 million at the end of the prior year. Loans to customers amounted to €3,265 million, up 6.5% from €3,066 million in the prior year.
Net interest income was down 13.6% from €139.4 million in the prior year to €120.2 million at year end 2010. Adding trading profits, gains on hedging transactions and gains from the sale of available-for-sale financial assets

that, in the aggregate, amounted to €7.7 million, net financial income came in at €127.9 million, down 24.7% from €169.8 million in the prior year. The decline in net financial income was largely due to lower interest rates and losses on the valuation of securities held for trading.

Net commission income rose by €67.9 million as a result of greater management fees earned on asset management products, growth in inflows and asset value, as well as the contribution given by sales of third-party structured bonds.

Dividends increased by €27 million from €100.1 million in the prior year to €127.2 million at the end of the year under review, largely owing to the extraordinary dividend distributed by the subsidiary Gamax Management AG (€16.5 million) as well as greater dividends from the subsidiary Mediolanum International Funds Ltd compared to the same period of the prior year (+€7.1 million).

Write-downs of financial assets were down from €35.4 million in the prior year to €10.5 million at year end 2010. In particular, impairment losses on available-for-sale financial assets were down €19.1 million.

Total income for the year grew 16.9% from €314.6 million in 2009 to €376.6 million.

Operating expenses increased from €270.9 million in 2009 to €280.4 million at year end 2010, largely owing to greater provisions for risks (+€13.3 million), of which €4.5 million to cover the risks of financial advisors' misconduct, €3.2 million for litigations and €5.6 million for contractual obligations to the sales network.

Staff costs increased from €96.4 million in 2009 to €99.0 million at the end of the year under review, and the bank's headcount grew to 1,564 employees from 1,560 at the end of the prior year.

Other net income rose by €5.6 million, of which €2.8 million relating to greater revenues from services rendered to other companies with the Mediolanum Group under relevant outsourcing arrangements.

Banco de Finanzas e Inversiones S.A. (Banco Mediolanum) – For financial year 2010 the Spanish Group reported net profit of €2.9 million versus €0.5 million in the prior year.

In the year under review, the Group reported gross inflows into asset management products of €270 million versus €248 million in 2009, and net inflows of €43.5 million versus €72.8 million at year end 2009. As to assets under administration, the Group reported €8.4 million outflows versus €67.2 million outflows at the end of the prior year.

At year end 2010, total assets under management and under administration amounted to €1,622 million versus €1,583 million at December 31, 2009.

The sales force consisted of 491 people versus 489 at December 31, 2009. Specifically, tied advisors, relying on the same business model as Banca Mediolanum financial advisors, were 439 versus 407 at year 2009. Banco Mediolanum also availed itself of 45 traditional agents (47 in 2009).

Bankhaus August Lenz & Co. – For financial year 2010 the company reported net loss of €6.3 million versus €7.9 million in the prior year.

Net inflows into asset management products amounted to €15.8 million versus €10.7 million in the prior year, and net inflows of assets under administration were €13.5 million versus €7.3 million outflows in the prior year. At year end 2010, total assets under management and under administration amounted to €103 million versus €75 million at December 31, 2009.

The sales network consisted of 36 people (vs. 43 at year end 2009).

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; 3.447% of voting rights).

For financial year 2010, the **Banca Esperia** Group reported consolidated net profit of €0.7 million versus €0.2 million in the prior year.
Net inflows amounted to €1,393 versus €2,287 million in the prior year (down 39%).
At the end of the year under review, total assets under management and administration rose to €12,745 million from €11,183 million at December 31, 2009.
At year end 2010, the number of private bankers stood at 65 versus 57 at the end of the prior year.

For financial year ended June 30, 2010, the **Mediobanca** Group reported net profit of €400.8 million versus €2.4 million in the prior year. In particular, for the six-month period from January through June 2010, the Group reported net profit of €130.7 million versus net loss of €97.9 million for the same period of the prior year.
The half-year report of the Mediobanca Group (June 1 through December 31, 2010) shows net profit of €262.9 million in line with the €270.1 million reported in the prior year when the Group had benefitted from greater profits on sales of available-for-sale financial instruments (€131.1 million versus €15.2 million) and notable trading income (€173.3 million versus €105.4 million) owing to particularly favourable market conditions. In the year under review, net interest income displayed marked growth (from €441.7 million to €531.5 million) and reduced write-downs of loans and securities (from €270.4 million to €219.4 million, and from €90.4 million to €19.9 million, respectively) reflecting improved credit risk conditions and the equity market upturn.
At December 31, 2010, consolidated shareholders' equity after minority interests and net profit for the year amounted to €6,583.2 million versus €6,330.3 million at June 30, 2010 and €6,201.5 million at December 31, 2009.
At December 31, 2010 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 a positive balance of €14.4 million versus €6.0 million in the prior year.

Intercompany and related party transactions

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

Social and environmental responsibility

For information on the Group's policy on social and environmental responsibility, readers are referred to the Social Report 2010.

Bank of Italy Inspection

In 2010, the Bank of Italy conducted a field inspection at Banca Mediolanum. The inspection was completed on August 27, 2010 and inspectors issued their report dated October 20, 2010 setting out their 'partly positive' opinion with no penalty for the bank.

IRS and Tax Police Field Audits

The subsidiaries Mediolanum Vita and Banca Mediolanum were audited by the IRS and by the Tax Police, respectively, mainly regarding Transfer Pricing in relation to commissions rebated by the Irish company Mediolanum International Funds Ltd.

In June and October 2010, Audit Reports were issued claiming a total adjustment of €134.3 million to IRES (corporate income tax) and IRAP (regional business tax) taxable income for tax years 2005 and 2006 for Mediolanum Vita, and for tax year 2005 for Banca Mediolanum.

These audits are part of routine examinations of tax returns filed by large corporate groups.

The audited Mediolanum Group companies have always applied law-abiding procedures in accordance with well-established practices and availed themselves of the advice of independent experts substantiated by specific economic analyses.

This is also borne out by the fact that the claims made so far relate exclusively to quantifications while confirming the correctness of procedures applied.

The companies in question promptly asked for additional expert opinions that confirmed, on the one hand, the legitimacy of practices and, on the other hand, that there is no need to make provisions.

As to Mediolanum S.p.A. it should be noted that the Parent Company is responsible only for the payment of tax due and penalties that may ultimately arise from the claim.

On December 23, 2010 the Large Corporations unit of the Lombardy Office of Italy's IRS notified Mediolanum Vita two 'Notices of Tax Due and Demands for Payment' relating to the tax year 2005 (one for IRES and one for IRAP) confirming claims for a total adjustment of €47.9 million to taxable income resulting in a €2,512 thousand IRAP tax due plus a penalty in the same amount, and €15,804 thousand IRES tax due with no penalty.

On February 18, 2011 the Company filed a 'Request for Compromise' i.e. a request for review of the matter in an attempt to find an agreement with the IRS without waiving the right to appeal the IRS determination. A Request for Compromise is not an admission of negligence or disregard in the computation of taxes on the part of the company.

Since the Company filed the Request for Compromise the deadline for filing petitions against the Notices of Tax Due and Demands for Payment is suspended for 90 days and therefore will expire on May 23, 2011.

On February 28, 2011, the Tax Police issued additional Audit Reports claiming a total adjustment of €121.4 million to IRES and IRAP taxable income for tax years from 2006 through 2009. The claims in these Audits Reports are essentially the same as those set out in the Audit Reports issued in 2010.

Finally, you are advised that the extended audited conducted on Banca Mediolanum by the Tax Police also involved VAT for tax years from 2006 through the audit start date (September 16, 2010). Specifically, it regarded VAT applied to overrides paid to certain sales network members for their supervision and coordination of other sales network members. That part of the audit was completed on February 28, 2011, and a 'Notice of Tax Due and Demand for Payment' was issued claiming the payment of a total penalty of €64 million for failure to apply VAT to said overrides in the invoices issued by the sales network members.

Overrides are indirect commissions typically paid to sales network members and have been considered to be VAT exempt by Banca Mediolanum in accordance with market practice.
The claim appears to be groundless as the sales network members and the Bank itself treated overrides as VAT-exempt items on the basis of an independent expert opinion issued by a primary Tax Law Firm upon request of the trade association ASSORETI, that was confirmed by a Ministerial Ruling still in force issued by the IRS Assessment Office that in December 2003 stated overrides were VAT exempt.

Also based on the opinion of an independent advisor, the directors of Mediolanum Vita and Banca Mediolanum believe there is a possible risk in relation to the outcome of the claims above and considering that the pending issues relate to quantifications no sufficiently reliable estimate can be made of the amount of the obligation that may ultimately result for aforesaid companies.
In the light of the foregoing no provision was made in the separate accounts of the respective companies nor in these consolidated financial statements other than a €2 million provision to cover the cost of defence against the claims above.

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

In Document No. 4 dated March 3, 2010 jointly issued by the Bank of Italy (Italy's Central Bank), CONSOB (stock market regulator) and ISVAP (insurance market regulator) Italian regulators 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.

In connection therewith Management is making the following disclosures.

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, 2010 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 based on current multi-year business plans previously approved by the Board of Directors of the companies. The impairment process was validated by the Board of Directors of Mediolanum S.p.A.. For further details readers are referred to Part B 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.

For details on disclosures to be made in the notes, readers are referred to Parts A, B and E of the Notes.

Information on "fair value hierarchy" (IFRS 7) for positions held at December 31, 2010, including prior year's comparative information, is given in Part A of the Notes.

Finally, there are no financial debt contract clauses (IFRS 7) or debt restructuring (IAS 39) involving the Mediolanum Group.

Other information

At December 31, 2010, 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 the Bank of Italy on March 30, 2006.

Disclosures required under section 123 bis of the Consolidated Finance Act are set out in the Corporate Governance Report that will be available also on the company's website (www.mediolanum.it) in accordance with requirements of art. 89 bis of the Regulation for Issuers.

Post balance sheet date events

On March 1, 2011 the Board of Directors of Mediolanum S.p.A. approved the issue of 3-year notes up to €50 million, in the aggregate. The notes will be sold to the general public in the Italian market through Banca Mediolanum S.p.A that will also act as calculation agent.
The amount raised from the notes issue will mainly be used for restructuring short-term debt instruments that are currently in place between the Issuer and credit institutions outside the Mediolanum Group.
The notes will be unrated, feature full repayment of principal at maturity and semi-annual coupon payments. The issue will consist of floating rate notes paying coupons equal to six-month EURIBOR plus 1.00% with a floor of 3.00%-3.50% gross p.a., as set in the proximity of the placement, and fixed rate notes paying coupons up to 4.00% gross p.a..
The settlement date for the notes is April 29, 2011 with maturity on April 29, 2014.
The Board of Directors also authorised the Chief Executive Officer, Ennio Doris, and the deputy chairman, Alfredo Messina, severally, to arrange, if needed, additional issues with similar characteristics up to €300 million, including the above issues, in 2011.
On March 16, 2011, exercising the authority given to him by the Board of Directors of Mediolanum S.p.A. on March 1, the Chief Executive Officer, Ennio Doris, resolved to increase the maximum amount of the notes issue (floating and fixed-rate notes) from the original €50 million to €100 million (nominal amount) following the positive reception of investors in the initial days of the placement.
Apart from the foregoing and the events described in the section 'IRS and Tax Police Field Audits' herein, after December 31, 2010, 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 the much-awaited reversal of the economic cycle after the recent recession.
The sustainability of the current public debt and deficit levels of certain Eurozone countries as well as the impact of high unemployment on consumer spending continue to be the main concerns for the economy and financial markets.
The attention of market participants has recently focused on the geopolitical tensions in some emerging countries, the ensuing rise in commodity prices and inflationary pressures. In particular, the recent crisis in Libya has been driving up oil prices increasing the risk of rises in production costs and retail prices. The resurgence of inflationary risks may lead central bankers to partially review their easing monetary policies.
The current recovery risks to be dampened by production overcapacity and the need of the world's main governments to contain public debt and deficit. However, there are structural data and indications in the economy and the financial system globally that suggest momentum and are supportive of a positive medium to long term outlook.
As consumer spending increases and unemployment declines, in 2011 we may see the economic recovery gain significant momentum with beneficial effects on financial markets.
Based on current reasonable estimates, our Group is expected to continue to generate good earnings for the year 2011.

Basiglio, March 29, 2011

For the Board of Directors
The Chairman
(Roberto Ruozi)

Consolidated Accounts 2010

Balance sheet

Assets

€/'000	Dec. 31, 2010	Dec. 31, 2009
1. Intangible assets		
1.1 Goodwill	149,864	157,264
1.2 Other intangible assets	13,253	14,649
Total intangible assets	163,117	171,913
2. Tangible assets		
2.1 Property	61,005	62,259
2.2 Other tangible assets	13,591	21,704
Total tangible assets	74,596	83,963
3. Reinsurers' share of technical reserves	96,201	100,277
4. Investments		
4.1 Investment property	90,654	90,518
4.2 Investments in subsidiaries, associates and JVs	447,058	432,684
4.3 Held to maturity investments	1,370,695	1,581,409
4.4 Loans and receivables	6,184,311	4,847,829
4.5 Available for sale financial assets	4,659,587	2,956,206
4.6 Financial assets at fair value through profit and loss	18,097,771	17,798,081
Total investments	30,850,076	27,706,727
5. Receivables		
5.1 Arising out of direct insurance business	6,974	8,340
5.2 Arising out of reinsurance business	-	-
5.3 Other receivables	471	1.273
Total receivables	7,445	9,613
6. Other assets		
6.1 Non current assets of disposal groups, held for sale	1,464	1,521
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	138,985	99,196
6.4 Current tax assets	240,578	210,970
6.5 Other assets	278,022	293,611
Total other assets	659,049	605,298
7. Cash and cash equivalents	795,203	213,764
TOTAL ASSETS	32,645,687	28,891,555

Shareholders' equity and liabilities

€/'000	Dec. 31, 2010	Dec. 31, 2009
1. Shareholders' equity		
1.1 Group shareholders' equity		
1.1.1 Share capital	73,288	73,140
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	55,087	53,477
1.1.4 Retained earnings and other equity reserves	710,729	618,584
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	(69,833)	8,931
1.1.8 Other gains or losses recognised directly in equity	22,301	23,051
1.1.9 Net profit (loss) for the year attributable to the Group	246,633	217,280
Total capital and reserves attributable to the Group	1,036,160	992,418
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	1,036,160	992,418
2. Provisions	138,301	109,869
3. Technical reserves	20,550,747	20,002,983
4. Financial liabilities		
4.1 Financial liabilities at fair value through profit and loss	570,608	367,748
4.2 Other financial liabilities	9,876,597	6,941,286
Total financial liabilities	10,447,205	7,309,034
5. Payables		
5.1 Arising out of direct insurance business	6,343	9,440
5.2 Arising out of reinsurance business	1,613	1,697
5.3 Other payables	241,936	244,633
Total payables	249,892	255,770
6. Other liabilities		
6.1 Liabilities of disposal groups held for sale	730	732
6.2 Deferred tax liabilities	51,932	49,893
6.3 Current tax liabilities	27,385	34,820
6.4 Other liabilities	143,335	136,036
Total other liabilities	223,382	221,481
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	32,645,687	28,891,555

Income statement

€/'000	Dec. 31, 2010	Dec. 31, 2009
1. Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	9,128,240	9,646,615
1.1.2 Reinsurance premiums	(4,693)	(5,131)
Total premiums written	9,123,547	9,641,484
1.2 Commission income	813,364	631,157
1.3 Net income on financial instruments at fair value through profit and loss	994,003	2,357,396
1.4 Income on investments in subsidiaries, associates and JVs	14,387	6,026
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	289,810	285,487
1.5.2 Other income	10,205	7,448
1.5.3 Realised gains	62,803	30,641
1.5.4 Unrealised gains	9,566	5,511
Total income on other financial instruments and investment property	372,384	329,087
1.6 Other revenues	25,055	25,713
Total revenues and income	11,342,740	12,990,863
2. Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(10,157,080)	(11,893,839)
2.1.2 Reinsurers' share	5,936	6,607
Net claims and benefits	(10,151,144)	(11,887,232)
2.2 Commission expense	(288,064)	(239,049)
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	(73,479)	(88,186)
2.4.2 Other expenses	(340)	(349)
2.4.3 Realised losses	(15,899)	(8,681)
2.4.4 Unrealised losses	(28,246)	(41,722)
Loss on other financial instruments and investment property	(117,964)	(138,938)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(78,870)	(86,633)
2.5.2 Investment management expenses	(253)	(380)
2.5.3 Other administrative expenses	(321,155)	(313,870)
Total operating expenses	(400,278)	(400,883)
2.6 Other costs	(79,827)	(66,769)
Total costs	(11,037,277)	(12,732,871)
Profit (loss) before tax for the period	305,463	257,992
3. Income tax	(58,775)	(40,323)
Profit (loss) for the period	246,688	217,669
4. Profit (loss) from discountinued operations	(55)	(389)
Group net profit (loss) for the period	246,633	217,280
of which pertaining to the Group	246,633	217,280
Earning per share (in euro)	0.337	0.297

Comprehensive income

€/'000	Dec. 31, 2010	Dec. 31, 2009
CONSOLIDATED NET PROFIT (LOSS)	246,633	217,280
Changes in net exchange differences reserve	-	-
Profit (loss) on available for sale financial assets	(78,764)	38,935
Profit (loss) on cash flow hedges	-	-
Profit (loss) on hedges of investments in foreign operations	-	-
Changes in the equity of investees	(750)	26,563
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	(79,514)	65,498
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	167,119	282,778
attributable to the Group	167,119	282,778
attributable to minority interests	-	-

Statement of changes in shareholders' equity

€/'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

€/'000	Balance at Dec. 31, 2009	Adjustment to closing balance	Amount credited	Trasferred to the Income Statement	Other movement	Balance at Dec. 31, 2010
Shareholders' equity attributable to the Group						
Share capital	73,140	-	148	-	-	73,288
Other equity instruments	-	-	-	-	-	-
Capital reserves	53,477	-	1,610	-	-	55,087
Retained earnings and other equity reserves	618,584	-	154,378	-	(62,233)	710,729
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Net profit (loss) for the period	217,280	-	29,353	-	-	246,633
Other components of comprehensive income	31,982	-	(77,650)	(1,864)	-	(47,532)
Total shareholders' equity attributable to the Group	992,418	-	107,839	(1,864)	(62,233)	1,036,160
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	992,418	-	107,839	(1,864)	(62,233)	1,036,160

Consolidated cash flow statement

Indirect method

€/'000	Dec. 31, 2010	Dec. 31, 2009
Profit (loss) before tax for the period	305,463	257,992
Changes in non-monetary items	(225,226)	9,601,392
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)	551,840	7,622,053
Change in deferred acquisition costs	-	-
Change in provisions	28,432	14,036
Non-monetary income (losses) on financial instruments, investment property and equity investments	(805,498)	1,998,347
Other changes	-	(33,044)
Changes in receivables and payables arising out of operating activities	(50,805)	(23,155)
Changes in receivables and payables arising out of direct insurance and reinsurance operations	1,815	2,479
Changes in other receivables and payables	(52,620)	(25,634)
Income tax paid	(58,775)	(28,335)
Net cash from monetary items relating to investment and financial activities	1,801,029	(1,037,465)
Liabilities on financial contracts issued by insurance companies	202,860	(652,540)
Amounts due to banks and banking customers	2,935,311	(1,005,322)
Loans to and receivables from banks and banking customers	(1,337,142)	578,982
Other financial instruments at fair value through profit or loss	-	41,415
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,771,686	8,770,429
Net cash from investment property	(136)	(85,741)
Net cash from subsidiaries, associates and joint ventures	(14,374)	(3,500)
Net cash from loans and receivables	660	(8,729)
Net cash from held-to-maturity investments	210,714	(229,449)
Net cash from available-for-sale financial assets	(1,782,145)	(1,431,604)
Net cash from tangible and intangible assets	18,163	7,718
Other cash flows from investment activities	505,808	(6,952,846)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,061,310)	(8,704,151)
Net cash from equity instruments attributable to the Group	(19,307)	71,167
Net cash from treasury shares	-	-
Distribution of dividends attributable to the Group	(109,630)	(109,546)
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	(128,937)	(38,379)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	213,764	185,865
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	581,439	27,899
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	795,203	213,764

Notes to the Consolidated Annual Financial Statements 2010

Notes to the Consolidated Annual Financial Statements

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, 2010 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, 2010 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, 2010, 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 pursuant to sections 14 and 16 of Legislative Decree No. 39/2010 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 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, 2009.

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.

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	100.00%	Basiglio	Life Insurance
Partner Time S.p.A. (in liquidation)	520	100.00%	Basiglio	Life Insurance distribution
Mediolanum Comunicazione S.p.A.	775	100.00%	Basiglio	Audio/film/TV production
PI Distribuzione S.p.A.	517	100.00%	Basiglio	Real estate brokerage
Mediolanum International Life Ltd	1,395	100.00%	Dublin	Life Insurance
Banca Mediolanum S.p.A.	450,000	100.00%	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.00%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	44.00%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	49.00%	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	100.00%	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00%	Basiglio	Fund management
Mediolanum International Funds Ltd	150	51.00%	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.00%	Dublin	Asset management and advice
Gamax Management (AG)	7,161	100.00%	Luxembourg	Fund management
Banco de Finanzas e Inversiones S.A.	86,032	100.00%	Barcelona	Banking
Bankhaus August Lenz & Co. (AG)	20,000	100.00%	Munich	Banking
Mediolanum Corp. University S.p.A.	20,000	100.00%	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 S.G.I.I.C., S.A.	2,506	100.00%	Barcelona	Fund management
Fibanc S.A.	301	100.00%	Barcelona	Financial Advice
Fibanc Pensiones S.G.F.P., S.A.	902	100.00%	Barcelona	Pension Fund management
Mediolanum International Funds Ltd	150	5.00%	Dublin	Fund management

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	50,00%	Milan	Banking
Mediobanca S.p.A.	430,551	3,44%	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. 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, and the investor's share of changes in the investee's equity, other than transactions with the shareholders, is recognised under the relevant item in the consolidated statement of comprehensive income. 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 2010 and the date on which these financial statements were approved, there was no event – other than those set out in the corresponding section of the Directors' Report to which readers are referred – 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).

Other information

With the issue of their audit reports on the financial statements for the year ended December 31, 2010, the tenure of the independent auditors Reconta Ernst & Young S.p.A. expired and the legislation in force does not allow their re-appointment.
The Board of Statutory Auditors' proposal on the engagement of the new independent auditors for the nine-year period 2011-2019 will be presented by the Board of Directors to the vote of the shareholders at the 2011 Annual General Meeting.
Finally, you are advised that the Security Policy Document required under section 34, paragraph 1, letter g), of Legislative Decree 196 of June 30, 2003 (the 'Personal Data Protection Code') has been prepared and updated in compliance with Rule 19 of the Technical Regulations, Annex B, of said Decree, by Banca Mediolanum S.p.A. also in the name and on behalf of the other Companies that are part of the Mediolanum Group.

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, 2010.
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 various items of income and expense, are consistent with those applied in the preparation of the consolidated financial statements for the year ended December 31, 2009.

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 the trade date if they are loans or receivables.

[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.

