

MEDIOLANUM S.p.A.

Social Report 2007

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MEDIOLANUM S.p.A.

Social Report 2007

Letter to the stakeholders

The second Social Report of the Mediolanum Group, presented alongside the Annual Report, summarises all the events and projects that characterised a year that was particularly significant.

In 2007, three anniversaries were celebrated: the 25th anniversary of the Mediolanum Group, the 10th anniversary of Banca Mediolanum and the 5th anniversary of the Mediolanum Foundation.

At the beginning of 2007, another important milestone was reached: the attainment of one million customers. A target that was reached yet represents a number that still is constantly growing proves just how fitting the Group's banking model is: the all-around bank that centres its service and offering around the customer.

To the extent that customers have been given a platform to speak in communication activities as well, even here in the Social Report that quotes the customers own words as well as those of the employees and the members of the Sales Network.

2007 was a year of change because of the various relevant market scenarios, the new regulatory framework, and of macro-economic events that hit the entire financial sector following the American subprime mortgage crisis.

Against this backdrop, the Mediolanum Group distinguished itself for its extraordinary results also thanks to socially responsible management.

This report gives the reader the full picture of "social" results achieved over the course of 2007, in both quantitative terms and illustrative terms via the description of the various initiatives implemented.

- The objective of customer and community education also resulted in the "**Mediolanum Market Forum**". Using a variety of multi-media, this event was able to reach a very high number of viewers, thus contributing to a better understanding of the financial world.
- The training courses for the Sales Network were enhanced. In addition to specialised product knowledge and sales techniques, training focused on managerial skills as well (from coaching to leadership), and has already involved more than 1,000 participants in 2007.

- Activities in collaboration with the academic world continued with the setting up of the University Chair of “**Customer & Service Science**” and the centre for applied research in the service sector, the “**Customer & Service Science Lab**”.
- The Mediolanum Group set up an in-house training course on Quality tailored to new graduates with high-potential who will receive the “**Mediolanum Service Quality Certificate**” upon completion of the course.
- The offering was enriched with the launch of new products.
- The channels to access the Bank were innovated with the addition of the new channel B.Med Mobile.
- At Mediolanum headquarters in Milano 3, new energy saving projects and cutting-edge technological and architectural solutions were implemented to improve the quality of the workplace environment and make it more comfortable for employees.

Along with these initiatives and many others carried out to support the improvement of various modes to dialogue with and listen to stakeholders, the projects and activities of the Mediolanum Foundation deserve special attention.

Under the “**Piccolo Fratello**” aegis, a new project was started to help disadvantaged children in Haiti in cooperation with the non-profit foundation Francesca Rava Nph Italia Onlus; the first two schools for street children Cité du Soleil are already in the completion phase. The commitments taken on and the activities launched in 2006 with “**Piccolo Fratello Kenya**” continue on: more than just continuously monitoring the project, we are assured that the project will go on for another two years, thanks to the funds raised through a solidarity text message campaign that was set up at the beginning of 2007.

We hope to provide clear, complete, timely, and transparent information through this Social Report and we hope you will enjoy the reading.

The Chairman
Roberto Ruozi

The Chief Executive Officer
Ennio Doris

**“What was presented,
explained - or promised, as you will -
was maintained.”**

(A Banca Mediolanum customer since 2007)

Introduction and note on method

This edition of the Mediolanum Group's Social Report continues the tradition started in 2006 and demonstrates the connection between:

- competitive business strategies,
- the values of the Group, and
- the relationship with the stakeholders

drawing on past experience and the results of the wide-ranging consultation process involving many contributors.

This year's edition of the Social Report is divided into three sections. In the 'Letter to the Stakeholders', the reader's attention is drawn to those projects and initiatives the Group committed to undertaking in the 2006 Social Report while related results are illustrated in the body of the Report.

In brief, this Report is organised as follows:

- **Identity:** : the Group's organisation, history, vision, mission, values, strategic guidelines and governance.
- **Financial indicators:** : to establish the main link between Financial Reporting and Social Reporting and to measure the value created for the stakeholders, also through the analysis of financial results achieved.
- **Social Indicators:** to describe the quantitative and qualitative results achieved with respect to the various programmes and their impact on individual stakeholders.

SOCIAL REPORTING STANDARDS

In the preparation of this Report, the Group applied the social reporting standards indicated by the Work Group on Social Reporting (GBS) (Gruppo di studio per il Bilancio Sociale).

Compared to the first edition of the Social Report published last year, this year we elected to apply only the standards indicated by the Work Group on Social Reporting (GBS) and no longer apply the guidelines drafted by the Italian Bankers' Association nor those issued by the Global Reporting Initiative (GRI). We chose to do so because we think the GBS standards are more appropriate to our communication approach and to the dialogue we have with our stakeholders. The Social Report is prepared to provide information on the prior year's activities in the social sphere, while communication on strategic planning and business

development remains the responsibility of the corporate communication team.

In order to ensure information consistency as well as continuity with the previous edition, certain quantitative or qualitative information not covered under the GBS Standards, but deemed meaningful to reflect the Group's commitment to social responsibility, is also provided in this Report.

SCOPE

The Social Report covers the entire Mediolanum Group, except for the section dedicated to social and environmental indicators, which relate only to the Italian companies within the Group.

It should be noted, however, that Italian companies account for the largest share of the Group's business as they employ over 80% of the Group's employees and manage about 90% of the Group's customer assets.

The drafting of Corporate Social Responsibility principles and their analysis, which was first rolled out in the Italian companies, is gradually being extended to international operations.

SYMBOLS

In this year's Social Report readers will note certain symbols. These symbols indicate the intangible capital components listed below and mark the path of the progressive integration of the Social Report indicators and those **typical of Intangible Capital Report**.



- **Relational capital** is the wealth of the Group's relationships with its stakeholders. It expresses the value of the organization's reputation as well as its ability to raise capital and be attractive to investors, customers and contractors.



- **Human capital** is made up of the competencies, ideas, knowledge, behaviours, talents and professional skills of the Mediolanum Group's workforce.



- **Structural capital** indicates the soundness of the organization and of its investments, the value of its brands and patents. It also consists of the processes and systems which generate economic benefits and efficiency for the organization.

These indicators will be used together with the traditional Social Report indicators for a more comprehensive and in-depth analysis of reported information and data as well as for a better understanding and appreciation of the value of the Mediolanum Group's Intangible Capital.



CONTRIBUTIONS TO THE SOCIAL REPORT

It should be noted that the preparation of the Social Report entails the active involvement of numerous stakeholders, in different manners, e.g.:

- examination and approval by the Board of Directors;
- participation of sales network members in the meetings of the steering committee;
- active involvement of many employees in the preparation of the document;
- meetings with customers, including as part of communications campaigns, who gave interesting suggestions for this edition of the Report.

This edition of the Mediolanum Group's Social Report benefited also from the dialogue we have had, in a variety of ways, with the other stakeholders to whom last year's Social Report was addressed.



Dialogue with the stakeholders

The publication of the 2006 Social Report was an additional opportunity to give further impetus to the dialogue with our stakeholders.

The Social Report was published in June 2007. It is also available on the corporate website www.mediolanum.it, where you can also find its interactive version.

Over 2,500 copies of the Social Report were given to employees, members of the sales network, customers, vendors, shareholders, analysts, supervisory authorities and corporate boards.

A process for obtaining feedback from readers and visitors has been put into place together with an analysis of possible improvements to the social reporting.

In addition, to further enhance our dialogue with the stakeholders, the Group established the **Social Marketing unit**. This unit works together with the Intangible Asset Management team.

FEEDBACK

Meetings were held with experts in the field to go into depth with an analysis regarding certain aspects of the Social Report, its approach as well as possible future developments. These meetings helped to identify areas for improvement that were acted upon in the following year. Copies of the Social Report were also given to various organisations and industry associations to get their feedback and suggestions for future improvements.

These included:

- the Italian Bankers' Association, on the occasion of the CSR Benchmark meeting and the work session on Corporate Social Responsibility.
- The Italian Association of PR Professionals (FERPI) on the occasion of the Social Report Award in which major financial and banking groups participated.



The interactive version of the Social Report is available on the Group's website, which also contains a section dedicated to Social Responsibility with up-to-date information. In 2007, the Group's website ranked 17th, improving its position over the prior year in the survey conducted by the Swedish company Hallvarsson & Halvarsson.

Overall, the Social Report was much appreciated, especially in its interactive version. Such appreciation encouraged us to prepare a new edition of the Social Report with more visibility given to the interactive version.

The review process of the first edition of the Social Report revealed the need for greater involvement of the stakeholders in the review and analysis of the document prior to its final approval. Unfortunately, the tight timeframe for its preparation and publication as well as the relevance of certain confidential information do not always allow for circulating the document to all stakeholders before the Social Report is published.



INVOLVEMENT

Some stakeholder representatives were therefore invited to participate in the “**Steering Committee on Social Reporting**”, which examines the information collected from stakeholders by the local staff and establishes which information is to be included in the Social Report in order to:

- assure they feel part of the Group they deal with;
- add information that is relevant to the stakeholders;
- identify projects or areas for improvement to increase satisfaction and ensure present and future sustainability.

The dialogue with the stakeholders does not end with the collection of information and analysis of feedback on the social report. It continues through the vast number of initiatives taken to assess the level of satisfaction of their expectations and to start projects and actions for improvement, such as:

- customer satisfaction surveys;
- sales network satisfaction surveys;
- employee climate surveys conducted every two years. The latest edition was in 2007 and again recorded a response rate above 80%. This is, in itself, a sign of high employee participation and satisfaction as well as the company’s attention to the comments made;
- meetings between senior management, analysts and investors, coordinated by the Investor Relations team;
- market research analyses for the assessment of the brand awareness of the Mediolanum Group and its positioning versus competitors.

CONTACTS

To foster current and future dialogue, readers are invited to send their comments and requests to the Mediolanum Group **Investor Relations** Office.

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**"I use Mediolanum because it gives me
a sense of total freedom."**

(A Banca Mediolanum customer since 2000)

Identity

To explain the essence - and the **difference** - of Mediolanum nothing is more straightforward than the words of the person who envisioned it 25 years ago: its founder, Ennio Doris.

"...It's the bank that goes to the customer: always!

... Each person has the bank at their fingertips: they just need to pick up the telephone, turn on the TV, use the PC ... People need someone who is available when needed: and this person is the Family Banker™. Thus, it's more than just an online or traditional bank: it's the 'all-around' bank built around people.



And this is why today we have more than a million customers ..."

This vision, achieved through an innovative model and a superior quality of service, allows the family to fully utilize all the instruments and advantages that it offers, and to capitalise on their financial resources, with a secure view of the future.

Taking care of families with personalised solutions at every stage of life and establishing a different human **relationship** with the customer, the Mediolanum Group offers a new kind of freedom in banking, as testified by customer experience.

The history of the Group

THE ORIGINS

- 1982** Partnering with the Fininvest Group, Ennio Doris **founded** Programma Italia S.p.A, the first organisation to provide all-around financial advisory services in Italy.
- 1983** Formation of the Italian Fund Management Company Mediolanum Gestione Fondi.
- 1984** Acquisition of Mediolanum Vita with the aim of expanding the product offering.
- 1991** Formation of Programma Italia Investimenti, a Securities Brokerage Firm.
- 1996** Mediolanum S.p.A. is incorporated and becomes the holding company of the various subsidiaries. Mediolanum S.p.A. becomes **listed** on the Italian Stock Exchange in Milan on June 3, 1996.
- 1997** Formation of the Dublin-based product factory Mediolanum International Fund.
Incorporation of Banca Mediolanum, an innovative multi-channel Bank, which leverages technology and a multi-media approach as well as the additional value of a dedicated professional.
- 1998** The Mediolanum stock becomes a component of the MIB 30 index.
- 2000** Launch of the first Mediolanum online trading services.
Launch of communication's "case study" through a long series of advertising campaigns starring Ennio Doris, the Bank's Chairman.
Banca Mediolanum expands into Spain to replicate its Italian business model with the acquisition of the Fibanc Banking Group.
Mediolanum acquires a stake in Mediobanca, later forming the joint-venture Banca Esperia, which sets the standard in private banking.
- 2001** With the acquisition of Bankhaus August Lenz & Co. and Gamax Holding AG, Mediolanum continues its expansion into Europe.
- 2002** Formation of the Mediolanum Foundation.

RECENT PAST

- 2003** Mediolanum first sponsors the Green Jersey in the 96th edition of the Giro d'Italia long-distance road bicycle race. That sponsorship continued in the following years.
The Fibanc Group breaks even.
- 2004** Mediolanum Channel, the Mediolanum Group digital television available on satellite platform, broadcasts increasingly innovative programming.
Rollout of "PrimaFila" the asset management offering dedicated to high net-worth clients

2005 Launch of “4Freedoms”: an impressive programme geared to win new customers by leveraging the innovative Reflex products. The programme also entails the organisation of thousands of group meetings with customers and prospects across Italy.

Launch of a new multimedia advertising campaign starring customers and strengthening the idea of Ennio Doris as the “signature” of the bank.

2006 **Introduction of the Family Banker™**: the professional who brings the Bank directly into the homes of customers and helps them to find the best solutions for their needs.

2007 The Mediolanum Group celebrates its 25th anniversary and Banca Mediolanum turns ten: a distinctive company in the market that has exceeded **one million customers** and is growing at a highly competitive rate, firmly maintaining the mission and the values that have always been its trademark.

The 5th year of the Mediolanum Foundation came to a close with excellent results and new objectives.

The star of the new communication campaign was customer satisfaction, with real customers taking “centre stage” of the relationship with the bank and the banking model.

In the year when Italy passed new legislation on supplementary pension, the Mediolanum Group is market leader with a share of about one third of the individual pension plan market in 2007.



THE NEAR FUTURE

2008 The group is preparing development and growth initiatives for the next historic step...towards the next 25 years.

In 2007, initiatives were started to establish a dialogue with stakeholders and educate them via the Mediolanum Market Forum and will continue this year. Particular emphasis was given to the activities geared to establishing a university course on quality in cooperation with Milan's Bocconi University and to the Sales Network training.

Vision

**We at Mediolanum
are bringing to the market a change
in the banking tradition
that goes well beyond technology:
we give families a new kind of freedom
as well as the human touch
in their relationship with the bank.**

We are Freedom in Banking.

Mission

**For each and everyone of us
“Freedom in Banking”
means giving families
tailored solutions through
innovative yet easy-to-use technological solutions
with the best service level;
Complete, reassuring and expert financial solutions.**

Thus, we are committed to:

- Listening, to better anticipate and respond
 - Improving, to better manage and grow
 - Sharing, to exchange and change
 - Having faith in common values and in human relations
 - Underscoring the importance and validating the unique role of the Family Banker™.
-

1. Customer satisfaction

*Working at Banca Mediolanum means **working for customers.***

We put customers first. We assist customers with passion and help them to get the most out of our expertise, professional skills and enthusiasm. We always provide them with the solution which best fits their individual needs.

2. Service quality

*Working at Banca Mediolanum means **setting the standard.***

We intend to be leaders and raise the market standard for service quality, through our behaviour and relationship management as well as technical product features.

The full satisfaction of our internal and external customers is assured by our continuous monitoring of operations and the actions taken in areas which need improvement. Our efforts are always directed towards the development of behaviours, processes, products and tools of unparalleled quality that are useful to our customers and are appreciated by them.

3. Central role of the Family Banker™

*Being a Family Banker™ means **being the heart** of Banca Mediolanum.*

The Family Banker™ is at the centre of our business model. We make our best endeavours to assist Family Bankers™ in the accomplishment of their mission, which can be summarised as follows:

- To help customers best manage their finances, by working side-by-side with them in their own environment, giving them support also at an emotional level, offering them our products and familiarising them with our multi-channel model;
- To always deliver excellent quality complying with Banca Mediolanum Strategies and Rules;
- To represent the Bank locally and be a beacon for the local community.

4. Innovation and Change

*Working at Banca Mediolanum means **being capable of change.***

“With our feet deeply rooted in our past we look straight and proudly at the future.”

Every day we pursue innovation, meaning the ability to be a first-mover, to cause and induce change in the market, and accordingly to adapt our opinions, organisation, products, technology as well as internal and external communications to maintain our industry leadership.

5. Optimised use of resources

*Working at Banca Mediolanum means **being able to manage.***

The use of financial, operational, and human resources is always geared toward efficiency. We are well aware that our choices need to reflect priorities that change from time to time.

6. Employee relations

*Working at Banca Mediolanum means **being capable of relating to others.***

We manage interpersonal relationships applying the highest standards of ethics and transparency at all levels within our organisation.

Our day-to-day actions are based on expertise, empowerment and trust. Our activities are characterised by a strong entrepreneurial drive.

We are objective and impartial in our assessments of others as our judgement is based on fulfilment of duties and qualitative/quantitative performance.

7. Teamwork

*Working at Banca Mediolanum means **being capable of sharing.***

In everything we do, we place great value on team spirit. We share our knowledge and skills. Our interactions are dynamic, fostering productive teamwork and the exchange of ideas to achieve the best results.

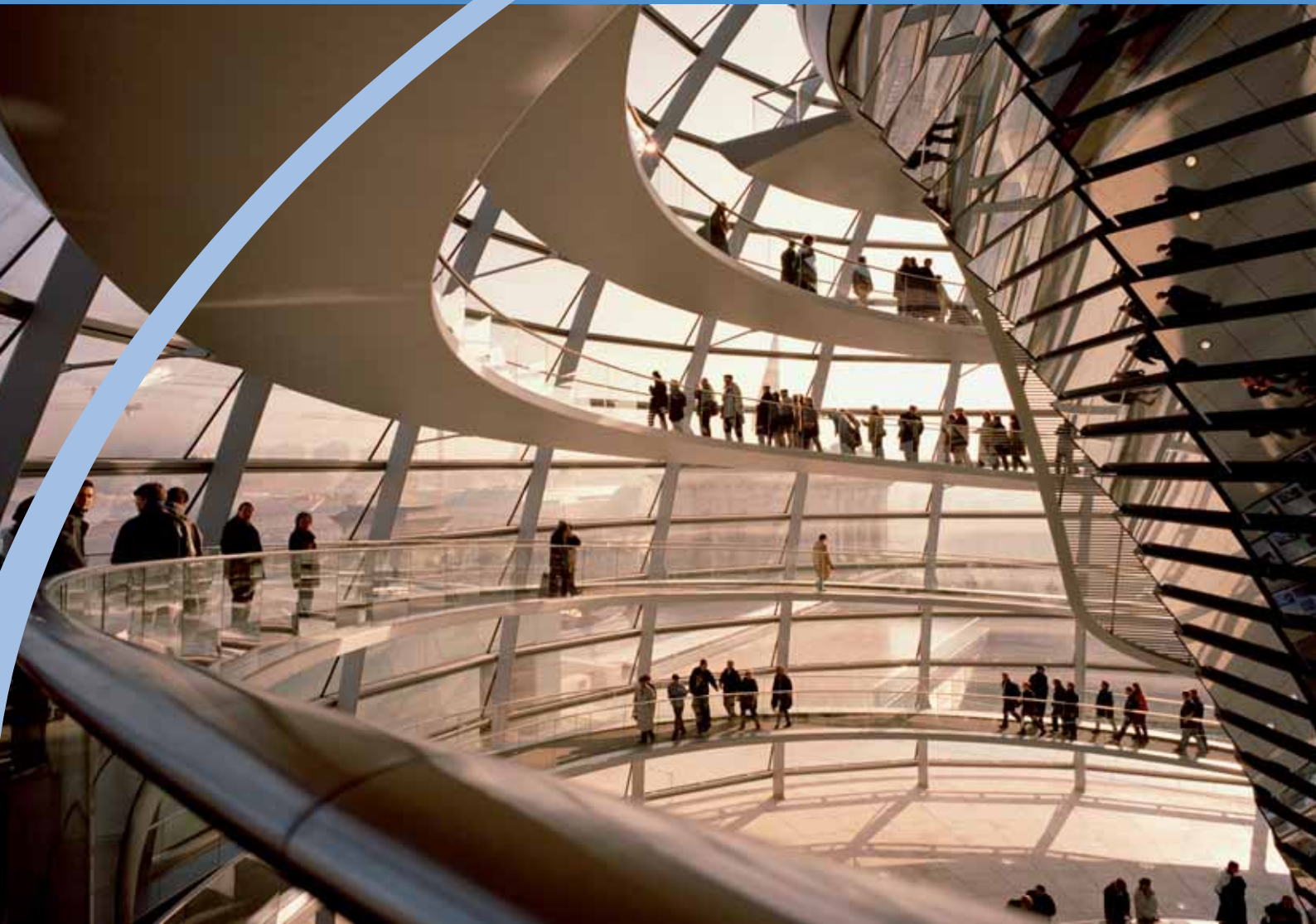
8. Development of the potential of the individual

*Working at Banca Mediolanum means **being capable of growth.***

We encourage the development of knowledge both for new hires and all along the career.

We provide technical and behavioural education as well as assessment systems, which foster personal, professional and career development.

We prefer a system of promotion from within.



**“The business model we created
a multi-channel bank
where the human touch is not left out.”**

(A quote from Top Management)

Business model



What the Mediolanum Group offers the market and families is based on a fundamental concept: **the customer is at the centre of everything and their satisfaction continues to be the company's main objective.**

This concept is exemplified by the business model of Banca Mediolanum, i.e., the “all-around” bank: a model that incorporates the advantages of both online and traditional banks, without, however, their weaknesses thanks to the multi-channel approach offered to customers through a truly user-friendly technology and to the truly different human relationship available to the customer.