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 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 and software used over more than one year.
Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired. Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.
An intangible assets can be recognised as goodwill when the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired (including any accumulated impairment losses) is representative of the future earnings capabilities of the investee.
Any negative goodwill (badwill) is directly recognised in the income statement.
Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably, otherwise it is recognised as an expense in the income statement in the year in which it was incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.
At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Other assets

Other assets include expenditure on the renovation of leasehold property.
Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include:

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

Deposit accounts relating to financial contracts under which the investment risk is borne by the policyholder reflect with the best possible approximation the value of holdings in investment funds or benchmark stock indices. These liabilities are backed by assets carried at fair value.
The same applies to the liabilities relating to the Previgest Mediolanum non-occupational pension fund.
Financial liabilities are initially recognised at the time the policy is issued or amounts are received.
They are initially measured at the fair value of the assets under the contract (policy), i.e. generally the issue price of the underlying assets.
After initial recognition, financial liabilities are measured at fair value.
A financial liability is derecognised when it expires or is extinguished.

Other financial liabilities

Other financial liabilities include 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 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 regim' 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.

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 and quantification 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,
- Assessment of loans,
- 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 cost (for equity instruments) or amortised cost (for debt instruments) and current market value, for available-for-sale financial assets.

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

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

Share-based payments

Stock options are share-based payments.

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

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

The cumulative expense recognised at each annual reporting date up until the vesting date takes account of the vesting period and is based on the best available estimate of options that are going to be exercised 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

€/'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, 2010 (4)	Fair value at Dec. 31, 2010 (5)	Valuation (6)	Other (7)	Valuation (8)	Other (9)
A. Debt securities			211,041	210,479	(4,277)	4,763	-	4,053
	HFT	AFS	137,079	137,079	(3,715)	2,106	-	2,106
	HFT	Loans & Receivables	73,962	73,400	(562)	2,657	-	1,947

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 and 2010.

Fair value hierarchy

	Level 1		Level 2		L3		Total	
€/'000	2010	2009	2010	2009	2010	2009	2010	2009
Available for sale financial assets	4,263,344	2,626,627	322,592	254,027	73,651	75,552	4,659,587	2,956,206
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets held for trading	3,861,481	3,615,792	84,975	246,280	28,385	23,815	3,974,841	3,885,887
Financial assets at fair value	9,323,195	7,534,366	3,794,262	5,746,536	1,005,473	631,292	14,122,930	13,912,194
Total	17,448,020	13,776,785	4,201,829	6,246,843	1,107,509	730,659	22,757,358	20,754,287
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial liabilities held for trading	443,607	258,251	15,352	14,587	5,693	8,485	464,652	281,323
Financial liabilities at fair value	34,523	33,609	71,356	51,042	77	1,774	105,956	86,425
Total	478,130	291,860	86,708	65,629	5,770	10,259	570,608	367,748

Year's movements in Level 3 financial assets

	FINANCIAL ASSETS		
€/'000	held for trading	at fair value	available for sale
1. Opening balance	23,815	631,292	75,552
2. Increases	212,102	818,069	2,746
2.1 Purchases	204,402	38,455	2,112
2.2 Profits recognised			
2.2.1 through profit or loss	1,654	2,162	1
- of which: gains	586	1,779	-
2.2.2 in equity	X	X	633
2.3 Transferred to other level	6,045	776,265	-
2.4 Other increases	1	1,187	-
3. Decreases	(207,532)	(443,888)	(4,647)
3.1 Sales	(203,745)	(33,131)	(246)
3.2 Redemptions	(10)	(205.872)	-
3.3 Losses recognised			
3.3.1 through profit or loss	(1,557)	(75,425)	(3,779)
- of which: losses	(534)	(66,168)	-
3.3.2 in equity	X	X	(336)
3.4 Transferred to other level	(2,148)	(239)	(286)
3.5 Other decreases	(72)	(129,221)	-
4. Closing balance	28,385	1,005,473	73,651

Year's movements in Level 3 financial liabilities

	FINANCIAL LIABILITIES	
€/'000	held for trading	at fair value
1. Opening balance	8,485	1,774
2. Increases	2,102	-
2.1 Issues	1,936	-
2.2 Losses recognised	-	-
2.2.1 through profit or loss	2	-
- of which: losses	1	-
2.2.2 in equity	X	X
2.3 Transferred to other level	-	-
2.4 Other increases	164	-
3. Decreases	(4,894)	(1,697)
3.1 Redemptions	(986)	-
3.2 Buybacks	(1,924)	-
3.3 Losses recognised		
3.3.1 through profit or loss	(12)	-
- of which: gains	-	-
3.3.2 in equity	X	X
3.4 Transferred to other level	-	-
3.5 Other decreases	(1,972)	(1,697)
4. Closing balance	5,693	77

PART C - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

INTANGIBLE ASSETS

€/'000	Dec. 31, 2010	Dec. 31, 2009
Goodwill	149,864	157,264
Other intangible assets	13,253	14,649
Total	163,117	171,913

This section provides information about the impairment test conducted as per IAS 36 on cash generating units (CGUs) in operation at December 31, 2010 as recommended by the Bank of Italy, CONSOB and ISVAP in their jointly issued document of March 4, 2009.
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

For the purpose of impairment testing, the identification of CGUs and related goodwill allocation were made in accordance with the business reporting system adopted by the Mediolanum Group in 2009, i.e. by geographic segment of operations. The Group identified the three CGUs set out in the table below:

€/million	Description	Allocated goodwill
CGU - SPAIN	Banco de Finanzas e Inversiones S.A. (Banco Mediolanum)	122.8
CGU - GERMANY	Bankhaus August Lenz & Co. AG Gamax Management AG – German division	11.7
CGU - ITALY Life	Gamax Management AG – Italian division	22.7

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, Italy Life and Germany, 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.

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 2011-2014 Business Plan (the 2011-2014 Plan) approved by the Boards of Directors of Banco Mediolanum and Banca Mediolanum S.p.A., less the value of the investment in MIF relating to business conducted in Italy.

The 2011-2014 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 2011-2014 Plan confirmed the forecasts made in the previous Plan, the 2010-2014 Plan, which was updated to reflect the latest estimates on interest rate developments over the plan period and adjust inflows forecasts on the basis of balances at December 31, 2010.

Specifically, the 2011-2014 Plan for Banco Mediolanum is based on the following assumptions:

- growth in the Family Bankers (FB) sales network from 439 people at year end 2010 to 1,101 in 2014, and reorganisation of the current structure;
- growth in assets under management and administration at an annual growth rate of 17% in the 2011-2011 period;
- introduction of entry fees to build up a stable base of recurring revenues.

Available cash flows were 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 12.30% on the basis of the following assumptions:

- risk-free rate of 4.70% 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 1.12% 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 2011-2014 Plan, for the purposes of impairment testing the Group decided to calculate value in use conservatively over the 2011-2013 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 14.89%, an upward movement of about 259 bps;
- profitability: the decline in net profit over the value set out in the 2011-2013 Plan at which the value in use of the CGU is equal to the carrying amount is 21%.

Considering the value in use over the 2011-2014 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 18.83%, an upward movement of about 653 bps;
- decline in net profit – compared to the value set out in the 2011-2014 Plan – equal to 43%.

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 September 2010 through December 2010 reveals a multiple of 2.9x the book value of equity. The Group believes this is sufficient to neutralise any external factors that may impinge on the CGU Spain, such as the macroeconomic environment or the existence of comparable entities with stock prices lower than their equity's book value.

CGU GERMANY - IMPAIRMENT TEST AND SENSITIVITY ANALYSIS

When testing for impairment, the recoverable amount of the CGU Germany was determined based on value in use calculated by applying the Discounted Cash Flow (DCF) method to the information set out in the 2011-2013 Business Plan (the 2011-2013 Plan) approved by the directors of Gamax Management AG (the German division of Gamax) and the 2011-2015 Business Plan (the 2011-2015 Plan) approved by the directors of Bankhaus August Lenz AG. Both Business Plans were also approved by the Board of Directors of Banca Mediolanum S.p.A.

GERMAN DIVISION OF GAMAX MANAGEMENT AG – RECOVERABLE AMOUNT

The 2011-2013 Plan of the German Division of Gamax 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.
At December 31, 2010, the performance of the German division of Gamax was in line with targets.
Gamax derives its revenues largely from performance fees. In the light of the expected performance of financial market and the mechanism used to calculate performance fees (high water mark), the 2011-2013 Plan forecasts a decline in net results.
Specifically, the guidelines set out in the Gamax 2011-2013 are as follows:

- expansion of cross-selling between Gamax and BAL (17,000 customers);
- reinforcement of post-sales service (introduction of the Client Relationship Manager);
- implementation of the UCITS IV Directive (Companies and Funds);
- access to new markets (e.g.: the UK and Nordic countries);
- consolidation of the current platform for production and sale of products to third party companies.

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 10.70% on the basis of the following assumptions:

- risk-free rate of 4.20% calculated on the basis of average historical 6-month gross yields on 10-year Italian treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.11% 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;
- additional risk premium of 1.0%.

The value of the CGU at the end of the 2011-2013 forecast period was estimated on the basis of cash flows available in 2013 assuming growth at a constant rate of 1% in perpetuity to take account of the expected reduced profitability of Gamax in the 2011-2013 period.

BANKHAUS AUGUST LENZ (BAL) – RECOVERABLE AMOUNT

The 2011-2015 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.
At December 31, 2010, the performance of BAL was in line with targets.
Specifically, the BAL 2011-2015 Plan is based on the following assumptions:

- sales network growth;
- growth in gross inflows per agent;
- focus on Investment Plans (PIC) and Unit Linked products;
- review of the sales network incentivising system;
- redefinition of ATM pricing policies.

The actions set out above should ensure break even in financial year 2015 even for the scenario that does not include the contribution of the ATM business.

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 2.70% calculated on the basis of average historical 6-month gross yields on 10-year German treasuries;
- beta coefficient (risk measure of the stock compared to the market) of 1.11% 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;
- risk premium of 3.5% to take account of the specific operational condition of the company that is expected to break even in 2014.

The value of the CGU at the end of the forecast period was estimated on the basis of the cash flows in the last year of the plan assuming growth at a constant rate of 2% in perpetuity.

The values obtained from the application of the DCF method to the 2011-2013 Plan of the Gamax German Division and to the 2011-2015 Plan of BAL revealed a recoverable amount of goodwill of the CGU Germany amounting to €4.3 million, which was lower than the value of goodwill allocated to the CGU amounting to €11.7 million. Therefore an impairment loss of €7.4 million was recognised on the goodwill allocated to the CGU Germany.

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 (€2.4 billion – September/December 2010 three-month average) and its TBV (€826 million at June 30, 2010) did not reveal any evidence of impairment of goodwill attributable to the CGU Italy Life.

At balance sheet date goodwill was allocated to the following CGUs:

€/'000	Dec. 31, 2010	Dec. 31, 2009
CGU Spain	122.8	122.8
CGU Germany	4.3	11.7
CGU ITALY LIFE	22.7	22.7
Other CGUs	0.1	0.1
Total	149.9	157.3

Analysis of intangible assets

€/'000	Dec. 31, 2010 Finite life	Dec. 31, 2010 Indefinite life	Dec. 31, 2009 Finite life	Dec. 31, 2009 Indefinite life
Goodwill				
- group	-	149,864	-	157,264
- minorities	-	-	-	-
Other intangible assets				
Measured at cost	-	-	-	-
Other intangible assets	13,253	-	14,649	-
Total	13,253	149,864	14,649	157,264

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	157,264	-	-	14,649	-	171,913
Increases						
Additions	-	-	-	7,792	-	7,792
Decrease						
Disposals	-	-	-	(82)	-	(82)
- Value adjustments	(7,400)	-	-	(9,080)	-	(16,480)
- Amortisation	-	-	-	(9,079)	-	(9,079)
- Impairment	(7,400)	-	-	(1)	-	(7,401)
- In the income statement	(7,400)	-	-	(1)	-	(7,401)
- Other changes	-	-	-	(26)	-	(26)
Closing balance	149,864	-	-	13,253	-	163,117

The impairment test conducted at year end with the assistance of an independent advisor revealed a €7.4 million impairment loss on goodwill relating to Gamax Management AG and Bankhaus August Lenz AG.

TANGIBLE ASSETS

Property

€/'000	Dec. 31, 2010	Dec. 31, 2009
Land	32,179	32,179
Buildings	28,826	30,080
Total	61,005	62,259

Other tangible assets

€/'000	Dec. 31, 2010	Dec. 31, 2009
Furnishings	4,250	5,075
Electronic equipment	5,395	12,143
Other	3,946	4,486
Total	13,591	21,704

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

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
Opening balance	32,179	30,080	5,075	12,143	4,486	83,963
Increases						
- Additions	-	117	477	1,143	776	2,513
- Capitalised improvements	-	30	89	-	-	119
- through profit or loss	-	-	-	-	(1)	(1)
- Other changes	-	-	267	167	186	620
Decreases						
- Disposals	-	-	(89)	(3,524)	(3)	(3,616)
- Depreciation	-	(1,401)	(1,302)	(4,367)	(1,307)	(8,377)
- Decrease in fair value	-	-	-	-	-	-
- Reclassifications	-	-	-	-	-	-
- Other changes	-	-	(267)	(167)	(191)	(625)
Closing balance	32,179	28,826	4,250	5,395	3,946	74,596

REINSURERS' SHARE OF TECHNICAL RESERVES

€/'000	Dec. 31, 2010	Dec. 31, 2009
Life business reserves		
Mathematical reserves	95,210	99,678
Reserve for outstanding claims	963	599
Technical reserves for contracts under which the investment risk is borne by the policyholder and in connection with pension fund management	28	-
Total	96,201	100,277

INVESTMENTS

Investment property

€/'000	Dec. 31, 2010	Dec. 31, 2009
Land	52,638	51,819
Buildings	38,016	38,699
Total	90,654	90,518

At December 31, 2010, the market value of investment property, as determined by external valuers, amounted to €98,665 thousand.

Year's movements in investment property

€/'000	Land	Buildings
Opening balance	51,819	38,699
Increases		
- Additions	819	458
- Capitalised improvements	-	60
Decreases		
- Disposals	-	-
- Depreciation	-	(1,201)
Closing balance	52,638	38,016

Investments in associates and joint ventures

€/'000	Dec. 31, 2010	Dec. 31, 2009
Mediobanca S.p.A.	389,427	376,543
Banca Esperia S.p.A.	57,631	56,141
Total	447,058	432,684

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, 2010. The impact on the income statement of investments accounted for by the equity method was positive for €14.4 million versus €6.0 million in the prior year.

At December 31, 2010, 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 €369.5 million and €471.3 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, 2010
Opening balance	432,684
Banca Esperia:	
- net profit	816
- net loss	-
- change in equity	674
Mediobanca:	
- net profit	13,571
- net loss	-
- change in equity	(687)
Closing balance	447,058

Held-to-maturity investments

€/'000	Dec. 31, 2010	Dec. 31, 2009
Debt securities	1,370,695	1,581,409
Loans	-	-
Total	1,370,695	1,581,409
Fair value	*1,362,849*	*1,607,762*

Fair Value Analysis of Held-to-maturity investments

	Dec. 31, 2010				Dec. 31, 2009			
	Value	Fair value			Value	Fair value		
€/'000		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Debt securities	1,370,695	465,022	897,827	-	1,581,409	496,121	1,111,641	-
Loans	-	-	-	-	-	-	-	-
Total	1,370,695	465,022	897,827	-	1,581,409	496,121	1,111,641	-

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Debt securities		
Governments and Central Banks	307,925	308,617
Government agencies	-	-
Banks	1,062,770	1,272,792
Total	1,370,695	1,581,409

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Time to maturity		
1-5 years	1,097,779	1,398,198
5-10 years	169,116	80,609
Over 10 years	103,800	102,602
Total	1,370,695	1,581,409

Loans and receivables

€/'000	Dec. 31, 2010	Dec. 31, 2009
Banks	1,751,830	1,587,902
Banking customers	4,423,114	3,249,900
Other	9,367	10,027
Total	6,184,311	4,847,829

Time-to-maturity of loans and receivables

€/'000	Dec. 31, 2010	Dec. 31, 2009
Time-to-maturity		
Within 1 year	1,414,689	2,582,049
1-5 years	1,937,264	168,530
Over 10 years	2,832,358	2,097,250
Total	6,184,311	4,847,829

Loans and receivables: banks

€/'000	Dec. 31, 2010	Dec. 31, 2009
Deposits with Central Banks		
- For reserve requirements	13,352	56,225
Loans to banks		
- Time deposits	91,084	492,413
- Other loans	403,323	353,965
Debt securities	1,244,071	685,299
Total	1,751,830	1,587,902
Fair value	*2,487,809*	*1,772,554*

Loans and receivables: banking customers

€/'000	Dec. 31, 2010	Dec. 31, 2009
Bank accounts	348,324	350,814
Repurchase agreements	99,965	44,366
Mortgage loans	2,279,360	2,065,563
Credit cards, personal loans and salary-guaranteed loans	190,741	119,520
Finance leases	337	520
Other	468,422	555,651
Debt securities	1,035,965	113,466
Total	4,423,114	3,249,900
Fair value	*4,504,418*	*3,246,878*

Loans and receivables – banking customers – analysis by borrower/issuer

€/'000	Dec. 31, 2010	Dec. 31, 2009
Debt securities		
Governments	601,467	-
Government agencies	101,060	-
Other issuers		
- financial companies	333,438	113,466
Loans		
Others		
- non financial companies	75,718	96,082
- financial companies	475,094	507,624
- insurance companies	685	562
- others	2,835,652	2,532,166
Total	4,423,114	3,249,900

Available-for-sale financial assets

€/'000	Dec. 31, 2010	Dec. 31, 2009
Debt securities	4,444,365	2,734,058
Equities	32,803	37,345
Holdings in UCITS	182,419	184,803
Loans	-	-
Total	4,659,587	2,956,206

The increase in available for sale financial assets relates to investments in the segregated "Mediolanum Freedom Fund" connected with the Mediolanum Plus policy.

Fair value hierarchy of available-for-sale financial assets

	Dec. 31, 2010			Dec. 31, 2009		
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt securities	4,258,612	185,753	-	2,618,073	115,985	-
Equities	4,732	16,142	11,929	8,554	16,141	12,650
Holdings in UCITS	-	120,697	61,722	-	121,901	62,902
Loans	-	-	-	-	-	-
Total	4,263,344	322,592	73,651	2,626,627	254,027	75,552

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Debt securities		
- Governments and Central Banks	2,669,896	1,161,392
- Government agencies	-	-
- Banks	1,707,546	1,476,117
- Other issuers	66,923	96,548
Equities		
- Banks	153	3,001
- Other issuers	32,650	34,345
Holdings in UCITS	182,419	184,803
Total	4,659,587	2,956,206

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Time-to-maturity		
1-5 years	3,439,172	2,105,947
5-10 years	907,299	609,255
Over 10 years	96,890	16,008
Indefinite	216,226	224,996
Total	4,659,587	2,956,206

Financial assets at fair value through profit or loss

€/'000	Dec. 31, 2010	Dec. 31, 2009
Financial assets held for trading		
Debt securities	3,948,561	3,851,288
Equities	6	10
Holdings in UCITS	19,239	25,462
Loans	-	-
Trading derivatives	7,035	9,127
Total financial assets held for trading	3,974,841	3,885,887

Financial assets at fair value through profit or loss

€/'000	Dec. 31, 2010	Dec. 31, 2009
Debt securities	4,907,791	5,784,411
Holdings in UCITS	9,215,139	8,126,604
Hedging derivatives	-	1,179
Total	14,122,930	13,912,194
Total financial assets at fair value through profit or loss	18,097,771	17,798,081

Fair value hierarchy of financial assets at fair value through profit or loss

	Dec. 31, 2010			Dec. 31, 2009		
€/'000	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading						
Debt securities	3,861,285	80,310	6,966	3,609,261	239,564	2,463
Equities	6	-	-	10	-	-
Holdings in UCITS	174	-	19,065	6,520	-	18,942
Loans	-	-	-	-	-	-
Trading derivatives	16	4,665	2,354	1	6,716	2,410
Total financial assets held for trading	3,861,481	84,975	28,385	3,615,792	246,280	23,815
Financial assets at fair value through profit or loss						
Debt securities	271,346	3,630,972	1,005,473	-	5,153,119	631,292
Equities	-	-	-	-	-	-
Holdings in UCITS	9,051,849	163,290	-	7,534,366	592,238	-
Loans	-	-	-	-	-	-
Trading derivatives	-	-	-	-	1,179	-
Total	9,323,195	3,794,262	1,005,473	7,534,366	5,746,536	631,292
Financial assets at fair value through profit or loss	13,184,676	3,879,237	1,033,858	11,150,158	5,992,816	655,107

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2010	Dec. 31, 2009
Non derivatives		
Debt securities		
- Governments and Central Banks	1,320,967	1,076,802
- Banks	735,620	634,671
- Other issuers	1,891,974	2,139,815
Equities		
- Other issuers:	6	10
Holdings in UCITS	19,239	25,462
Total non derivatives	3,967,806	3,876,760
Derivatives		
- Banks	4,595	7,545
- Customers	2,440	1,582
Total derivatives	7,035	9,127
Total	3,974,841	3,885,887

Analysis of financial assets at fair value by debtor/issuer

€/'000	Dec. 31, 2010	Dec. 31, 2009
Debt securities		
- Governments and Central Banks	25,425	16,789
- Banks	3,228,328	3,651,102
- Other issuers	1,654,038	2,116,520
Holdings in UCITS	9,215,139	8,126,604
Hedging derivatives	-	1,179
Total	14,122,930	13,912,194

Non-current assets and disposal groups

'Non-current assets and disposal groups' amounted to €1,464 thousand. This account includes all balance-sheet assets relating to Partner Time S.p.A. which is in liquidation (FY 2009: €1,521 thousand).

Deferred tax assets

€/'000	Dec. 31, 2010	Dec. 31, 2009
Charge to the income statement	98,971	84,736
Charge to equity	40,014	14,460
Total	138,985	99,196

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Opening balance	84,736	63,299
Increases		
Deferred tax assets arisen in the year		
- relating to prior years	130	361
- changes in the accounting policies	3,140	3,830
- other	23,079	23,473
Other increases	2,188	7,467
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(3,545)	(704)
Other decreases	(10,757)	(12,990)
Closing balance	98,971	84,736

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Opening balance	14,460	16,940
Increases	-	-
Deferred tax assets arisen in the year	-	-
- others	38,836	13,300
New taxes or increased tax rates	-	1
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(13,024)	(2,224)
- irrecoverable amounts	-	-
- changes in the accounting policies	(258)	(13,556)
Reduced tax rates	-	-
Other decreases	-	-
Closing balance	40,014	14,460

Analysis of deferred tax assets

€/'000	Dec. 31, 2010	Dec. 31, 2009
Charge to the income statement	98,971	84,736
provisions for risks and charges	39,667	30,684
loan loss provision	5,592	4,850
expenses deductible in future years	8,798	8,914
taxed income relating to future years	104	21
other	44,810	40,267
Charge to equity	40,014	14,460
fair value measurement of AFS securities	40,014	14,460
Total	138,985	99,196

Other Assets

€/'000	Dec. 31, 2010	Dec. 31, 2009
Items in transit - lending	114,075	110,484
Due from tax authorities	42,794	49,597
Security deposits	6,269	7,830
Receivables from financial advisors	55,881	73,177
Advances to suppliers and professionals	7,922	5,349
Other receivables	33,779	29,523
Prepayments	4,206	5,368
Others	13,096	12,283
Total	278,022	293,611

SHAREHOLDERS' EQUITY AND LIABILITIES

EQUITY

€/'000	Dec. 31, 2010	Dec. 31, 2009
Share capital	73,288	73,140
Capital reserves	55,087	53,477
Retained earnings and other equity reserves	710,729	618,584
(Treasury shares)	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	(69,833)	8,931
Other gains (losses) recognised directly in equity	22,301	23,051
Group's profit (loss) for the year	246,633	217,280
Group's capital and reserves	1,036,160	992,418

Share capital is fully paid up and amounts to €73,287,996.00, divided into 732,879,960 ordinary shares. Treasury shares amount to 385,000. Please note that there are no equity holders other than the Group. For information on movements in the year, readers are referred to the Statement of Changes in Shareholders' Equity herein.

Gain (Losses) on Available-for-Sale Financial Assets

	Dec. 31, 2010		Dec. 31, 2009	
€/'000	Gains	Losses	Gains	Losses
Debt securities	16,911	(91,025)	39,761	(31,698)
Equities	523	(1)	1,178	(288)
Holdings in UCITS	4,333	(574)	1,600	(1,622)
Total	21,767	(91,600)	42,539	(33,608)

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

€/'000	Debt securities	Equities	Holdings in UCITS	Total
Opening balance	8,063	890	(22)	8,931
Increases				
Increase in fair value	8,868	48	2,994	11,910
Reclassification to the income statement from reserves:				
- impairment	-	3,223	543	3,766
- realised gains	-	-	381	381
Other increases	9,133	-	-	9,133
Decreases				
Decrease in fair value	(96,938)	(870)	(135)	(97,943)
Reclassification to the income statement from reserves: - realised gains	(3,240)	(2,769)	(2)	(6,011)
Closing balance	(74,114)	522	3,759	(69,833)

Net profit for the year attributable to the Group

Earnings per share

€/'000	Dec. 31, 2010 Ordinary activities	Dec. 31, 2010 Total	Dec. 31, 2009 Total
Profit for the year	223,726	246,633	217,280
Weighted average number of shares outstanding	732,140	732,140	730,748
Earnings per share (in euro)	0.306	0.337	0.297

Diluted earnings per share

€/'000	Dec. 31, 2010 Ordinary activities	Dec. 31, 2010 Total	Dec. 31, 2009 Total
Profit for the year	223,726	246,633	217,280
Weighted average number of shares outstanding	732,140	732,140	730,748
Adjustments for stock options with potential dilution effect	2,645	2,645	2,572
Weighted average number of shares outstanding for diluted earnings per share	734,785	734,785	733,320
Diluted earnings per share (in euro)	0.304	0.336	0.296

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

€/'000	Capital & reserves	Net Profit	Shareholders' Equity
Parent Company Accounts at Dec. 31, 2010	468,978	115,932	584,910
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	(14,391)	388,476	374,085
Differences on investments accounted for by the equity method	63,393	9,440	72,833
Intercompany dividends	266,252	(266,252)	-
Elimination of intercompany transactions effects	(1,772)	(331)	(2,103)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	6,716	(166)	6,550
Other	351	(466)	(115)
Consolidated accounts at Dec. 31, 2010	789,527	246,633	1,036,160

PROVISIONS

€/'000	Dec. 31, 2010	Dec. 31, 2009
Provision for tax claims	84	84
Other provisions	138,217	109,785
Total	138,301	109,869

Analysis of other provisions

€/'000	Dec. 31, 2010	Dec. 31, 2009
Provision for other completion-of-service entitlements and similar obligations	1,310	1,237
Provision for sales network benefits	69,722	55,033
Provision for risks related to sales network's illegal actions	36,151	27,790
Other provisions for risks and charges	31,034	25,725
Total	138,217	109,785

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

Year's movements in provisions

€/'000	Tax claims	Other provisions
Opening balance	84	109,785
Increases		
- Year's provision	-	45,434
- Other increases	-	20
Decreases		
- Funds utilised in the year	-	(8,272)
- Other decreases	-	(8,750)
Closing balance	84	138,217

TECHNICAL RESERVES

€/'000	Dec. 31, 2010	Dec. 31, 2009
Mathematical reserves	6,298,296	5,836,372
Reserve for outstanding claims	117,002	155,955
Technical reserves for contracts under which the investment risk is borne by the policyholder and in connection with pension fund management	14,123,807	13,914,643
Other reserves	11,642	96,013
Total	20,550,747	20,002,983

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit and loss

€/'000	Dec. 31, 2010	Dec. 31, 2009
Financial liabilities held for trading		
Short positions on debt securities	443,605	258,251
Trading derivatives	20,883	22,689
Other financial liabilities	164	383
Total Financial liabilities held for trading	464,652	281,323
Financial liabilities at fair value		
Liabilities arising on financial contracts issued by insurance companies:		
- under which the investment risk is borne by the policyholder	77,446	57,254
- in connection with pension fund management	-	13,265
Hedging derivatives	28,510	15,906
Total financial liabilities at fair value	105,956	86,425
Total financial liabilities at fair value through profit or loss	570,608	367,748

At year end 2010, **financial liabilities at fair value through profit or loss** amounted to €570.6 million, up €202.9 million from €367.7 million at December 31, 2009. The increase was mainly in connection with short positions on debt securities held by Banca Mediolanum at the end of the period (up €185.3 million).

	Dec. 31, 2010				Dec. 31, 2009			
€/'000	Total	L1	L2	L3	Total	L1	L2	L3
Financial liabilities held for trading								
Short positions on debt securities	443,605	443,605	-	-	258,251	258,251	-	-
Trading derivatives	20,883	2	15,188	5,693	22,689	-	14,204	8,485
Securities issued	-	-	-	-	-	-	-	-
Other financial liabilities	164	-	164	-	383	-	383	-
Total financial liabilities held for trading	464,652	443,607	15,352	5,693	281,323	258,251	14,587	8,485
Financial liabilities at fair value								
Liabilities arising on financial contracts issued by insurance companies								
- under which the investment risk is borne by the policyholder	77,446	34,523	42,846	77	57,254	20,344	35,136	1,774
- in connection with pension fund management	-	-	-	-	13,265	13,265	-	-
hedging derivatives	28,510	-	28,510	-	15,906	-	15,906	-
Total financial liabilities at fair value	105,956	34,523	71,356	77	86,425	33,609	51,042	1,774
Total financial liabilities at fair value through profit or loss	570,608	478,130	86,708	5,770	367,748	291,860	65,629	10,259

Other financial liabilities

€/'000	Dec. 31, 2010	Dec. 31, 2009
Banks	2,756,324	1,644,362
Banking customers	6,468,977	5,005,392
Securities issued	340,479	179,450
Interest-free financing facility	-	12,400
Deposits from reinsurers	95,210	99,682
Collaterals	215,607	-
Total	9,876,597	6,941,286

The analysis of 'amounts due to banks' shows that amounts due to central banks, demand deposits and repurchase agreements increased by €1,275.5 million, €167.2 million and €131.4 million respectively, almost all relating to Banca Mediolanum. Time deposits declined €572.2 million and also relate to Banca Mediolanum.

Amounts due to banking customers were up from €5,005.4 million to €6,469 million. The increase relates to Banca Mediolanum repurchase agreements amounting to €1,822 million.

Securities issued consisted of €164.7 million Banca Mediolanum subordinated notes and €175.7 million Banca Mediolanum bond issue.

The 'Interest-free financing facility' account relates to the financing facility extended by the two majority shareholders Doris Group and Fininvest in 2008 to cover the costs of the operation put in place to safeguard customers holding index linked policies with Lehman Brothers bonds as underlying assets. Following the sale of Lehman Brothers securities, the relevant amount was reimbursed to said shareholders. Specifically, in December 2010, the two majority shareholders received €35,307 thousand, of which €12,400 thousand written off the liability account 'interest-free financing facility' and €29,207 thousand from the specific equity reserve for the portion in excess of the total costs of said operation. Therefore, at December 31, 2010, the balance of the 'Interest-free financing facility' liability account was nil.

At the end of the year under review Mediolanum Vita and Mediolanum International Life had €215.6 million collaterals covering the assets of said two companies.

Financial liabilities: Banks

€/'000	Dec. 31, 2010	Dec. 31, 2009
Central banks	1,410,786	135,345
Other banks		
- Demand deposits	171,303	4,103
- Time deposits	483,456	1,055,615
- Loans	555,000	445,000
- Repurchase agreements	134,922	3,551
- Other liabilities	857	748
Total	2,756,324	1,644,362

Time-to-maturity of amounts due to banks

€/'000	Dec. 31, 2010	Dec. 31, 2009
Time to maturity		
Within 1 year	2,756,324	1,519,362
1-5 years	-	125,000
Total	2,756,324	1,644,362

The item "Financial liabilities: Banks" largely relates to financial liabilities maturing within one year.

Financial liabilities: Banking customers

€/'000	Dec. 31, 2010	Dec. 31, 2009
Bank accounts	4,551,646	4,861,050
Repurchase agreements	1,885,375	127,350
Other liabilities	31,956	16,992
Total	6,468,977	5,005,392

PAYABLES

Other Payables

€/'000	Dec. 31, 2010	Dec. 31, 2009
Employee completion-of-service entitlements	10,746	11,840
Payables to suppliers	135,773	129,042
Due to tax authorities	66,770	61,118
Other miscellaneous payables	28,647	42,633
Total	241,936	244,633

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

€/'000	Dec. 31, 2010
Opening balance	11,840
Increases	
- Amounts set aside in the year	5,394
- Other increases	61
Decreases	
- Funds used in the year	(6,437)
- Other decreases	(112)
Closing balance	10,746

Other miscellaneous payables

€/'000	Dec. 31, 2010	Dec. 31, 2009
Mediolanum Group associates	754	1,175
Social security agencies	5,262	5,649
Consultants, professionals, directors and statutory auditors	3,803	1,377
Companies within the Fininvest Group and the Doris Group	1,263	1,643
Employees	3,607	3,429
Tax payable by policyholders	1,096	1,194
Other	12,862	28,166
Total	28,647	42,633

OTHER LIABILITIES

Deferred tax liabilities

€/'000	Dec. 31, 2010	Dec. 31, 2009
Charge to the income statement	45,127	30,568
Charge to equity	6,805	19,325
Total	51,932	49,893

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Opening balance	(30,568)	(7,612)
Increases		
Deferred tax liabilities arisen in the year		
- other	(15,049)	(23,285)
Other increases	-	(3)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	130	267
- other	360	62
Other decreases	-	3
Closing balance	(45,127)	(30,568)

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Opening balance	(19,325)	(3,928)
Increases		
Deferred tax liabilities arisen in the year		
- other	(6,347)	(16,828)
Other increases	-	(755)
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	16,726	1,130
- other	1,429	1,053
Other decreases	712	3
Closing balance	(6,805)	(19,325)

Analysis of deferred tax liabilities

€/'000	Dec. 31, 2010	Dec. 31, 2009
Charge to the income statement	45,127	30,568
income taxable in future years	44,745	30,184
future expenses deductible in the year	219	223
deducted expenses relating to future years	163	161
Charge to equity	6,805	19,325
fair value measurement of AFS securities	6,805	19,325
Total	51,932	49,893

Liabilities associated with disposal groups held for sale

The balance of this account amounting to €730 thousand includes all liabilities relating to the investment in Partner Time S.p.A. that is under liquidation (FY 2009: €732 thousand).

Other liabilities

€/'000	Dec. 31, 2010	Dec. 31, 2009
Items in transit - lending	102,791	106,604
Provision for staff costs	8,542	7,946
Agents' severance benefits	3,693	3,146
Security deposits	3,890	3,166
Accrued expenses	13,960	1,581
Other	10,459	13,593
Total	143,335	136,036

Accrued expenses mostly relate to commissions due in future year for the sale of Mediolanum Plus Certificates.

PART D – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

As of December 31, 2010

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums - Premiums written	9,128,240	(4,693)	9,123,547
Total premiums written	9,128,240	(4,693)	9,123,547
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(9,536,934)	10,012	(9,526,922)
- Change in reserve for outstanding claims	38,976	392	39,368
- Change in mathematical reserves	(462,402)	(4,468)	(466,870)
- Change in other technical reserves	33,401	-	33,401
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(230,121)	-	(230,121)
Total amounts paid & change in technical reserves	(10,157,080)	5,936	(10,151,144)
Life Insurance net income (expense)	(1,028,840)	1,243	(1,027,597)

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	(2,920,597)	-	(2,920,597)
Total amounts paid & change in technical reserves	(11,893,837)	6,607	(11,887,230)
Life Insurance net income (expense)	(2,247,222)	1,476	(2,245,746)

Gross premiums written

€/'000	Dec. 31, 2010	Dec. 31, 2009
Gross premiums written	-	-
Class III products	1,563,650	2,352,544
Traditional products	7,564,590	7,294,071
Total gross premiums written	9,128,240	9,646,615

COMMISSION INCOME

€/'000	Dec. 31, 2010	Dec. 31, 2009
Guarantees issued	142	204
Management, brokerage and consulting services:	733,029	563,451
- Financial instruments brokerage	3,261	3,532
- Currency brokerage	1	1
- Asset management	602,950	485,763
- individual portfolio management	5,385	5,831
- collective portfolio management	597,565	479,932
- Securities in custody and under administration	4,098	3,603
- Custodian bank	561	578
- Sales of securities	45,676	2,959
- Order taking	5,709	6,666
- Consultancy	1	-
- Services to third parties	70,772	60,349
- Asset management	241	665
- individual portfolio management	-	22
- collective portfolio management	241	643
- insurance products	59,743	47,372
- other products	10,788	12,312
Collection and payment services	43,468	34,890
Loadings on investment contracts	375	2,019
Other services	36,350	30,593
Total	813,364	631,157

Commission Income for the period amounted to €813.4 million versus €631.2 million in 2009. The 182.2 million increase reflects greater management fees for the year as a result of both good performance of markets and strong inflows into mutual funds, as well as greater banking services revenues from sales of third-party structured bonds.

COMMISSION EXPENSES

€/'000	Dec. 31, 2010	Dec. 31, 2009
Management, brokerage and consulting services:	223,629	184,525
- Financial instruments brokerage	2,488	1,696
- Asset management	3,538	4,547
- Securities in custody and under administration	1,076	1,380
- Sales of securities	2,412	-
- Off-premises sales of securities, products and services	214,115	176,902
Collection and payment services	40,034	33,385
Commissions on the acquisition of investment contracts	953	855
Other services	23,448	20,284
Total	288,064	239,049

Commission Expenses for the period amounted to €288.1 million versus €239 million in the prior year. The 49.1 million increase reflects greater entry fees and revenues from sales of structured bonds made in the year.

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Financial assets		
Interest income and other investment income		
- from financial assets held for trading	87,340	64,436
- from financial assets at fair value through profit or loss	160,221	195,891
Net income from financial assets held for trading	(19,066)	112,146
Net income from financial assets at fair value through profit or loss	794,011	2,039,762
Financial liabilities		
Interest expense and similar charges		
- from financial liabilities held for trading	(17,653)	(20,184)
- from financial liabilities at fair value through profit or loss	(500)	(5,037)
Net income from financial liabilities held for trading	9,350	(6,497)
Net income from financial liabilities at fair value through profit or loss	(19,700)	(23,121)
Total	994,003	2,357,396

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	18,620	26,539	(50,760)	(11,854)	(17,455)
Equities	6	8	(3)	(38)	(27)
Holdings in UCITS	323	363	(200)	(2)	484
Loans	-	-	-	-	-
Other	-	-	-	-	-
Other financial assets and liabilities: exchange differences	-	-	-	-	287
Derivatives					
Financial derivatives					
- debt securities and interest rates	319	9,057	(1,941)	(11,146)	(3,711)
- equities and stock indices	103	439	(101)	(516)	(75)
- currencies and gold	-	-	-	-	955
- other	-	712	-	(236)	476
Credit derivatives	-	-	-	-	-
Total	19,371	37,118	(53,005)	(23,792)	(19,066)

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	201,056	29,824	(136,928)	(16,584)	77,368
Equities	-	-	-	-	-
Holdings in UCITS	780,939	4,011	(38,443)	(68,738)	717,769
Loans	12,657	-	-	-	12,657
Helding derivatives	-	-	(13,783)	-	13.783
Total	994,652	73,835	(189,154)	(85,322)	794,011

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

Financial liabilities at fair value through profit or loss amounted to a negative balance of €19,700 thousand (vs. negative balance of €23,121 thousand at December 31, 2009), relate exclusively to profits/losses generated on investment contracts issued by the Group insurance companies.

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	6,450	6,491	(355)	(3,236)	9,350
Total	6,450	6,491	(355)	(3,236)	9,350

INCOME ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The balance of this account amounting to €14,387 thousand relates to income on investments accounted for under the equity method, namely the investment in Banca Esperia S.p.A. for €816 thousand (FY 2098: €6,026 thousand), and the investment in Mediobanca S.p.A. for €13,571 thousand.

INCOME (LOSS) ON OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

€/'000	Dec. 31, 2010	Dec. 31, 2009
Interest income and other income	300,015	292,935
Realised gains	62,803	30,641
Unrealised gains	9,566	5,511
Total income	372,384	329,087
Interest expense and similar charges	(73,819)	(88,535)
Realised losses	(15,899)	(8,681)
Unrealised losses	(28,246)	(41,722)
Total charges	(117,964)	(138,938)
Total net investment income	254,420	190,149

Analysis of net investment income

€/'000	Dec. 31, 2010	Dec. 31, 2009
Investment property	5,034	3,838
Available for sale financial assets	117,598	68,940
Held to Maturity Investments	51,071	66,462
Loans and Receivables	154,204	139,105
Other	(73,487)	(88,196)
Total	254,420	190,149

Analysis of net income from investment property

€/'000	Dec. 31, 2010	Dec. 31, 2009
Realised gains	-	240
Other income	6,567	4,561
Other expenses	(332)	(339)
Unrealised losses	(1,201)	(624)
Total net income from investment property	5,034	3,838

Analysis of net income from held-to-maturity investments

€/'000	Dec. 31, 2010	Dec. 31, 2009
Interest income and other income	51,071	66,138
Realised gains	-	324
Total net income from HTM investments	51,071	66,138

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Interest income and other income	110,024	68,389
Realised gains	31,226	29,804
Realised losses	(15,825)	(8,681)
Unrealised losses	(7,827)	(20,572)
Total net income from AFS financial assets	117,598	68,940

Analysis of Loans and Receivables

€/'000	Dec. 31, 2010	Dec. 31, 2009
Interest income and other income	132,353	153,847
Realised gains	31,577	273
Unrealised gains	9,566	5,511
Realised losses	(74)	-
Unrealised losses	(19,218)	(20,526)
Total net income from loans and receivables	154,204	139,105

Analysis of net income from financial liabilities

€/'000	Dec. 31, 2010	Dec. 31, 2009
Interest expense and other charges	(73,487)	(88,196)
Total	(73,487)	(88,196)

OTHER REVENUES

€/'000	Dec. 31, 2010	Dec. 31, 2009
Fixed duties on insurance products	12,247	13,751
Recoveries of expenses on contracts and services rendered	1,356	4,134
Other	11,452	7,828
Total	25,055	25,713

For enhanced accurateness, certain reclassifications were made in relation to 2009 comparative information. Specifically an amount of €212 thousand was reclassified out of 'Other revenues – other' to 'Operating expenses – employees'.

OPERATING EXPENSES

€/'000	Dec. 31, 2010	Dec. 31, 2009
Agents' Commissions and other acquisition costs	78,870	86,633
Investment management expenses	253	380
Other administrative expenses		
Employees	146,226	147,334
Advertising and promotions	22,783	20,910
Advisory services and collaborations	22,885	26,465
IT systems	49,413	40,193
Miscellaneous communications services	21,333	23,521
Other general expenses	58,515	55,447
Total other administrative expenses	321,155	313,870
Total	400,278	400,883

For enhanced accurateness, certain reclassifications were made in relation to 2009 comparative information. Specifically, an amount of €5,491 thousand was reclassified out of 'Other general expenses' to 'Employees' and an amount of €212 thousand was reclassified out of 'Other revenues – other' to 'Operating expenses – employees' adding up to a total increase of €5,279 thousand over the 2009 balance reported in the prior year. The reclassification was applied to items, including for example costs under insurance policies taken out for employees, training courses and reimbursement of travel expenses (mileage).