In fact, the Family Banker™ brings the bank to the customer's home, combining assistance with advice on asset management products.

Therefore, **Banca Mediolanum is able to put together the freedom of an online bank with the human touch of traditional banks**, offering an innovative and comprehensive model, setting Banca Mediolanum apart in the market.

The all-around Bank



The synergy between high-tech and high-touch features brings the “built around you” concept into daily life (completeness, accessibility, proximity) by offering 360° access to the bank, which is unique in the market. We deliberately say “use” the bank. Indeed, you can easily use the bank without any restrictions, easily and comfortably, just like any other everyday, familiar object.

I USE MEDIOLANUM BECAUSE:

“It’s convenient”

“It’s completely clear!”

“It travels with me.”

“It’s always by my side.”

“It’s like having the bank in my pocket”

“It gives me freedom!”

(Banca Mediolanum Customer comments 2007)

The Internet, the telephone in its various applications, the television - including digital terrestrial TV - make up the integrated multiple channels that effectively keep the promise of complete customer service just like with traditional banking branches. The great news is that with Banca Mediolanum customers can use these services:

- **anytime**
- **anyplace**
- **in any way;**
- **easily,**
- **and securely.**



In fact, technology-based channels enable clients to make common daily transactions on their own, while the **Family Banker™**, the personal professional advisor, assists families in their investment choices and develops the relationship with them over time.

It is the Family Banker™ - a professional advisor - who “completes the circle” of the Banca Mediolanum offering by bringing into the homes of families all products and services provided not only by the Bank, but by the entire Group: financial, insurance, retirement products and services.

The Family Banker™ is both a financial advisor and a “coach”. For example, it is the Family Banker™ who walks the customers through the multiple channels the first times they use them. Knowing they can count on such support, customers can enjoy their independence without ever feeling left alone.



It's the bank you can also use via tv.

Banca Mediolanum is the only bank you can get into touch with via your remote control, Rai and Mediaset teletext and digital terrestrial TV with the possibility to check on your bank account, funds, and stock portfolio; order a checkbook, or get personalised information.

It's the bank that is simple to use online.

Banca Mediolanum is also easy and secure online. Customers can also have access to "their teller" directly from the home page: all transactions are free and not limited in number and they can also manage their investments. Not technologically-oriented customers can count on the assistance of their Family Banker™.

It's the bank that you can use from any kind of phone.

Whether be mobile or land line, the entire bank is always at your fingertips. The Banking Services Center has 300 Banking Representatives available until 10 p.m. and even on Saturday morning. An automatic service is available 24 hours a day. The B.Med Mobile Banking Service. Text message service. And all of it at no charge.

It's the bank you can go to for advice.

Only Banca Mediolanum offers each customer the possibility to have a Family Banker™ alongside for high value-added transactions and for financial, insurance, and pension advice. A network of more than 6,400 professionals who, upon request, will also come to your home.



The special characteristic of the model, i.e. its 360° aspect, is born from the original vision of the founder, Ennio Doris, of a bank built around people.

Thus, in terms of 'spontaneous recall', the image of the founder and chairman tracing a circle on the ground is overwhelmingly cited. That image has also become the icon used in a variety of advertising campaigns; a guarantee of the solutions offered.

The symbol also communicates the idea of a Bank that accompanies its own people, putting them at the centre of its activities.

In 2007, the icons representing the various channels were added to the symbolic circle to visually show that the customer is actually at the centre of the all-around banking model.

Asset management and advice

In addition to satisfying the banking needs of the customer, Family Bankers provide investment advice as well.

Through the Family Banker™, registered as Financial Advisor with CONSOB, Mediolanum offers **advisory services** in the area of asset management products, which is instrumental and necessary to the selling of that kind of product.

**"Graduated at age 25
and after 10 years of working at a bank
I abandoned everything
to follow a dream."**

(A Financial Advisor of Banca Mediolanum since 1982)

PROFILING

According to MiFID EU Directive, in effect since November 1, 2007, advisory services require a prior evaluation of the suitability of the investment choices made by the customer with respect to their investment objectives, according to their specific financial situation and to their knowledge and experience.

This evaluation, which implies an utmost level of care for the investor, is made possible through the filling out of the "**Personal Profile**" questionnaire, an instrument where the customer provides all the information necessary for the Family Banker™ to know the customer better and better.



To take the best care of the customer, the bank also looks at the suitability of the investments in asset management products made by the customer through the direct channels (internet, telephone)*.

* For those transactions that do not require specific advice, the appropriateness of the investment will be nonetheless evaluated in terms of the customer's understanding and experience.



ASSISTANCE AND ADVICE

Providing advice means not only proposing the best investment solution, but **helping customers manage their emotions**, when tested by the inevitable market volatility associated with potentially high-return investments. This is the only way to ensure customers reap the greatest benefits.

Accordingly, advice must be **customised and targeted** to individual needs so that the customer can make investment choices consistent with their profile, individual needs, experience and real opportunities.

Family Banker™ do not merely sell products, they offer solutions.

This system permits Mediolanum to operate in the various areas of financial services deploying the skills and flexibility needed **to best respond** to the continuous economic, tax, financial and regulatory changes.

The investment strategy is the result of a thorough analysis of global financial markets and the expertise Mediolanum has developed in the management of assets. It is a strategy aimed at reducing risks associated with lack of investment diversification.



“STRATEGY OF THE 5 D’S”

Our investment strategy is based on 5 types of diversification:

1. **Diversification across time horizons:** investments need to be diversified across time horizons, i.e. short, medium and long term, consistent with individual goals.
2. **Diversification across securities:** many securities are better than a few. The more diversified the portfolio, the lower the "investment risk".
3. **Diversification across geographies and industries:** diversifying investments across geographic areas increases security and magnifies return opportunities.
4. **Diversification across growth potentials:** a controlled-risk portfolio based on the rules above needs to include limited investments in emerging markets and companies in order to add value.
5. **Diversification across instrument classes** as a factor of further stability and security, assets are allocated to a variety of instruments (e.g. financial products and insurance products).



"We managed to create a distinctive model... both the Sales Network and the employees believe in the Group strategies and do their best to satisfy customer needs with a long-term relationship in mind."

(A quote from Top Management)

The organisational structure

Human relationships and sharing are the **cohesive values** of the entire **organisation**.

The organisational structure reflects the history of the continual development of the original idea year after year.

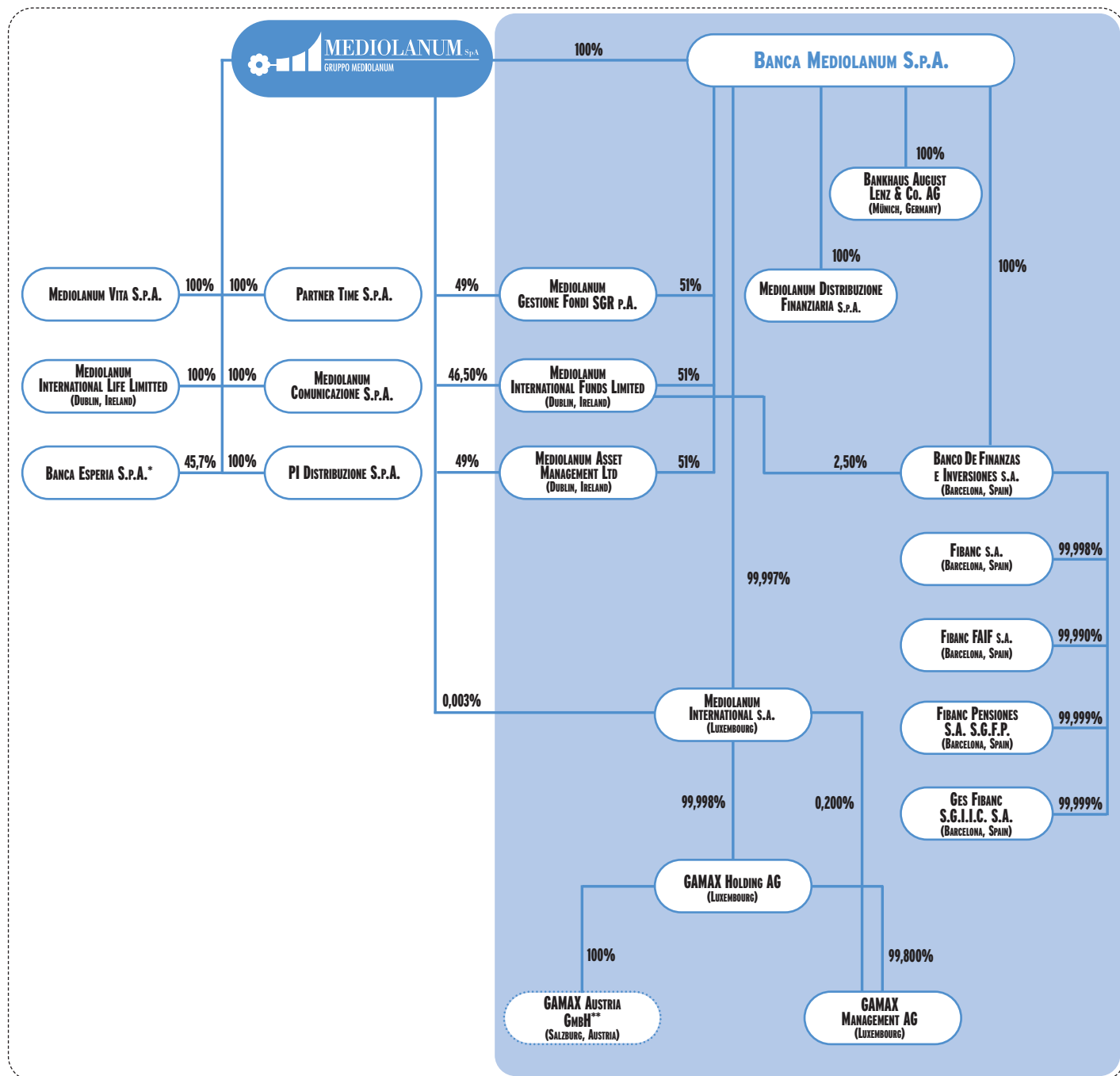
A history made primarily of people: from the founding members to senior management who have been serving the Group loyally for many years.

This 'case-study' is an example of soundness and cohesion that go well beyond objectives, and communicates the great strength of the values shared by the more than 1,800 employees and 7,200 members of the sales force.



2008 will be the year when the founders and the well-established top management team will be complemented by a new generation of managers as a recognition of the **professional growth** of those called upon to guarantee and support the seamless future development of the Group.

The Group Structure



- THE MEDIOLANUM FINANCIAL CONGLOMERATE
- THE MEDIOLANUM BANKING GROUP

* Shareholding is to be increased by 2,80% in connection with Banca Esperia Stock Options, under an irrevocable commitment to buy.

** Sharehold sold to third parties effective from December 12, 2007 subject to a condition precedent which materialised on February 11, 2008.

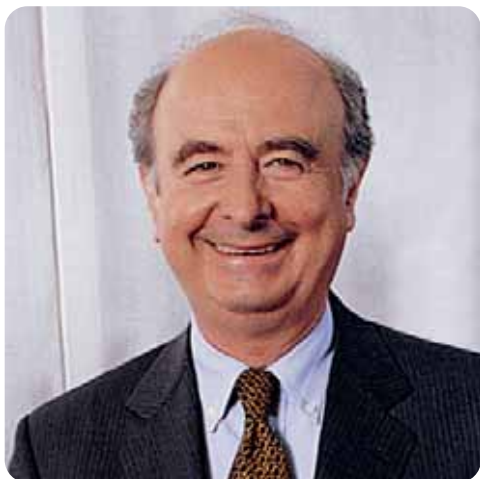
Mediolanum S.p.A., the Group holding, controls the insurance product companies and Banca Mediolanum S.p.A., the Banking Group holding company, which includes foreign subsidiaries (Fibanc, Gamax and Bankhaus August Lenz).

Mediolanum S.p.A. also owns Banca Esperia jointly with Mediobanca.

The Group's retail banks are : Banca Mediolanum based in Milan, Banco de Finanzas y Inversiones S.A based in Barcelona and Bankhaus August Lenz & Co. AG based in Munich. The Group companies which design and manage products are: Mediolanum Gestione Fondi SGR p.A. and Mediolanum Vita S.p.A. based in Milan; Mediolanum International Funds Ltd, Mediolanum Asset Management Ltd and Mediolanum International Life Ltd based in Dublin; Gamax Management AG based in Luxembourg.

In 2007, the Gamax Group was reorganised. Gamax Broker Pool AG was sold to third parties effective from April 1, 2007. The shareholding in Gamax Austria was also sold, effective from December 17, 2007.

Management profiles



ROBERTO RUOZI

Chairman of Mediolanum S.p.A.

Dean of the L. Bocconi University from 1995 to 2000 and Professor of Economics of Financial Intermediaries until 2002.

Professor at the Universities of Ancona, Siena, Parma, Paris (Sorbonne) and Milan Politecnico.

Professor Emeritus and Chairman of the Centre for Studies on Financial Innovation, Bocconi University.

Author of many publications on banking and finance.

Chairman of Factorit S.p.A., Palladio Finanziaria S.p.A., Touring Club Italiano, and of Retelit S.p.A.

Mr. Ruozzi is a member of the Board of Directors of Indesit Company S.p.A., Gewiss S.p.A., and Data Service S.p.A.



ENNIO DORIS

Chairman of Banca Mediolanum

Chief Executive Officer of Mediolanum S.p.A.

Mr. Doris started off as financial advisor first with Fideuram and then with the RAS Group. His career underwent a major change when he founded Programma Italia, a financial brokerage organisation, together with the Fininvest Group.

He was Chief Executive Officer of Programma Italia since its foundation.

He and the Fininvest Group own an equal control shareholding in Mediolanum S.p.A., the company formed from the merger of Fininvest Italia S.p.A., Fintre S.p.A. and Programma Italia S.p.A.

He is Chairman of Banca Mediolanum S.p.A., Director of Mediobanca S.p.A., Banca Esperia S.p.A., Fondazione S. Raffaele del Monte Tabor and Safilo S.p.A.



ALFREDO MESSINA

Deputy Chairman of Mediolanum S.p.A.

After serving at a number of major companies, Mr. Messina joined Olivetti as Group Production Controller. He then moved to Alitalia as Corporate Finance, Control and Administration Officer.

In 1989, he joined IRI as Planning and Control Director. In 1990, he joined Fininvest, first as General Manager and then, from February to July 1996, as Chief Executive Officer.

He is Chairman of Mediolanum Vita S.p.A., Mediolanum Assicurazioni S.p.A. and member of the Board of Directors of Mediaset S.p.A. and of Molmed S.p.A.



EDOARDO LOMBARDI

**Deputy Chairman and Chief Executive Officer of Banca Mediolanum
Executive Deputy Chairman & Chief Operating Officer of Mediolanum S.p.A.**

Mr. Lombardi served as Corporate General Manager at Procter & Gamble Italy, and General Manager at the Sangemini/Ferrarelle Group.

In 1987, he was appointed General Manager of Fininvest Italia S.p.A. - the insurance and financial division of the Fininvest Group - and then in 1989 Chief Executive of Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A.

At present, he is Deputy Chairman and Chief Executive Officer of Banca Mediolanum S.p.A. and Chief Executive Officer of Mediolanum Vita S.p.A. He is also a member of the Board of Directors of Banca Esperia S.p.A. and Chief Executive Officer of Mediolanum Assicurazioni S.p.A.



LUIGI DEL FABBRO
Chief Financial Officer

With Mediolanum since 1986.

Other positions within the Group:

Member of the Board of Directors of Banca Mediolanum S.p.A. and Banco de Finanzas e Inversiones S.A.

Member of the Supervisory Board of Bankhaus August Lenz & Co.

Chief Executive Officer of Mediolanum Vita S.p.A.

Officer with delegated authority over Privacy matters for certain companies within the Group.

Officer responsible for preparing Mediolanum S.p.A. accounting and financial reporting documents pursuant to section 154-bis of the Consolidated Finance Act (Act. 262/05)

Prior career history:

1968 to 1986: 3M, Total Italy, Eliolona Group (Finance & Administration Director), Lovable Italy (Director of Administration).



ANTONIO MARIA PENNA
General Manager Italian Operations

With Mediolanum since 1987.

Other positions within the Group:

Chief Executive Officer of Banca Mediolanum.

Chairman of Mediolanum Gestione Fondi SGR p.A.

Member of the Board of Directors of several companies within the Group; Board Director of Duemme SGR and Duemme Hedge SGR, the asset management companies of the Esperia Group.

Prior career history:

Senior Auditor, Barclays Bank Plc - Italian branch.

Head of Operations, Barclays Finanziaria S.p.A.

Penna left the company in early 2008. However, he will continue to work with the company on specific projects.

**GIUSEPPE LALLI****General Manager International Operations**

With Mediolanum since 1989.

Other positions within the Group:

Chairman of the Board of Directors of Gamax Holding AG and Gamax Management AG, Luxembourg; Gamax Austria GmbH, and Gamax Broker Pool AG Germany.

Member of the Board of Directors of several companies within the Group.

Member of the Supervisory Board di Bankhaus August Lenz & Co.

Group Purchasing Director.

Prior career history:

American Express, Procter & Gamble (Executive Director), Albright & Wilson (European Executive Director), GME (Director).

Chief Executive Officer and General Manager of Nuova Tirrena.

**DANILO BENEDETTI****Human Resources Director**

With Mediolanum since 1994.

Other positions within the Group:

Head of General Services and Internal Relations.

Career history:

After practicing at a legal firm, in 1979 he joined Alitalia as Head of Personnel Management and Development. After leaving Alitalia in 1983 he joined Barilla as Head of HR and Development.

1988 to 1993 Head of Human Resources at Fininvest Broadcasting Department, and later HR Director at the Motion Picture Division.



VALERIO BALDINI
General Manager Sales Networks

With Mediolanum since 1982.

Career history:

Branch Manager, UPIM (Rinascente Group).

Assistant Director, General Affairs, Rinascente.

Head of General Affairs, Edilnord.

SPV Manager - head of a team of 550 financial advisors - Dival S.p.A. (RAS Group).

Co-Founder and Sales Director of Programma Italia S.p.A.



VITTORIO COLUSSI
Banking Group Manager

Responsible for the Italian and the international Sales Network.

In Mediolanum dal 1982.

Career history:

Supervisor, Sales Manager (since 1991), Programma Italia S.p.A.

Financial Advisor and then Supervisor, Dival S.p.A. (RAS Group).

Director of Cres, a Danieli Group company

Assistant CFO, Sanremo Conf. S.p.A.

In early 2008, Colussi was given a new assignment which will put him in a top management position at the Spanish subsidiary Banco De Finanzas y Inversiones. He handed over his responsibilities for the Sales Network to Giovanni Marchetta, who has been with the Group since 1988.



SILVIO CRACCO
National Manager of Partner Time Sales Network

With Mediolanum since 1982.

Career history:

Sales Manager, Rete Italia Master.

Sales Manager, Rete Programma Italia S.p.A. Business Clients Division.

Supervisor and Manager, Programma Italia.

Consultant and Supervisor, Dival S.p.A. (RAS Group)

Assistant General Manager, Grafiche Trevisan (Treviso) focused on finance, control and trade union relations.

In early 2008, Cracco was appointed General Manager of the German subsidiary Bankhaus August Lenz.



Our people

The Mediolanum Group can count on over 9,000 people classified into two main categories, i.e. employees and sales network members, in 5 markets: Italy, Spain, Germany, Ireland, Luxemburg.

TOTAL EMPLOYEES AND SALES NETWORK MEMBERS

| Category | 2007 | 2006 | Change % |
|-----------------------|--------------|--------------|------------|
| Employees | 1,808 | 1,673 | 8.1 |
| Sales network members | 7,251 | 7,244 | 0.1 |
| TOTAL | 9,059 | 8,917 | 1.6 |

TOTAL EMPLOYEES

| Employees Italy vs. Abroad | 2007 | 2006 | Change % |
|----------------------------|--------------|--------------|------------|
| Total employees in Italy | 1,507 | 1,377 | 9.4 |
| Total employees abroad | 301 | 296 | 1.7 |
| TOTAL EMPLOYEES | 1,808 | 1,673 | 8.1 |

MEDIOLANUM GROUP SALES NETWORK MEMBERS

| Sales Network | 2007 | 2006 | Change % |
|--------------------------------------|--------------|--------------|---------------|
| Full-time sales network in Italy | 6,382 | 6,173 | 3.4 |
| Full-time sales network abroad | 686 | 618 | 11.0 |
| Total full-time sales network | 7,068 | 6,791 | 4.1 |
| Part-time sales network in Italy | 82 | 163 | (49.7) |
| Part-time sales network abroad | 101 | 290 | (65.2) |
| Total part-time sales network | 183 | 453 | (59.6) |
| TOTAL SALES NETWORK | 7,251 | 7,244 | 0.1 |

Our business model entails the increasing expansion of our full-time sales network, whose members increased in number by 4.1%, and the progressive reduction of our part-time network.



"It was worth it...I can really see the results through the quality of all that we do, the quality of everyone... I feel as if I contributed a small part of a dream that at 24 years old I would never have imagined."

(A Financial Advisor of Banca Mediolanum since 1982 speaking about the Bank)

Service quality and corporate social responsibility

Everything starts from **responsibility**.