Average number of employees by category

Number	Dec. 31, 2010	Dec. 31, 2009
Employees:		
senior management	100	103
middle management	257	288
other employees	1,706	1,674
Total employees	2,063	2,065
Other personnel	6	26
Total	2,069	2,091

OTHER COSTS

€/'000	Dec. 31, 2010	Dec. 31, 2009
Employees	3,956	4,351
Amortisation of intangible assets	9,079	11,804
Depreciation of investment property and other assets	8,377	9,004
Provisions for risks and charges	35,684	20,871
Other miscellaneous expenses	22,731	20,739
Total	79,827	66,769

Net Provisions (provisions for risks and charges)

€/'000	Dec. 31, 2010	Dec. 31, 2009
Provision for sales network benefits	22,759	10,469
Provision for risks related to financial advisors' illegal actions	9,676	5,160
Other provisions for risks and charges	3,249	5,242
Total	35,684	20,871

INCOME TAX

€/'000	Dec. 31, 2010	Dec. 31, 2009
Current taxes (-)	(57,923)	(36,716)
Change in prior years' current taxes (+/-)	(2)	(2,088)
Change in deferred tax assets (+/-)	4,647	21,437
Change in deferred tax liabilities (+/-)	(5,497)	(22,956)
Income tax charge for the year (-) (-1+/-2+3+/-4+/-5)	(58,775)	(40,323)

Reconciliation between the theoretical tax rate and the effective tax rate

€/'000	Dec. 31, 2010	Dec. 31, 2009
Theoretical tax rate - IRES and equivalent taxes	13.48%	9.94%
Profit before tax	305,408	257,992
Theoretical tax	41,172	25,652
Taxable income	5,239	8,437
Other adjustments	789	(3,966)
Tax expense - Ires & equivalent taxes	47,200	30,123
Effective tax rate Ires & equivalent taxes	15%	11.68%
Total tax expense	58,775	40,323
Total effective tax rate	19.24%	15.63%

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.
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, 2010 to the reclassified income statement

€/'000	Consolidated income statements
1.1 Net premiums written	
1.1.1 Gross premiums written	9,128,240
1.1.2 Reinsurance premiums	(4,693)
Total premiums written	9,123,547
1.2 Commission income	813,364
1.3 Net income on financial instruments at fair value through profit or loss	994,003
1.4 Income on investments in subsidiaries, associates and joint ventures	14,387
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	289,810
1.5.2 Other income	10,205
1.5.3 Realised gains	62,803
1.5.4 Unrealised gains	9,566
Total income on other financial instruments and investment property	372,384
1.6 Other revenues	25,055
Total revenues	11,342,740
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(10,157,080)
2.1.2 Reinsurers' share	5,936
Net claims and benefits	(10,151,144)
2.2 Commission expense	(288,064)
2.3 Loss on other investments in subsidiaries, associates and joint ventures	-
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(73,479)
2.4.2 Other expenses	(340)
2.4.3 Realised losses	(15,899)
2.4.4 Unrealised losses	(28,246)
Loss on other financial instruments and investment property	(117,964)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(78,870)
2.5.2 Investment management costs	(253)
2.5.3 Other administrative expenses	(321,155)
Total operating expenses	(400,278)
2.6 Other costs	(79,827)
Total costs	(11,037,277)
Profit (loss) before tax for the period	305,463
3. Income tax	(58,775)
4. Profit (loss) from discontinued operations	(55)
Net profit (loss) for the period	246,633
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as investment contracts under IFRS4)	-
Other reclassifications	-
TOTAL RECLASSIFICATIONS	-

		RECLASSIFIED INCOME STATEMENT - REVENUES (ORDINARY ACTIVITIES)							
non-recurring items	ordinary activities	net premiums written	amounts paid and change in technical reserves	total commission income	net interest income	net income/loss on investments at fair value	equity contribution	net income on other investments	other revenue
-	9,128,240	9,128,240	-	-	-	-	-	-	-
-	(4.693)	(4,693)	-	-	-	-	-	-	-
-	9.123.547	9,123,547	-	-	-	-	-	-	-
-	813,364	-	-	813,364	-	-	-	-	-
-	994,003	-	-	-	229,408	764,595	-	-	-
-	14,387	-	-	-	-	-	14,387	-	-
-	289,810	-	-	-	289,810	-	-	-	-
-	10,205	-	-	-	3,638	-	-	6,567	-
(30,907)	31,896	-	-	-	-	-	-	31,896	-
-	9,566	-	-	-	-	-	-	9,566	-
(30,907)	341,477	-	-	-	293,448	-	-	48,029	-
-	25,055	-	-	-	-	-	-	-	25,055
(30,907)	11,311,833	9,123,547	-	813,364	522,856	764,595	14,387	48,029	25,055
-	(10,157,080)	-	(10,155,532)	-	-	-	-	-	-
-	5,936	-	5,936	-	-	-	-	-	-
-	(10,151,144)	-	(10,149,596)	-	-	-	-	-	-
-	(288,064)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	(73,479)	-	-	-	(73,479)	-	-	-	-
-	(340)	-	-	-	(8)	-	-	(332)	-
-	(15,899)	-	-	-	-	-	-	(15,899)	-
-	(28,246)	-	-	-	-	-	-	(27,045)	-
-	(117,964)	-	-	-	(73,487)	-	-	(43,276)	-
-	(78,870)	-	-	-	-	-	-	-	-
-	(253)	-	-	-	-	-	-	-	-
-	(321,155)	-	-	-	-	-	-	-	-
-	(400,278)	-	-	-	-	-	-	-	-
-	(79,827)	-	-	-	-	-	-	(7,401)	-
-	(11,037,277)	-	(10,149,596)	-	(73,487)	-	-	(50,677)	-
(30,907)	274,556	9,123,547	(10,149,596)	813,364	449,369	764,595	14,387	(2,648)	25,055
8,000	(50,775)	-	-	-	-	-	-	-	-
-	(55)	-	-	-	-	-	-	(55)	-
(22,907)	223,726	9,123,547	(10,149,596)	813,364	449,369	764,595	14,387	(2,703)	25,055
-	-	-	1,067,615	-	(304,488)	(753,409)	-	(9,718)	-
-	-	-	(459)	853	(3,638)	-	-	2,203	(2,201)
-	-	9,123,547	(9,082,440)	814,217	141,243	11,186	14,387	(10,218)	22,854

Reconciliation of the income statement at December 31, 2010 to the reclassified income statement

€/'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 or loss
1.4 Income on investments in subsidiaries, associates and joint ventures
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
Net claims and benefits
2.2 Commission expense
2.3 Loss on other investments in subsidiaries, associates and joint ventures
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
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 discontinued operations
Net profit (loss) for the period
RECLASSIFICATIONS
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as investment contracts under IFRS4).
Other reclassifications
TOTAL RECLASSIFICATIONS

RECLASSIFIED INCOME STATEMENT - COSTS AND TAXATION (ORDINARY ACTIVITIES)						
sales network commission expenses	other commission expenses	general and administrative expenses	amortisation and depreciation	provisions for risks and charges	income tax for the period	net profit
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	.	-	-	-
-	-	(1,548)	-	-	-	-
-	-	-	-	-	-	-
-	-	(1,548)	-	-	-	-
(288,064)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(1,201)	-	-	-
-	-	-	(1,201)	-	-	-
(74,306)	-	(4,564)	-	-	-	-
-	-	(253)	-	-	-	-
-	-	(321,155)	-	-	-	-
(74,306)	-	(325,972)	-	-	-	-
-	-	(19,286)	(17,456)	(35,684)	-	-
(362,370)	-	(346,806)	(18,657)	(35,684)	-	-
(362,370)	-	(346,806)	(18,657)	(35,684)	-	-
-	-	-	-	-	(50,775)	-
-	-	-	-	-	-	-
(362,370)	-	(346,806)	(18,657)	(35,684)	(50,775)	223,726
-	-	-	-	-	-	-
37,272	(59,717)	2,974	2,201	20,512	-	-
(325,098)	(59,717)	(343,832)	(16,456)	(15,172)	(50,775)	223,726

FINANCIAL INFORMATION BY OPERATING SEGMENT AT DECEMBER 31, 2010

	ITALY					
€/'000	Life	Banking	Asset Management	Other	Consolidation adjustments	Total
Net premiums written	9,003,188	-	-	-	-	9,003,188
Amounts paid & change in technical reserves	(8,977,543)	-	-	-	-	(8,977,543)
Net life insurance revenues (ex-commissions)	25,645	-	-	-	-	25,645
Entry fees	-	-	112,615	-	-	112,615
Management fees	194,234	-	161,313	-	-	355,547
Performance fees	76,478	-	70,449	-	-	146,927
Banking service fees	-	103,978	-	-	(889)	103,089
Other fees	394	6,957	21,135	-	-	28,486
Total commission income	271,106	110,935	365,512	-	(889)	746,664
Net interest income	14,190	120,199	1,215	(347)	-	135,257
Net income (loss) on investments at fair value	7,747	3,395	(9)	-	-	11,133
Net financial income	21,937	123,594	1,206	(347)	-	146,390
Equity contribution	-	-	-	14,387	-	14,387
Realised gains (losses) on other investments	7,734	6,849	(447)	(644)	-	13,492
Impairment of loans	-	(9,196)	(82)	(424)	-	(9,702)
Impairment of other investments	(3,784)	(1,269)	-	(2,777)	-	(7,830)
Net income (loss) on other investments	3,950	(3,616)	(529)	(3,845)	-	(4,040)
Other revenues	12,454	9,175	156	727	-	22,512
TOTAL REVENUES	335,092	240,088	366,345	10,922	(889)	951,558
Acquisition costs and sales network commission expenses	(92,339)	(51,538)	(160,882)	-	-	(304,759)
Other commission expenses	(6,146)	(12,706)	(7,987)	-	-	(26,839)
General and administrative expenses	(96,950)	(127,723)	(78,887)	(1,555)	889	(304,226)
Amortisation and depreciation	(3,764)	(7,040)	(2,905)	(53)	-	(13,762)
Net provisions for risks	(5,121)	(2,263)	(7,968)	-	-	(15,352)
TOTAL COSTS	(204,320)	(201,270)	(258,629)	(1,608)	889	(664,938)
PROFIT BEFORE TAX	130,772	38,818	107,716	9,314	-	286,620
Income tax	-	-	-	-	-	(52,158)
NET PROFIT FOR THE PERIOD	-	-	-	-	-	234,462
Goodwill	22,915	-	-	-	-	22,915
Investment Property	90,654	-	-	-	-	90,654
Equity investments	-	-	-	447,058	-	447,058
HTM investments + LR	405,500	3,236,260	-	-	-	3,641,760
AFS instruments	2,541,646	1,797,541	34,685	20,035	-	4,393,907
Fin. assets/liabilities at FV through profit or loss	2,981,092	505,308	-	-	-	3,486,400
Financial assets - risk borne by policyholder	13,687,367	-	-	-	-	13,687,367
Net treasury position	(371,368)	1,018,683	(61,264)	539,458	-	1,125,509
- of which intercompany	*623,922*	*39,925*	*44,779*	*14,842*	-	*723,468*
Loans to customers	-	3,236,195	-	-	-	3,236,195
Bank funding	-	7,538,797	-	-	-	7,538,797
- of which intercompany	-	*985,561*	-	-	-	*985,561*
Net technical reserves	19,993,713	-	-	-	-	19,993,713

ABROAD			
Spain	Germany	Consolidation adjustments	Total
94,835	25,524	-	9,123,547
(81,812)	(23,085)	-	(9,082,440)
13,023	2,439	-	41,107
4,017	225	-	116,857
10,543	4,689	(28)	370,751
2,652	2,015	-	151,594
6,724	35,222	(6)	145,029
1,319	181	-	29,986
25,255	42,332	(34)	814,217
5,632	354	-	141,243
369	(315)	(1)	11,186
6,001	39	(1)	152,429
-	-	-	14,387
1,172	(2)	-	14,662
52	-	-	(9,650)
-	(7,400)	-	(15,230)
1,224	(7,402)	-	(10,218)
396	433	(487)	22,854
45,899	37,841	(522)	1,034,776
(16,062)	(4,283)	6	(325,098)
(3,031)	(29,875)	28	(59,717)
(26,349)	(13,745)	488	(343,832)
(1,737)	(957)	-	(16,456)
180	-	-	(15,172)
(46,999)	(48,860)	522	(760,275)
(1,100)	(11,019)	-	274,501
1,720	(337)	-	(50,775)
620	(11,356)	-	223,726
122,809	4,140	-	149,864
-	-	-	90,654
-	-	-	447,058
-	8,971	-	3,650,731
261,217	4,463	-	4,659,587
16,250	7,538	-	3,510,188
446,017	59,055	-	14,192,439
2,372	(49,743)	-	1,078,138
(35,618)	*(1,807)*	-	*686,043*
124,394	7,339	-	3,367,928
301,024	31,704	-	7,871,525
375	*(2,270)*	-	*983,666*
453,818	61,319	-	20,508,850

FINANCIAL INFORMATION BY OPERATING SEGMENT AT DECEMBER 31, 2009

€/'000	ITALY					
	Life	Banking	Asset Management	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)
Net life insurance revenues (ex-commissions)	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	2,038	5,368	17,988	-	-	25,394
Total commission income	246,969	64,502	269,387	-	(713)	580,145
Net interest income	18,490	139,357	1,107	(4,057)	-	154,897
Net income (loss) 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 contribution	-	-	-	6,026	-	6,026
Realised gains (losses) on other investments	6,873	7,552	(11)	2,580	-	16,994
Impairment of loans	-	(14,271)	-	(819)	-	(15,090)
Impairment of other investments	(24)	(20,392)	-	-	-	(20,416)
Net income (loss) on other investments	6,849	(27,111)	(11)	1,761	-	(18,512)
Other revenues	15,006	6,889	181	1,227	-	23,303
TOTAL REVENUES	407,725	208,462	270,659	4,981	(713)	891,114
Acquisition costs and sales network commission expenses	(123,621)	(34,555)	(114,530)	-	-	(272,706)
Other commission expenses	(5,382)	(12,798)	(5,637)	(190)	-	(24,007)
General and administrative expenses	(99,397)	(131,871)	(65,161)	(2,919)	713	(298,635)
Amortisation and depreciation	(4,594)	(10,493)	(3,472)	(4,192)	-	(22,751)
Net provisions for risks	(2,579)	(770)	(3,047)	(147)	-	(6,543)
TOTAL COSTS	(235,573)	(190,487)	(191,847)	(7,448)	713	(624,642)
PROFIT BEFORE TAX	172,152	17,975	78,812	(2,467)	-	266,472
Income tax	-	-	-	-	-	(42,353)
NET PROFIT FOR THE PERIOD	-	-	-	-	-	224,119
Goodwill	22,915	-	-	-	-	22,915
Investment Property	90,518	-	-	-	-	90,518
Equity investments	-	-	-	432,684	-	432,684
HTM investments + LR	293,519	2,084,717	-	-	-	2,378,236
AFS instruments	1,893,188	825,732	20,618	23,520	-	2,763,058
Fin. assets/liabilities at FV through profit or loss	3,022,632	583,486	-	-	-	3,606,118
Financial assets - risk borne by policyholder	13,550,088	-	-	-	-	13,550,088
Net treasury position	(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
Bank funding	-	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	-	27,030
21,092	31,071	(224)	632,084
7,140	638	-	162,675
491	143	-	57,003
7,631	781	-	219,678
-	-	-	6,026
626	(315)	-	17,305
97	-	-	(14,993)
(178)	-	-	(20,594)
545	(315)	-	(18,282)
593	447	(566)	23,777
41,834	33,542	(790)	965,700
(13,927)	(3,283)	5	(289,911)
(1,474)	(22,397)	219	(47,659)
(28,397)	(13,265)	566	(339,731)
(1,551)	(1,166)	-	(25,468)
1,215	-	-	(5,328)
(44,134)	(40,111)	790	(708,097)
(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

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, 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 of 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 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 S.p.A. and its subsidiaries, the Operational Risk Management Unit is mainly responsible for:
- overseeing the definition of the operational risk measurement methods (scoring 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 risks by subsidiaries; taking mitigating actions and, whenever possible, preventing any anomalies;
- recording and attending to any complaints from customers as well as overseeing how they are managed, among other things, to identify any operational risk issues and take measures for improvement of processes involved;
- 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** – which became effective for annual periods beginning on or after January 2007 – 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.
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, in accordance with their relevance for the Group's operating segments, i.e. insurance, banking and asset management.
Pursuant to IFRS7 disclosures are provided in relation to liquidity risk, credit risk and market risk.
This section, however, contains further information about risk management policies and techniques for purposes beyond the scope of IFRS 7.

Financial Instruments' classification method and principles

Pursuant to IFRS7, exposures are analysed in relation to three main types of risk:
1. **Liquidity risk** is typically the risk that arises from the difficulty of liquidating assets. More specifically, it is the risk that a financial instrument cannot be bought or sold without a material decrease/increase in its price (wide bid-ask spread) due to the potential inability of the market to settle the transaction wholly or partly. Liquidity risk is also the potential that an entity will be unable to obtain adequate funding. In accordance with the Basel 2 Second Pillar Supervisory Review of the Internal Capital Adequacy Assessment Process (ICAAP), the regulator requires banking organisations to put in place liquidity risk measurement and management policies and processes.

2. **Credit risk** is the risk of loss arising from the deterioration in the creditworthiness up to default of both retail customers and institutional counterparties of whom the bank is a creditor in its investment activities, as a result of which debtors fail to meet all or part of their contractual obligations.

3. **Market risk** is the risk of potential losses, which may also be significant, from adverse movements in market rates and prices to which the Mediolanum Group companies are exposed in their investment activities. These include movements in interest rates, foreign currency exchange, equity prices, volatility, bond spreads.

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 below.

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. Financial and Credit Risk Management unit.

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.

In the traditional reserve portfolio the risk of asset-liability mismatch is periodically assessed by Mediolanum Vita using an Asset/Liability Management stochastic model.

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 mentioned in the previous section, Mediolanum Vita S.p.A., uses 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:

- 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.

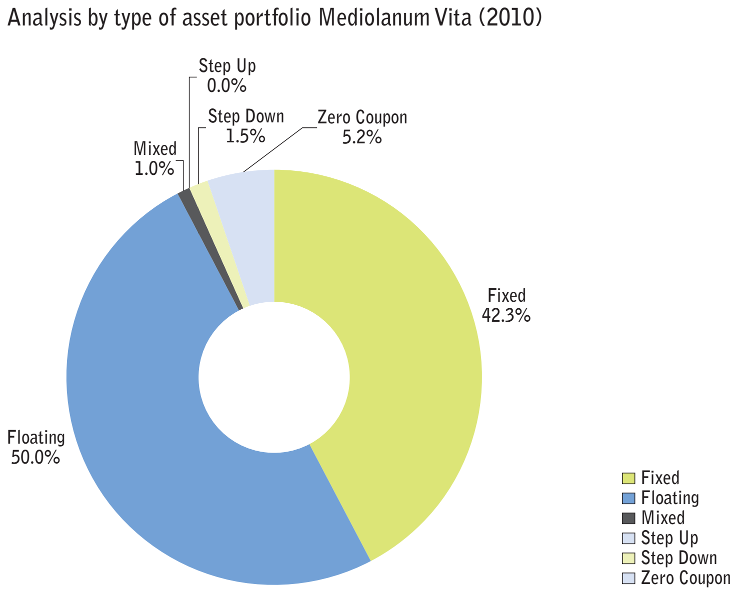
Through ad-hoc reports generated by the system, it is possible to monitor the long-term impact of management investment choices on the company's profitability and solvency.

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):

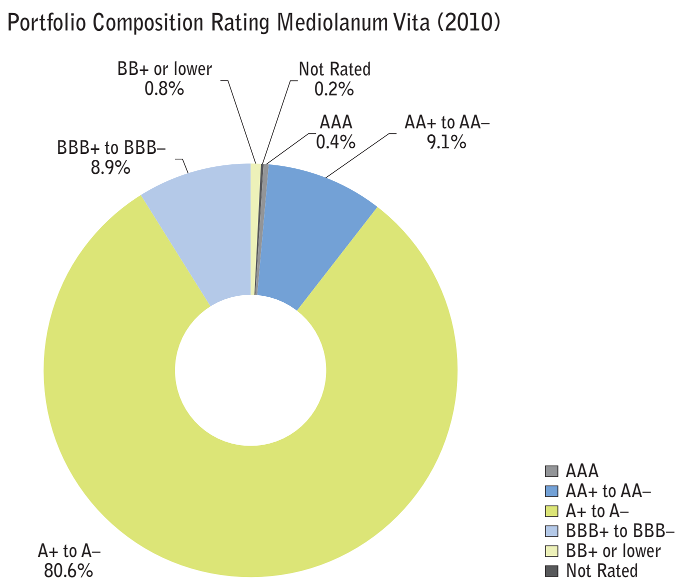
- for fixed-rate instruments it shows all cash flows (principal and interest) at maturity;
- for floating-rate instruments coupons are posted at maturity, while principal is posted at the first re-pricing date after the analysis.

Analysis of the insurance traditional portfolio by type of assets (2010)

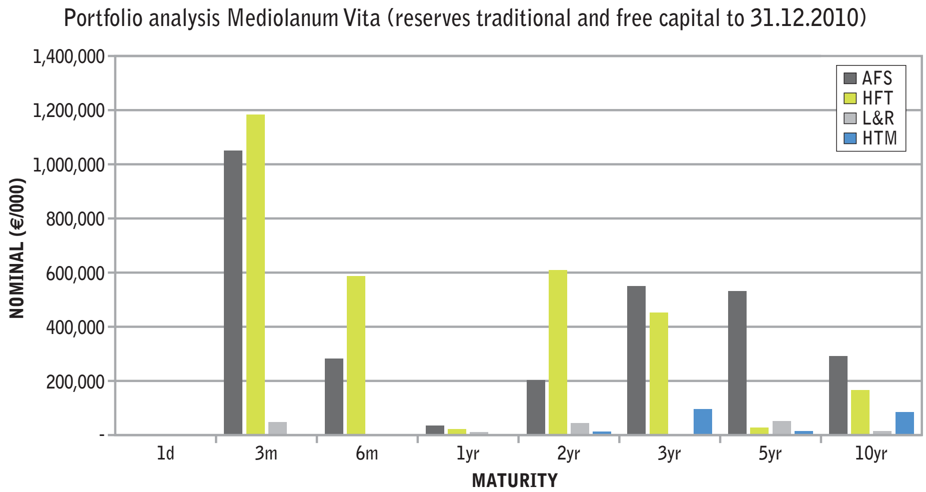


Assets included in free capital and traditional technical reserves coverage are largely assets with a high rating, as shown in the chart below

Analysis of the insurance traditional portfolio by rating (2010)



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



Market risk

Market risk associated with the traditional portfolio of the Italian Life Insurance Company 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 2010 vs. 2009)

€/'000	2010	2009	Change (%)
Nominal value	2,899,533	2,632,586	+10%
Market value	2,858,138	2,623,609	+9%
Modified duration	1.35	0.98	+38%
VaR99% - 1 day	3,966	4,572	(13%)
VaR99% - 10 days	12,543	14,459	(13%)
Sensitivity + 100 bps	(38,911)	(25,589)	+52%
Sensitivity - 100 bps	40,509	24,531	+65%

NOTE: the value of the securities portfolio does not take account of the portion of Funds, Shares, Rights and residual Index Linked Policies

AFS Mediolanum Vita Securities Portfolio - MARKET RISK
(Year end 2010 vs. 2009)

€/'000	2010	2009	Change (%)
Nominal value	2,598,562	2,104,068	+24%
Market value	2,500,444	2,623,609	(5%)
Modified duration	2.04	3.22	(37%)
VaR99% - 1 day	6,887	10,559	(35%)
VaR99% - 10 days	21,779	33,390	(35%)
Sensitivity + 100 bps	(53,010)	(67,907)	(22%)
Sensitivity - 100 bps	55,793	72,731	(23%)

NOTE: the value of the securities portfolio does not take account of the portion of Funds, Shares, Rights and residual Index Linked Policies

HTM Mediolanum Vita Securities Portfolio - MARKET RISK
(Year end 2010 vs. 2009)

€/'000	2010	2009	Change (%)
Nominal value	267,856	267,856	0%
Market value	245,998	256,393	(4%)
Modified duration	7.84	8.26	(5%)
VaR99% - 1 day	1,891	2,020	(6%)
VaR99% - 10 days	5,979	6,388	(6%)
Sensitivity + 100 bps	(20,262)	(20,802)	(3%)
Sensitivity - 100 bps	23,297	23,948	(3%)

NOTE: the value of the securities portfolio does not take account of the portion of Funds, Shares, Rights and residual Index Linked Policies

L&R Mediolanum Vita Securities Portfolio - MARKET RISK
(Year end 2010 vs. 2009)

€/'000	2010	2009	Change (%)
Nominal value	151,984	455	n.a.
Market value	152,293	461	n.a.
Modified duration	1.94	3.03	n.a.
VaR99% - 1 day	422	2	n.a.
VaR99% - 10 days	1,335	7	n.a.
Sensitivity + 100 bps	(3,032)	(13)	n.a.
Sensitivity - 100 bps	3,184	14	n.a.

NOTE: the value of the securities portfolio does not take account of the portion of Funds, Shares, Rights and residual Index Linked Policies

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 2010 vs. 2009)

Rating (S&P Equivalent)	2010 (€/000)	%	2009 (€/000)	%	Change (%)
Total Portafolio	5,756,873	100%	5,081,270	100%	+13%
AAA	25,453	0.4%	82,966	1.6%	(69%)
AA+ to AA-	523,512	9.1%	1,736,100	34.2%	(70%)
A+ to A-	4,638,466	80.7%	3,060,937	60.2%	+52%
BBB+ to BBB-	509,911	8.9%	194,760	3.8%	+162%
BB+ or lower	47,296	0.8%	-	-	n.a.
Unrated	12,234	0.2%	6,507	0.1%	+88%

NOTE: the value of the securities portfolio does not take account of the portion of Funds, Shares, Rights and residual Index Linked Policies

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 2010 vs. 2009)

	2010	2009	Change (%)
TOTAL PORTFOLIO	30,956	19,565	+58%

NOTE: the value of the securities portfolio does not take account of the portion of Funds, Shares, Rights and residual Index Linked Policies

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. For listed instruments with daily remargining risk is residual.