It has to do with being personally and completely responsible, working with efficiency and efficacy, sharing the company values and objectives, and continually improving the quality of products and services.

It has to do with working with professionalism, participation and attention. With continuously monitoring the processes as well as one's own results. With being receptive and proactive.

In order to offer customers, employees and sales network members the highest quality level of responsiveness, always.

The commitment to social responsibility is also evident in the initiatives that are continuously carried out to steadily improve the internal control system, i.e., all the monitoring activities of the processes to protect the various stakeholders through a variety of process controls, initiatives and improvement projects.

Work ethics that goes beyond codes of conduct.



Service quality and corporate social responsibility

Among the values guiding the Group strategy, service quality and social responsibility are first and foremost.

These two are inextricably linked and characterise the Group offering.

Service quality means, first of all, attention to:

- customer satisfaction,
 - efficient use of resources,
 - effectiveness of processes and the organisation,
- combined with the adoption of “socially responsible” principles in the conduct of business.

We believe that the adoption of socially responsible principles can trigger a virtuous circle of **value** creation to the benefit of all stakeholders: the customers, the sales network, the employees, the vendors, the shareholders, our community.

Service quality and social responsibility to our customers are reflected, *inter alia*, in: the high level of service delivered by the Family Bankers™; the efficiency of organisational processes and the timely response to requests through continuous, qualified assistance; and the openness also via dialogue, exchange and transparency.

To ensure that quality and social responsibility did not remain a mere statement of principles or of intents, the Mediolanum Group assigned responsibilities for coordinating all activities needed to develop these **intangible assets** of the Group to a central unit.

The centralised management of initiative permits the channelling of efforts towards a common objective, ensuring long-term sustainable growth.

“You feel as if you are the hub of a system that is looking after your interests.”

(A Banca Mediolanum customer since 2001)

These initiatives are constantly guided, managed and measured. Data collected and initiatives carried out are summarised in the section of social indicators. It's precisely by measuring that you become increasingly aware of the level of service provided (both internal and external) and thus new improvement actions can be implemented.

The last, but certainly not the least important step in the process of social responsibility vis-à-vis all stakeholders, entails the promotion and the dissemination of the company's **identity** and its values reflecting an ever more quality-oriented management.

Attention to service has always characterised the management processes of the Group.

Since 1988, study groups have been established to identify actions designed to monitor and improve service and relationship quality. The "Service quality" office has the objective of promoting a shared culture oriented to customer satisfaction (both internal and external), analysing the gap between expectations and achieved results.

The activities of "Service quality" involve both the headquarters and the sales network, and utilise teamwork as their primary work method through cross-functional projects and initiatives originated voluntarily by employees. In the Mediolanum Group, initiatives designed to improve communication and cooperation amongst the different corporate areas are implemented encouraging the involvement of all levels of the company in improvement projects.



Corporate governance

INTERNAL DEALING

Following Italy's implementation of the EU's Market Abuse Directive into national legislation (Act 62/2005), insider dealing previously governed by the Regulation of Markets managed by Borsa Italiana SpA and related Instructions, are now regulated by the provision of art. 114, 7th paragraph of the Consolidated Finance Act (Legislative Decree 58/1998) and the related implementation provisions set out in Consob Regulation for Issuers 11971/99 as subsequently amended, which entered into effect on April 1, 2006.

In addition to insiders as set out in art. 152-sexies of the Regulation for Issuers (directors, statutory auditors, general managers etc.), Mediolanum S.p.A. identified certain additional senior management officers falling within the purview of the Act above, i.e. Mr. Giuseppe Lalli, General Manager International Operations and Mr. Luigi Del Fabbro, Chief Financial Office and Officer responsible for accounting and financial reporting.

The Board of Directors of the company also approved the "Rules for purchases and sales made by insiders and their close family members - Insider Dealing Code" in the text which is also published at the company's website (www.mediolanum.it).

Insiders and their close family members may delegate the company and, on its behalf, the Head of the Corporate Affairs Office to disclose any purchases and sales of company's financial instruments of amount equal to or higher than € 5,000.00/year to Consob, the Stock Market and the general public. Generally those transactions are to be disclosed within 5 trading days of the sale or purchase.

By delegating said disclosure duty to the Company, insiders agreed to inform the company within 48 hours of said transactions, while the Company agreed to disclose said transactions to Consob, Borsa Italiana S.p.A. and the general public within the day after it received said information.

RELATED PARTIES

As early as 2003, the Board of Directors of Mediolanum S.p.A. adopted procedures to manage significant transactions and, as part of those transactions, those with related parties. The Board of Directors reserved to its exclusive competence decisions over related party transactions as defined by the combined provisions of articles 2, paragraph 1, letter h) and 71-bis of Consob Regulation 11971/1999 and article 2391-bis of the Italian Civil Code and set out in the International Accounting Standard (IAS) 24^{*}.

On November 9, 2006 the Company also decided that resolutions regarding significant transactions and related party transactions reserved to the exclusive competence of the Board of Directors be taken subject to the prior opinion of its Independent Directors.

The limit value for which a related party transaction is to be disclosed to the market in consideration of its potential effects on the company's assets was set at:

- € 10,000,000.00 for any type of purchase or sale;
- € 125,000,000.00 for interest-bearing credit facilities (excluding any deferred payment facilities granted to the company in connection with the supply of goods and the provision of services), excluding credit facilities maturing within one year and connected to the day-to-day business of the company and its subsidiaries. The Board of Directors reserved to its exclusive authority decisions over transactions with the related parties above, the individual value of which is greater than € 250,000.00. In taking decisions over said related-party transactions the Board shall note the opinion of the Independent Directors and may be assisted by independent experts in consideration of the nature, value or features of the transaction.

CORPORATE GOVERNANCE BOARDS AND COMMITTEES

The Board of Directors

The Board of Directors is vested with all powers for the ordinary and extraordinary management of the company - except for those the law exclusively reserves to the General Meeting - as well as the authority to take any and all actions expedient to the achievement and fulfilment of the company's purposes.

The Board of Directors is responsible for the management of the company. In that respect:

- it provides guidance and supervision in accordance with the law and the Bylaws, it sets corporate strategies and goals, and ensures the implementation and regular assessment of the efficiency and effectiveness of the internal control system, which is to be consistent with the complexity of the business;
- it examines and approves all strategic, business and financial plans of the issuer and the group it heads, the governance system of the issuer and the group organisation;

^{*} Clarifying and supplementing IAS 24 (related party disclosures), the Board of Directors at its Meeting held on November 8, 2007 resolved that close members of the family as defined under IAS 24 are relatives within the second degree; and that significant influence is exercised if the voting shareholding held in the entity is at least 10% if the entity is listed on a regulated market, or at least 20% in other cases;

- it assesses the adequacy of the organisational, management and accounting systems of the issuer and its strategic subsidiaries as organised by their Chief Executive Officers, especially in relation to the internal control system and the management of any conflicts of interest;
- it delegates authorities to and revokes them from executive officers and, when appointed, the executive committee, determining the limits and procedures for exercise thereof; it also determines the frequency of reports to the Board on work performed by officers to whom authorities were delegated. The frequency of those reports shall be at least quarterly;
- after examining the proposals submitted by the compensation committee and the opinion of the board of statutory auditors, it fixes the compensation of Chief Executive Officers and other Directors holding special positions as well as, when not determined by the general meeting, the distribution of the aggregate compensation among the members of the Board of Directors;
- it assesses the overall business performance especially on the basis of information received from boards to which authorities were delegated, as well as by periodically comparing actual results with budget or plans;
- it examines and gives its prior approval to those transactions of the issuers and its subsidiaries which are of strategic importance or may have a material impact on the strategy, equity, earnings or cash flows of the issuer, devoting special attention to those transactions in which one or more directors may have vested interest, either directly or on behalf of third parties, and, more generally, to related party transactions; to that end the Board established general guidelines for the identification of significant transactions;
- it assesses at least annually the size, composition and operation of the Board of Directors and its committees, recommending, when appropriate, the inclusion of professional figures whose presence on the Board is considered to be beneficial;
- in its annual corporate governance report it provides information on the implementation of the Code of Conduct, including the number of meetings of the Board of Directors held during the financial year and the attendance of each Director;
- it examines and decides on significant transactions as defined in article 23 of the Bylaws;
- it examines the annual Internal Audit plan.

| | |
|-------------------------|--|
| Composition | 14 members (of whom 3 executive members and 3 independent members) |
| Meetings held in 2007-8 | |

The Board of Statutory Auditors

The Board of Statutory Auditor verifies compliance with the law and the Bylaws as well as adherence to principles of proper management. In particular it verifies the adequacy of the organisational structure, the management and accounting systems adopted by the company as well as their operation. In addition, pursuant to the provisions of art. 159 of the Consolidated Finance Act, the Board of Statutory Auditors submits its substantiated proposal for the appointment of the independent auditors and their scope of work to the General Meeting.

| | |
|-----------------------|---|
| Composition | 3 standing auditors and 2 alternate auditors (since June 27, 2007 3 standing auditors and 1 alternate auditor) |
| Meetings held in 2007 | 14 |

Compensation Committee

The original Stock Option Plan Committee, responsible for setting policies for part of the compensation of senior management officers of the company and the group as well as key contract workers, through the assignment of stock options linked to the achievement of certain targets, changed its composition and was renamed "Compensation Committee". On November 9, 2006, pursuant to the new Code of Conduct, further responsibilities were assigned to that Committee, namely:

- to submit proposals on the compensation of Chief Executives and other Directors holding special positions to the Board, as well as to monitor the implementation of resolutions passed by the Board of Directors;
- to periodically assess the policies regarding the compensation of key management officers, oversee their implementation on the basis of the information provided by Chief Executives and present general recommendations on the matter to the Board of Directors;

These additional responsibilities are effective from January 1, 2007.

| | |
|-----------------------|--|
| Composition | 3 members (of whom 2 independent members and 1 non-executive member) |
| Meetings held in 2007 | 1 |

Audit Committee

In 2001 the Board of Directors of Mediolanum S.p.A. established the Audit Committee pursuant to the Code of Conduct for listed companies as updated by resolution dated November 9, 2006 to incorporate the new provisions of that Code which entered into effect in March 2006.

Specifically beginning from financial year 2007, the responsibilities of the Audit Committee are:

- to assist the Board of Directors in defining internal control system guidelines which ensure the proper identification, measurement, management and control of major risks for the issuer and its subsidiaries, and guidelines for the assessment of the consistency of those risk with the sound and proper management of the business;
- to assist the Board of Directors in the selection of an Executive Director (generally one of the Chief Executives) responsible for overseeing the effectiveness of the internal control system;
- to assist the Board of Directors in the assessment, at least annually, of the adequacy, efficiency and effectiveness of the internal control system;
- to assist the Board of Directors in drafting the corporate governance report with respect to the description of the key elements making up the internal control system and the assessment of its overall adequacy;
- to verify in conjunction with the officer responsible for the preparation of accounting and financial reporting documents and the external auditors the proper application of accounting standards and their consistency for the purpose of consolidated financial reporting;
- to express opinions on specific aspects relating to the identification of main corporate risks as well as the design, implementation and management of the internal control system, upon request of the executive director;
- to review the audit plan prepared by the Chief Auditor as well as his/her periodic reports;
- to evaluate proposed audit mandates presented by independent auditors in addition to the scope of audit and the recommendations set out in their management letters and reports;
- to verify the efficacy of the audit process;
- to carry out any other activities required by the Board of Directors;
- to report on work performed and the adequacy of the internal control system to the Board of Directors at least every six months, concurrently with the approval of interim and annual financial statements.

The Audit Committee works in coordination with the Board of Statutory Auditors in the performance of its duties. Annually the Audit Committee presents its annual budget, and in an emergency, it is assisted by Executive Directors for the funding of its expenses. The Audit Committee is authorised to access corporate information and receive assistance from those staff members that may help the Committee in the performance of its duties as well as to avail itself of external advisors when necessary.

The Audit Committee is composed of non-executive directors, the majority of whom has knowledge of accounting and financial reporting. The members of the Board of Statutory Auditors and the Chief Auditor participate in the work of the Audit Committee.

| | |
|-----------------------|--|
| Composition | 3 members (1 non-executive member and 2 independent members) |
| Meetings held in 2007 | 3 |

Supervisory Board (pursuant to Legislative Decree 231/2001)

Upon the adoption of the "Organisation, Management and Control Models" as required under art. 6 of Legislative Decree 231/2001 (Liability of Legal Persons) the Board of Directors of the Company established the Supervisory Board responsible for seeing to the effectiveness, compliance and update of said Models.

| | |
|-----------------------|-----------|
| Composition | 3 members |
| Meetings held in 2007 | 9 |

MEDIOLANUM S.P.A. GOVERNANCE OFFICERS

Composition of the Board of Directors

The Board of Directors of Mediolanum S.p.A. consists of 14 members, of whom 3 independent (21%) and 3 executive members.

In 2007 the Board of Directors held 8 meetings (8 meetings also in 2006) and the average attendance rate was 85% (vs. 76% in 2006).

| Position | Surname and first name | Independent | Executive | Female | Committees | | Board of Directors | |
|---------------------------|------------------------|-------------|-----------|----------|----------------|--------------|--------------------|-----------------|
| | | | | | Internal Audit | Compensation | Meetings Attended | Attendance rate |
| Chairman of the Board | Ruozì Roberto | ✓ | | | | | 7 | 88 |
| Chief Executive Officer | Doris Ennio | | ✓ | | | | 8 | 100 |
| Deputy Chairman | Messina Alfredo | | ✓ | | | | 8 | 100 |
| Executive Deputy Chairman | Lombardi Edoardo | | ✓ | | | | 8 | 100 |
| Director | Berlusconi Luigi* | | | | | | 5 | 83 |
| Director | Berlusconi Marina | | | ✓ | | | 0 | 0 |
| Director | Cannatelli Pasquale | | | | | | 8 | 100 |
| Director | Carfagna Maurizio* | | | | | | 6 | 100 |
| Director | Doris Massimo Antonio | | | | | | 8 | 100 |
| Director | Ermolli Bruno | | | | | ✓ | 6 | 75 |
| Director | Molteni Mario | ✓ | | | ✓ | ✓ | 7 | 88 |
| Director | Renoldi Angelo | ✓ | | | ✓ | ✓ | 8 | 100 |
| Director | Sciumè Paolo | | | | ✓ | | 7 | 88 |
| Director | Zunino Antonio | | | | | | 6 | 75 |
| TOTAL | 14 | 3 | 3 | 1 | 3 | 3 | 8 | 85 |

* Director since April 19, 2007

Composition of the Board of Statutory Auditors

| Position | Surname and first name | Meetings attended | Attendance rate |
|---|-----------------------------|-------------------|-----------------|
| Chairman | Mauri Arnaldo | 14 | 100 |
| Standing Auditor | Giampaolo Francesco Antonio | 14 | 100 |
| Standing Auditor (up until June 27, 2007) | Frattini Achille | 14 | 100 |
| Standing Auditor (since June 27, 2007) | Vittadini Francesco | 14 | 100 |
| Alternate Auditor | Gatti Ferdinando | 0 | - |
| TOTAL | | 14 | 100 |

ATTENDANCE

Attendance rate summary table

The attendance rate is calculated as a percentage of the average number of participants out of the total number of members of the different Mediolanum S.p.A. governance boards and committees.

| Governance boards and committees (%) | 2007 | 2006 |
|--|------|------|
| Board of Directors | 85 | 76 |
| Board of Directors (only independent members) | 92 | 67 |
| Board of Statutory Auditors at Board of Directors meetings | 83 | 85 |
| Board of Statutory Auditors | 100 | 100 |
| Audit Committee | 94 | 88 |
| Stock Option Plan Committee | 100 | 75 |



The internal control system

The Boards of Directors of the Parent Company and of all Group companies promote high ethical and integrity standards, and a control culture within the organisation by emphasising and demonstrating to all levels of personnel the importance of internal controls.

Specifically, the Boards of Directors are responsible for setting policies and assessing the adequacy and effectiveness of the internal control system.

Pursuant to the Code of Conduct for listed companies, the Board of Directors of the Parent Company Mediolanum S.p.A. established the Audit Committee and appointed the Chief Auditor. In their respective areas of remit the Audit Committee and the Chief Auditor assist the Board of Directors in:

- identifying main corporate risks,
- implementing the Internal Control System policies issued by the Board of Directors through planning and monitoring.

Pursuant to the Code of Conduct, the Board of Directors appointed the Deputy Chairman Alfredo Messina officer responsible for the internal control system.

Internal audit is conducted for the entire group, including Mediolanum S.p.A., by the internal audit staff of the subsidiary Banca Mediolanum S.p.A. under specific outsourcing arrangements.

The Chief Auditor of the Mediolanum Group Andrea Alessandri resigned effective from January 6, 2008, and Banca Mediolanum S.p.A. assigned the responsibilities for supervising and coordinating the operation of the internal control system to Giovanni Pirovano, Director and General Manager of Banca Mediolanum S.p.A.

In 2007, **the regulatory framework** for financial intermediaries changed significantly impacting the internal control system. Regulatory changes were largely connected to the Joint Regulations issued by the Bank of Italy and Consob on October 29, 2007, and to the implementation of the Financial Instrument (MiFID) Directive in the EU Markets, which detailed and further clarified the role of the Internal Audit and Compliance functions.

As a result of said regulatory changes, the Group started a review of the internal control system and processes to meet the dual objective of regulatory compliance of processes and effectiveness of the internal control system as a whole.

INTERNAL AUDIT

Internal audit of all Group companies, including the Parent Company Mediolanum S.p.A. is performed under individual outsourcing agreements by the internal audit function of the subsidiary Banca Mediolanum S.p.A. The Internal Audit function is separate and independent of operational functions and reports directly to the Board of Directors and the Board of Statutory Auditors of the respective companies on the work done.

In particular for Mediolanum S.p.A. it reports, through the Chief Auditor, to the Deputy Chairman, the Audit Committee and the Board of Statutory Auditors.

Internal audit provides independent and objective assessment and assurance of the efficiency and effectiveness of the organisation and detects possible areas for **improvement**.

It assists operational functions in pursuing their goals through a systematic professional approach, which creates value since it is aimed to assess and improve the control, risk management and corporate governance processes.

Internal auditors monitor overall **respect of the rights** of all categories of stakeholders (customers, employees, minority and majority shareholders, etc.).

In particular, this entails monitoring the main processes to ensure, *inter alia*, the segregation of customer assets and related administration from those of the company, compliance with regulations governing conflicts of interest, the appropriate pricing of products sold, compliance with investment limits and in general the rules issued by supervisory authorities, privacy and anti-money laundering regulations.

As part of those activities, Internal Audit staff review the **efficiency and effectiveness** of the internal control system and processes and prepare final reports which include the actions planned by senior management for the correction of any deficiencies, or the adoption of recommendations to improve the effectiveness of processes.

Internal Audit work

Internal audit was conducted on Group companies and was particularly meticulous for those companies in which operational activities represent a significant portion of overall business.

| Data on Italian companies | 2007 | 2006 | Change % |
|---------------------------|------|------|----------|
| Reports | 52 | 49 | 6.1 |
| Remarks/Improvement areas | 100 | 129 | (22.5) |

No severe irregularities emerged from the work of the internal audit function and the vast majority of critical issues were promptly addressed by senior management.

In 2007, vis-à-vis greater breath and depth of internal audit work, remarks on improvement areas declined.

"Without sharp edges, without angles, without stress."

(A Banca Mediolanum customer since 2002)

RISK MANAGEMENT & CONTROL AND COMPLIANCE

Risk management and compliance are an integral part of the Group's internal control system.

At the end of 2005, action was taken to strengthen the risk management framework through the establishment of the "Risk Management and Compliance" department which became operational in 2006. The risk management and compliance team verifies the adequacy of risk management procedures for financial, operational and credit risks as well as regulatory compliance, within the financial conglomerate.

The risk management department of Banca Mediolanum provides risk management and compliance services for Italian Group companies under specific service agreements.

In 2007, risk management and compliance units were established at Banco de Finanzas y Inversiones, the parent company of the Spanish banking sub-holding, and at the Irish companies Mediolanum International Funds, Mediolanum Asset Management and Mediolanum International Life.

The risk management and compliance models measure the risks to which the Group is exposed, i.e. financial, credit, operational, non-compliance, strategic and reputational risks. Within the operational risk management framework, control activities with respect to the sales network play a crucial role and are primarily made by the Sales Network Control unit and Sales Network inspectors and the Sales Network Control unit. The latter conducts sales network quality controls. Control over HQ operational processes conducted by the Operational Risk Management unit plays an equally important role.

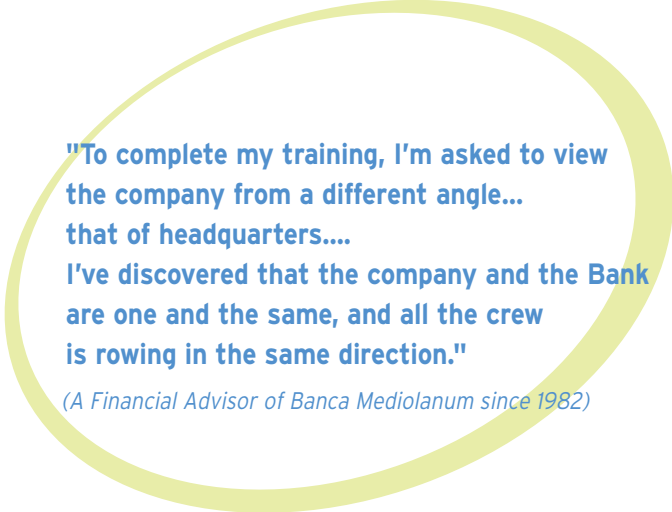
In 2007, the Group defined the risk management and compliance framework, reviewed corporate processes and assessed the effectiveness of checkpoints established within the organisational units.