For Over-The-Counter contracts, exposure to credit risk is represented by the fair value on the measurement date. Credit risk is regularly monitored by reviewing counterparty exposure limits and credit standing. 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 99th 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 risk

Concentration risk in the Index Linked Portfolio is monitored using the Herfindhal Index (same method applied to Banca Mediolanum exposure to concentration risk) and the Normalised Herfindhal Index. 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 99% and the Normalised Herfindhal Index. Exposures are indicated at market value and on a consolidated basis.

Group - Index Linked Portfolio Concentration Risk
(Year end 2010 vs. 2009)

	2010	2009	Change (%)
Expected Loss	45,256	38,548	+17%
Unexpected Loss	577,770	450,070	+28%
Credit VaR (99%)	623,026	767,641	(19%)
Concentration Index (Normalised Herfindahl Index)	5.48%	5.14%	+7%

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, 2010)

	Reinsured Technical Reserves (€/000)	EL (€/000)	Moody's Rating	S&P's Rating	PD	LGD
Total	95,210	1,144				
Swiss Re Europe SA	38,615	685	A1	A+	2.96%	60%
Munchener Ruck Italia S.p.A.	21,307	132	Aa3	AA-	1.04%	60%
SCOR Global Life SE	15,695	91	A2	A	0.96%	60%
Swiss Re Frankona Rueckversicherung - AG	8,879	157	A1	A-	2.96%	60%
SCOR Global Life SE (EX REVIOS)	8,188	47	A2	A	0.96%	60%
Hannover Rueckversicherung - AG	2,527	31	N/A	AA-	2.05%	60%

Fair Value Hierarchy Disclosures

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

Mediolanum Vita
As of Dec. 31, 2010

€/'000	L1 2010	L1 2009	L2 2010	L2 2009	L3 2010	L3 2009	TOTAL 2010	TOTAL 2009
Free Capital								
Assets								
Debt securities	5,206,470	4,500,905	216,047	272,312	720	1,722	5,423,237	4,774,939
Equities	34	665	-	-	1,506	1,785	1,540	2,451
Holdings in UCITS	-	6,520	-	-	30,007	32,792	30,007	39,312
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	-	164	-	1,860	1,728	2,024	1,728
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL ASSETS	5,206,503	4,508,090	216,211	272,312	34,093	38,027	5,456,808	4,818,429
Liabilities								
Financial derivatives	-	-	(7,498)	(12,289)	(5,693)	(8,485)	(13,191)	(20,774)
TOTAL LIABILITIES	-	-	(7,498)	(12,289)	(5,693)	(8,485)	(13,191)	(20,774)
TOTAL A+L	5,206,503	4,508,090	208,713	260,023	28,400	29,542	5,443,617	4,797,655
Class III								
Assets								
Debt securities	165,864	-	1,616,130	2,073,118	24,664	294,516	1,806,658	2,367,634
Equities	-	-	-	-	-	-	-	-
Holdings in UCITS	8,472,412	7,309,376	3,058	6,454	-	-	8,475,470	7,315,830
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	-	24,919	18,813	96,828	161,962	121,748	180,775
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL ASSETS	8,638,276	7,309,376	1,644,108	2,098,385	121,492	456,478	10.403.876	9,864,239
Liabilities								
Liabilities under financial contracts issued by insurance companies	-	(13,265)	(765)	(1,794)	(77)	(1,774)	(842)	(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)	(765)	(1,794)	(77)	(1,774)	(842)	(16,833)
TOTAL A+L	8,638,276	7,296,111	1,643,343	2,096,591	121,415	454,704	10,403,034	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.

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, 2010

€/'000	L1 2010	L1 2009	L2 2010	L2 2009	L3 2010	L3 2009	TOTAL 2010	TOTAL 2009
Free Capital								
Assets								
Debt securities	90,392	102,396	5,336	11,210	6,045	-	101,773	113,606
Equities	-	-	-	-	-	-	-	-
Holdings in UCITS	174	-	-	-	-	-	174	-
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	-	634	2,685	493	682	1,127	3,367
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL	90,566	102,396	5,969	13,896	6,538	682	103,073	116,973
Class III								
Assets								
Debt securities	105,482	-	1,990,520	3,061,192	883,981	174,814	2,979,982	3,236,006
Equities	-	-	-	-	-	-	-	-
Holdings in UCITS	671,421	320,654	160,300	585,784	-	-	831,721	906,438
Loans	-	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-
Credit derivatives	-	-	-	-	-	-	-	-
TOTAL ASSETS	776,903	320,654	2,150,820	3,646,976	883,981	174,814	3,811,704	4,142,444
Liabilities								
Liabilities under financial contracts issued by insurance companies	(34,522)	(20,344)	(42,081)	(33,342)	-	-	(76,603)	(53,686)
Deposits received from reinsurers	-	-	-	-	-	-	-	-
Financial liabilities of reinsurance contracts	-	-	-	-	-	-	-	-
Amounts due to banks	-	-	-	-	-	-	-	-
Amounts due to customers	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	(34,522)	(20,344)	(42,081)	(33,342)	-	-	(76,603)	(53,686)
TOTAL A+L	742,381	300,311	2,108,739	3,613,634	883,981	174,814	3,735,101	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 certificates, i.e. hybrid instruments with a significant fixed-rate component and a derivative component that requires a valuation model with input data that are not observable market data. Taking a conservative approach these instruments were transferred from level 2 in 2009 to level 3 in 2010.

Banking – Financial Risk and Credit Risk

Internal Capital Adequacy Assessment Process (ICAAP)

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 are commensurate with the nature, size and complexity of its activities;

- the frequency, the level of detail and sophistication of the SREP depend 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	-	-	-	-	956,600	956,600
2. Available-for sale financial assets	-	75	-	-	1,915,126	1,915,201
3. Held-to-maturity investments	-	-	-	-	1,118,166	1,118,166
4. Loans to banks	-	-	-	-	2,425,820	2,425,820
5. Loans to customers	8,439	26,731	223	3,627	4,310,850	4,349,870
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total at Dec. 31, 2010	8,439	26,806	223	3,627	10,726,562	10,765,657
Total at Dec. 31, 2009	7,699	21,165	221	9,354	7,998,190	8,036,629

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, Banca Mediolanum 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, 2010 of the derivatives portfolio by counterparty is set out in the table below.

OTC derivatives – Counterparty risk
(As of Dec. 31, 2010)

€/'000	IRO	IRS	OIS	Total
Counterparty	942	-	11	953
Intesa Sanpaolo S.p.A.	-	-	11	11
Crédit Agricole SA	7	-	-	7
HSBC Bank Plc	183	-	-	183
UniCredit S.p.A.	638	-	-	638
Mediobanca S.p.A.	59	-	-	59
Royal Bank of Scotland Plc	55	-	-	55

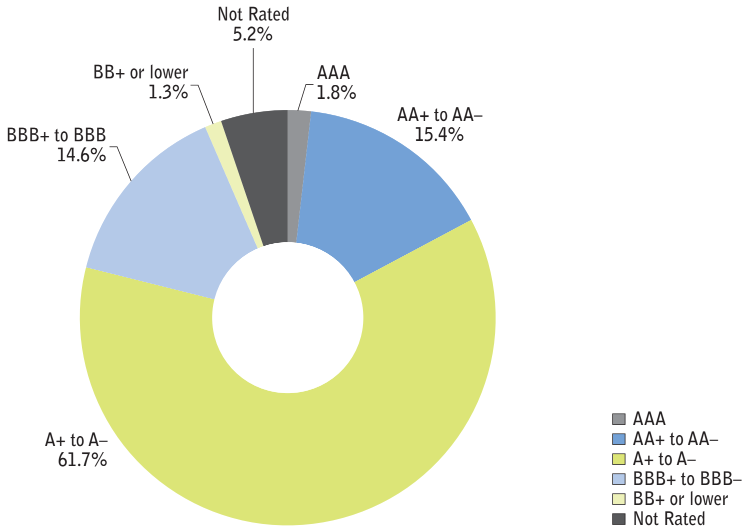
Issuer Risk - Analysis of the Banking Group's securities portfolio by rating

HFT, HTM, AFS, L&R Portfolio - Rating Composition
(Year end 2010 vs. 2009)

Rating (S&P Equivalent)	2010 (€/000)	%	2009 (€/000)	%	Change (%)
Total Portfolio	5,760,018	100%	3,374,432	100%	+71%
AAA	102,299	1.8%	274,983	8.1%	(63%)
AA+ to AA-	884,895	15.4%	143,803	4.3%	+515%
A+ to A-	3,556,791	61.7%	2,865,478	84.9%	+24%
BBB+ to BBB-	840,649	14.6%	88,148	2.6%	n.a.
BB+ or lower	76,686	1.3%	2,021	0.1%	n.a.
Not Rated	298,698	5.2%	-	-	+100%

Rating Composition portfolio HFT-HTM-AFS-L&R (2010)

Mediolanum Vita - Analysis of the insurance traditional portfolio by rating (2010)



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 Rish

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 2010 vs. 2009)

€/'000	2010	2009	Change (%)
Nominal value	506,731	484,961	+4%
Market value	790,266	457,260	+73%
Modified duration	0.30	0,42	(28%)
VaR99% - 1 day	160	141	+13%
VaR99% - 1 y	2,540	2,272	+12%
Sensitivity + 100 bps	(1,373)	(2,147)	(36%)
Sensitivity - 100 bps	1,283	1,895	(32%)

Exposure to Spread Movements

Banca Mediolanum HFT Portfolio Exposure to Spread Movements - VaR99% – 1 day
(Year end 2010 vs. 2009)

€/'000	2010	2009	Change (%)
TOTAL PORTFOLIO	2,601	990	+163%

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[1] 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. Banca Mediolanum regularly updates the 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, 2010)

€/'000	Balance	+100bps	-100bps
Total assets	9,766,044	63,868	(59,038)
Total liabilities	(9,565,017)	(56,395)	50,002
Off-balance sheet positions (hedging derivatives)	-	4,482	(4,343)
YEARS MOVEMENT	-	11,956	(13,380)

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, the Banking Group 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 imple-

mented 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. Under the liquidity risk management policy Banca Mediolanum implemented a control procedure which 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 analyses 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, 2010 - BANKING GROUP

€/'000	L1 2010	L1 2009	L2 2010	L2 2009	L3 2010	L3 2009	TOTAL 2010	TOTAL 2009
Assets	2,823,680	1,624,370	169,497	199,391	61,405	60,658	3,054,582	1,884,419
Debt securities	2,823,036	1,624,033	44,680	72,027	201	741	2,867,917	1,696,801
Equities	622	337	253	253	10,423	10,865	11,298	11,455
Holdings in UCITS	6	-	120,697	121,901	50,780	49,052	171,483	170,953
Loans	-	-	-	-	-	-	-	-
Financial derivatives	16	-	3,867	5,210	1	-	3,884	5,210
Credit derivatives	-	-	-	-	-	-	-	-
Liabilities	443,606	258,251	36,364	18,204	2	-	479,972	276,455
Amounts due to banks	-	22,599	-	-	-	-	-	22,599
Amounts due to customers	443,604	235,652	164	383	1	-	443,769	236,035
Financial derivatives	2	-	36,200	17,821	1	-	36,203	17,821
Total	2,380,074	1,366,119	133,133	181,187	61,403	60,658	2,574,610	1,607,964

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. This 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 for Class III contracts 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 limit the Company's overall exposure per head insured. No such reinsurance protection is purchased for class III products since the Company judges it can cover the risk of death of the policyholder using its own equity.

Liability Adequacy Testing (LAT)

The company assessed the adequacy of technical reserves for Medinvest segregated funds, using a current estimate of future cash-flows from insurance contracts, net of deferred acquisition costs and intangible assets. Contracts were grouped on the basis of similar technical rate and future cash-flows were discounted at the risk-free interest rate. That exercise showed that the carrying amount of technical reserves is adequate.
No express quantitative testing was performed for class III contracts since liabilities coincide with underlying assets and other technical reserves are broadly covered by annual management fees and loadings (for coverage in case of death of the policyholder) or are calculated using a prudent estimate of actual operating costs (reserve for future expenses).
The insurance companies within the Group are engaged in the implementation of activities under the new solvency II framework.

In 2010, these companies completed the detailed gap analysis of organisational and functional requirements for the implementation of Solvency II that had been started in the previous year. In addition, following its participation in the Quantitative Impact Study 5 (QIS 5) in 2010, Mediolanum Vita started a number of activities focused on in-depth analysis, understanding and implementation of procedures for measurements under future solvency requirement.

Operational Risk

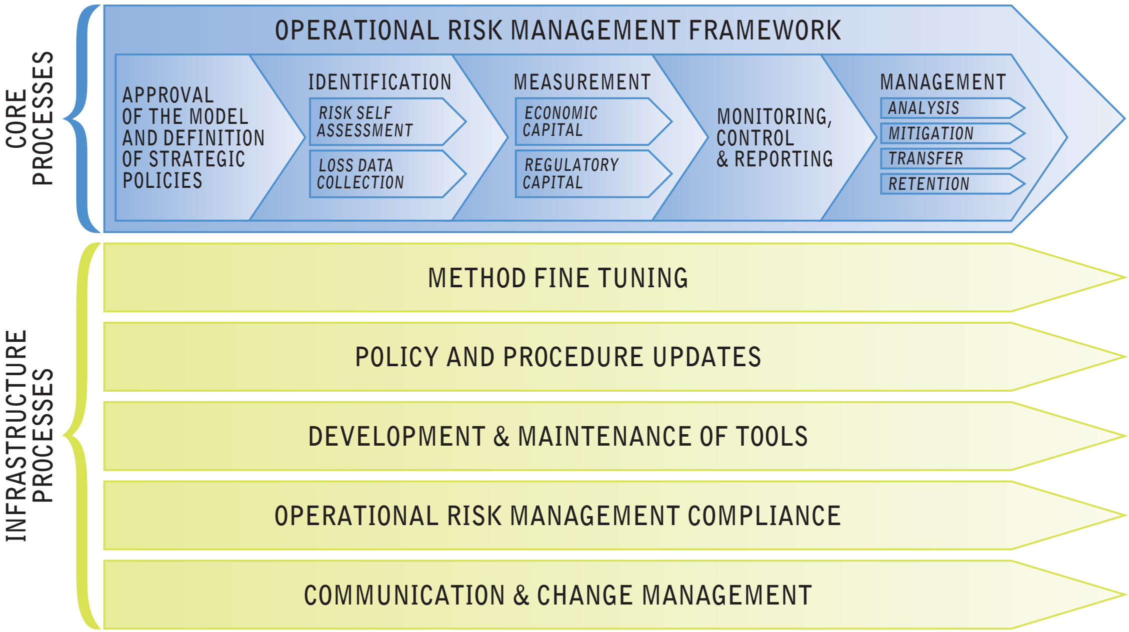
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk (compliance risk).
The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets, and sometimes legal and administrative consequences, resulting from any 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.

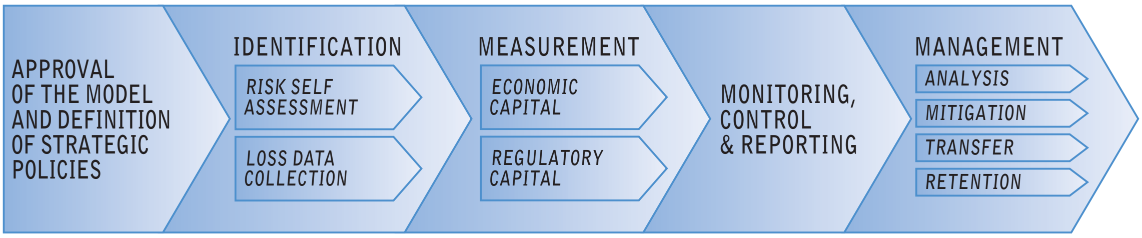
Beginning from 2006 the Risk Self Assessment exercise conducted in prior years has been supplemented with a new method to assess the risk exposure arising from processes. This entailed, *inter alia*, the introduction of a new qualitative measurement of exposure to operational risk of each organisational unit within the Group, i.e. an internal rating system. The internal rating system has been fully operational since 2007 and 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:** in line with the entity's risk appetite, 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, high 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 2010, over 220 organisational units of Companies within the Mediolanum Group were examined, identifying over 3,300 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, 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 *ex-post* 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.

PARTE G - BUSINESS COMBINATIONS

1. Transactions concluded during the year

In 2010 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.

PARTE 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, 2010

1. Information on related party transactions

€/'000	Associates	Other related parties
Loans and receivables	52,621	43,210
Available for sale financial assets	58,404	-
Financial assets at fair value through profit or loss	431,490	10,176
Other receivables	-	87,916
Financial liabilities at fair value through profit or loss	(2,321)	-
Other financial liabilities	(234)	(978,960)
Other payables	(1,091)	(7,688)
AFS Reserve	(62)	-

€/'000	Associates	Other related parties
Net commissions	(3,438)	89,676
Net income on financial instruments at fair value	4,862	88
Net income on investments in subsidiaries, associates & JVs	1,097	23,068
Net interest	1,298	(5,616)
Realised gains (losses)	488	-
Unrealised gains (losses)	8,271	-
Other income (expense)	-	9,167
Other miscellaneous income (expense)	-	8,991
Operating expenses – Other administrative expenses	(28)	(53,022)

2. Key management compensation

€/'000	Directors, Deputy/General Managers, Statutory Auditors	Other key managers
Emoluments & social security contributions	7,711	1,036
Non-cash benefits	68	69
Share-based awards (stock options)	172	-

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 26, 2005, 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 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 subse-

quent 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.

On March 9, 2010, after consulting with the Compensation Committee, the Board of Directors of Mediolanum S.p.A. approved the guidelines for the Stock Options Plan reserved to the directors and executives of the Company and its subsidiaries ('Top Management Plan 2010') as well as the guidelines for the Stock Options Plan for contract workers – i.e. the members of the sales network – of the Company and its subsidiary ('Sales Network Plan 2010'), collectively the 'Plans'. The Plans were submitted to the Extraordinary General Meeting of April 27, 2010 for approval.

Pursuant to section 84-bis, paragraph 3 of the Regulation for Issuers, readers are informed that:

- The Top Management Plan 2010 is the stock options plan reserved to the directors and other key management of the Company and/or its subsidiaries. The Sales Network Plan 2010 is the stock options plan reserved to the financial advisors working for the Company and its subsidiaries, as may be selected from time to time for their individual role and contribution to business growth.
- The Plans entail annual awards of rights to subscribe to newly issued ordinary shares of the Company (the 'Stock Options'). The implementation of the Plan entails two new rights issues reserved to each of the two categories of Beneficiaries, pursuant to art. 2441, paragraph five, of the Italian Civil Code, as resolved by the Board of Directors under the authority delegated to it by the General Meeting, pursuant to art. 2443 of the Italian Civil Code. The Stock Options under the Top Management Plan 2010 shall vest over a period of three to five years of the Grant Date and be exercisable for a period of three years after the date of vesting. The Stock Options under the Sales Network Plan 2010 shall vest over a period of five to ten years of the Grant Date and be exercisable for a period of three years after the date of vesting.
  The exercise of the Stock Options under the Plans is conditional upon the achievement of specific corporate and/or individual performance targets. The details of the Plans shall be laid down by the Board of Directors after consultation with the competent bodies of the Company and its subsidiaries.

- The Plans are designed to provide incentives to the Beneficiaries and at the same time promote value creation and growth for the Company and, accordingly, its shareholders. The Top Management Plan 2010 is believed to be an adequate scheme to link key management incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. The Sales Network Plan 2010 is an adequate scheme to link sales network incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. Considering the length of the vesting period, the Sales Network Plan 2010 is also a powerful way to enhance the sales network loyalty.

On July 8, 2010, after consulting with the Compensation Committee, by virtue of the authorities delegated to it by the Ordinary and Extraordinary General Meetings of April 27, 2010, the Board of Directors of Mediolanum S.p.A. resolved to:

- approve the Rules for the Stock Options Plan reserved to the Directors and Executives of the company and the Group ('Top Management Plan 2010') and the Rules for the Stock Options Plan for the Sales Network of the company and the Group ('Sales Network Plan 2010');
- increase the Company's share capital up to €160,000.00, for a consideration, by issuing up to 1,600,000 shares for the allotment of stock options under the Top Management Plan 2010;
- increase the Company's share capital up to €131,744.20, for a consideration, by issuing up to 1,317,442 shares for the allotment of stock options under the Sales Network Plan 2010;
- grant the beneficiaries – 19 under the Top Management Plan and 193 under the Sales Network Plan – part of the stock options under the Plans.

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 top management, 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 2010, 1,479,380 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 €147,938.00 increase in Mediolanum ordinary share capital and a €1,609,828.20 increase in the share premium account.

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

€/'000	December 31, 2010			December 31, 2009		
Number of options and exercise price	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
A. Opening balance	5,925,285	3.00482	Jan-15	7,347,936	3.08062	Sept-13
B. Increases	2,917,442	-	-	606,135	-	-
B.1. New issues	2,917,442	1.12900	March-19	606,135	1.02200	May-17
B.2 Other	-	-	x	-	-	x
C. Decreases	(1,581,034)	-	-	(2,028,786)	-	-
C.1. Cancelled	(54,006)	4.66195	x	(87,000)	5.61968	x
C.2. Exercised (*)	(1,474,381)	1.18810	x	(1,304,470)	1.26339	x
C.3 Lapsed	(52,647)	1.11800	x	(637,316)	5.20045	x
C.4 Other	-	-	x	-	-	x
D. Closing balance	7,261,693	3.00482	Sept-16	5,925,285	3.00482	Jan-15
E. Options exercisable at year end	2,094,504	6.41988	x	2,031,227	5.74488	x

(*) Average unit market price at exercise date is €3.25.