Risk management and compliance activities

| | |
|--|------------|
| Organisational units examined in 2007 | 188 |
| Processes and activities reviewed | Over 2,400 |
| Operational risk checkpoints | Over 1,400 |
| Projects and actions undertaken in 2007 to improve the internal control system | 52 |

The projects and actions undertaken to improve the internal control system were aimed at enhancing the efficiency of certain corporate processes, expanding automated processes in certain critical areas, establishing new checkpoints also in relation to officers' powers and delegated authorities and the proper exercise of this authority.

The regulatory changes in the financial sector in 2007 required refinement of the Mediolanum Group business model to align management and sales models with the requirements of the MiFID Directive and the related implementation regulations issued by CONSOB.



"To complete my training, I'm asked to view the company from a different angle... that of headquarters.... I've discovered that the company and the Bank are one and the same, and all the crew is rowing in the same direction."

(A Financial Advisor of Banca Mediolanum since 1982)

Protection of stakeholder interests

VIA ADEQUATE ACCOUNTING AND FINANCIAL REPORTING PROCEDURES

The environment in which listed issuers conduct their business is regulated by a vast number of statutory and regulatory provisions with a common denominator, i.e. the requirement to establish adequate policies and procedures for their main activities.

Continuously monitoring the effectiveness of their organisational and management models to ensure that adequate controls are in place and that corporate targets are achieved in compliance with regulatory requirements has therefore become commonplace among issuers.

Depending upon the category of stakeholder regulators intend to protect, regulations take different forms and entail different operational processes. In broad strokes, there are two main macro-categories of stakeholders:

- customers who use the services provided by the company; and
- the varied base of investors who contribute capital.

The lawmaker introduced the requirement for issuers to appoint an **Officer responsible for accounting and financial reporting documents** precisely to protect this second macro-category of stakeholders. This Officer is responsible for the entire accounting and financial reporting system that produces the documents disclosed to the market and to supervisory authorities.

This Officer is, therefore, the guarantor of the information set out in accounting and financial reporting documents vis-à-vis third-parties and is one of the various officers who collectively participate in shaping the governance system of the company, intended as the set of rules and functions that ensure the company is properly and efficiently run.

STATUTORY CHANGES

Act 262 of December 28, 2005 (as amended by Legislative Decree 303 of December 29, 2006) "Financial Markets and Investors' Protection regulations", and the amended Regulations for Issuers are part of the regulatory process geared to enhance investors' protection. Among other things, they aim at strengthening the internal control system in relation to the disclosure of financial information by listed issuers similar to the US Sarbanes-Oxley Act (SOA) of 2002.

The implementation of section 154-bis of the Consolidated Finance Act (as amended by Act 262/2005 and Legislative Decree 303) required listed companies to **amend their bylaws** by June 30, 2007 to incorporate provisions concerning the appointment of the Officer responsible for accounting and financial reporting documents.

This Officer is responsible for establishing adequate accounting and financial reporting

procedures for the preparation of the consolidated financial statements, the separate financial statements as well as any interim reports.

The Officer responsible for accounting and financial reporting documents signs all accounting disclosures made to the market, and thus certifies that the information disclosed reflects the accounting entries made and records held by the company.

The act above applies to all listed companies and their consolidated as well as separate financial statements. The Officer responsible for accounting and financial reporting documents is therefore also responsible for ensuring that proper accounting and financial reporting processes are in place also at subsidiaries.

GROUP INITIATIVES

Mediolanum S.p.A. has always given great attention to protecting the interests of stakeholders. On April 19, 2007 the company amended its bylaws to incorporate provisions concerning the appointment of the Officer responsible for accounting and financial reporting documents and related professional qualifications. On May 10, 2007, the Board of Directors appointed Luigi Del Fabbro Officer responsible for accounting and financial reporting documents.

To comply with statutory requirements relating to the Officer responsible for accounting and financial reporting documents, the company defined and adopted a **governance model pursuant to Act 262/05**, which sets out the role, duties and responsibilities of the various staff involved in the preparation of accounting and financial reporting procedures as well as their maintenance and assessment of their adequacy and effective application.

The governance model pursuant to Act 262/05 is part of the broader internal control system of Mediolanum S.p.A. and its consolidated subsidiaries.

Compliance with statutory and regulatory changes has **increased the transparency** of the disclosures to investors made by Mediolanum S.p.A. and the other companies that appointed the Officer responsible for accounting and financial reporting documents. The appointment of this Officer, who acts as guarantor, and the adoption of the organisational and management model aimed at ensuring the adequacy of the accounting and financial reporting processes give greater protection to investors and the broader audience of stakeholders in relation to the reliability and accuracy of financial information disclosed by the company.

INDEPENDENT AUDITORS

Reconta Ernst & Young are the independent auditors responsible for auditing the separate and consolidated financial statements of Mediolanum S.p.A. for financial years 2005, 2006 and 2007. They were confirmed as independent auditors also for financial years 2008, 2009 and 2010.



Rules of conduct

The Group has two Codes setting out conduct rules.

- **The Code of Ethics** sets out the general duties of diligence, fairness and loyalty which characterise the performance of work and behaviour in the workplace.
- **The Code of Business Conduct** moves from the general guidelines set out in the “code of ethics”, and further details the conduct rules for corporate governance officers, employees and contract workers with specific reference to certain operational companies within the Group (Banca Mediolanum S.p.A. and Mediolanum Gestione Fondi S.G.R.p.A.).

Rules of conduct are regularly updated to reflect changes in the regulatory environment, organisational models and processes in order to have common, clear and transparent rules which ensure the ethical conduct of all people within the organisation.

THE CODE OF ETHICS

Since 2002 the vast majority of Group companies has adopted a Code of Ethics, i.e. a series of internal rules which exemplify the general duties of diligence, fairness and loyalty which **characterise** the performance of work and behaviour in the workplace.

The Code of Ethics is organised into three sections:

1. general principles,
2. business conduct,
3. safety, health and the environment.

The general principles are those of responsibility, fairness, confidentiality and proper management of any conflicts of interest.

The business conduct shall be compliant with the law, loyal and fair vis-à-vis the competition, in dealings with vendors and in relations with the government and public agencies.

The Company respects the environment and protects the health and safety of its employees, sales force and customers by adopting all measures required by the law.

THE CODE OF BUSINESS CONDUCT

The Code of Business Conduct of Banca Mediolanum S.p.A. and Mediolanum Gestione Fondi SGR p.A. details the conduct **rules** for those who work for the Group.

Key conduct rules are set out below.

1. Confidential information either verbal or stored on any electronic medium shall be kept secret.
2. Confidential information received from investors or by virtue of the position held shall not be used for personal dealings including through third parties.
3. Speculative investment are prohibited, especially intraday purchases and sales of the same security.
4. Personal dealings, including through third parties, in trading derivatives, other derivatives (futures, options, swaps), short selling as well as dealings with a frequency that suggests speculative purposes are prohibited.
5. Employees are allowed to buy and sell shares, warrants traded on regulated markets, covered warrants, rights, convertible bonds, other debt securities and treasuries and enter into repurchase agreements.



Business continuity

The service model is hallmarked by high reliability and **security** of the technology infrastructure. Business continuity and the provision of services to customers are dependent upon the proper operation of the business infrastructure and processes, including those based on IT and telecommunications technology.

That is particularly true for an organisation like the Mediolanum Banking Group in which the technology-based **direct access** channels (the Internet, the Banking Services Center, the television) for the customer are the keystones of the business model.

**"Have you ever spoken with a bank
Saturday or Sunday morning?
Probably not with your bank,
but with Banca Mediolanum you can."**

(A Banca Mediolanum customer since 2001)

The Group is equipped with adequate systems to ensure business continuity and constantly monitors that all components are properly functioning and suitably scaled to ensure delivery of services.

This entailed the establishment of reliable controls over critical business processes, technology investment to ensure service delivery continuity, constant monitoring of the operation of processes as well as the establishment and the dissemination of proper alternative procedures that ensure business continuity in the event of failures or crises.

Due to the close **correlation** between technology and operational processes, the Information Systems and Organisation department of Banca Mediolanum is responsible for the extensive business continuity plan and implemented a number of measures geared to achieve the objectives above.

It should be noted that Banca Mediolanum not only provides Information Technology services but also manages, via intercompany service agreements, the information system processes of the Group's Italian "product factories", whose products it sells.

The actions taken to meet the objectives above were developed along two main lines.

- Technology. Review of all activities needed to ensure the efficiency and security of the infrastructure, and constant monitoring of the infrastructure and related equipment to ensure the delivery of services also in case of failures or disasters.
- Processes. Development of operational procedures that ensure business continuity across a wide range of crisis scenarios (from temporary disruption to an emergency situation, severe crisis or catastrophe). The procedures were designed, tested and maintained, in cooperation with the various users.

A **Crisis Team** was established to coordinate the activation and management of the various stages in a crisis until business is resumed. The team is composed of the heads of various departments and is responsible for coordinating all steps taken in the management of the crisis.

On an annual basis the Group carries out a variety of drills and tests as well as updates and upgrades of its processes and systems to reflect any changes in internal processes and product innovation and to ensure that the organisation infrastructure keeps pace with the rapidly changing market environment and business needs of the company.





"There is a lot of pride in belonging to a Group that continuously surpasses its records in terms of results and efficiency."

(An employee of the Mediolanum Group since 2001)

Financial indicators



The good work being done by the Group is demonstrated by results that are impressive from a qualitative point of view, despite the disappointing performance of financial markets and the impact of the US subprime mortgage crisis.

Assets under management and administration increased **4%** over 2006; inflows of customer assets were positive with gross inflows climbing **19%**.

Embedded Value - an estimate of the value of a company- increased **1.3%** to €3,164 million.

Value Added for the Stakeholders - a measure of the value created for and distributed to the stakeholders over the year - was **evenly distributed** among the various stakeholders.

Profit before tax remained flat as it was impacted by a lower level of performance fees generated compared to previous years, due to a different performance of equity and forex markets. Excluding performance fees, that are the most volatile revenue item, profit before tax grew **6%**.

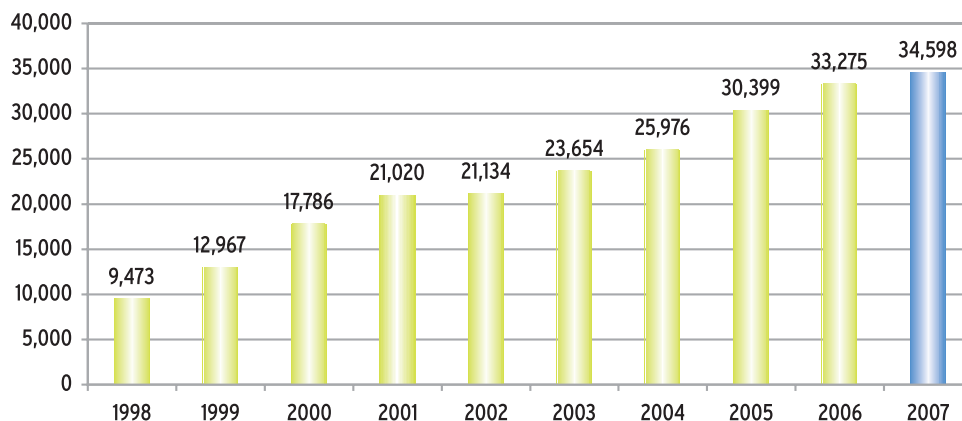
"Luigi Del Fabbro, Officer responsible for preparing Mediolanum S.p.A. accounting and financial reporting documents hereby certifies pursuant to section 154 bis, second paragraph, of the Consolidated Finance Act, that the financial information contained herein reflects the accounting entries, records and books."

Key financial data

CONSOLIDATED DATA

Group assets under management & administration

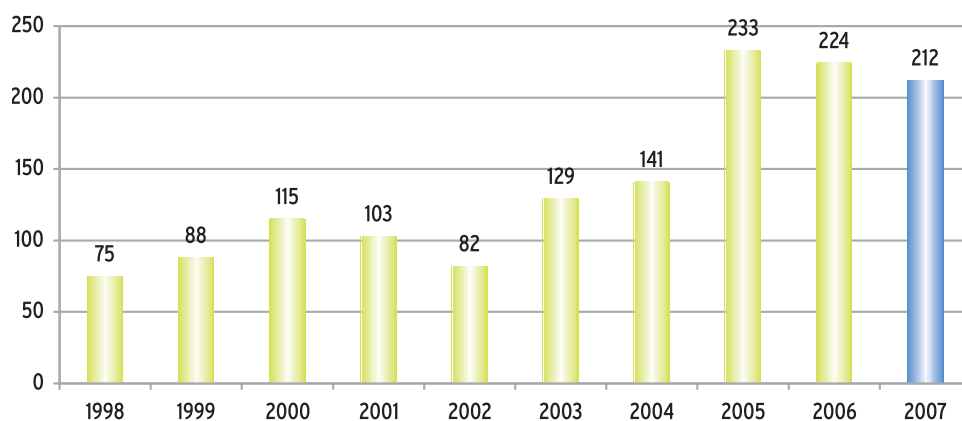
(€/m)



Group assets under management* and administration had a compound annual growth rate of 15.5% hitting €34,598 million at year end 2007.

Group net profit

(€/m)



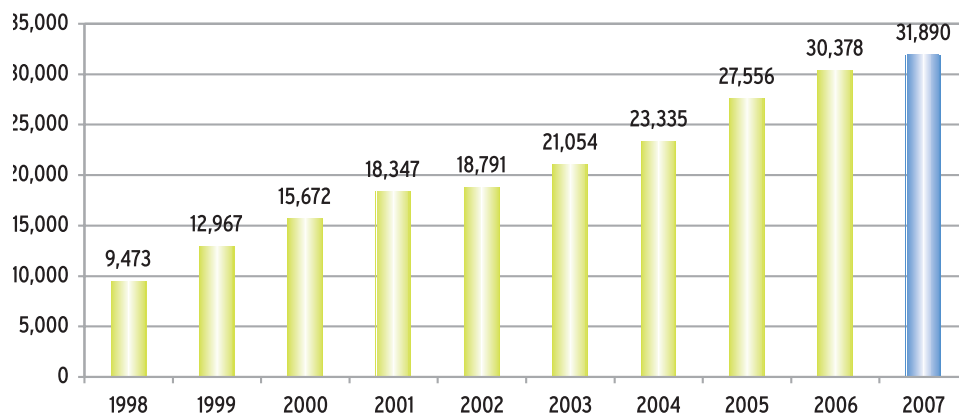
Consolidated net profit remained substantially in line with the prior year's figure. The slight decline was partly due to lower upfront loadings generated by the new product "Tax Benefit New" in the first few years of life and partly to the lower level of performance fees that are the most volatile revenue component.

* 2006 balances were restated following the sale of Gamax Broker in 2007.

DOMESTIC MARKET*

Group assets under management & administration - Domestic market

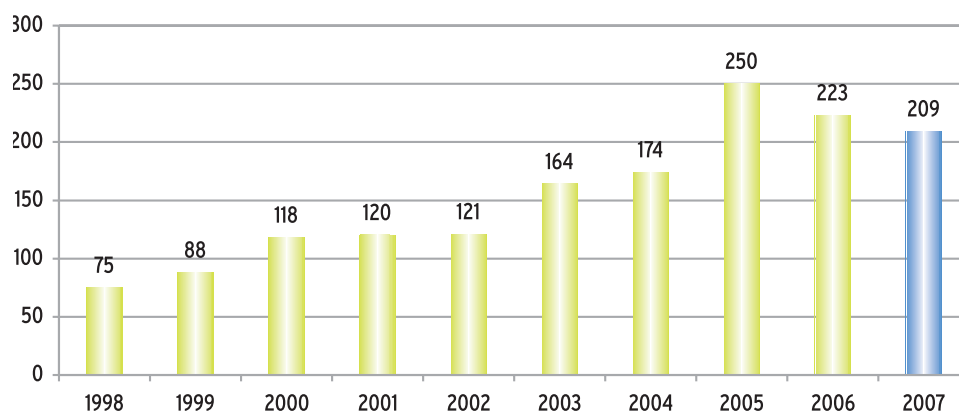
(€/m)



Compared to December 31, 2006 assets under management and administration grew 5% to € 31,890 million.

Net Profit Domestic market

(€/m)



Net profit declined 6.3% over the prior year to about € 209 million. This decline was partly due to lower upfront loadings generated by the new product "Tax Benefit New" in the first few years of life and partly to the lower level of performance fees that are the most volatile revenue component.

*Figures relating to net profit, assets under management and administration and gross inflows of customer assets also include the results of Banca Esperia on a pro-rata basis (48.5%).

Summary business and financial data

| | 2007 | 2006 | Change % |
|--|---------------|---------------|-----------------|
| Ordinary Shares outstanding | 729,475,929 | 728,835,317 | 0.09 |
| Group (€/m) | 2007 | 2006 | Change% |
| Group Assets under Management & Administration* | 34,598 | 33,275 | 3.98 |
| Gross Inflows* | 9,649 | 8,099 | 19.14 |
| Embedded Value post-acquisitions | 3,164 | 3,122 | 1.35 |
| Revenues | 4,296 | 4,077 | 5.37 |
| Profit before tax | 275 | 285 | (3.51) |
| Income tax | 63 | 61 | 3.28 |
| Net profit | 212 | 224 | (5.36) |
| Dividend | 146 | 146 | - |
| Dividend per share | 0.20 | 0.20 | - |
| Domestic Market Mediolanum | 2007 | 2006 | Change% |
| Total Customers | 1,060,600 | 995,300 | 6.56 |
| Total Primary Account Holders | 894,300 | 840,000 | 6.46 |
| Sales Network | 6,464 | 6,336 | 2.02 |
| Asset Under Management and Administration (€/m) | 27,371 | 26,944 | 1.59 |
| TOTAL NET INFLOWS, of which (€/m) | 9,316 | 7,605 | 22.50 |
| Gross Life Premiums Written | 3,389 | 3,215 | 5.41 |
| Gross Inflows to Mutual Funds & Managed Accounts | 3,103 | 2,569 | 20.79 |
| Gross Inflows to assets under administration | 975 | 571 | 70.75 |
| Banca Esperia Gross Inflows | 1,823 | 1,229 | 48.33 |
| other** | 26 | 21 | 23.81 |
| TOTAL NET INFLOWS, of which* (€/m) | 1,689 | 1,810 | (6.68) |
| Net Inflows to assets under management* | 714 | 1,239 | (42.37) |
| Net Inflows to assets under administration | 975 | 571 | 70.75 |
| Banca Esperia*** (€/m) | | | |
| Assets under Management & Administration | 4,519 | 3,434 | 31.60 |
| International Markets (€/m) | 2007 | 2006 | Change % |
| Assets under Management & Administration* | 2,708 | 2,897 | (6.52) |

* 2006 balances were restated following the sale of Gamax Broker in 2007.

** Non occupational pension funds, non-life policies and real estate products.

*** Mediolanum shareholding (48.5%).

**“Mediolanum integrates
asset management
with the traditional banking business
and it does so with the power
of an avant-garde model”**

(A quote from Top Management)

Embedded value

Considering the importance of embedded value in analysing the Mediolanum Group performance, we provide below some key information on European Embedded Value prepared with the assistance of Tillinghast-Towers Perrin, the financial advisory arm of Towers, Perrin, Forster & Crosby Inc.

Embedded Value is calculated by adding marked-to-market net asset value and the value of in-force business. For life business, the value of in-force business is the present value of the stream of future after-tax profits projected over the contract life and adjusted for the cost of maintaining a level of required capital. For mutual funds and managed accounts, the value of in-force business is computed in the same manner as for life business, but with no adjustments since no capital requirements apply to those assets.

The table below shows the analysis of Embedded Value at December 31, 2006 and comparative information at December 31, 2005. Embedded value was calculated in accordance with the European Embedded Value Principles (EEV). For further details on the methods used to compute embedded value, readers are referred to the Appendix to the Group Annual Report.

Embedded value at December 31

| (€/m) | EEV | | |
|--|--------------|--------------|--------------|
| | 2007 | 2006 | Change % |
| Net asset value* | 896 | 904 | (0.9) |
| Adjustments to net asset value** | (156) | (155) | 0.6 |
| Adjusted net asset value | 740 | 749 | (1.2) |
| Value of in-force business, life business | 1,938 | 1,895 | 2.3 |
| Value of in-force business, asset management | 313 | 346 | (9.5) |
| Value of in-force business, banking | 173 | 132 | 31.1 |
| Total value of in-force business | 2,424 | 2,373 | 2.1 |
| EMBEDDED VALUE | 3,164 | 3,122 | 1.3 |

Embedded Value - the estimate of the value of a company - grew by about 1% to €3,164 million.

* On an IFRS (International Financial Reporting Standards) basis

** Consolidated shareholders' equity on an IFRS basis before distribution of dividends payable in the following year, is adjusted

(i) to reflect the market value of any assets not measured at market value under IFRS;

(ii) to eliminate the impact of goodwill arising in prior years, largely from the acquisitions of Fibanc, Gamax, B.A. Lenz and MILL;

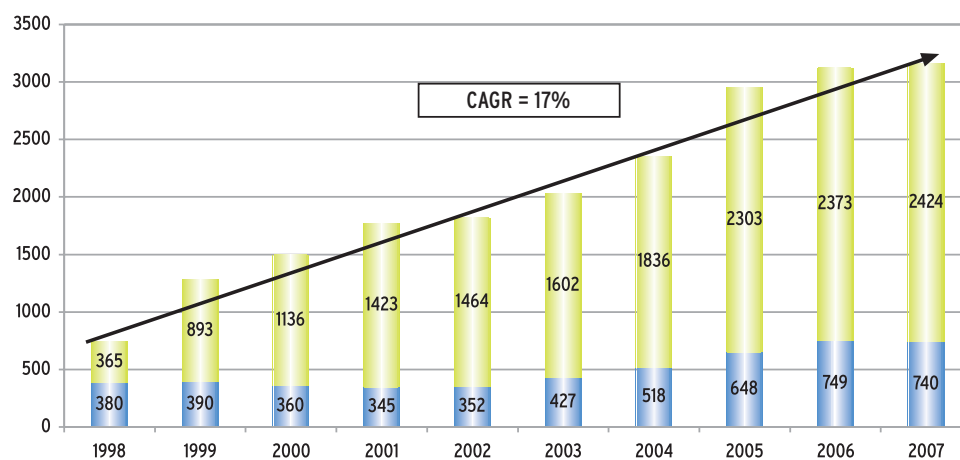
(iii) to eliminate gains on segregated funds which are included in the value of in-force life business as they are realised;

(iv) to eliminate the accounting balances relating to life contracts classified in accordance with IAS 39 for which the value of the in-force business is determined on a statutory basis

(v) to eliminate the impact of taxation on life reserves.

Embedded value

(€/m)



CAGR: Compound Annual Growth Rate.

■ Adjusted net asset value ■ Value of in-force business



Starting in 2007 some of the calculations of the European Embedded Value were brought in-house. These calculations principally have to do with the Life business nonetheless the company Tillinghast-Towers Perrin is still relied on to verify the data and calculate the other business components.

Value added for the stakeholders

CALCULATION AND DISTRIBUTION OF VALUE ADDED

Method

Value added expresses the value created by the company during the year, and is calculated as the difference between sales and costs and represents the bridge between the Annual Report and the Social report.

For the calculation of value added, income statement items were reclassified to highlight the processes through which value is generated and distributed, and to quantify in monetary terms the relationship between the company and its social and business partners, especially some of its key stakeholders, i.e.:

- dividends that are paid out to the shareholders;
- wages and salaries, social security contributions, completion-of-service entitlements, compensation paid to human resources (employees, contract workers and sales network);
- direct and indirect taxes paid to the Government and its agencies; fees paid to supervisory authorities and trade associations;
- charitable projects for the community;
- the company as a system that retains earnings to be reinvested in the business.

The tables below show the generation and distribution of value added in FY 2006 and FY 2007 for our domestic market (Italy) using the same classification of items as in the segment report attached to the 2006 and 2007 Annual Reports ("Financial Information by Business Segment - Italian Market").

Formation of consolidated value added - Italian market

| (amounts in thousand of €) | FY 2007 | FY 2006 | Change % |
|---|------------------|------------------|---------------|
| Net sales | | | |
| Net premiums written | 3,377,408 | 3,196,127 | 5.67 |
| Amounts paid and change in technical reserves | (3,197,112) | (2,981,951) | 7.22 |
| Commission income | 508,031 | 511,559 | (0.69) |
| Commission expense ⁽¹⁾ | (31,420) | (29,146) | 7.80 |
| Net financial income | 116,585 | 82,354 | 41.57 |
| Net income on other investments ⁽²⁾ | 20,042 | 20,239 | (0.97) |
| Other revenues | 25,907 | 24,637 | 5.15 |
| TOTAL NET SALES | 819,441 | 823,819 | (0.53) |
| Costs | | | |
| General and administrative expenses ⁽³⁾ | (137,687) | (123,625) | 11.37 |
| Net impairment | (7,484) | (2,538) | 194.88 |
| Provisions for risks and charges ¹⁾ | (2,797) | (2,583) | 8.28 |
| TOTAL COSTS | (147,968) | (128,746) | 14.93 |
| Gross value added from ordinary operations | 671,473 | 695,073 | (3.40) |
| Profit/(loss) of discontinued operations | - | - | - |
| Profit/(loss) from disposal of investments ⁽²⁾ | 11,132 | 10,446 | 6.57 |
| Total gross value added | 682,605 | 705,520 | (3.25) |
| Amortisation and depreciation ⁽³⁾ | (16,483) | (16,858) | (2.22) |
| Impairment of goodwill | - | - | - |
| Total net value added | 666,122 | 688,662 | (3.27) |
| Cost of labour | | | |
| - employees ⁽³⁾ | (103,213) | (90,040) | 14.63 |
| - sales network ⁽¹⁾ | (258,784) | (288,545) | (10.31) |
| Gifts and donations ⁽³⁾ | (2,301) | (1,821) | 26.36 |
| Direct and indirect taxation ⁽³⁾ | (31,472) | (26,029) | 20.91 |
| PROFIT BEFORE TAX AND MINORITY INTERESTS | 270,352 | 282,227 | (4.21) |
| Income tax for the period | (61,220) | (59,210) | 3.39 |
| Minority interests | - | - | - |
| NET PROFIT | 209,132 | 223,017 | (6.23) |

(1) - (2) - (3) The figure differs from the reported in the reclassified income statement due to the separate indication of the amounts relating to the items reported after Total Net Value Added.

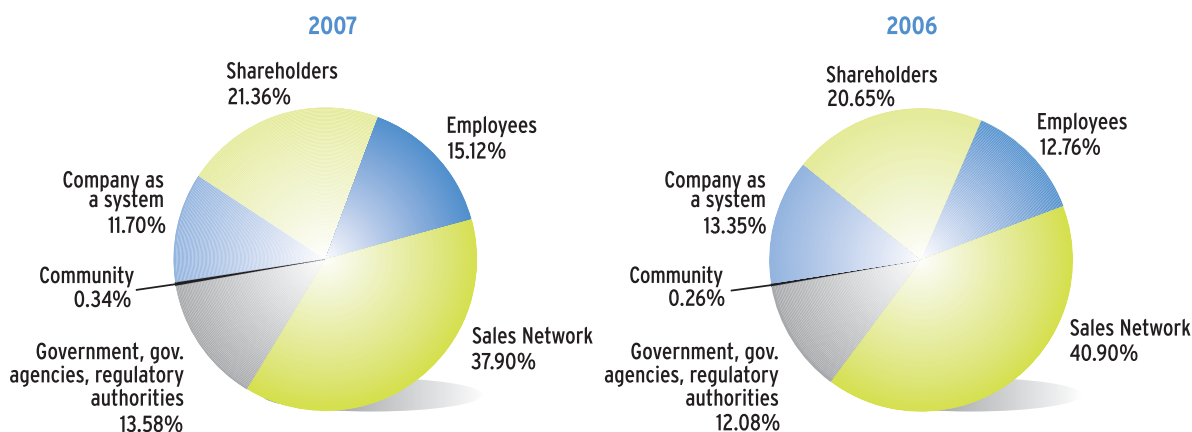


Distribution of consolidated total gross value added - Italian market

(amounts in thousand of €)

| | FY 2007 | FY 2006 | Change % |
|--|----------------|----------------|----------------|
| Distribution of total gross value added | | | |
| Stakeholders | 145,776 | 145,690 | 0.06 |
| - dividend to third party stakeholders | 145,776 | 145,690 | 0.06 |
| Employees | 103,213 | 90,040 | 14.63 |
| Sales network | 258,784 | 288,545 | (10.31) |
| Government, gov. agencies, regulatory authorities | 92,692 | 85,239 | 8.74 |
| - direct & indirect taxes | 31,472 | 26,029 | 20.91 |
| - income tax for the period | 61,220 | 59,210 | 3.39 |
| Community | 2,301 | 1,821 | 26.36 |
| - gifts and donations | 2,301 | 1,821 | 26.36 |
| Company as a system | 79,839 | 94,185 | (15.23) |
| - amortisation and depreciation | 16,483 | 16,858 | (2.22) |
| - impairment of goodwill | - | - | - |
| - foreign operations | (3,111) | (660) | 371.36 |
| - retained earnings | 66,467 | 77,987 | (14.77) |
| Total gross value added | 682,605 | 705,520 | (3.25) |

Value added distribution





**"It's built exactly
the way I wanted."**

(A Banca Mediolanum customer since 2006)

Social indicators

- Customers
- Sales Network
- Employees
- Shareholders and investors
- Vendors
- The Community at large
- Communication initiatives
- The environment
- Regulatory and Legal Authorities, Trade Associations



"For this bank the customer is not a hit-and-run customer: it's a customer they build a life-long plan with."

(A Banca Mediolanum customer since 2005)

Customers

Customers are the key assets and strength of the Group. At year end 2007, the Group had over one million customers.

We achieved this result because we design our products and services with the customers in mind, we place them **at the centre** of the Group's decisions and advise them on the most suitable investment for the different phases of their life.

The **relationship** begins with traditional banking services, e.g. the bank account. Then, as we gain further in-depth knowledge and understanding of each customer and their needs that change over time, the relationship expands to investment services. The high level of customer loyalty and the number of Group products held by each customer testify to the soundness of our approach.

2007 was again hallmarked by **product** as well as **channel innovation**. This, too, bears witness to our attention to the needs of our customers for whom we develop products and services that are always at the very cutting edge of the market.

The Group's product portfolio was expanded both in household **protection** and **individual pension plans** and is in line with the latest regulatory changes. The range of services was also expanded, complementing our traditional banking portfolio to increasingly improve customer satisfaction.

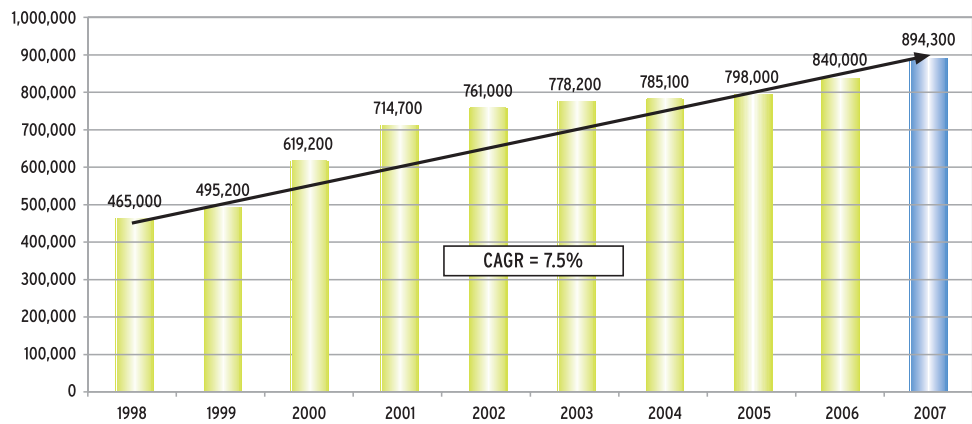
Analysis of customers



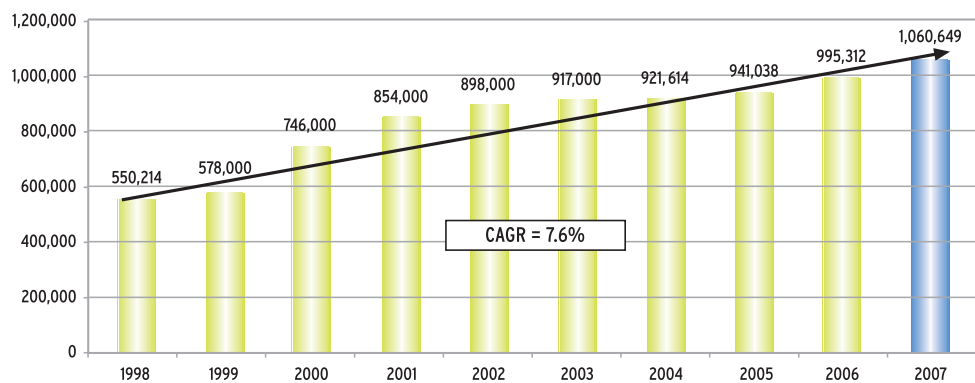
NUMBER OF CUSTOMERS

Over the last decade, the growth in the number of primary account holders has been remarkable.

Primary account holders



Total customers



CAGR: Compound Annual Growth Rate.

In 2007, the number of primary account holders rose **6.5%**.

The number of total customers grew **6.6%**.

In both cases growth exceeded the already excellent rates recorded in 2006, when the number of primary account holders had risen 5.3% and the number of total customers 5.8%.

| (Number) | 2007 | 2006 | Change % |
|--------------------------------|-----------|---------|----------|
| Primary account holders | 894,300 | 839,954 | 6.5 |
| Total customers | 1,060,649 | 995,312 | 6.6 |



NUMBER OF CONTRACTS

In 2007, the total number of contracts increased **7.2%**.

Growth was particularly strong in bank accounts, up **17.9%** and in the banking business in general, up **15.6%**.

| (Number) | 2007 | 2006 | Change % |
|--------------------------|-----------|-----------|----------|
| No. of Contracts* | 2,468,819 | 2,302,444 | 7.2 |

* Types of contract: Life policies, Mutual Funds, Managed Accounts, Bank Accounts, Securities Accounts, Credit Cards, Mortgage Loans, Loans, Credit Facilities, Protection and Real Estate products (Timeshare Property).

GEOGRAPHIC ANALYSIS OF PRIMARY ACCOUNT HOLDERS

The Group's customers are evenly distributed across Italy.

In 2007, the number of customers increased across all geographic macro-areas, and particularly so in Southern Italy and Islands where growth was 11.7%.

| Geographic area (Number) | 2007 | 2006 | Change % | % out of total customers Italy |
|--------------------------|----------------|----------------|------------|--------------------------------|
| North-west | 253,266 | 244,007 | 3.8 | 28.3 |
| North-east | 258,363 | 243,335 | 6.2 | 28.9 |
| Centre | 202,470 | 191,257 | 5.9 | 22.6 |
| South and Islands | 180,201 | 161,355 | 11.7 | 20.2 |
| TOTAL ITALY | 894,300 | 839,954 | 6.5 | 100.0 |

ANALYSIS OF PRIMARY ACCOUNT HOLDERS BY GENDER

Gender composition remained stable.

| Gender (%) | 2007 | 2006 |
|--------------|------------|------------|
| Men | 61 | 61 |
| Women | 39 | 39 |
| TOTAL | 100 | 100 |

ANALYSIS OF PRIMARY ACCOUNT HOLDERS BY AGE GROUP

The majority of Group customers are in the **36 - 55** age group.

In 2007, the average age declined due to the acquisition of new customers under 30 years of age. This was connected to the recruitment of young Family Bankers™ which resulted in attracting younger customers.

| Age group (%) | 2007 | 2006 |
|--------------------|--------------|--------------|
| up to 25 years | 4.4 | 3.8 |
| 26-30 | 7.7 | 7.5 |
| 31-35 | 12.4 | 12.6 |
| 36-45 | 29.5 | 29.6 |
| 46-55 | 21.1 | 21.0 |
| 56-65 | 13.6 | 14.0 |
| >65 | 11.3 | 11.5 |
| TOTAL | 100.0 | 100.0 |
| Average age | 46.8 | 47.0 |

ANALYSIS OF PRIMARY ACCOUNT HOLDERS BY PROFESSIONAL CATEGORY

50.6% of Mediolanum Group customers are clerks, managers and entrepreneurs.

| Profession category (%) | 2007 | 2006 |
|----------------------------|--------------|--------------|
| Non-management employee | 35.1 | 34.8 |
| Entrepreneur | 15.5 | 15.8 |
| Blue collar | 13.4 | 11.5 |
| Retired | 12.0 | 12.8 |
| Self-employed professional | 12.0 | 12.8 |
| Homemaker | 7.0 | 7.6 |
| Manager | 1.5 | 1.3 |
| Student | 2.9 | 2.9 |
| Unemployed | 0.6 | 0.5 |
| TOTAL | 100.0 | 100.0 |

ANALYSIS OF PRIMARY ACCOUNT HOLDERS BY LEVEL OF EDUCATION

In 2007, the percentage of Group customers holding a high-school diploma or university/postgraduate degree remained at 68.3%.

| Level of education (%) | 2007 | 2006 |
|-------------------------|--------------|--------------|
| Elementary school | 7.8 | 8.3 |
| Junior High school | 23.9 | 23.3 |
| High School | 51.8 | 51.7 |
| University/Postgraduate | 16.5 | 16.7 |
| TOTAL | 100.0 | 100.0 |



Customer Satisfaction

For over 15 years, the primary market research institute UNICAB has been conducting the Annual Mediolanum Customer Satisfaction survey. The survey measures the satisfaction of Mediolanum customers in relation to a number of specific aspects, in particular, the relationship with the company and the Family Bankers™, products and related performance, direct channels and familiarity with the channels' functions, and customer service level. The survey enables the company to progressively **tailor** its products and services to customer needs. It also provides helpful suggestions for future actions and activities not only to respond but also to **anticipate** the ever changing demands and expectations of people.

METHOD

Each year the institute interviews a sample of **10,000** customers. In 2007, reflecting the composition of Mediolanum customers, 70% were bank account holders and 30% were non-bank account holders*.

The latest survey revealed a year-on-year improvement in customer satisfaction with the company and confirmed the close to the maximum level of satisfaction with the Family Banker™, whose transparency in disclosing commissions and ability to understand the customer's profile and risk appetite when providing financial advice, care and attention to customer needs, professionalism and reliability were particularly appreciated.

The variables used to rate the company that **improved** the most were performance, innovation and promptness of response.

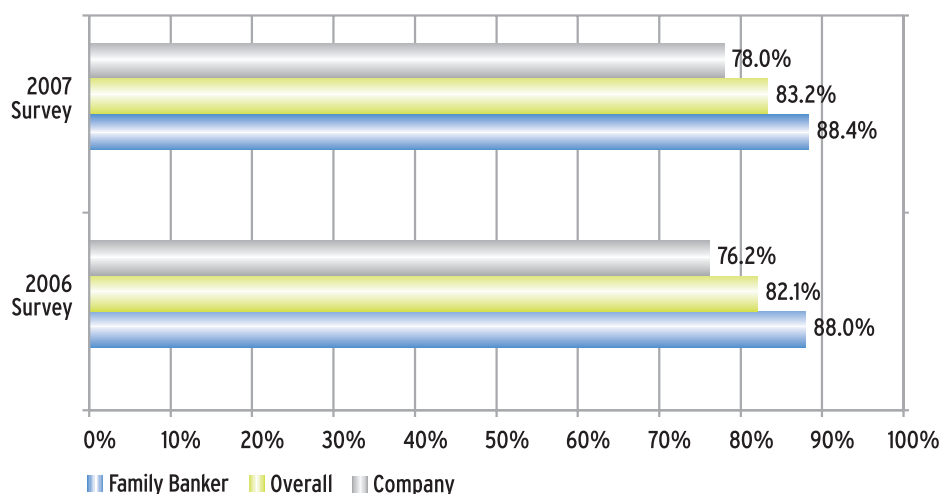
It should be noted that all items relating to customer satisfaction with the company got higher scores, and areas for improvement indicated in past editions were acted upon.

It should also be noted that bank account holders are on average **more satisfied** than those who do not hold or use the bank account. In fact, bank account holders are the customers who take the fullest advantage of all Banca Mediolanum informational and operational channels.

* In the previous year, 50% were bank account holders and 50% non-bank account holders.

The chart below shows that once again in the past year the percentage of satisfied customers grew. Overall satisfaction is calculated as the average of overall satisfaction with the company and overall satisfaction with the Family Banker™. Figures are not comparable to those reported in the 2006 Social Report due to the different composition of the interviewee sample (bank account holders and non-bank account holders). The chart below shows comparative figures for 2006 calculated using the same method applied in 2007.

Customer Satisfaction (completely satisfied customers: score 8 to 10 on a 1 to 10 point scale)



The Customer Satisfaction Survey has always provided helpful suggestions on how to improve the range of products and services. In 2008, the Group will form teams that will work on suggestions given by customers. The results of the work of those teams will be published in the next editions of the Mediolanum Social Report.

The results of the Customer Satisfaction Survey are confirmed by some customer loyalty indicators, which are an effective measure of customer satisfaction and of their lasting relationship with the Bank, i.e. **Average Customer Longevity, Cross-Selling rate and Retention rate.**

**"It has something more
because it offers all the options.
It let us choose."**

(A Banca Mediolanum customer since 2005)



AVERAGE CUSTOMER LONGEVITY

Average customer longevity increased in 2007, indicating growing customer loyalty.

| (Years) | 2007 | 2006 | Change % |
|----------------------------|------|------|----------|
| Average customer longevity | 8.1 | 8.0 | 1.2 |



CROSS SELLING

An indicator of the degree of coverage of the customer financial needs by the bank. It indicates the number of product lines that are actively used by a customer.