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 €1,842 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 29, 2011

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, 2010

Segment Reporting by Business sector

	LIFE INSURANCE	
€/'000	2010	2009
1. Intangible assets	99,353	98,361
2. Tangible assets	17,783	18,181
3. Reinsurers' share of technical reserves	96,201	100,277
4. Investments	20,341,135	19,329,090
4.1 Investment property	90,654	90,518
4.2 Investments in subsidiaries, associates and joint ventures	-	-
4.3 Held-to-maturity investments	252,529	252,062
4.4 Loans and receivables	222,491	44,425
4.5 Available-for-sale financial assets	2,541,646	1,893,188
4.6 Financial assets at fair value through profit or loss	17,233,815	17,048,897
5. Receivables	7,165	8,614
6. Other assets	500,037	369,915
6.1 Deferred acquisition costs	-	-
6.2 Other	500,037	369,915
7. Cash and cash equivalents	751,248	975,376
Total assets	21,812,922	20,899,814
1. Shareholders' equity	-	-
2. Provisions	1,466	1,205
3. Technical reserves	20,550,747	20,002,983
4. Financial liabilities	522,210	307,271
4.1 Financial liabilities at fair value through profit or loss	90,636	91,293
4.2 Other financial liabilities	431,574	215,978
5. Payables	137,295	142,822
6. Other liabilities	82,882	82,061
Total liabilities and shareholders' equity	-	-

	BANKING		INTERSEGMENT		TOTAL	
	2010	2009	2010	2009	2010	2009
	63,764	73,552	-	-	163,117	171,913
	56,813	65,782	-	-	74,596	83,963
	-	-	-	-	96,201	100,277
	10,878,496	8,660,429	(369,555)	(282,792)	30,850,076	27,706,727
	-	-	-	-	90,654	90,518
	447,058	432,684	-	-	447,058	432,684
	1,118,166	1,329,347	-	-	1,370,695	1,581,409
	6,238,702	4,990,528	(276,882)	(187,124)	6,184,311	4,847,829
	2,117,941	1,063,018	-	-	4,659,587	2,956,206
	956,629	844,852	(92,673)	(95,668)	18,097,771	17,798,081
	376	1,120	(96)	(121)	7,445	9,613
	408,193	285,325	(249,181)	(49,942)	659,049	605,298
	-	-	-	-	-	-
	408,193	285,325	(249,181)	(49,942)	659,049	605,298
	802,623	202,506	(758,668)	(964,118)	795,203	213,764
	12,210,265	9,288,714	(1,377,500)	(1,296,973)	32,645,687	28,891,555
	-	-	-	-	1,036,160	992,418
	136,835	108,664	-	-	138,301	109,869
	-	-	-	-	20,550,747	20,002,983
	11,099,886	8,292,407	(1,174,891)	(1,290,644)	10,447,205	7,309,034
	479,995	276,476	(23)	(21)	570,608	367,748
	10,619,891	8,015,931	(1,174,868)	(1,290,623)	9,876,597	6,941,286
	196,119	190,472	(83,522)	(77,524)	249,892	255,770
	259,587	191,409	(119,087)	(51,989)	223,382	221,481
	-	-	-	-	32,645,687	28,891,555

INCOME STATEMENT AS AT DECEMBER 31, 2010

Segment Reporting by Business sector

	LIFE INSURANCE	
€/'000	2010	2009
1.1 Net premiums written	9,124,518	9,641,820
1.1.1 Gross premiums written	9,129,211	9,646,951
1.1.2 Reinsurance premiums	(4,693)	(5,131)
1.2 Commission income	274,477	248,928
1.3 Net income on financial instruments at fair value through profit and loss	989,598	2,328,100
1.4 Income on investments in subsidiaries, associates and jvs	-	-
1.5 Income on other financial instruments and investment property	164,313	83,978
1.6 Other revenues	12,455	15,008
1 Total revenues and income	10,565,361	12,317,834
2.1 Net claims and benefits	(10,152,812)	(11,888,635)
2.1.1 Amounts paid and change in technical reserves	(10,158,748)	(11,895,242)
2.1.2 Reinsurers' share	5,936	6,607
2.2 Commission expense	(954)	(860)
2.3 Losses on investments in subsidiaries, associates and jvs	-	-
2.4 Loss on other financial instruments and investment property	(28,955)	(6,257)
2.5 Operating expenses	(167,870)	(214,823)
2.6 Other costs	(50,922)	(31,477)
2 Total costs	(10,401,513)	(12,142,052)
Profit (loss) before tax for the period	163,848	175,782

BANKING		INTERSEGMENT		TOTAL	
2010	2009	2010	2009	2010	2009
-	-	(971)	(336)	9,123,547	9,641,484
-	-	(971)	(336)	9,128,240	9,646,615
-	-	-	-	(4,693)	(5,131)
945,025	716,737	(406,138)	(334,508)	813,364	631,157
13,493	36,569	(9,088)	(7,273)	994,003	2,357,396
14,387	6,026	-	-	14,387	6,026
220,689	255,561	(12,618)	(10,452)	372,384	329,087
49,963	46,552	(37,363)	(35,847)	25,055	25,713
1,243,557	1,061,445	(466,178)	(388,416)	11,342,740	12,990,863
-	-	1,668	1,403	(10,151,144)	(11,887,232)
-	-	1,668	1,403	(10,157,080)	(11,893,839)
-	-	-	-	5,936	6,607
(575,017)	(447,620)	287,907	209,431	(288,064)	(239,049)
-	-	11,355	-	-	-
(100,364)	(142,604)	120,568	9,923	(117,964)	(138,938)
(352,976)	(321,847)	44,680	135,787	(400,278)	(400,883)
(73,585)	(67,164)	466,178	31,872	(79,827)	(66,769)
(1,101,942)	(979,235)	-	388,416	(11,037,277)	(12,732,871)
141,615	82,210	-	-	305,463	257,992

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	57,631,000
B	2.63	3.38	3.45	389,427,000

Analysis of tangible and intangible assets

€/'000	At cost	Remeasured or at fair value	Book value
Investment property	90,654	-	90,654
Other property	61,005	-	61,005
Other tangible assets	13,591	-	13,591
Other intangible assets	13,253	-	13,253

Analysis of financial assets

	Held-to-maturity investments		Loans and receivables	
€/'000	FY 2010	FY 2009	FY 2010	FY 2009
Equity instruments and derivatives at cost	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt instruments	1,370,695	1,581,409	-	-
of which listed	*465,022*	*496,121*	-	-
Holdings in UCITS	-	-	-	-
Loans to and receivables from banking customers	-	-	4,423,114	3,249,900
Loans to and receivables from banks	-	-	1,751,830	1,587,902
Deposits with cedents	-	-	-	-
Financial assets of insurance contracts	-	-	-	-
Other loans and receivables	-	-	9,367	10,027
Trading derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	-	-	-	-
Total	1,370,695	1,581,409	6,184,311	4,847,829

Available-for-sale financial assets		Financial assets at fair value through profit or loss: Financial assets held for trading		Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss		Book value	
FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
-	-	-	-	-	-	-	-
32,803	37,345	6	10	-	-	32,809	37,355
4,732	8,554	6	10	-	-	4,738	8,564
4,444,365	2,734,058	3,948,561	3,851,288	4,907,791	5,784,411	14,671,412	13,951,166
4,258,612	2,618,073	3,861,285	3,609,261	271,346	-	8,856,265	6,723,455
182,419	184,803	19,239	25,462	9,215,139	8,126,604	9,416,797	8,336,869
-	-	-	-	-	-	4,423,114	3,249,900
-	-	-	-	-	-	1,751,830	1,587,902
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	9,367	10,027
-	-	7,035	9,127	-	-	7,035	9,127
-	-	-	-	-	1,179	-	1,179
-	-	-	-	-	-	-	-
4,659,587	2,956,206	3,974,841	3,885,887	14,122,930	13,912,194	30,312,364	27,183,525

Analysis of reinsurers' share of technical reserves

	Insurance		Reinsurance		Book value	
€/'000	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Life business reserves	96,201	100,277	-	-	96,173	100,277
Outstanding claims	963	599	-	-	963	599
Mathematical reserves	95,210	99,678	-	-	95,210	99,678
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	28	-	-	-	28	-
Other reserves	-	-	-	-	-	-
Total reinsurers' share of technical reserves	96,201	100,277	-	-	96,173	100,277

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 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
On-balance sheet assets	14,122,930	13,897,750	-	13,265	14,122,930	13,911,015
Intercompany assets*	92,650	95,667	-	-	92,650	95,667
Total Assets	14,215,580	13,993,417	-	13,265	14,215,580	14,006,682
On-balance sheet financial assets	89,794	77,949	-	13,265	89,794	91,214
On-Balance Sheet Technical Reserves	14,123,807	13,914,643	-	-	14,123,807	13,914,643
Intercompany liabilities*	-	-	-	-	-	-
Total Liabilities	14,213,601	13,992,592	-	13,265	14,213,601	14,005,857

* Asset and liabilites eliminated upon consolidation

Analysis of technical reserves

€/'000	Insurance		Reinsurance		Book value	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
Life business reserves	20,550,747	20,002,983	-	-	20,550,747	20,002,983
Outstanding claims	117,002	155,955	-	-	117,002	155,955
Mathematical reserves	6,298,296	5,836,372	-	-	6,298,296	5,836,372
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	14,123,807	13,914,643	-	-	14,123,807	13,914,643
Other reserves	11,642	96,013	-	-	11,642	96,013
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
of which deferred liabilities to policyholders	-	-	-	-	-	-
Total Technical Reserves	20,550,747	20,002,983	-	-	20,550,747	20,002,983

Analysis of financial liabilities

€/'000	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss	
	FY 2010	FY 2009	FY 2010	FY 2009
Quasi-equity instruments	-	-	-	-
Subordinated liabilities	-	-	-	-
Liabilities under financial contracts issued by insurance companies of which	-	-	77,446	70,519
contracts under which the investment risk is borne by the policyholder	-	-	77,446	57,254
pension fund management	-	-	-	13,265
other contracts	-	-	-	-
Deposits received from reinsureres	-	-	-	-
Financial liabilities of insurance contracts	-	-	-	-
Debt securities issued	-	-	-	-
Amounts due to banking customers	-	-	-	-
Amounts due to banks	-	-	-	-
Other financing received	-	-	-	-
Trading derivatives	20,883	22,689	-	-
Hedging derivatives	-	-	28,510	15,906
Other financial liabilities	443,769	258,634	-	-
Total	464,652	281,323	105,956	86,425

Analysis of technical account items

€/'000		FY 2010		
		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		9,128,240	4,693	9,123,547
AMOUNTS PAID AND CHANGE IN TECHNICAL RESERVES		10,157,080	5,936	10,151,144
a	Amounts paid	9,536,934	10,012	9,526,922
b	Change in outstanding claims reserve	(38,976)	392	(39,368)
c	Change in mathematical reserves	462,402	(4,468)	466,870
d	Change in technical reserves for contracts under which the investment risk is borne by the policy holder and for pension fund management	230,121	-	230,121
e	Change in other technical reserves	(33,401)	-	(33,401)

Other financial liabilities		Book value	
FY 2010	FY 2009	FY 2010	FY 2009
-	-	-	-
-	-	-	-
-	-	77,446	70,519
-	-	77,446	57,254
-	-	-	13,265
-	-	-	-
95,210	99,682	95,210	99,682
-	-	-	-
340,479	179,450	340,479	179,450
6,468,977	5,005,392	6,468,977	5,005,392
2,756,324	1,644,362	2,756,324	1,644,362
-	12,400	-	12,400
-	-	20,883	22,689
-	-	28,510	15,906
215,607	-	659,376	258,634
9,876,597	6,941,286	10,447,205	7,309,034

FY 2009		
Gross	Reinsurers' share	Net
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
9,646,615	5,131	9,641,484
11,893,839	6,607	11,887,232
4,333,217	6,652	4,326,565
56,682	83	56,599
4,549,460	(128)	4,549,588
2,920,599	-	2,920,599
33,881	-	33,881

Analysis of net interest income and investment income

€/'000	Interest income (expense)	Other income	Other expense
Investment income	502,703	11,028	332
a from investment property	-	6,567	332
b from investments in subsidiaries, associates and joint ventures	-	-	-
c from held-to-maturity investments	51,071	-	-
d from loans and receivables	98,508	-	-
e from available-for-sale financial assets	106,386	3,638	-
f from financial assets held for trading	87,340	-	-
g from financial assets at fair value through profit or loss	159,398	823	-
Income on amounts receivable	496	-	-
Net cash and cash equivalents	33,349	-	-
Loss on financial liabilities	(51,446)	-	-
a on financial liabilities held for trading	(17,653)	-	-
b on financial liabilities at fair value through profit or loss	(500)	-	-
c on other financial liabilities	(33,293)	-	-
Expense on amounts payable	(40,186)	-	8
Total	444,916	11,028	340

Insurance - Analysis of expenses

	General Business		Life Business	
€/'000	FY 2010	FY 2009	FY 2010	FY 2009
Gross agents' commissions & other acquisition costs	-	-	115,367	149,467
a Acquisition commissions	-	-	72,416	103,251
b Other acquisition costs	-	-	14,621	15,293
c Change in deferred acquisition costs	-	-	-	-
d Collection commissions	-	-	28,330	30,923
Commissions and profit sharing from reinsurers	-	-	-	-
Investment management expenses	-	-	5,212	4,091
Other administrative expenses	-	-	47,291	61,265
Total	-	-	167,870	214,823

Realised gains	Realised losses	Total	Unrealised gains: Gains on measurement	Unrealised gains: Reversal of impairment	Unrealised losses: Losses on measurement	Unrealised losses: Impairment losses	Total	Net income (loss) for FY 2010	Net income (loss) for FY 2009
188,430	125,013	576,816	1,014,978	9,566	(242,159)	(28,246)	754,139	1,330,955	2,654,626
-	-	6,235	-	-	-	(1,201)	(1,201)	5,034	3,838
14,387	-	14,387	-	-	-	-	-	14,387	6,026
-	-	51,071	-	-	-	-	-	51,071	66,462
31,577	74	130,011	-	9,566	-	(19,218)	(9,652)	120,359	97,125
31,226	15,825	125,425	-	-	-	(7,827)	(7,827)	117,598	68,940
37,405	23,792	100,953	20,326	-	(53,005)	-	(32,679)	68,274	176,582
73,835	85,322	148,734	994,652	-	(189,154)	-	805,498	954,232	2,235,653
-	-	496	-	-	-	-	-	496	(4,388)
-	-	33,349	-	-	-	-	-	33,349	46,368
6,491	3,236	(48,191)	6,708	-	(20,313)	-	(13,605)	(61,796)	(79,544)
6,491	3,236	(14,398)	6,450	-	(355)	-	6,095	(8,303)	(26,681)
-	-	(500)	258	-	(19,958)	-	(19,700)	(20,200)	(28,158)
-	-	(33,293)	-	-	-	-	-	(33,293)	(24,705)
-	-	(40,194)	-	-	-	-	-	(40,194)	(63,491)
194,921	128,249	522,276	1,021,686	9,566	(262,472)	(28,246)	740,534	1,262,810	2,553,571

Analysis of other components of comprehensive income

€/'000	Recognition FY 2010	Recognition FY 2009	Adjustments owed to reclassification to the income statement FY 2010	Adjustments owed to reclassification to the income statement FY 2009
Net exchange differences reserve	-	-	-	-
Profit (loss) on available for sale financial assets	(76,900)	20,140	(1,864)	18,795
Profit (loss) on cash flow hedges	-	-	-	-
Profit (loss) on hedges of investments in foreign operations	-	-	-	-
Changes in the equity of investees	(750)	26,563	-	-
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	(77,650)	46,703	(1,864)	18,795

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

€/'000				Book value of reclassified assets at Dec. 31, 2010		Fair value of reclassified assets at Dec. 31, 2010	
Category of reclassified financial assets		Type of assets	Amount of assets reclassified in FY 2010 on re-classification date	Assets reclassified in the year n	Assets reclassified up until the year n	Assets reclassified in the year n	Assets reclassified up until the year n
from	to						
HFT	AFS	Debt securities	-	-	137,079	-	137,079
HFT	Loans & Receivables	Debt securities	-	-	73,962	-	73,400
Total			-	-	211,041	-	210,479

	Other changes		Total changes		Taxation		Balance	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
	-	-	-	-	-	-	-	-
	-	-	(78,764)	38,935	38,206	(18,057)	(69,833)	8,931
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	(750)	26,563	-	-	22,301	23,051
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	(79,514)	65,498	38,206	(18,057)	(47,532)	31,982

Assets reclassified in FY 2010		Assets reclassified up until FY 2010		Assets reclassified in FY 2010		Assets reclassified up until FY 2010	
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 re-classification 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 re-classification had been made
-	-	-	2,106	-	-	-	(1,609)
-	-	-	1,947	-	-	-	2,095
-	-	-	4,053	-	-	-	486

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	

Analysis of movements in level 3 financial assets and liabilities

	Fiancial Assets			Financial liabilities at fair value through profit or loss	
	Available for sale financial assets	Financial assets at fair value through profit or loss			
Euro/migliaia		Held for trading	At fair value	Held for trading	At fair value
Opening balance	75,552	23,815	631,292	8,485	1,774
Purchases/Issues	2,112	204,402	38,455	1,936	-
Sales/Buybacks	(246)	(203,745)	(33,131)	(1,924)	-
Redemptions	-	(10)	(205,872)	(986)	-
Gains or losses recognised in the income statement	(3,778)	97	(73,263)	(10)	-
Gains or losses recognised in other components of comprehensive income	297	-	-	-	-
Transferred to level 3	-	6,045	776,265	-	-
Transferred to other level	(286)	(2,148)	(239)	-	-
Other changes	-	(71)	(128,034)	(1,808)	(1,697)
Closing balance	73,651	28,385	1,005,473	5,693	77

Level 1		Level 2		Level 3		Total	
FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
4,263,344	2,626,627	322,592	254,027	73,651	75,552	4,659,587	2,956,206
3,861,481	3,615,792	84,975	246,280	28,385	23,815	3,974,841	3,885,887
9,323,195	7,534,366	3,794,262	5,746,536	1,005,473	631,292	14,122,930	13,912,194
17,448,020	13,776,785	4,201,829	6,246,843	1,107,509	730,659	22,757,358	20,754,287
443,607	258,251	15,352	14,587	5,693	8,485	464,652	281,323
34,523	33,609	71,356	51,042	77	1,774	105,956	86,425
478,130	291,860	86,708	65,629	5,770	10,259	570,608	367,748

Independent Auditors' Report

ERNST & YOUNG

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

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Independent auditors' report
pursuant to Article 14 and 16 of Legislative Decree No. 58 dated January 27, 2010
(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, 2010, 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 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 performed 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.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 6, 2010.

3. In our opinion, the financial statements of Mediolanum S.p.A. at December 31, 2010 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.

4. The management of Mediolanum S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, 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.. Our responsibility is to express an opinion on the consistency with the financial statements of the Directors' Report and the information included therein 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, as required by the 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 therein 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, 2010.

Milan, March 30, 2011

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 2010

Directors' Report

Dear Shareholder,

The separate financial statements for the year ended December 31, 2010 that we present for your approval show net profit of €115.9 million, up from €113.3 million in the prior year.

BUSINESS REVIEW

In 2010, the capital of the subsidiary Mediolanum Vita was strengthened by contributing funds for future capital increases in the amount of €50 million. In addition, the final tranche of the indefinite maturity subordinated loan amounting to €30 million was issued.
As to other Group companies, the subsidiaries Mediolanum Comunicazione S.p.A. and PI Distribuzione S.p.A. received funds in the amount of €1,500 thousand and 100 thousand, respectively.
Upon maturity, in March and in May 2010, the credit lines in place, amounting in the aggregate to €300 million were stepped up to €400 million and renewed for an additional maximum period of 18 months less 1 day. In December a new €30 million hot money facility was put in place. At year end that facility had been fully drawn down.

At December 31, 2010 amounts due to banks stood at €555.5 million, up €110.4 million from €445.1 million at year end 2009.

Interest expense declined from €6.3 million at year end 2009 to €5.7 million at the end of the year under review benefitting from lower interest rates. At the end of 2010, interest income amounted to €5.3 million versus €2.1 million at the end of the prior year. The increase was mostly in connection with interest earned on the subordinated loan extended to Mediolanum Vita (+ €4.8 million).

Dividends from subsidiaries amounted to €131.9 million versus €130.2 million in 2009. Dividends from subsidiaries include interim dividends of €69.3 million versus €89.7 million in the prior year.

Dividends from associates totalled €3.8 million and entirely relate to dividends received from Mediobanca.

Dividends from 'available-for-sale financial assets' amounted to a €0.5 million versus €0.4 million in 2009.

At December 31, 2010, staff costs and other administrative expenses amounted to €12.4 million versus €13.1 million at the end of the prior year

For financial year 2010 the company reported total other net expenses of €0.8 million versus other net income of 2.3 million in the prior year. This largely reflects the adjustments to the value of commitments under the Banca Esperia S.p.A. stock option plan.

At year end 2010 the company also recorded €2.3 million losses on equity investments relating to the year's losses of certain subsidiaries and impairment losses (FY 2009: -€4.8 million).

At December 31, 2010 the investment in Mediobanca S.p.A. was tested for impairment with the assistance of an independent advisor. The impairment test did not reveal any evidence of impairment.

For 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 document jointly issued by the Bank of Italy, CONSOB and ISVAP on March 3, 2010, 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

With the issue of their audit reports on the financial statements for the year ended December 31, 2010, the tenure of the independent auditors Reconta Ernst & Young S.p.A. expired and the legislation in force does not allow their re-appointment.
The Board of Statutory Auditors' proposal on the engagement of the new independent auditors for the nine-year period 2011-2019 will be presented by the Board of Directors to the vote of the shareholders at the 2011 Annual General Meeting.
Finally, you are advised that the Security Policy Document required under section 34, paragraph 1, letter g), of Legislative Decree 196 of June 30, 2003 (the 'Personal Data Protection Code') has been prepared and updated in compliance with Rule 19 of the Technical Regulations, Annex B, of said Decree, by Banca Mediolanum S.p.A. also in the name and on behalf of the other Companies that are part of the Mediolanum Group.

Post balance sheet date event

On March 1, 2011 the Board of Directors of Mediolanum S.p.A. approved the issue of 3-year notes up to €50 million, in the aggregate. The notes will be sold to the general public in the Italian market through Banca Mediolanum S.p.A. that will also act as calculation agent.

The amount raised from the notes issue will mainly be used for restructuring short-term debt instruments that are currently in place between the Issuer and credit institutions outside the Mediolanum Group.
The notes will be unrated, feature full repayment of principal at maturity and semi-annual coupon payments. The issue will consist of floating rate notes paying coupons equal to six-month EURIBOR plus 1.00% with a floor of 3.00%-3.50% gross p.a., as set in the proximity of the placement, and fixed rate notes paying coupons up to 4.00% gross p.a..
The settlement date for the notes is April 29, 2011 with maturity on April 29, 2014.
The Board of Directors also authorised the Chief Executive Officer, Ennio Doris, and the deputy chairman, Alfredo Messina, severally, to arrange additional issues with similar characteristics up to €300 million, including the above issues, in 2011.
On March 16, 2011, exercising the authority given to him by the Board of Directors of Mediolanum S.p.A. on March 1, the Chief Executive Officer, Ennio Doris, resolved to increase the maximum amount of the notes issue (floating and fixed-rate notes) from the original €50 million to €100 million (nominal amount) following the positive reception of investors in the initial days of the placement.

After December 31, 2010 there were no other material events which could have a significant impact on the financial positions, result of operations or cash flows of the company.

Outlook

In the light of results reported by subsidiaries for the recently ended financial year and the dividend distribution proposed by the Boards of Directors of the respective companies, the Company is expected to generate good earnings for the year 2011.

Information on Stock Option Plans

In 2010, 1,479,380 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 €147,938.00 increase in Mediolanum ordinary share capital and a €1,609,828.20 increase in the share premium account.

On March 9, 2010, after consulting with the Compensation Committee, the Board of Directors of Mediolanum S.p.A. approved the guidelines for the Stock Options Plan reserved to the directors and executives of the Company and its subsidiaries ('Top Management Plan 2010') as well as the guidelines for the Stock Options Plan for contract workers – i.e. the members of the sales network – of the Company and its subsidiary ('Sales Network Plan 2010'), collectively the 'Plans'. The Plans were submitted to the Extraordinary General Meeting of April 27, 2010 for approval.