In 2007, the number of customers holding more than one product increased. This reflects the increasing market penetration of the Group. Over 60% of customers hold at least two products.

| | 2007 | 2006 | Change % |
|--|--------------|--------------|----------|
| Average number of products held | 2.8 | 2.7 | 3.7 |
| No. Of products held (% out of total customers) | | | |
| One product | 34.9 | 36.7 | (4.9) |
| 2-5 products | 55.5 | 53.6 | 3.5 |
| At least 6 products | 9.6 | 9.7 | (1.0) |
| TOTAL | 100.0 | 100.0 | |

(Product types: Bank Accounts, Credit Cards, Securities Accounts, Mutual Funds, Managed Accounts, Index Linked Life products, Retirement Plans, Life Insurance and General Insurance products, Credit facilities/Loans/Mortgage products, Use of the multiple channels.)



CUSTOMER RETENTION

Customer retention is defined as the number of customers doing business with the Group at the end of a financial year expressed as a percentage of those who were active customers at the beginning of the year.

Compared to the previous year, customer retention declined. This is not a concern since this is what typically happens when there is strong growth in the customer base.

| (%) | 2007 | 2006 |
|-------------------------|------|------|
| Customer Retention Rate | 93.0 | 93.9 |



“PRIMAFILA”

PrimaFila is a programme developed **to reward** the Group’s most loyal customers with prizes, special deals through third party companies and other advantages and the level of service offered to them is increasingly enhanced.



The programme also features meetings, events, conventions and other activities, all of which bring together **the community** of PrimaFila customers, fostering the customer’s closeness to Mediolanum.

Advantages and services

PrimaFila customers have access to an array of carefully selected entertainment, sports and cultural events.

In addition, customers can take advantage of special deals with other companies, and preferential treatment in relation to certain Banca Mediolanum services, e.g. **priority** access to the Bank’s services.

In 2006, the web page www.primafilamediolanum.it was created for the members of the PrimaFila Club. Logging onto that web page, customers can get real-time news and information on scheduled events.

The programme was expanded in 2007. Since April 2007, PrimaFila customers have been able to get weekly news, updates and information on offers dedicated to PrimaFila Club customers directly from the website www.bancamediolanum.it by logging onto the reserved area.

PrimaFila customers also receive personalised electronic newsletters.

To monitor appreciation for the initiatives and to get the opinion of PrimaFila customers, a **satisfaction survey** was conducted through:

- telephone interviews of a sample of 400 PrimaFila customers
- an online questionnaire that was published in the reserved area of the website and was filled out by 230 PrimaFila Club members.

Using a questionnaire published on the Sales Network Portal, a survey was also conducted with the Family Bankers™ who take care of those customers.

All surveys revealed appreciation for the PrimaFila Club. Over 50% of customers and 60% of Family Bankers™ who participated in the surveys gave a high score (8 - 10 on a 1 to 10 point scale). Among the services provided, Carta Oro Mediolanum and related services were the most known and used, and PrimaFila events were the most appreciated.

Suggestions made were used to plan initiatives geared to refresh and improve the PrimaFila offering:

- Prompt electronic communication of new PrimaFila Club advantages and special offers (**e-newsletter** sent on a regular basis to all customers who registered to receive it).
- **Co-Marketing** initiatives aimed at giving our best customers advantages and special offers that meet their profile in the areas that were most appreciated in the past (health, wellness, travels etc).
- Broader **geographical dissemination** of PrimaFila Club events in places other than Milan/Rome.
- Training sessions for Family Bankers to educate them on PrimaFila Club advantages.



Channels and Services

This section sets out information about the various channels used by customers to access the services that reflect the Bank's multiple channels.

In 2007, 70% of the 754,526 bank account holders used Direct Channels, up 18% compared to the previous year.

Thanks to the new options added and the broader range of services, customer accesses grew significantly to 20.7 million (excluding text messages), up 25% over the prior year. Text messages more than doubled compared to the prior, they were up 144%.

**"With just a few quick steps,
that are fast and that work,
you have access
to all the services you need."**

(A Banca Mediolanum customer since 2002)

USAGE RATE OF DIRECT CHANNELS 2007 VS. 2006

Once again in 2007, the use of direct channels by customers grew, indicating their increasing familiarity with and appreciation of the channels.

Specifically:

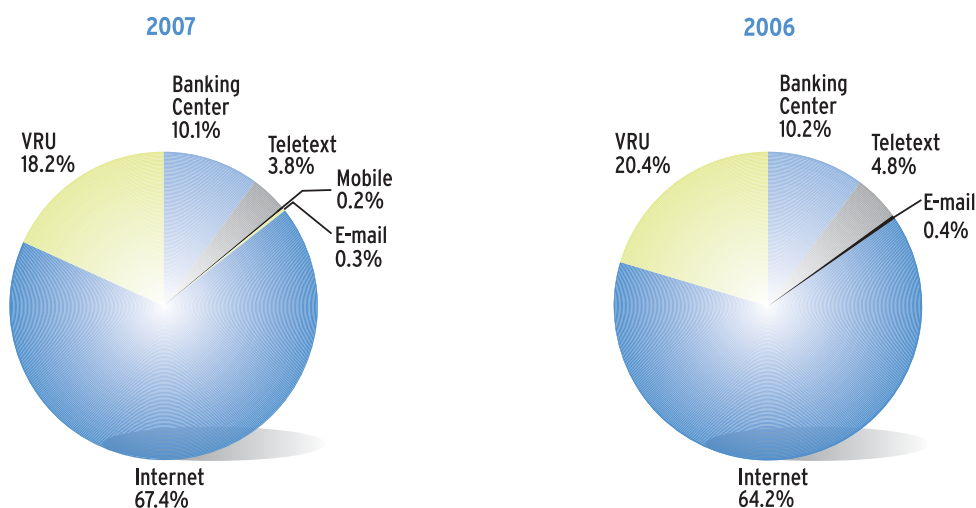
- **The Internet:** internet accesses were 67% of total accesses, and **increased by 31%**.
- **Banking Services Center** phone calls accounted for 10% of total accesses and they were **up 23%**. The expansion of services and the subsequent increase in phone calls did not affect the superior standard of service: about 97% of phone calls were answered in 20 seconds, improving by 2% compared to the previous year.
- Accesses through the Bank's automatic systems: the Internet and the automatic VRU answering system stood at 86%. This confirms that customers prefer **to make transactions on their own** and seek the support of a representative only when they need it.

The most common **text messages** continue to be alerts for ATM withdrawals (34% of total messages), website log-ins (25%), and bank account balance inquiries (20%). Customers are concerned about security and always request new services to enhance it. New text-messaging services added to further enhance security were therefore much appreciated.

Customer orders increased by 46% over the previous year:

- banking orders were up 42% and accounted for 66% of total orders;
- asset management orders were up 14%;
- requests to activate services or change data (text messaging alerts, change in personal details, etc.) were up 104%.

Channels and services



**"Home banking is so intuitive!
It's extremely easy:
in three seconds, even less, you are in the bank!"**

(A Banca Mediolanum customer since 2005)

WHAT'S NEW IN 2007

In 2007, new services and ways to interact with the bank, both in terms of information and transactions, were introduced.

The following services were made available via our internet or telephone channels:

- payment of cash orders;
- activation of the 'revolving' feature on Riflex cards;
- location finder to help customers locate the closest Financial Advisor office as well as Intesa and BancoPosta branches with whom there are agreements to supply cash logistics services to our customers only through the internet channel;
- tool for customer profiling for a more complete evaluation of the suitability of the investment (a questionnaire on the website that, once filled out, allows the assessment of the appropriateness of the transactions the customer wants to execute compared to their personal risk tolerance with respect to the investment);
- option to receive the official documents via e-mail at the customer's private address (also in the interest of greater social responsibility and environmental awareness since this allows to reduce the mailing of paper documents);
- request for and reloading of the Mediolanum Money Service card;
- services that are not typically offered by banks such as payment of yearly motor tax and topping up of DTT (Digital Terrestrial TV) cards.

And important **security** features were not left out:

- a new "Security" area was created where it is possible to modify security codes, to verify the time of accesses and manage activation, deactivation and request of SMS alerts;
- customers were given the opportunity to buy the main software packages offered by a world leader in internet security solutions at a discount.

B.MED MOBILE



As promised, in 2007 the B.Med Mobile service underwent improvement, a niche service reserved for customers with a greater orientation to the use of technology.

In fact, in the month of May, an additional bank access channel was introduced: the B.Med Mobile service that allows customers to browse the main details of their bank account and to execute a variety of transactions through mobile "smartphones".

Specifically, through these new applications, customers have all the information regarding their bank account, credit/debit cards, funds and securities at their fingertips at any time. They can also put credit on telephone and prepaid cards as well as execute wire transfers.

The service has been increasingly broadened through the introduction of new smartphones supporting these applications.



2008 INITIATIVES

In 2008, the automatic telephone response service - Interactive Voice Response (IVR) - will be enhanced and upgraded to supply more information and, at a later stage, to carry out some simple transactions currently available only through the Banking Services Center representatives or other channels.

Initiatives planned to supply a wider range of banking and non-banking services have been implemented: these services, such as requests for Telepass (electronic toll payment cards and devices), are immediately accessible through the Direct Channels.

Moreover, the expansion of the Mobile software application is in the planning stage with the release of a new simplified version able to be utilised by all cellular telephones to view certain Internet pages.



Development of the range of products and services

The Mediolanum Group's philosophy is **to identify the needs** of customers, who are at the centre of the business proposition, and to satisfy these needs.

Mediolanum continuously monitors its products and services to offer increasingly innovative, flexible solutions and eliminate those that no longer meet customer needs.

**"It fits like a glove:
it seems tailor-made."**

(A Banca Mediolanum customer since 1999)

NEW PRODUCTS AND SERVICES

In 2007, **8 new products and services** were launched.

Among these, special mention is given to **TaxBenefit New**, the timely, complete solution to the pension problem offered by Mediolanum in compliance with the recent pension reform (Law Decree 252/05).

TaxBenefit New is an Individual Pension Plan modelled after the experience of Anglo-Saxon pension plans designed to supplement each individual's future social security benefits with the added possibility to invest the employee's TFR (employee end-of-service indemnity) funds enjoying the tax advantages built into that type of product.

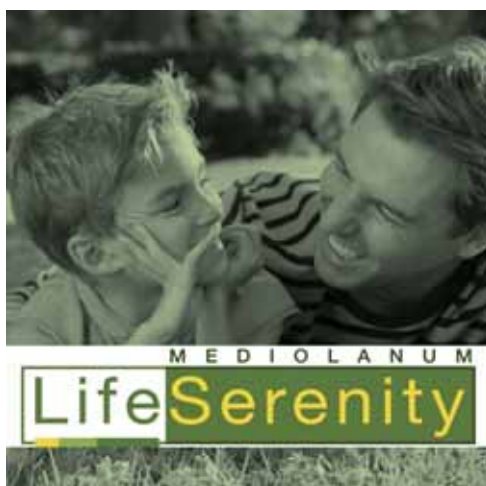


Once again, with family protection over the long term in mind, Mediolanum has developed a comprehensive line of insurance products: **Life Serenity**.

It is an integrated insurance coverage service designed to provide protection from serious risks that could undermine the economic security of the customer via a lump-sum payment in case of disability or death.

It includes three products:

- Life Serenity Vita is a life insurance product offered by Mediolanum Vita S.p.A. meant to protect the policyholder's family from the negative economic consequences in the event of the policyholder's death.
- Life Serenity Infortuni is a product offered by Mediolanum Assicurazioni S.p.A. designed to provide protection to the insured and their loved ones from highly disabling or fatal accidents.
- Lastly, Life Serenity Global is a product of Mediolanum Vita S.p.A. that offers a comprehensive and wide range of coverage.



The investment product range was further broadened with the launch of the **Challenge Total Return** and **Challenge Flexible** products. Total Return funds are flexible funds that have the objective of generating absolute positive return and the protection of capital over a mid-term investment horizon. On the other hand, Challenge Flexible is a pure flexible fund characterised by the absence of any specific constraints in terms of the portfolio composition.

The family of products offered to the customer in the area of administered assets has also been broadened.

In the course 2007, **Mediolanum Welcome** was designed and launched for new Banca Mediolanum customers. This is a service that invests liquidity for the short term guaranteeing a high return with no risks. In fact, it is a repurchase agreement at a particularly advantageous rate.

For those Banca Mediolanum customers who utilise Post Offices to make cash and check deposits and withdrawals, the **Mediolanum Money Service card** was introduced.

Since 2007, the **American Express** green card has been offered to Mediolanum customers. The **M4U** bank account and personal loan that are specifically tailored for university students are in the test phase.

| (Number) | 2007 | 2006 |
|-----------------------|------|------|
| New products launched | 8 | 5 |



PRODUCT UPDATES

In addition to the new products launched, a series of updates were made to the “families” of products already available (for example different versions of the Index-Linked product DiPiù), which are continuously analysed and updated in an effort to best respond to customer needs but also to be in line with market and regulatory changes.

Therefore, the offering must be solid but not static and must be born from listening to the customer, thus from the relationship established and a better and better understanding of the customer.

The wide array of Index-Linked products was enhanced with a new issue: **DiPiù “Ecology”**, evidence of a greater sensitivity towards investments in sectors characterised by heightened attention to the environment and is also a means to increase customer and market awareness of these sectors. In fact, the product benchmark is linked to the ECPI Global Renewable Energy Index and ECPI Climate Change Equity Index.

Moreover, the Mediolanum Group introduced important innovation in the contract documentation that must be signed by the customer not only to be in line with the requirements introduced by regulatory changes (in particular the innovation introduced by MiFID), but also to increase transparency vis-à-vis contract signees.

Moreover, in 2007, the changes to existing products played an important role, in particular in the restructuring of the previous Individual Pension Plan and also in the revision of the non-occupational pension funds Previgest and Previgest Fund offered by Mediolanum Vita and Mediolanum Gestione Fondi respectively.



THE MARKET RESPONSE

In 2007, **more than 50% of the portfolio** comprised **products** that have been offered for **less than five years**.

An efficient measure of innovation is the market response in terms of **new product subscriptions**, which is greater than **60%** of the total for those products that have been offered for less than five years.

| Years (%) | Number of products | | Years (%) | New contracts | |
|--------------|--------------------|-----------|--------------|---------------|-----------|
| | 2007 | 2006 | | 2007 | 2006 |
| <5 | 53 | 61 | <5 | 64 | 64 |
| Of which | | | Of which | | |
| <1 | 8 | 16 | <1 | 17 | 4 |
| 1 | 14 | 12 | 1 | 6 | 37 |
| 2 | 11 | 6 | 2 | 36 | 2 |
| 3 | 6 | 9 | 3 | 1 | 6 |
| 4 | 8 | 6 | 4 | 4 | 6 |
| 5 | 6 | 12 | 5 | 0 | 9 |
| >5 | 47 | 39 | >5 | 36 | 36 |

2007 was characterised in particular by a high number of new product subscriptions, **17%** of which relate to products launched in the same year. This fact explains the great success obtained by TaxBenefit New.

Advertising

In 2007, Banca Mediolanum launched a new **multimedia campaign** focusing on the simple fact that the business model of the “all-around bank” is unique, whose specific characteristics and benefits are personally illustrated by a panel of **11 customers** representing a variety of ages, professions, geographic areas and lengths of time in the relationship with the bank who give their personal testimonial about the uniqueness of the model talking about their own personal experience.

The 11 testimonials used in the campaign were selected out of a very large number of customers from all over Italy. This operation generated a great deal of interest among customers - and also produced many “volunteer candidates” for the next communication campaign of the Group - a demonstration of the genuine spirit of belonging generated by the relationship between the bank and the customer.



The TV commercials were filmed in a variety of locations, including the customers’ homes, in order to document a slice of life portraying their relationship with the bank.

The customers were also at the centre of the print campaign and other media initiatives. “I use Mediolanum because...” was the key to prompt a spontaneous response, conveying the concept of our bank as an “easy tool” that is always available.

The products, the services, the direct channels, the different kind of relationship with the Family Banker™ and the bank - in other words the customer experience and customer satisfaction - were thus communicated with immediacy and authenticity as the customers were interviewed in a day-to-day environment, seated in the red armchair which by now has become one of the symbols of the bank.

By putting the customer **at the centre of all communication**, Banca Mediolanum transforms the claim (“Built around you”) into a USP (Unique Selling Proposition) that is tangible.

These commercials bear the seal of the company’s founder **Ennio Doris**, who also had a leading role in other communication activities over the course of the year.

In fact, the 25th anniversary of the Group presented the occasion to develop a TV and print **campaign celebrating** the milestone highlighting “the freedom” that the model of a technological and innovative bank gives to the customer and also the fact that the relationship with the Family Banker™ is “central”.

In December, Ennio Doris was the creator of an initiative geared to spreading a greater financial understanding on the part of all investors with the aim of increasing their understanding and confidence in the area of investing to prepare them for when markets could generate timid or counterproductive reactions based on emotions. In fact, on December 11, the Mediolanum Market Forum was held; this multimedia event generated a great deal of interest and could be used as a new way of dialoguing with **stakeholders** as soon as 2008.



The communication strategy is rounded out at the local level through a series of initiatives where the Family Banker™ explains in practical terms how the bank works, also through “live” demonstrations.

In 2007, “**Mediolanum Personal Marketing**” was also inceptioned. This is a tool used by the Family Banker™, who plays an active role in the communication process and thanks to the knowledge of the customer and familiarity with the territory is able to suggest to the company the type of communication that is conducive to a more efficient one-on-one relationship.

| Medium (%) | Media Mix | |
|--------------|------------|------------|
| | 2007 | 2006 |
| Tv | 64 | 58 |
| Internet | 12 | 24 |
| Print | 10 | 9 |
| Radio | 9 | 6 |
| Billboards | 5 | 3 |
| TOTAL | 100 | 100 |

Over the course of 2007, TV was the most prevalent means of advertising utilising 64% of the advertising expenditure. This was primarily due to the launch of the Group new communication campaign.

The Internet, attracting a significant percentage of the advertising expenditure, played once again a primary role in the advertising media mix.



2008

Banca Mediolanum mette al centro i suoi clienti, sempre. Anche a Natale.



Da quest'anno insieme a Carlo Turin
i nostri uffici sono i nostri clienti.
Che hanno raccontato la differenza tra
Banca Mediolanum e gli altri grandi banche,
in una campagna che ha messo al centro
la loro esperienza diretta e i comfort
della loro reale soddisfazione.
Perché con Mediolanum hanno trovato
più che una banca tradizionale,
e molto di più che una banca online.
Hanno trovato "e Sostanziale":
un modello bancario diverso, più aperto e pronto
al contatto umano, grazie ai suoi
8.420 Punti Banca™ dedicati al cliente,
e che offre sicurezza di risparmio,
agibilità e professionalità continue
sempre intorno alla famiglia e alla persona.
In ogni momento della sua vita,
Banca Mediolanum è la banca cristiana.
Per questo oggi conta
oltre un milione di clienti
e 76.000 dipendenti in più nel 2007.

Sara Allegri, Paola Barterio, Franco Crippa,
Lisa Ieri, Emilio Innocenti, Serena Lazzari,
Domena Marchionni, Oscar Marzari,
Giulia Rinaldi, Teresa Werbet,
Ettore De Michelis. Tante più vicine
al nostro modo di essere la Banca
è, con **Ennio Doria**, il nostro
più grande e felice.

Auguri!

**AJUTA I BAMBINI DI NATI
A COSTRUIRSI UN FUTURO!**

Banca Mediolanum è Banca Mediolanum, con i suoi 8.420
Punti Banca™, la sua rete di uffici e la sua esperienza
di oltre 100 anni. Banca Mediolanum è un'istituzione
di diritto pubblico, fondata nel 1861 e controllata da
un gruppo di soci, tra i quali il Gruppo Assicurativo
Mediolanum e il Gruppo Assicurativo Mediolanum.

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nel 1861 e controllata da un gruppo di soci, tra i quali il Gruppo Assicurativo Mediolanum
e il Gruppo Assicurativo Mediolanum.



EFFICACY AND RECALL

The value of the communication strategy is illustrated by a positive trend that has been going on for quite some time and is confirmed by the data. In fact, in 2006, Banca Mediolanum was in first place (along with two other Groups) in the ranking prepared by GfK Eurisko-Multifintrack, which monitors spontaneous recall of banking brands advertisements.

In 2007, Banca Mediolanum **broke the tie and came in first** in terms of **spontaneous recall of advertising** with a score never before reached on an annual basis by any banking group that has been monitored by Eurisko-Multifintrack in the last six years.

Spontaneous recall of banking brands advertisements*

| 2007 | 2006 |
|---------------------|---|
| 1. Banca Mediolanum | 1. Banca Mediolanum tied with Sanpaolo and Banca Intesa |
| 2. Sanpaolo | |
| 3. ING Direct | |
| 4. Banca Intesa | 4. ING Direct |
| 5. Unicredit | 5. Unicredit |

In 2007, in terms of spontaneous awareness of banking services brands on an annual basis Mediolanum moved up in position to fourth place, coming in right after the biggest market players.

Spontaneous awareness of banking brands*

| 2007 | 2006 |
|--|---|
| 1. Sanpaolo | 1. Banca Intesa |
| 2. Banca Intesa | 2. Sanpaolo |
| 3. Unicredit | 3. Unicredit |
| 4. Banca Mediolanum | 4. BNL |
| 5. BNL pari merito con Monte dei Paschi di Siena | 5. Monte dei Paschi di Siena |
| | 6. Banca Mediolanum tied with Banca di Roma |

* Source: GfK Eurisko - 2007 Multifintrack survey



Consumer Protection

PATTICHIARI

PattiChiari is an initiative taken by the Italian Bankers' Association to enhance the relationship between banks and their customers.

Banca Mediolanum is one of the **founding members** of the PattiChiari Consortium and participated in two programmes, namely "Conti Correnti a confronto" (Comparing Bank Accounts) and "Cambio conto" (Switching Accounts).

By participating in these two programmes, the Bank agreed to comply with the **Rules** drafted by the PattiChiari Consortium.

"Conti correnti a confronto"

Launched on January 15, 2004, the "Conti correnti a confronto" programme enables consumers to compare the features and expenses of the different accounts offered by the PattiChiari member banks.

Banca Mediolanum participated in the programme presenting its Riflex, Unico, Free, Profit and Extra bank accounts and received the proper **certification** in February 2005.

Regular reviews are conducted by an external body to verify compliance with PattiChiari Rules. These reviews were held in September 2005, June 2006 and March 2007.

The next review is scheduled for early 2008.

"Cambio conto"

In **2007**, Banca Mediolanum joined the "**Cambio conto**" programme, which is aimed at helping customers who decide to move their account to another bank by providing clear information on how to close the bank account and transfer direct payment orders to another bank in an easy and rapid manner. In early 2008, Banca Mediolanum will receive a certification also for this programme.

The website www.bancamediolanum.it includes a section dedicated to PattiChiari programmes. The section can be accessed directly from the homepage and provides visibility to the PattiChiari programmes.



Capire di più per scegliere meglio, in banca.

RENEGOTIATION OF CONTRACTUAL TERMS

Among the credit-related products offered to customers, some of them feature a high degree of flexibility. For example, the Riflex mortgage that was launched in 2006 and is still on the market is a non-standardised product and can be adapted to customer needs. The product's main feature is the option to modify several parameters (not just the rate) every 5 years without having to renegotiate the mortgage. "Your choice is based on who you are and you change it as you want".

PERSONAL DATA PROTECTION

Legislative Decree 196 of June 30, 2003, also known as "The Personal Data Protection Code", unified into a single statute Italy's privacy legislation that had been produced over time in the form of many amendments and addenda to the original Act 675/1996.

The Personal Data Protection Code sets forth requirements for confidentiality of personal data and identity as well as for their protection. The code requires that personal information be processed only for the purpose that it was originally collected and in compliance with the nature of the information itself.

Processing of personal data is allowed only when minimum security requirements are met.

To increase security of personal data and of the databases storing customers' and Group companies' information, i.e. to mitigate the risk connected with the circulation and/or use of information by third-parties:

- A communication was sent to all Banca Mediolanum's personnel on minimum data security requirements users must comply with when storing and processing data, including electronically;
- Document shredders were installed on each floor at the HQ to destroy any confidential material.

Mediolanum has a **Personal Data Protection Office** that is responsible for:

- preparing **information** about deeds, contracts, contests etc. in accordance with the instructions issued by the Information Commissioner's Office (ICO);
- verifying compliance of the physical infrastructure and information technology systems that have an impact on personal data protection with **security requirements**;
- preparing the "Security Policy Documents" for the companies that are part of the Group, in collaboration with the Information Systems and Organisation Department;
- organising **training** sessions for data processors and individuals in charge of processing personal data.

**"There's undisputed security
in the treatment of my data."**

(A Banca Mediolanum customer since 1997)

Notices and Requests

The Personal Data Protection Office may receive the following notices and requests either directly from customers or from the ICO:

- **Notices of infringement:** set out a detailed account of facts, violated regulations and remedies sought, following a substantiated claim for infringement filed with the Information Commissioner's Office. These claims can be filed without having to comply with specific official procedures.
- **Notices of investigation:** when infringement on the improper use of personal data is suspected, a complaint can be filed with the Information Commissioner's Office for further investigation.
- **Notices of official complaint:** when an individual seeks protection of his/her rights with the Information Commissioner's Office under the Personal Data Protection Code (only one case in 2006).
- **Requests for information:** requests to verify whether a company stores certain personal information in its databases.
- **Requests for cancellation of data:** rare requests to block the use of data for purposes other than those strictly related to the relationship in force with the bank.

Analysis of privacy protection notices and requests received

In 2007, requests for cancellation of personal data more than halved compared to the prior year.

| Type of notice or request (Number) | 2007 | 2006 |
|------------------------------------|------------|------------|
| Notices of infringement | 11 | - |
| Notices of investigation | - | - |
| Notices of official complaints | 2 | 1 |
| Requests for information | - | 1 |
| Requests for cancellation | 116 | 270 |
| TOTAL | 129 | 272 |

Complaints largely relate to claims of inadequate privacy protection that are part of complaints originating in other areas. These complaints were thoroughly investigated to identify any deficiencies and/or vulnerabilities in the system used to manage customers' sensitive personal data.

COMPLAINTS

Pursuant to CONSOB Regulation 11522/98 and ISVAP Circular Letter 518/D, the **Internal Audit** function is responsible, among other things, for keeping the Customer Complaints Registers on behalf of Group companies, for preparing the related reports to be sent to Supervisory Authorities and for regularly producing related statistics for examination by Senior Management.

Work is in progress to comply with the requirements of the Joint Regulations issued by the Bank of Italy and Consob on October 29, 2007 and involve the Compliance team, which is responsible for regulatory compliance of processes and services.

Analysis of complaints by channel

In 2007, the Group received 4,808 complaints. About 83% of them were addressed to Banca Mediolanum, which sells all the Group's products through its distribution network.

| Channel (Number) | 2007 | 2006 | Change % |
|---|--------------|--------------|--------------|
| Regular mail | 2,527 | 2,514 | 0.5 |
| Fax | 626 | 443 | 41.3 |
| E-mail | 1,655 | 1,687 | (1.9) |
| TOTAL CLAIMS | 4,808 | 4,644 | 3.5 |
| Total Customers | 1,060,649 | 995,312 | 6.6 |
| TOTAL CLAIMS/TOTAL CUSTOMERS (%) | 0.45 | 0.47 | (4.3) |
| Total Active Contracts | 2,468,819 | 2,302,444 | 7.2 |
| TOTALE CLAIMS/TOTAL ACTIVE CONTRACTS (%) | 0.19 | 0.20 | (5.0) |

The number of complaints received in 2007 increased less than proportionally to the growth of active contracts.

Again in 2007, the channels most used by customers to make complaints were regular mail and email. However, it should be noted that the use of the facsimile increased.

Analysis of complaints by status

"Unresolved and expired complaints" out of "total complaints received" declined significantly from 6.2% in 2006 to 4.7% at year end 2007. This indicates an improvement in the complaint management processes.

| Status of complaints (Number) | 2007 | 2006 | Change % |
|--|--------------|--------------|---------------|
| Not upheld / baseless | 3,386 | 2,930 | 15.6 |
| Upheld | 716 | 779 | (8.1) |
| TOTAL COMPLAINTS RESOLVED AT YEAR END | 4,102 | 3,709 | 10.6 |
| Unresolved but not expired | 480 | 645 | (25.6) |
| Unresolved and expired | 226 | 290 | (22.1) |
| TOTAL COMPLAINTS UNRESOLVED AT YEAR END | 706 | 935 | (24.5) |
| TOTAL COMPLAINTS | 4,808 | 4,644 | 3.5 |
| TOTAL COMPLAINTS UNRESOLVED AND EXPIRED / TOTAL COMPLAINTS RECEIVED (%) | 4.2 | 6.2 | (24.2) |

Average time taken to resolve complaints

| Time-to-resolution (days) | 2007 | 2006 | Change % |
|--|------|------|----------|
| Average time-to-resolution | 43 | 26 | 65.4 |
| Average time-to-resolution (for unresolved complaints) | 83 | 75 | 10.7 |

Average time to resolution increased due to the complex management of certain complaints received.

Complaints referred to the Banking Ombudsman

The Banking Ombudsman Service was established by the Italian Bankers' Association in 1993 to help solve disputes between banks or other intermediaries and customers. The service is free of charge.

Any customers who claim an economic loss up to €50,000 (for transactions made after January 1, 2006)* can refer their case to the Ombudsman.

Customers must first file a complaint with their bank. If the bank does not respond or customers are dissatisfied with the response, they can refer their case to the Ombudsman. From January 1, 2007, the services offered by the Banking Ombudsman are provided by the newly established Banking Conciliator's Office.

* Prior to January 1, 2006, only private consumers could refer their case to the Ombudsman and the limit set for the economic loss suffered was € 10,000.

The Banking Conciliator's Office is an Alternative Dispute Resolution (ADR) service provided for the banking, financial and corporate sectors. Italy's top ten banking groups are among its founding members.

The Banking Conciliator's Office provides conciliation as well as arbitration services.

In 2007, no case was referred to conciliation or arbitration by any Banca Mediolanum customer. The number of complaints submitted to the Ombudsman by Banca Mediolanum customers slightly increased compared to 2006.

| Outcome of Complaints (Number) | 2007 | 2006 | 2007 % distribution | Change % |
|-----------------------------------|-----------|-----------|------------------------|--------------|
| Upheld | 4 | 3 | 13.3 | 33.3 |
| Not upheld | 10 | 8 | 33.3 | 25.0 |
| Resolved by mediation | 8 | 1 | 26.7 | 700.0 |
| Dismissed | 2 | 3 | 6.7 | (33.3) |
| Outside jurisdiction | 5 | 18 | 16.7 | (72.2) |
| The Bank's decision was confirmed | 1 | - | 3.3 | - |
| TOTAL COMPLAINTS RESOLVED | 30 | 33 | 100.0 | (9.1) |
| TOTAL COMPLAINTS RECEIVED | 37 | 35 | - | 5.7 |

Since the Ombudsman has on average 90 days to decide, "Total complaints received" by the Ombudsman in the year may not coincide with "Total complaints resolved" by the Ombudsman. For example, in 2007, the Ombudsman resolved those complaints received in 2006, and in 2008 will make decisions on those complaints received in 2007. According to their outcome, complaints are classified as:

- Upheld
- Not upheld
- Resolved by mediation: when then parties reached an agreement either directly or through the informal action of the Ombudsman.
- Dismissed for inactivity of the complainant: when after filing a complaint, the complainant fails to send the documentation requested by the Ombudsman.
- The Bank's decision was confirmed.
- Outside jurisdiction: e.g. because the economic loss is above the limit or outside the jurisdiction of the Ombudsman (against insurance companies, the Postal Service, etc.).



**"My Family Banker
is serious,
reliable...
and is a person I trust."**

(A Banca Mediolanum customer since 2007)

Sales network



Mediolanum business is driven by its **Sales Network**, Italy's largest network of financial advisors. At year end 2007, there were over **6,400 Family Bankers™**, the new generation of banking professionals, dedicated to taking care of over one million customers.

The revamping of the Sales Network training deserves to be highlighted. These activities will continue in 2008 with the completion of the **Mediolanum Corporate University**. The role and the importance of training are particularly significant for a company like Banca Mediolanum who recruits young people to initiate them to the profession.



In 2007, several objectives aimed at improving training were achieved. First, a **training program**, which was even more intense than in the past, was implemented also as a result of statutory and regulatory changes. As a result of these efforts, in the year there was an increase in the **number of financial advisors** who passed the CONSOB exam.

Thanks to this effort, at year end Banca Mediolanum reached a total of 5,040 Family Bankers, ranking first in Italy in terms of number of Financial Advisors*.



In 2007, **Mediolanum Personal Marketing** was developed. A new tool available to Family Bankers who, in fact, play an active role in the communication process and thanks to their knowledge of the customer and of their local territory, are able to direct the company regarding the type of communication that is more appropriate for each customer, also indicating the means of contact to utilize (letter, text-messaging, e-mail, Banking Services Center, Internet). The aforementioned initiative offers a number of advantages such as the possibility to constantly update customer data and to keep track of the history of the various campaigns with the insertion of contact result, with the aim of increasing and bettering customer knowledge and the quality of the relationship.

*Source: Assoreti Statistics "Net inflows and number of active financial advisors" december 2007.

Analysis of the Sales Network

In 2007, a significant growth trend was recorded in the full-time sales network, even better than the considerable results attained in 2006.

| Sales network (Units) | 2007 | 2006 | Change % |
|---|--------------|--------------|---------------|
| Family Banker™ (Licensed Financial Advisor) | 5,040 | 4,011 | 25,7 |
| Junior Family Banker™ (Insurance Agents and Financial Agents) | 1,342 | 2,162 | (37,9) |
| Full-time sales network, Italy | 6,382 | 6,173 | 3,4 |
| Part-time sales network, Italy | 82 | 163 | (49,7) |
| TOTAL SALES NETWORK | 6,464 | 6,336 | 2,0 |

The sales network of the Mediolanum Banking Group is the **full-time network**.

It includes two main professional categories:

- the Family Banker™ who has passed the state exam to become a licensed financial advisor and is registered with CONSOB;
- the junior Family Banker™ who is still being trained and coached while preparing to take the examination to qualify as licensed. Junior Family Bankers are either registered with ISVAP (Regulation 5/2006) as Insurance Agents for Banca Mediolanum S.p.A., or are included in the Register of Financial Agents as per the mandate they received from Mediolanum Distribuzione Finanziaria S.p.A.

The high number of advisors who passed the CONSOB exam in 2007 resulted in a strong growth in the number of licensed Financial Advisors and in a consequent reduction in the number of non-licensed financial advisors.

The **part-time network**, whose members are a part of Partner Time S.p.A., was downsized partly due to the regulatory changes that affected the market the network operates in, so much so that they were taken on by the other networks of the Group.

In the following sections we will analyse the characteristics of just Banca Mediolanum S.p.A. sales network, since its 6,400 Family Bankers make it the largest and most representative sales network within the Group.

Full-time network Banca Mediolanum

GEOGRAPHIC AND GENDER ANALYSIS

51,7% of the sales network operate in Northern Italy, 27,5% in Central Italy and 20,8% in Southern Italy. The variation in coverage is a function of the different demographic, social and economic characteristics of Italy's regions (income, population, level of education, market, etc.) and reflects the history of the Mediolanum Group since it started operating in Northern Italy.

| Geographic area | Total Family Banker™ number | % of total | % Female | Average age | | | Average length of service | | |
|-------------------------------|-----------------------------|--------------|-------------|-------------|-------------|-------------|---------------------------|------------|------------|
| | | | | M | F | Total | M | F | Total |
| Piedmont and Liguria | 677 | 10.7 | 22.0 | 40.1 | 37.1 | 39.4 | 6.7 | 4.4 | 6.1 |
| Lombardy | 924 | 14.6 | 17.3 | 41.7 | 37.2 | 40.9 | 8.3 | 4.3 | 7.6 |
| Nord-Western Regions | 1,601 | 25.3 | 19.3 | 41.0 | 37.1 | 40.3 | 7.6 | 4.3 | 7.1 |
| Emilia Romagna | 730 | 11.6 | 17.5 | 40.9 | 38.4 | 40.5 | 7.5 | 5.7 | 7.2 |
| Triveneto | 936 | 14.8 | 11.5 | 40.5 | 37.6 | 40.2 | 8.1 | 4.9 | 7.7 |
| North-Eastern Regions | 1,666 | 26.4 | 14.1 | 40.7 | 38.1 | 40.3 | 7.8 | 5.4 | 7.5 |
| Tuscany | 446 | 7.1 | 18.6 | 39.4 | 37.3 | 39.0 | 6.7 | 5.5 | 6.5 |
| The Marches/Abruzzi/Umbria | 413 | 6.5 | 23.2 | 40.3 | 36.9 | 39.5 | 7.7 | 4.5 | 6.9 |
| Latium/Sardinia | 880 | 13.9 | 24.7 | 38.9 | 35.5 | 38.0 | 6.4 | 3.9 | 5.7 |
| Central Regions | 1,739 | 27.5 | 22.8 | 39.3 | 36.2 | 38.6 | 6.8 | 4.4 | 6.2 |
| Apulia | 174 | 2.8 | 15.5 | 37.5 | 35.5 | 37.2 | 5.1 | 3.1 | 4.8 |
| Campania/Calabria/Basilicata | 487 | 7.7 | 28.9 | 35.5 | 33.2 | 34.9 | 4.6 | 2.7 | 4.0 |
| Sicily | 651 | 10.3 | 24.9 | 36.9 | 33.2 | 35.9 | 5.1 | 3.0 | 4.5 |
| Southern Regions | 1,312 | 20.8 | 25.1 | 36.5 | 33.4 | 35.7 | 4.9 | 2.9 | 4.4 |
| SALES NETWORK - ITALY* | 6,318 | 100.0 | 20.1 | 39.6 | 36.0 | 38.9 | 6.9 | 4.1 | 6.4 |

Women account for about 20% of the total sales network.

Due to a high recruitment rate of young Family Bankers, the average age in sales network (38.9 years) remained unchanged compared to 2006.

"I could call my years with Mediolanum my "heroic" years from age 30 to 40, when a person decides to leave their mark."

(A Banca Mediolanum Financial Advisor since 1982)

* The total sales network broken down by geographic area does not include the Headquarters Sales Network (40 advisors), Expatriates abroad (18 advisors).

ANALYSIS BY COMMERCIAL ROLE

| Category (Units) | 2007 | 2006 | Change % |
|---|--------------|--------------|---------------|
| Managers (from Group to Regional) | 250 | 210 | 19.0 |
| Supervisors | 1,171 | 1,141 | 2.6 |
| Global Bankers | 507 | 518 | (2.1) |
| Financial Advisors "in a strict sense" | 3,112 | 2,142 | 45.3 |
| Total Family Bankers™ (licensed financial advisors) | 5,040 | 4,011 | 25.7 |
| Total junior Family Bankers™ (non-licensed advisors) | 1,342 | 2,162 | (37.9) |
| BANCA MEDIOLANUM TOTAL FULL TIME SALES NETWORK | 6,382 | 6,173 | 3.4 |

Family Bankers™ can be classified into the following 4 main subcategories:

1. Managers
2. Supervisors
3. Global Bankers
4. Financial Advisors "in a strict sense"

Managers and Supervisors are part of Banca Mediolanum and coordinate other resources of the Sales Network structure (financial advisors, insurance agents and/or other Supervisors) and are differentiated based on their "direct reports", turnover and sales. Global Bankers and Financial Advisors "in a strict sense" are part of Banca Mediolanum and don't have any Sales Network members reporting to them (financial advisors or insurance agents) and are differentiated according to the parameters of assets managed and sales.





Annual turnover

The annual turnover is **calculated** as follows:

Annual turnover = Number of Resignations/Average number of sales network members
where: Average number of sales network members = [(Family Banker™ total number at December 31 of the prior year)+(Family Banker™ total number at December 31 of the current year)]/2

ANNUAL TURNOVER BY GEOGRAPHIC AREA

The lowest turnover rate is in the North-East - the region where the Sales Network was first established. The average for Italy stands at 18.3%.

| Region (%) | Turnover | |
|----------------------------|-------------|-------------|
| | 2007 | 2006 |
| North-West | 19.3 | 18.3 |
| North-East | 12.5 | 13.6 |
| Centre | 21.2 | 15.3 |
| South | 22.4 | 20.0 |
| Sales Network Italy | 18.3 | 15.6 |

The addition of many new young people in recent years pushed up total average turnover.

ANALYSIS OF ANNUAL TURNOVER BY LENGTH OF SERVICE

The first year in the profession is a time when the sales network members and Banca Mediolanum get to know and assess each other: this is the time period with the highest turn-over rate. From the second year on, the relationship with the company becomes more and more stable.

| | Years | | Total |
|------------------------|-------|-----|-------------|
| | 0-2 | >2 | |
| Turnover % 2007 | 36.8 | 6.8 | 18.3 |
| Turnover % 2006 | 31.9 | 7.5 | 15.6 |

"I was embarking on a law career, and the choice was not easy, but I fell in love with this profession leaving all other options behind!"

(A Banca Mediolanum Financial Advisor since 1988)



Customers per Family Banker™

Analysis with respect to length of time as a member of the Sales Force

The greater the length of service, the larger the number of customers and the **average assets managed** by the Family Banker™.

| | 2007 | 2006 | Change % |
|---|-------|-------|----------|
| Average customers per Family Banker™ (No) | 143 | 145 | (1.4) |
| Average assets per Family Banker™ (€/1,000) | 4,366 | 4,571 | (4.5) |

The average number of customers per Family Banker has remained essentially unchanged. The decline in average assets managed by the Family Banker™ was largely due to the unfavourable market performance.

**"The same person who
took care of my parents
is now taking care of me."**

(A Banca Mediolanum customer since 1999)



Incentives and promotion

The members of our Sales Network are self-employed and entrepreneurial in nature and theoretically have unlimited earnings, with which they bear the costs of their business.

These costs include: office related costs, travel to visit customers, many local commercial initiatives and the out-of-pocket expenses for training activities.

The Family Banker™ can choose between alternative career paths based on their personal inclinations:

- **the development and the management of the customer portfolio**, the value of the portfolio gives the possibility of selling it for a significant amount when the Family Banker™ ceases his or her activity. When a Family Banker™ retires, for example, the Mediolanum Group appraises the business the “entrepreneur” has built up at a premium compared to other commercial organisations in the same sector.
- a **managerial career**, building a hierarchy of Family Bankers within the Banca Mediolanum Sales Network structure, with compensation being awarded in the form of commissions.

The incentive system takes various factors, both quantitative and qualitative, into account: part of the compensation is linked to **parameters of quality**, the main one being customer retention. This applies to the entire structure up to top management.

It is also characterised by:

- consistency between personal objectives and the requirements of the Group;
- the reward of particularly positive results through contests;
- granting of stock options to the most qualified part of the Sales Network.