Pursuant to section 84-bis, paragraph 3 of the Regulation for Issuers, readers are informed that:

- The Top Management Plan 2010 is the stock options plan reserved to the directors and other key management of the Company and/or its subsidiaries. The Sales Network Plan 2010 is the stock options plan reserved to the financial advisors working for the Company and its subsidiaries, as may be selected from time to time for their individual role and contribution to business growth.
- The Plans entail annual awards of rights to subscribe to newly issued ordinary shares of the Company (the 'Stock Options'). The implementation of the Plan entails two new rights issues reserved to each of the two categories of Beneficiaries, pursuant to art. 2441, paragraph five, of the Italian Civil Code, as resolved by the Board of Directors under the authority delegated to it by the General Meeting, pursuant to art. 2443 of the Italian Civil Code. The Stock Options under the Top Management Plan 2010 shall vest over a period of three to five years of the Grant Date and be exercisable for a period of three years after the date of vesting. The Stock Options under the Sales Network Plan 2010 shall vest over a period of five to ten years of the Grant Date and be exercisable for a period of three years after the date of vesting.
  The exercise of the Stock Options under the Plans is conditional upon the achievement of specific corporate and/or individual performance targets. The details of the Plans shall be laid down by the Board of Directors after consultation with the competent bodies of the Company and its subsidiaries.
- The Plans are designed to provide incentives to the Beneficiaries and at the same time promote value creation and growth for the Company and, accordingly, its shareholders. The Top Management Plan 2010 is believed to be an adequate scheme to link key management incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. The Sales Network Plan 2010 is an adequate scheme to link sales network incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. Considering the length of the vesting period, the Sales Network Plan 2010 is also a powerful way to enhance the sales network loyalty.

On July 8, 2010, after consulting with the Compensation Committee, by virtue of the authorities delegated to it by the Ordinary and Extraordinary General Meetings of April 27, 2010, the Board of Directors of Mediolanum S.p.A. resolved to:

- approve the Rules for the Stock Options Plan reserved to the Directors and Executives of the company and the Group ('Top Management Plan 2010') and the Rules for the Stock Options Plan for the Sales Network of the company and the Group ('Sales Network Plan 2010');
- increase the Company's share capital up to €160,000.00, for a consideration, by issuing up to 1,600,000 shares for the allotment of stock options under the Top Management Plan 2010;
- increase the Company's share capital up to €131,744.20, for a consideration, by issuing up to 1,317,442 shares for the allotment of stock options under the Sales Network Plan 2010;
- grant the beneficiaries – 19 under the Top Management Plan and 193 under the Sales Network Plan – part of the stock options under the Plans.

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, 2010 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 €115,932,433.53:

- distribution of a full-year dividend of €0.155 per share (par value of €0.10) to the shareholders, including the interim dividend of €0.085 paid in November 2010. The final dividend of €0.07 per share will be due for payment from May 26, 2011, (ex-dividend date May 23, 2011). Said dividend will not be payable for treasury shares held after the close of business on May 20, 2010;
- the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit.

Basiglio, March 29, 2011

For the Board of Directors
The Chairman
(Roberto Ruozi)

Accounts
2010

Balance sheet

Assets

€	Dec. 31, 2010	Dec. 31, 2009
Non current assets		
Intangible assets	3,842	5,719
Tangible assets	86,394	116,257
Investments in subsidiaries and associates	972,130,693	922,800,280
Loans to subsidiaries	120,103,562	90,033,288
Available-for-sale financial assets	19,993,916	23,479,672
Total Non current assets	1,112,318,407	1,036,435,216
Current assets		
Receivables from		
Subsidiaries	2,338,557	809,446
Related parties	21,705	25,948
Others	1,879,815	3,375,487
Cash and cash equivalents		
Bank deposits	15,909,383	10,325,837
Cash	11,529	14,672
Tax Assets		
Current	86,911,511	71,260,045
Deferred	1,294,990	4,248,703
Other assets	164,594	78,268
Total Current assets	108,532,084	90,138,406
TOTAL ASSETS	1,220,850,491	1,126,573,622

Shareholders' equity and liabilities

€	Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	73,287,996	73,140,058
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	55,086,936	53,477,108
Lehman Brothers operation equity reserve	84,692,746	107,599,550
Retained earnings	257,874,516	254,128,539
Valuation reserve for AFS financial instruments	80,279	72,263
Net profit (loss) for the period	115,932,434	113,350,017
Total Capital and reserves	584,909,791	599,722,419
Non current liabilities		
Completion-of-service entitlements	620,836	939,776
Other provisions	525,000	525,000
Total Non current liabilities	1,145,836	1,464,776
Liabilities		
Due to banks	555,470,527	445,090,599
Due to the shareholders	-	12,400,450
Other financial liabilities at amortised cost	443,903	402,607
Due to suppliers	96,836	445,535
Other payables	2,166,840	2,026,844
Tax liabilities		
Current	75,689,960	63,323,594
Deferred	42,824	754,879
Other liabilities	883,974	941,919
Current liabilities	634,794,864	525,386,427
TOTAL LIABILITIES	635,940,700	526,851,203
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,220,850,491	1,126,573,622

Income Statement

€	Dec. 31, 2010	Dec. 31, 2009
Dividends and similar income		
from subsidiaries	131,942,986	130,199,438
from associates	3,849,601	-
from available for sale financial assets	455,265	383,314
Interest income and similar income	5,335,795	2,050,086
Interest expense and similar charges	(5,713,984)	(6,342,805)
Impairment/reversal of impairment of:		
available for sale financial assets	(2,777,230)	-
loans and other financial instruments	(420)	-
NET INCOME FROM FINANCIAL OPERATIONS	133,092,013	126,290,033
Staff costs	(6,783,209)	(6,813,178)
Other administrative expenses	(5,571,337)	(6,241,544)
Amortisation and depreciation		
intangible assets	(1,876)	(3,443)
tangible assets	(31,189)	(35,913)
Provisions for risks and charges		
Other provisions	-	(525,000)
Other income (expenses)	(848,028)	2,287,383
OPERATING EXPENSES	(13,235,639)	(11,331,695)
Profit (loss) on investments in subsidiaries, associates and joint-ventures	(2,269,586)	(4,772,867)
PROFIT (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	117,586,788	110,185,471
Income tax	(1,654,354)	3,164,546
PROFIT (LOSS) AFTER TAX ON CONTINUING OPERATIONS	115,932,434	113,350,017
NET PROFIT (LOSS) FOR THE YEAR	115,932,434	113,350,017
EARNINGS PER SHARE	0.158	0.155

Statement of Comprehensive Income

€	Dec. 31, 2010	Dec. 31, 2009
NET PROFIT (LOSS) FOR THE PERIOD	115,932,434	113,350,017
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
AVAILABLE-FOR-SALE FINANCIAL ASSETS	8,016	1,694,937
TOTAL OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	8,016	1,694,937
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	115,940,450	115,044,954

Statement of changes in shareholders' equity

€	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	183,792,880	131,902,121	-
b) other	107,599,550	-	-
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)

€	Balance at Jan. 1, 2010	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital	73,140,058	-	-
Share premium account	53,477,108	-	-
Reserves:			
a) retained earnings	254,128,539	65,834,035	-
b) other	107,599,550	-	-
Valuation reserves	-	-	-
a) AFS fin. instruments	72,263	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	113,350,017	(65,834,035)	(47,515,982)
Shareholders' equity	599,722,419	-	(47,515,982)

Movements in the year							
	Shareholders' Equity						
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividends 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	-	254,128,539
-	-	-	-	-	-	-	107,599,550
-	-	-	-	-	-	-	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

Movements in the year							
	Shareholders' Equity						
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividends distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2010	Shareholders' equity at Dec. 31, 2010
-	147,938	-	-	-	-	-	73,287,996
-	1,609,828	-	-	-	-	-	55,086,936
-	-	-	(62,233,604)	-	145,546	-	257,874,516
(22,906,804)	-	-	-	-	-	-	84,692,746
-	-	-	-	-	-	-	Total
-	-	-	-	-	-	8,016	80,279
-	-	-	-	-	-	-	Total (2,045,116)
-	-	-	-	-	-	115,932,434	115,932,434
(22,906,804)	1,757,766	-	(62,233,604)	-	145,546	115,940,450	584,909,791

Cash flow statement

Indirect method

€/'000	Dec. 31, 2010	Dec. 31, 2009
Profit (loss) before tax for the period	117,587	110,185
Changes in non-monetary items		
Completion-of-service entitlements	230	269
Amortisation and depreciation	33	39
Stock Options	145	548
Other	(44,953)	(16,697)
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	(2,942)	(8,869)
Net cash from monetary items relating to investment and financial activities	-	-
NET CASH FROM OPERATING ACTIVITIES	70,10	85,475
Net cash from subsidiaries, associates and joint venture	(1,600)	(4,500)
Net cash from available-for-sale financial assets	-	-
Net cash from tangible and intangible assets	(1)	(5)
Other cash flows from investment activities	(30,000)	(90,000)
NET CASH FROM INVESTING ACTIVITIES	(31,601)	(94,505)
Net cash from equity instruments	1,758	1,648
Net cash from treasury shares	-	-
Distribution of dividends	(109,750)	(109,546)
Net cash from subordinated liabilities	-	-
Net cash from other financial liabilities	75,073	19,641
NET CASH FROM FINANCING ACTIVITIES	32,919	(88,257)
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	10,341	107,628
Net increase (decrease) in cash and cash equivalents	5,580	(97,287)
Cash and cash equivalents at end of the period	15,921	10,341

Notes to the Separate Annual Financial Statements 2010

Notes to the separate annual financial statements

These notes are structured as follows:

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

PART A - ACCOUNTING BASIS

Pursuant to Legislative Decree No. 38 of February 28, 2005, the Mediolanum Spa separate financial statements for the year ended December 31, 2010 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.

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, 2009.
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, 2010.

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, 2009.

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.

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 the cost 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. These 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

	Dec. 31, 2010		Dec. 31, 2009	
€/'000	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
Other intangible assets	4	-	6	-
Other intangible assets	-	-	6	-
Total	4	-	6	-

Year's movements in intangible assets

€/'000		Total
Opening balance		6
Increases		-
Decreases		2
- Value adjustments	2	-
- Amortisation	2	-
Closing balance	-	4

Tangible assets

	Dec. 31, 2010		Dec. 31, 2009	
€/'000	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
Owned	86	-	116	-
- furnishings	82	-	109	-
- other	4	-	7	-
Total (at cost and re-measured)	86	-	116	-

Year's movements in tangible assets

€/'000	Furnishings	Electronic equipment	Other	Total
Opening balance	109	-	7	116
Increases	1	-	-	1
Additions	1	-	-	1
Reversal of impairment	-	-	-	-
Increases in fair value:	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
Other changes	-	-	-	-
Decreases	28	-	3	31
Sales	-	-	-	-
Depreciation	28	-	3	31
Impairment	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
Decreases in fair value:	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
Other changes	-	-	-	-
Closing balance	82	-	4	86

Investments in subsidiaries, associates and joint ventures

€/'000	Dec. 31, 2010	Dec. 31, 2009
Subsidiaries:		
Banca Mediolanum S.p.A.	450,239	450,239
Mediolanum Vita S.p.A.	166,681	116,681
Mediolanum International Life Ltd	70,131	70,131
Mediolanum Gestione Fondi SGR p.A.	2,507	2,507
Mediolanum Asset Management Ltd	1,911	1,911
Mediolanum Comunicazione S.p.A.	1,687	2,154
Mediolanum International Funds Ltd	1,194	1,194
PI Distribuzione S.p.A.	338	376
Partner Time S.p.A. (on liquidation)	734	898
Gamax Management AG	1	2
Total subsidiaries	695,423	646,093
Associates and joint ventures:		
Mediobanca S.p.A.	247,396	247,396
Banca Esperia S.p.A.	29,311	29,311
Total associates and joint ventures	276,707	276,707
Total	972,130	922,800

In the year under review, the capital of the subsidiary Mediolanum Vita S.p.A. was strengthened by contributing €50,000 thousand.
In addition, as part of the reorganisation of Mediolanum Comunicazione S.p.A., €1.5 million funds were contributed to this subsidiary to cover losses for the year and the carrying amount of the investment written down to reflect an impairment loss of €1,967 thousand.

100 thousand funds were contributed to the subsidiary PI Distribuzione S.p.A. to cover prior years' losses and the carrying amount of the investment written down to reflect an impairment loss for the year of €138 thousand.

The carrying amount of the investments in Partner Time S.p.A. (in liquidation) and Gamax Management was written down by €164 thousand and €1 thousand, respectively.

Stakes in subsidiaries are recognised at values that are in line or lower than the value of equity therein at December 31, 2010.

At December 31, 2010, 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 €12.7 and €16.2 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 €8.29 per share versus a carrying amount of €2.345 per share at year end 2010. 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) extended to the subsidiary Mediolanum Vita S.p.A. that had been fully drawn down at year end 2010. The interest rate applied was 4.50% p.a. The account also includes interest accrued on the loan at year end.

Available-for-sale financial assets

	Dec. 31, 2010		Dec. 31, 2009	
€/'000	Book Value	of which: equity reserve	Book Value	of which: equity reserve
Fair value – Level 1	4,076	80	7,562	72
Assicurazioni Generali S.p.A.	3,957	-	5,226	(1,508)
Mediobanca warrants	119	80	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	19,994	80	23,480	72

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.

Holdings were as follows:

Company	Share Capital	% holding	Registered Office
Assicurazioni Generali S.p.A.	1,556,873,283	0.018	Piazza Duca degli Abruzzi 2 Trieste (TS)
Sia S.p.A.	22,091,287	1.282	Via Farabelli 14 Milano (MI)
Istituto Europeo di Oncologia	79,071,770	4.700	Via Ripamonti 435 Milano (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)

CURRENT ASSETS

RECEIVABLES

Receivables from subsidiaries (€2,339 thousand) and ***Receivables from other related parties*** (€22 thousand) related to amounts receivable for the provision of corporate affairs services and staff secondment.
Other receivables amounting to €1,880 thousand mostly consisted of reimbursements due from the IRS and other miscellaneous receivables.

CASH AND CASH EQUIVALENTS

€/'000	Dec. 31, 2010	Dec. 31, 2009
Bank deposits	15,909	10,326
Cash on hand	12	15
Total	15,921	10,341

"Bank deposits" related to bank accounts balances including interest accrued at year end. Cash and cash equivalents held with the subsidiary Banca Mediolanum S.p.A. amounted to €15,227 thousand.

TAX ASSETS

Current Tax Assets

€/'000	Dec. 31, 2010	Dec. 31, 2009
Tax consolidation regime		
Mediolanum Vita S.p.A.	11,950	16,626
Mediolanum Gestione Fondi SGR p.A.	10,669	4,943
Mediolanum Comunicazione S.p.A.	71	76
Mediolanum Distribuzione Finanziaria S.p.A.	-	136
Total Tax consolidation regime	22,690	21,781
IRS		
(IRES & IRAP) advances	2,628	3,326
Prior years' tax credit (IRES)	42,328	32,910
Tax credit reimbursements due (IRES)	15,441	13,243
Current year's tax credit (IRES)	3,825	-
Total IRS	64,222	49,479
Total current tax assets	86,912	71,260

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITAL AND RESERVES

Share Capital

Share capital is fully paid up and amounts to €73,287,996.00 divided into 732,879,960 ordinary shares.
In 2010, to service the Stock Options Plans, capital was increased by €147,938 which corresponds to 1,479,380 shares.

Share premium account

The balance on the share premium account increased from €53,477 thousand at December 31, 2009 to €55,087 thousand at the end of the year under review. The increase relates to the subscriptions for the shares issued under the Stock Option Plans.

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

From October 25 through November 2, 2010 the Group companies Mediolanum Vita and Mediolanum International Life sold their portfolio of Lehman Brothers securities, which were recognised in Free Capital and had, in part, already matured. Said securities were sold for a total of €41,343 thousand, generating a €30,758 thousand gain. Lehman Brothers securities had been held in connection with the operation conducted in 2008 by Mediolanum Group companies to safeguard customers holding 'index-linked policies with Lehman Brothers bonds as underlying assets'. The 'Lehman Brothers operation' had entailed the recognition of €107,600 thousand losses, net of related taxation, in 2008. Said amount had been calculated on the basis of the estimated realisable value of the securities. Readers are reminded that there had been no disbursements by minority shareholders as the cost of the operation had been fully covered by Mediolanum S.p.A.'s two majority shareholders, the Doris Group and Fininvest S.p.A., through a capital injection of up to €120 million – i.e. the estimated maximum cost of the operation.
The capital injection had been recognised as follows: €107,600 thousand, i.e. the amount of the total net losses reported by the Group's companies under the operation, had been recognised in a specific equity reserve of Mediolanum S.p.A., while the balance of €12,400 thousand had been recognised in a specific liabilities account.
The €22,907 thousand gain after related taxation generated by the sale of Lehman Brothers securities entailed a decrease of equal amount in the relevant equity reserve against the amount due to the shareholders that at the end of the year under review amounted to €84,693 thousand. Following the sale of said securities this reserve becomes permanent and will be transferred to the relevant equity account.

Retained earnings

Analysis of retained earnings

€/'000	Dec. 31, 2010	Dec. 31, 2009
Legal reserve	17,363	17,363
Extraordinary reserve	420,271	416,552
FTA reserve	(123,109)	(123,109)
Interim dividend	(62,266)	(62,148)
Other	5,616	5,471
Total	257,875	254,129

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

AFS Revaluation Reserve

The AFS revaluation reserve reflects the fair value measurement of Mediobanca warrants. At year end 2010, this reserve amounted to €80 thousand.

NON CURRENT LIABILITIES

EMPLOYEE COMPLETION-OF-SERVICE ENTITLEMENTS

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

€/'000	
Balance at December 31, 2009	940
Amount accrued and posted to the income statement	230
Benefits/advances paid during the year	(419)
Transferred to other Mediolanum Group companies	(5)
Invested in Pension Funds	(212)
Contributions transferred to INPS	87
Balance at December 31, 2010	621

OTHER PROVISIONS

This account includes the provision raised (€525 thousand) to cover the risk of penalty following the IRS Lombardy Regional Office's tax audit relating to the 2006 tax year.

CURRENT LIABILITIES

Payables

Amounts ***Due to banks*** (€555,000 thousand) relate to amounts due under credit facilities and the related interest expense accrued at year end.

The balance of amounts ***Due to the Shareholders*** is nil since following the sale of Lehman Brothers securities the amount due to the two majority shareholders Doris Group and Fininvest under the Lehman Brothers operation was reimbursed to them. Specifically, the two majority shareholders received €35,307 thousand, of which €12,400 thousand relating to the residual debt and €22,907 thousand from the specific equity reserve for the portion in excess of the total costs of said operation.

Amounts ***Due to subsidiaries*** (€444 thousand) and Amounts ***Due to other related parties*** (€97 thousand) relate to outsourcing and other services rendered.

Other payables amounting to €2,167 thousand mostly relate to amounts payable to suppliers (€464 thousand), withholding tax (€1,052 thousand) and pension contributions (€200 thousand) paid in the first months of 2011.

TAX LIABILITIES

Current Tax Liabilities

€/'000	Dec. 31, 2010	Dec. 31, 2009
IRS		
Irap	3,003	2,635
Total IRS	3,003	2,635
Tax consolidation regime		
Banca Mediolanum S.p.A.	51,852	37,071
Mediolanum Vita S.p.A.	19,109	20,917
Mediolanum Comunicazione S.p.A.	618	29
Mediolanum Gestione Fondi SGR p.A.	312	2,208
Mediolanum Distribuzione Finanziaria S.p.A.	277	269
Mediolanum Corporate University S.p.A.	232	9
Partner Time S.p.A. (in liquidation)	165	115
PI Distribuzione S.p.A.	122	71
Total Tax consolidation regime	72,687	60,689
Total current tax liabilities	75,690	63,324

Current tax liabilities under the tax consolidation regime relate to tax credits of Group companies that adhere to Italy's tax consolidation regime.

OTHER LIABILITIES

Other liabilities amounted to €884 thousand versus €942 thousand at December 31, 2009. 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 €131,943 thousand as set out in the table below.

€/'000	Dec. 31, 2010	Dec. 31, 2009
Mediolanum International Life Ltd	19,800	20,000
Banca Mediolanum S.p.A.	18,067	25,000
Mediolanum Asset Management Ltd	4,998	3,920
Mediolanum Gestione Fondi SGR p.A.	3,717	2,079
Gamax Management AG	1	-
Total	131,943	130,199

Dividends from *associates* amounted to €3,850 thousand entirely relating to the dividend received from Mediobanca S.p.A.

Dividends from *available-for-sale financial assets* amounted to €455 thousand (€383 thousand at December 31, 2009) and consisted of dividends received from Cedacri S.p.A. 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, 2010	Dec. 31, 2009
On receivables from IRS	330	8
Other	4,842	33
Total	5,336	2,050

Interest income on bank accounts primarily related to accounts held with the subsidiary Banca Mediolanum S.p.A.. '*Other*' interest income related to interest accrued on the subordinated loan extended to the subsidiary Mediolanum Vita S.p.A.

INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges amounted to €5,714 thousand (€6,343 thousand at the end of the prior year) and primarily related to interest expense on financing facilities in place in the year under review.

STAFF COSTS

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

€/'000	Dec. 31, 2010	Dec. 31, 2009
Wages and Salaries	5,330	4,759
Social security contributions	1,257	1,464
Completion-of-service entitlements	230	281
Remuneration of Directors	1,511	1,520
Directors' benefits	205	599
Key personnel	(1,778)	(1,840)
Pension fund	28	30
Total	6,783	6,813

Average number of employees

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

Category	Dec. 31, 2010
Senior management	7
Middle management	5
Other personnel	16
Total	28

OTHER ADMINISTRATIVE EXPENSES

€/'000	Dec. 31, 2010	Dec. 31, 2009
Professional services	1,307	1,525
Intercompany services	1,349	1,182
Vehicle rentals	895	1,340
Property rentals and other related expenses	200	195
Emoluments of corporate officers	175	175
Donations	101	109
Utilities	22	262
Miscellaneous services	397	321
Other	1,125	1,133
Total	5,571	6,242

Professional services include fees for legal counselling, technical and administrative expertise, audit of financial statements and other professional services.

OTHER INCOME (EXPENSES)

€/'000	Dec. 31, 2010	Dec. 31, 2009
Central functions:		
- subsidiaries	355	375
- companies that are part of the Fininvest Group and of the Doris Group	68	75
Other income	243	1,986
Total other income	666	2,436
Other expenses	(1,514)	149
Total other expenses	(1,514)	149
Total other income (expenses)	(848)	2,287

For the year under review the Company recorded total other net expenses of €848 thousand versus total other income of €2,287 thousand in the prior year. This was largely in connection with the measurement of commitments under Banca Esperia stock options plans.

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, 2010	Dec. 31, 2009
Current tax expense (IRES)	(1,370)	(5,820)
Change in deferred tax assets (IRES)	23	20
Total tax expense for the year (IRES)	(1,347)	(5,800)
Current tax expense (IRAP)	2,998	2,632
Change in deferred tax assets (IRAP)	3	4
Total tax expense for the year (IRAP)	3,001	2,636
Change in deferred tax liabilities	-	-
Total	1,654	(3,164)

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	-	117,587	-
Theoretical tax	27.50%	-	32,336
Temporary differences deductible in following years	-	172	-
Prior years' temporary differences	-	(225)	-
Permanent differences	-	(124,940)	-
Total taxable income	-	(7,406)	-
Taxable income 27,50%	-	(7,406)	-
Current tax expenses for the year	-	-	(2,037)
Prior years' taxes	-	-	667
Current tax expense recognised in the income statement	-	-	(1,370)
Average rate on profit before tax	(1.16%)	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	62,888	-
Costs which are not significant for the purpose of IRAP calculation	-	(939)	-
Total	-	61,949	-
Theoretical tax	4.82%	-	2,986
Prior years' temporary differences	-	(53)	-
Permanent differences	-	418	-
Taxable income (rate of 4,82%)	-	62,314	-
Current tax expense for the year	-	-	3,003
Prior years' taxes	-	-	(5)
Current tax expense recognised in the income statement	-	-	2,998

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 2010 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	1,716	770
Other pension benefits and insurance	-	9
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	120	26

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, in particular, 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, taxation, central procurement and management of suppliers, risk management and compliance services.
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 secondment 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, 2010 by related party category

€/'000	Tax assets	Receivables	Cash	Other financial assets	Other payables	Tax liabilities
(a) Parent company	-	-	-	-	50	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-
(c) Subsidiaries	22,690	2,339	15,227	120,104	445	72,687
(d) Associates	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-
(f) Key managers	-	-	-	-	-	-
(g) Other related parties	-	20	-	-	47	-

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.	4,842
Corporate affairs services charged:	
Mediolanum Vita S.p.A.	69
Banca Mediolanum S.p.A.	138
Mediolanum Gestione Fondi SGR p.A.	103
Mediolanum Comunicazione S.p.A.	11
Mediolanum Distribuzione Finanziaria S.p.A.	11
Mediolanum Corporate University S.p.A.	23
Mediolanum Assicurazioni S.p.A.	57
Vacanze Italia S.p.A.	11
Other Revenues:	
Banca Mediolanum Sp.A.	187
Mediolanum Gestione Fondi SGR p.A.	30
Banca Mediolanum S.p.A. central services:	
IT services	326
Other administrative services	799
Office rental:	
Banca Mediolanum S.p.A.	127
Aircraft rental:	
Alba Servizi Aerotrasporti S.p.A.	608
Key personnel:	
Charged to Banca Mediolanum S.p.A.	449
Charged by Banca Mediolanum S.p.A.	2,199
Charged by Mediolanum Vita S.p.A.	233
Charged by Mediolanum Comunicazione S.p.A.	54
Charged by Mediolanum Corporate University S.p.A.	57
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, as subsequently amended, is set out in Schedules 1, 2 and 3 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 2010, 1,479,380 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 €147,938.00 increase in Mediolanum ordinary share capital and a €1,609,828.20 increase in the share premium account.

On March 9, 2010, after consulting with the Compensation Committee, the Board of Directors of Mediolanum S.p.A. approved the guidelines for the Stock Options Plan reserved to the directors and executives of the Company and its subsidiaries ('Top Management Plan 2010') as well as the guidelines for the Stock Options Plan for contract workers – i.e. the members of the sales network – of the Company and its subsidiary ('Sales Network Plan 2010'), collectively the 'Plans'. The Plans were submitted to the Extraordinary General Meeting of April 27, 2010 for approval.

Pursuant to section 84-bis, paragraph 3 of the Regulation for Issuers, readers are informed that:

- The Top Management Plan 2010 is the stock options plan reserved to the directors and other key management of the Company and/or its subsidiaries. The Sales Network Plan 2010 is the stock options plan reserved to the financial advisors working for the Company and its subsidiaries, as may be selected from time to time for their individual role and contribution to business growth.
- The Plans entail annual awards of rights to subscribe to newly issued ordinary shares of the Company (the 'Stock Options'). The implementation of the Plan entails two new rights issues reserved to each of the two categories of Beneficiaries, pursuant to art. 2441, paragraph five, of the Italian Civil Code, as resolved by the Board of Directors under the authority delegated to it by the General Meeting, pursuant to art. 2443 of the Italian Civil Code. The Stock Options under the Top Management Plan 2010 shall vest over a period of three to five years of the Grant Date and be exercisable for a period of three years after the date of vesting. The Stock Options under the Sales Network Plan 2010 shall vest over a period of five to ten years of the Grant Date and be exercisable for a period of three years after the date of vesting.

  The exercise of the Stock Options under the Plans is conditional upon the achievement of specific corporate and/or individual performance targets. The details of the Plans shall be laid down by the Board of Directors after consultation with the competent bodies of the Company and its subsidiaries.
- The Plans are designed to provide incentives to the Beneficiaries and at the same time promote value creation and growth for the Company and, accordingly, its shareholders. The Top Management Plan 2010 is believed to be an adequate scheme to link key management incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. The Sales Network Plan 2010 is an adequate scheme to link sales network incentives to both medium-term performance of the Company/Group and individual performance, align goals and maximise the creation of value for the shareholders. Considering the length of the vesting period, the Sales Network Plan 2010 is also a powerful way to enhance the sales network loyalty.

On July 8, 2010, after consulting with the Compensation Committee, by virtue of the authorities delegated to it by the Ordinary and Extraordinary General Meetings of April 27, 2010, the Board of Directors of Mediolanum S.p.A. resolved to:

- approve the Rules for the Stock Options Plan reserved to the Directors and Executives of the company and the Group ('Top Management Plan 2010') and the Rules for the Stock Options Plan for the Sales Network of the company and the Group ('Sales Network Plan 2010');
- increase the Company's share capital up to €160,000.00, for a consideration, by issuing up to 1,600,000 shares for the allotment of stock options under the Top Management Plan 2010;
- increase the Company's share capital up to €131,744.20, for a consideration, by issuing up to 1,317,442 shares for the allotment of stock options under the Sales Network Plan 2010;
- grant the beneficiaries – 19 under the Top Management Plan and 193 under the Sales Network Plan – part of the stock options under the Plans.

For information on the 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 €146 thousand and entailed a corresponding increase in the Company's equity reserves (December 31, 2009: €548 thousand).

SCHEDULES

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

Basiglio, 29 March 2011

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:	73,287,996	-	-	-	-
Capital reserves:					
- share premium account	55,086,936	A B C	55,086,936	-	-
- Lehman Brothers operation equity reserve	84,692,746	A B C	84,692,746	-	-
Retained earnings:					
- legal reserve	17,362,794	B	17,362,794	-	-
- other reserves	238,466,606	A B C	238,466,606	-	-
Valutation reserves:					
- available-for-sale financial assets	80,279	A B	80,279	-	-
Total	468,977,357		395,689,361	-	-
of which non-distributable	-	-	17,443,073	-	-
of which distributable	-	-	378,246,288	-	-

Legend:

A: capital increase

B: loss coverage

C: distribution to shareholders

SCHEDULE 2

Analysis of deferred taxation

	FY 2010		FY 2009	
	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	11,322	32.32%	64,268	32.32%
Remuneration of Directors	171,680	27.50%	171,680	27.50%
TARSU	9,849	27.50%	9,849	27.50%
Adjustment to completion-of-service entitlements under IAS	-	-	12,950	27.50%
Total	192,851	-	258,747	-
Deferred tax liabilities:				
Accelerated depreciation and amortisation	-	-	-	-
Excess depreciation and amortisation	-	-	-	-
Impairment of loans	-	-	-	-
Available-for sale financial assets	118,615	32.32%	2,335,640	32.32%
Adjustment to completion-of-service entitlements under IAS	16,320	27.50%	-	-
Total	134,935	-	2,335,640	-

Net deferred tax liabilities (assets)	-	(10,755)	-	680,626
Deferred tax assets on tax losses for the year	(1,241,411)	-	-	-
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	571,394	571,394
Mediolanum Vita S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	87,720	327,232	327,232
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	34,832	17,068
Mediolanum Comunicazione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	775	1,065	1,065
Partner Time S.p.A. (on liquidation) Via F. Sforza P.zzo Meucci Basiglio (MI)	520	734	734
PI Distribuzione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	517	338	338
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	14,151	1
Mediolanum International Life Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Irlanda	1,395	87,427	87,427
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Irlanda	150	11,613	5,690
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Irlanda	150	87,338	38,429

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

Net profit			
Total	Share	% holding	Carrying amount
66,334	66,334[1]	100	450,239
36,243	36,243	100	166,681
18,749	9,187	49	2,507
(1,967)	(1,967)	100	1,687
(55)	(55)	100	734
(138)	(138)	100	338
6,366	-	0.004	1
19,228	19,228	100	70,130
11,376	5,57	49	1,911
225,248	99,109	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	844	844
Mediolanum Corporate University S.p.A. P.zzo Meucci Basiglio (MI)	20,000	19,708	19,708
Gamax Management AG 69, route d'Esch 1470 Luxembourg	7,161	14,151	14,150
Bankhaus August Lenz & Co. AG Holbeinstrasse 11 81679 Münich	20,000	30,436	30,436
Banco de Finanzas e Inversiones S.A. Avenida Diagonal 668/670 Barcelona	86,032	135,766	135,766

Net profit			
Total	Share	% holding	Carrying amount
(331)	(331)	100	-
195	195	100	-
6,366	6,366	99.996	-
(6,347)	(6,347)	100	-
3,148	3,148	100	-

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

€/'000 Name	Share capital	Equity	
		Total	Share
Subsidiary			
Fibanc Pensiones S.G.F.P., S.A. Avenida Diagonal 668/670 Barcelona	902	1,637	1,637
Fibanc S.A. Avenida Diagonal 668/670 Barcelona	301	413	413
Ges Fibanc S.G.I.I.C., S.A. Calle Enteza 325/335 Barcelona	2,506	3,719	3,719
Mediolanum Gestione Fondi SGR p.A. Via F.Sforza P.zzo Meucci Basiglio (MI)	5,165	34,832	17,764
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	11,613	5,923
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	87,338	48,909

Subsidiances			
Mediobanca S.p.A. Piazzetta E. Cuccia, 1 Milan	430,551	4,919,644	129,731
Banca Esperia S.p.A. Via Del Lauro, 7 Milan	13,000	88,140	44,070

Net profit			
Total	Share	% holding	Carrying amount
50	50	100	-
2	2	100	-
(268)	(268)	100	-
18,749	9,562	51	-
11,376	5,802	51	-
225,248	126,139	56	-
244,139	6,438	2.637	247,396
2,848	1,424	50	29,311

SCHEDULE 4
MEDIOLANUM S.P.A.
Analysis of significant investments under art. 125 of Consob Regulation No. 11971/1999

As of December 31, 2010

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

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 1

Remuneration of members of the board of directors, statutory auditors, general managers and other key management officers

Surname and name	Position	Period
RUOZI ROBERTO	Chairman of the Board of Directors of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
MESSINA ALFREDO	Deputy Chairman of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
DORIS MASSIMO ANTONIO	Executive Deputy Chairman of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
DORIS ENNIO	Chief Executive Officer Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
BERLUSCONI LUIGI	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
CANNATELLI PASQUALE	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
CARFAGNA MAURIZIO	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
ERMOLLI BRUNO	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Member of the Compensation Committee Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
LOMBARDI EDOARDO	Deputy Chairman of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
MOLTENI MARIO	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Member of the Audit Committee	Jan. 1, 2010/Dec. 31, 2010
	Member of the Compensation Committee Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
PELLEGRINO DANILO	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
RENOLDI ANGELO	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Chairman of the Supervisor Board (Legislative Decree 231/2001) of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Member of the Audit Committee	Jan. 1, 2010/Dec. 31, 2010
	Member of the Compensation Committee Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
SCIUMÈ PAOLO	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Member of the Audit Committee	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
ZUNINO ANTONIO	Director Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
SIMONELLI EZIO	Chairman of the Board of Statutory Auditors of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
PEROTTA RICCARDO	Standing Auditor of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
VITTADINI FRANCESCO	Standing Auditor of Mediolanum S.p.A.	Jan. 1, 2010/Dec. 31, 2010
	Other positions held in subsidiaries	Jan. 1, 2010/Dec. 31, 2010
DIRIGENTI STRATEGICI (***)		Jan. 1, 2010/Dec. 31, 2010

(*) 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			
	15,750.00			
Dec. 31, 2010	300,000.00			
	300,000.00			
Dec. 31, 2010	600,000.00			
	200,000.00			
Dec. 31, 2010	25,000.00			
Dec. 31, 2010	(**) 25,000.00			
Dec. 31, 2010	25,000.00			
	28,000.00			
Dec. 31, 2010	25,000.00			
Dec. 31, 2010	3,000.00			
Dec. 31, 2010	25,000.00			
	673,000.00			(a) 148,030.47
Dec. 31, 2010	25,000.00			
Dec. 31, 2010	12,000.00			
Dec. 31, 2010	3,000.00			
Dec. 31, 2010	(**) 25,000.00			
	(**) 15,000.00			
Dec. 31, 2010	25,000.00			
Dec. 31, 2010	25,000.00			
Dec. 31, 2010	12,000.00			
Dec. 31, 2010	3,000.00			
	90,000.00			
Dec. 31, 2010	25,000.00			
Dec. 31, 2010	12,000.00			
	36,666.67			(b) 374,928.02
Dec. 31, 2010	25,000.00			
	169,250.00			
Dec. 31, 2010	60,000.00			
Dec. 31, 2010	40,000.00			
Dec. 31, 2010	40,000.00			
	30,000.00			
	408,444.80	3,259.51	431,645.69	

SCHEDULE 2

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

		Options held at the beginning of the year		
Surname and name	Position	No. of options	Average exercise price	Average expiration
(A)	(B)	(1)	(2)	(3)
MESSINA ALFREDO	Deputy chairman	80,000	1.067	1,951
LOMBARDI EDOARDO	Executive Deputy Chairman	272,000	1.067	1,951
KEY MANAGEMENT (*)		85,000	1.067	1,951

Please Note: Average expiration runs from December 31, 2010 for both options granted during the year and options held at year end.
(*) 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 3

Interest of members of the board of directors, statutory auditors, general managers and other key management officers

Surname and name	Company		No. of shares held at the end of the prior year (Dec. 31, 2009)
MESSINA ALFREDO	MEDIOLANUM S.p.A.	(pd)	223,000
LOMBARDI EDOARDO	MEDIOLANUM S.p.A.	(pd)	425,000
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
		(pi)	-
		(c)	(2,000)
ERMOLLI BRUNO	MEDIOLANUM S.p.A.	(c)	14,500
KEY MANAGEMENT (**)	MEDIOLANUM S.p.A.		220,300

(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		
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
(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
139,000	1.129	2,013	80,000	1.067	3.443	-	139,000	1.129	2,013
471,500	1.129	2,013	272,000	1.067	3.267	-	471,500	1.129	2,013
-	-	-	85,000	1.067	3.333	-	-	-	-

No. of shares acquired in 2010	No. of shares sold in 2010	No. of shares held at the end of the current year (Dec. 31, 2010)
80,000	-	303,000
272,000	405,000	292,000
-	-	23,119,070
-	-	149,009,557
-	-	46,260,000
-	-	48,635,895
-	-	14,507,180
-	-	7,000
40,000	15,000	122,500
40,000	40,000	-
-	-	2,000
-	-	14,500
85,000 (so)	-	305,300

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 2010.

2. The adequacy and the effective application of accounting and financial reporting procedures in the preparation of the 2010 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, 2010:
   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;
   d) 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 29, 2011

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

Fees Paid to the Independent Auditors

Fees paid to the independent auditors

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	1,064
Certification	Reconta Ernst & Young S.p.A. and other entities that are part of their network	70
Tax advice	Reconta Ernst & Young S.p.A. and other entities that are part of their network	691
Other	Other entities in the Ernst & Young network	217
Total		2,042

In addition to the amounts above, entities that are part of the Ernst & Young network also invoiced an additional total amount of €858.9 thousand, of which €353.8 thousand in relation to Italian funds and €505.1 thousand to international funds.

Fees paid to the independent auditors

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	205
Certification	Reconta Ernst & Young S.p.A.	50
Tax advice	-	-
Other	-	-
Total		255

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, 2010 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, 2010, which reported net profit of €115,932,434, were prepared in accordance with the international accounting and financial reporting standards IAS/IFRS and were delivered to us with our prior waiver of statutory terms.
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 fifth 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;
- we held regular meetings with the management of the independent auditing firm;
- 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:

- the contribution of €50 million funds to the subsidiary Mediolanum Vita for future capital increases, and the issue of the final tranche of the indefinite maturity subordinated loan amounting to €30 million to that subsidiary;
- the contribution of €1,500 thousand and 100 thousand funds, respectively, to the subsidiaries Mediolanum Comunicazione S.p.A. and PI Distribuzione S.p.A.;
- the renewal of credit lines in place, upon maturity, in March and in May 2010. Said credit lines amounting in the aggregate to €300 million were stepped up to €400 million and renewed for an additional maximum period of nearly 18 months;
- a new €30 million hot money facility put in place in December 2010. At year end that facility had been fully drawn down;
- the issue of 1,479,380 new Mediolanum dividend-bearing ordinary shares following the exercise of stock options. This entailed a €147,938.00 increase in Mediolanum ordinary share capital and a €1,609,828 increase in the share premium account.

In addition, after balance sheet date, on March 1, 2011, the Board of Directors of Mediolanum S.p.A. approved the issue of 3-year notes up to €50 million, increased to €100 million on March 16, 2011.

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, 2010 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 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.

SEPARATE FINANCIAL STATEMENTS for the year ended December 31, 2010

(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	205
Certification	Reconta Ernst & Young S.p.A.	50
Tax advice	-	-
Other	-	-
Total		255

CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

(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	1,064
Certification	Reconta Ernst & Young S.p.A. and other entities that are part of their network	70
Tax advice	Reconta Ernst & Young S.p.A. and other entities that are part of their network	691
Other	Other entities in the Ernst & Young network	217
Total		2,042

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 €858.90 thousand, of which €353.80 thousand relating to Italian funds and €505.1 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 2010, we attended 6 meetings of the Board of Directors (on March 9, March 24, May 13, July 8, July 27, and November 11, 2010) and held 7 meetings of the Board of Statutory Auditors (January 14, March 19, April 8, April 23, June 10, September 8 and December 2, 2010).
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 noted in the annual report of the Supervisory Board under Legislative Decree 231/2001, the organisational, management and control Model was updated in accordance with Legislative Decree 231/2007, Legislative Decree 81/2008, Act 48/2008, Act 94/2009 and Act 99/2009.

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 as set out in the Annual Report on Corporate Governance.

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 Board members 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, 2010 and agree with the resolutions proposed by the Board of Directors.

Finally, we remind you that our term in office as well as the term of the Board of Directors expire with the approval of these financial statements. We thank you for your trust and invite you to elect the new members.

Milan, March 30, 2011

For the Board of Statutory Auditors
The Chairman of the Board of Statutory Auditors
(Ezio Maria Simonelli)

Independent Auditors' Report

Ernst & Young

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

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Independent auditors' report
pursuant to Article 14 and 16 of Legislative Decree No. 39 dated January 27, 2010
(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, 2010, 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 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 performed 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, 2010. 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, 2010.

3. In our opinion, the consolidated financial statements of Mediolanum Group at December 31, 2010 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 Group for the year then ended.

4. The management of Mediolanum S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, 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.. Our responsibility is to express an opinion on the consistency with the financial statements of the Directors' Report and the information included therein 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, as required by the 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 therein 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 the Mediolanum Group as of December 31, 2010.

Milan, March 30, 2011

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 21, 2011

Annual General Meeting of April 21, 2011 Resolutions abstract

RESOLUTIONS ABSTRACT

At the 2011 Annual General Meeting shareholders representing 67.62% of share capital by majority of votes resolved:

- to approve the financial statements for the year ended December 31, 2010, which reported net profit of €115,932,433.53 including the Directors' Report;
- to appropriate net profit for the year amounting to €115,932,433.53 as follows:
  - distribution of a full-year dividend of €0.155 per share (par value of €0.10) to the shareholders, including the 2010 interim dividend of €0.085 paid in November 2010 and the final dividend of €0.07 (before withholding tax) per share, excluding treasury shares held after the close of business on May 20, 2011;
  - 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 26, 2011 (coupon No. 22);
- 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 2011;
- to assign the management of the company to a Board of Directors composed of 14 members;
- to fix the term of the Board of Directors at three financial years and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2013;
- to fix the aggregate annual gross compensation of the members of the Board of Directors, including the compensation of those directors who hold special positions, at €1,538,000.00 (one million five hundred thirty eight thousand/00) until a new resolution is passed in relation to that matter. The Board of Directors shall be responsible for distributing said compensation among its members. Said compensation can be withdrawn during the year, also on different occasions
- to appoint the following Board members:
  - Roberto Ruozi
  - Maurizio Carfagna
  - Ennio Doris
  - Danilo Pellegrino
  - Alfredo Messina
  - Paolo Sciumè
  - Massimo Antonio Doris
  - Bruno Ermolli
  - Pasquale Cannatelli
  - Antonio Zunino

  - Edoardo Lombardi
  - Angelo Renoldi
  - Luigi Berlusconi
  - Mario Molteni;

  and to confirm Roberto Ruozi as Chairman of the Board of Directors;
- to fix the term of the Board of Statutory Auditors, in accordance with statutory requirements, at three financial years and in any case up until the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2013;
- to fix the annual gross compensation of the members of the Board of Statutory Auditors, in addition to reimbursement of expenses incurred in the performance of their duties, as follows:
  - €90,000.00 to the Chairman of the Board of Statutory Auditors;
  - €60,000.00 to each standing auditor.
- to appoint the following members of the Board of Statutory Auditors:

  Standing auditors
  - Ezio Maria SIMONELLI
  - Riccardo PEROTTA
  - Francesco VITTADINI

  Alternate auditors
  - Antonio MARCHESI
  - Ferdinando GATTI
- to appoint Ezio Maria Simonelli Chairman of the Board of Statutory Auditors
- to appoint Deloitte & Touche s.p.a. as independent auditors for each year in the 2011-2019 period for the following purposes:
  - audit of the Company's separate and consolidated financial statements including the verification of the consistency of the Directors' Report with the financial statements pursuant to art. 14, paragraph 2, Legislative Decree 39/2010;
  - examination of the accounting system and verification that accounting entries and records faithfully reflect the company's affairs pursuant to art. 14, paragraph 1, letter b) Legislative Decree 39/2010;
  - limited audit of the half-year condensed financial statements;
  - checks for tax filings;
- to approve the independent auditors fees for a total amount of €180,000.00 for each of the aforesaid years, of which:
  - €50,000.00 for the audit of the Mediolanum S.p.A. financial statements;
  - €80,000.00 for the audit of the Mediolanum Group consolidated financial statements;
  - €12,000.00 for the examination of the accounting system and verification that accounting entries and records faithfully reflect the company's affairs;
  - €35,000.00 for the limited audit of the Mediolanum s.p.a. half-year condensed financial statements;
  - €3,000.00 for checks in relation to tax filings.
- to approve the report on the compensation policies of the Mediolanum Financial Conglomerate.

Extraordinary meeting:
- to amend articles 3, 9, 12, 14, 17, 20, 27 and 29 of the Bylaws as set out in the Board of Directors report submitted to the shareholders that is appended hereto and is an integral part of this document.