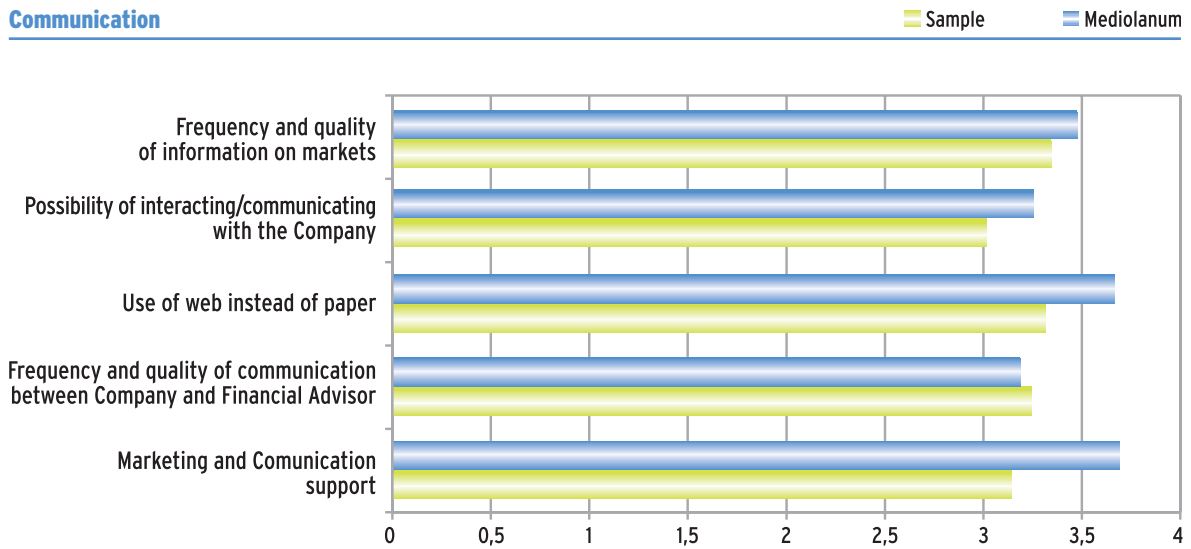
Satisfaction of the Sales Network

Once again in 2007, an independent research company (GfK Eurisko) conducted a survey on the level of satisfaction of Financial Advisors working for the main players in Italy's banking and asset management industry. The survey showed a very high degree of satisfaction overall (3.49 on a scale from 1-4 where 4 is the best).

97% of interviewees responded they were fairly or completely satisfied, compared to 96% in 2006.

Banca Mediolanum scored higher than average on most of the areas surveyed.

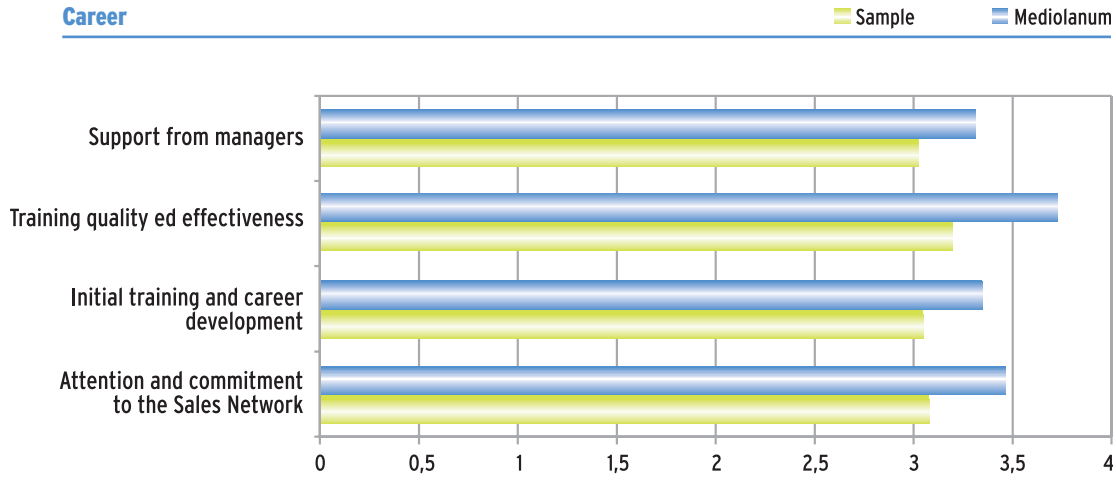
Communication



All the ratings indicate excellence, showing that the close working relationship between Headquarters and the Sales Network is among the highest on the market.

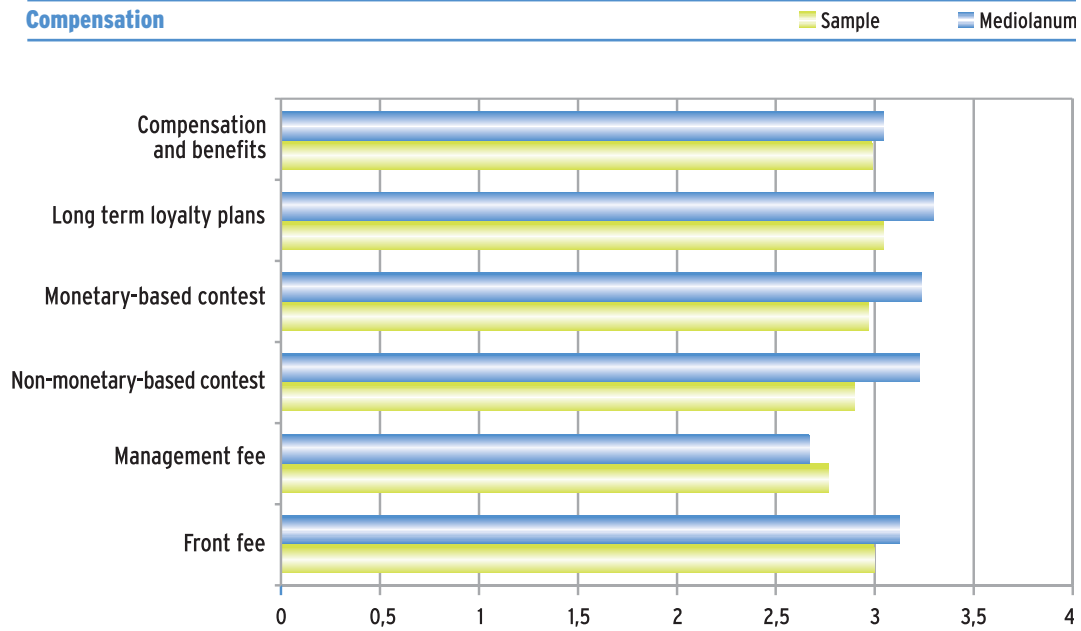
* The 2007 survey included a sample of 1,720 Financial Advisors from the following companies: Banca Mediolanum, Azimut, S. Paolo Invest, Banca della Rete, Finanza & Futuro, Banca Fideuram, RasBank, Banca Generali, Xelion, Fineco and MPS Banca Personale.

Career



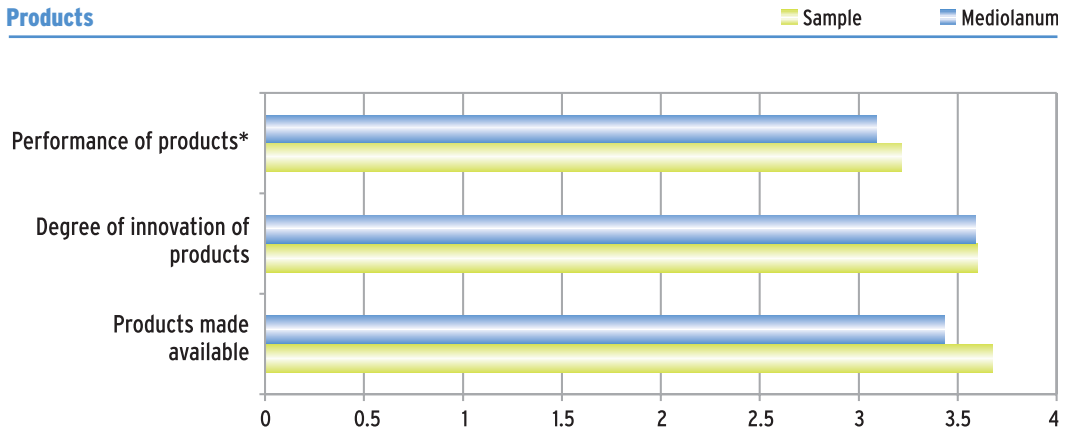
The career path model is appreciated from all points of view, especially for training quality and effectiveness.

Compensation



A high degree of satisfaction was expressed regarding almost all forms of compensation, indicating that the Group's reward and incentive systems are appreciated.

Products

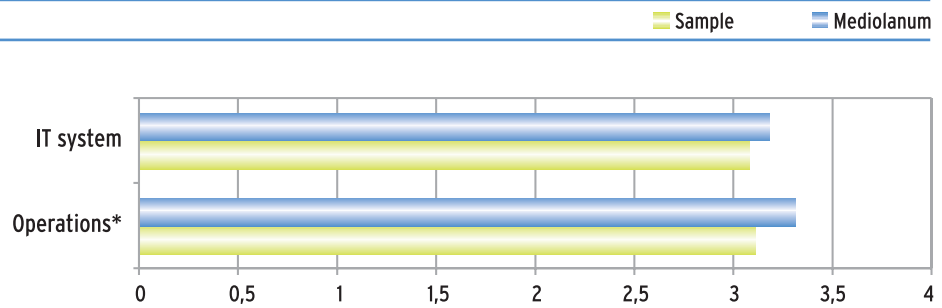


* In terms of customer returns

In the past year, the satisfaction of the Sales Network with the Group's products was slightly below average. That was partly due to the unfavourable financial market performance.

Initiatives to enhance our product offering are being studied in response to signs of a lower level of satisfaction, which however was rated above 3.

Support

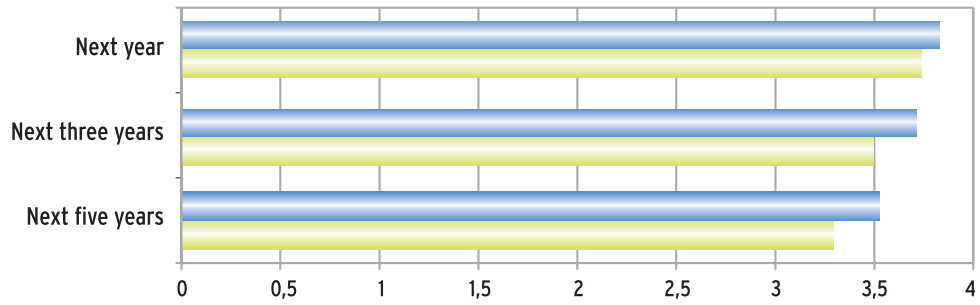


* Time required to open contracts, deliver material, etc.

A high degree of satisfaction was expressed for the infrastructures supporting the Financial Advisors.

Propensity to remain in the network

Sample Mediolanum



The propensity of the Banca Mediolanum Sales Network's members to remain in the Network is shown by their increasing loyalty rate that, over time, is increasingly above the average of the "best in class" companies included in the GfK Eurisko survey.



“Training & Learning”

The Family Bankers who deal directly with customers receive personalised, varied, and continuous education (Knowledge-Based Organisation) provided by the Training & Learning department.

"As my career developed, I began to believe in the mission of teaching others. Others I built a true friendship with... beyond the work relationship. It has been an incredible experience!"

(A Banca Mediolanum Financial Advisor since 1982)

Over the course of 2007, a project regarding the overhaul of the Sales Network training was initiated. Not only were new courses started but the way in which they are used was also revised.

The new methodological approach adopted is referred to as blended, meaning it includes activities of self-teaching through online courses carried out with the help of a new technological platform, in preparation for classroom training. Nine courses focussing on products have already been carried out using this method.

INITIAL TRAINING

Special attention is given to the training of **new network members**, who have to attend various courses proficiently at the beginning of their career.

- **Mediolanum Master's course in Banking** provides the fundamental theoretical knowledge necessary to fully understand banking and commercial techniques.
- **Anti-money laundering**
- **Personal data protection**
- **Responsible and ethical professional conduct (Legislative Decree 231/2001).**
- **Rules of conduct of the Family Banker™:** presents all the rules of conduct and obligations of the Family Banker™ in the sale of insurance, banking and financial products in order to ensure their ethical professional conduct with both customers and colleagues.
- **Insurance and Pension course:** provides the fundamental concept for intermediation of insurance products, legal and tax concepts and also management techniques

supporting the distribution of insurance products. Registration in ISVAP's RUI is permitted at the end of the course with the passing of the final exam.

- **Post-ISVAP course:** aims to supply the main sales support for the sales of pension products.

The course for new advisors that will be integrated with new modules in 2008 concludes this initial training period that lasts about 12 months.

Family Bankers are trained using a variety of techniques and **innovative technology**, in a way that produces a wide-ranging competency that is shared, yet personalised, thanks to the one-on-one approach.

In addition to the acquisition of these skills as well as sales and communication techniques, Family Bankers also learn listening and empathetic skills to offer the right service level to meet the needs of the customer.

Alongside the theoretical training, Family Bankers also receive practical training, working in the field with their **coach**.

This integrated approach contributes to reducing the gap between theory and practice, between the virtual company in the classroom and the real operational organisation, creating versatile professionals.

ON-GOING TRAINING AND MEDIOLANUM CORPORATE UNIVERSITY



The training paths are strictly correlated with the different career steps.

In 2007, alongside the ongoing training activity focussing on what is new regarding products, new courses oriented around managerial content were initiated: from coaching to leadership, involving over 1,000 participants.

Moreover, as promised last year, work to develop MCU - **Mediolanum Corporate University** was set underway in 2007.

A training centre is being set up in Milano 3 in the building next to headquarters and the inauguration is slated for 2008.

Moreover, the MCU **Scientific Committee** was formed taking inspiration from the disciplines of Training and Education Science with the aim to promote, research and disseminate innovative subject matters and principles with respect to training and drills. The Committee put the development of each person's potential and also the management, the organization and the sharing of the knowledge inside a company at the centre of its research and action. Within the organization, the Committee has the task of helping to put together and define the coursework that the training activity has to follow and to evaluate the qualitative level obtained based on quality indicators that are periodically reviewed. Specifically, the Committee will be an inspiring source in the setting up, development and launching phases of the School of Management and the School of Leadership for the development of talent.



The Committee also has the task of interacting with the external community in order to develop a series of contacts and research in the economic and financial world in general as well as in the academic world to make sure that Mediolanum is involved in a continual exchange and always stays abreast of the latest topics and news concerning the development of the potential of the individual and of the organisation.

One of the objectives of the Committee is also to identify and assign a value to the economic impact of knowledge as one of the elements factoring into the Intangible Assets of the Group to be included in the social report. Moreover, through the Mediolanum Foundation, the Committee will also have the role of supporting useful social projects in the field of education.

The make up of the Committee and the personal profile of its members will be a 'guarantor' of the quality of the MCU's activities.

The Scientific Committee includes internal and external members of stature committed to the achievement of the Committee's mission.

Among the members from outside the organisation, there are figures from the world of finance, sport and social science:

- **Andrea Aparo**, Professor and Assistant Director of MiNE (Master in the New Economy) and Vice President of Technology Intelligence at Finmeccanica S.p.A.
- **Alberto Bazzan**, Professor of Cross-Cultural Management at Cattolica University, Piacenza and International Management at LIUC, Castellanza.
- **Gianluca Bocchi**, Professor of Philosophy of Science at Bergamo University.
- **Alberto Galgano**, founder and President of Galgano & Associati, Professor of the "Total Quality Course" at Perugia University, and of the "Executive in Lean Manufacturing & Service" Course, at Milan's Politecnico.
- **Matteo Motterlini**, Professor of Logic and Philosophy of Science at the Vita-Salute San Raffaele University, Milan.
- **Patrizio Paletti**, creator and teacher of training programmes.
- **Julio Velasco**, former coach of the Italian National Volleyball team.
- **Emilio Rago**, Secretary of the Committee and Professor of Organisation and Human Resources at Bocconi University Business School. He is completing his doctorate in Education Research at Cattolica del Sacro Cuore University, Milan.

**"My Family Banker is very knowledgeable.
It's clear that there is a group of professionals
supporting him in his work."**

(A Banca Mediolanum customer since 1997)

CLASSROOM TRAINING

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

| Courses offered (hours) | 2007 | 2006 | Change % |
|-------------------------|----------------|----------------|-------------|
| Banking | 38,620 | 56,582 | (31.7) |
| Insurance | 77,740 | 54,744 | 42.0 |
| Finance | 40,480 | 15,840 | 155.6 |
| Other subjects* | 99,924 | 33,114 | 201.8 |
| TOTAL | 256,764 | 160,280 | 60.2 |

* Courses on management, commercial and sales techniques, communication skills, etc.

| (Units) | 2007 | 2006 | Change % |
|-----------------------------|---------------|--------------|-------------|
| TOTAL PARTECIPANTS** | 10,231 | 9,007 | 13.6 |

** Every Family Banker™ can participate in multiple courses during the year .

The significant increase in the number of hours of training was due to two different factors:

- the increase in the number of courses in the new subject matters (managerial, commercial and related to sales and communication techniques);
- the increase in training hours dedicated to finance techniques, which is the subject matter prevalent in a number of courses designed to prepare non-licensed advisors for the licensing exam to be admitted to the Register of Financial Advisors.



TRAINING FOR THE EXAMINATIONS FOR LICENSED FINANCIAL ADVISORS

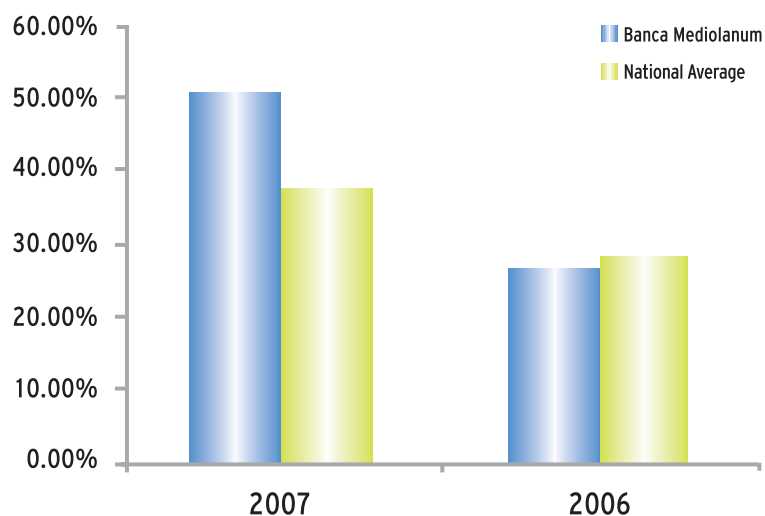


A new methodological approach based on the involvement of the Sales Network management rounds out online and classroom training (including the participation of university professors).

The high number of advisors who passed the CONSOB exam demonstrates the effectiveness of the training provided.

EXAM PASS RATE FOR REGISTRATION IN THE FINANCIAL ADVISOR REGISTER

Financial Advisor pass rate/Total participants



In 2007, the pass rate of the participants from Banca Mediolanum was much higher than the national average, the role played in training by the Sales Network management strongly contributed to the achievement of this result.

MEDCAMPUS

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

| | 2007 | 2006 | Change % |
|--------------------------------|---------------|---------------|------------|
| Total MedCampus users | 8,983 | 8,960 | 0.2 |
| Total MedCampus accesses | 135,559 | 131,281 | 3.3 |
| TOTAL HOURS OF TRAINING | 67,780 | 65,641 | 3.3 |

In 2007, MedCampus had 135,559 accesses for a total of 67,780 hours of training. In 53% of cases, the system was accessed by individual participants more than 10 times.



“Recruiting & Empowerment”

The growth in size of the Sales Network represents one of the strategic objectives of the Mediolanum Group and continues to be the central focus of its efforts.

The results achieved over the course of the last two years (2006-2007) have become more and more reliable through the standardization and industrialization of recruiting and selection.



The “**I.Co.N.A.**” programme was launched in 2005 with the objective of replacing the professional image of the Global Consultant with that of the Family Banker™, and in 2007 was rolled out to the entire network. In fact, in February, the remaining 40% of the Sales Network not yet involved adopted the guidelines as set out in this new recruitment programme, thus confirming the good results attained in the previous years.

With the aim of a greater effectiveness in the initiation of the Family Banker™ to the profession, a new plan for sales development was laid out in order to jumpstart the building of their customer base. The new method includes the organisation of ‘branch opening events’ where junior Family Bankers™ have the opportunity to present themselves to local prospects and acquire their first customers through the Banca Mediolanum bank account.

From now on, the “I.Co.N.A.” programme standard will be a stable reference for the recruitment and the development of the Sales Network activities.

The Customer-Family Banker™ Relationship

RELATIONSHIPS AT THE LOCAL LEVEL: PUNTO MEDIOLANUM

Banca Mediolanum and its Family Bankers are present in all Italian regions and main cities with Punto Mediolanum ("Mediolanum Points") shops (on the ground floor) and Family Banker™ offices (upper floors),

Punto Mediolanum is a point of contact for **advice** and **services** for customers and is open to the general public for preliminary information or for a piece of financial advice at no charge, for example on supplementary pensions.

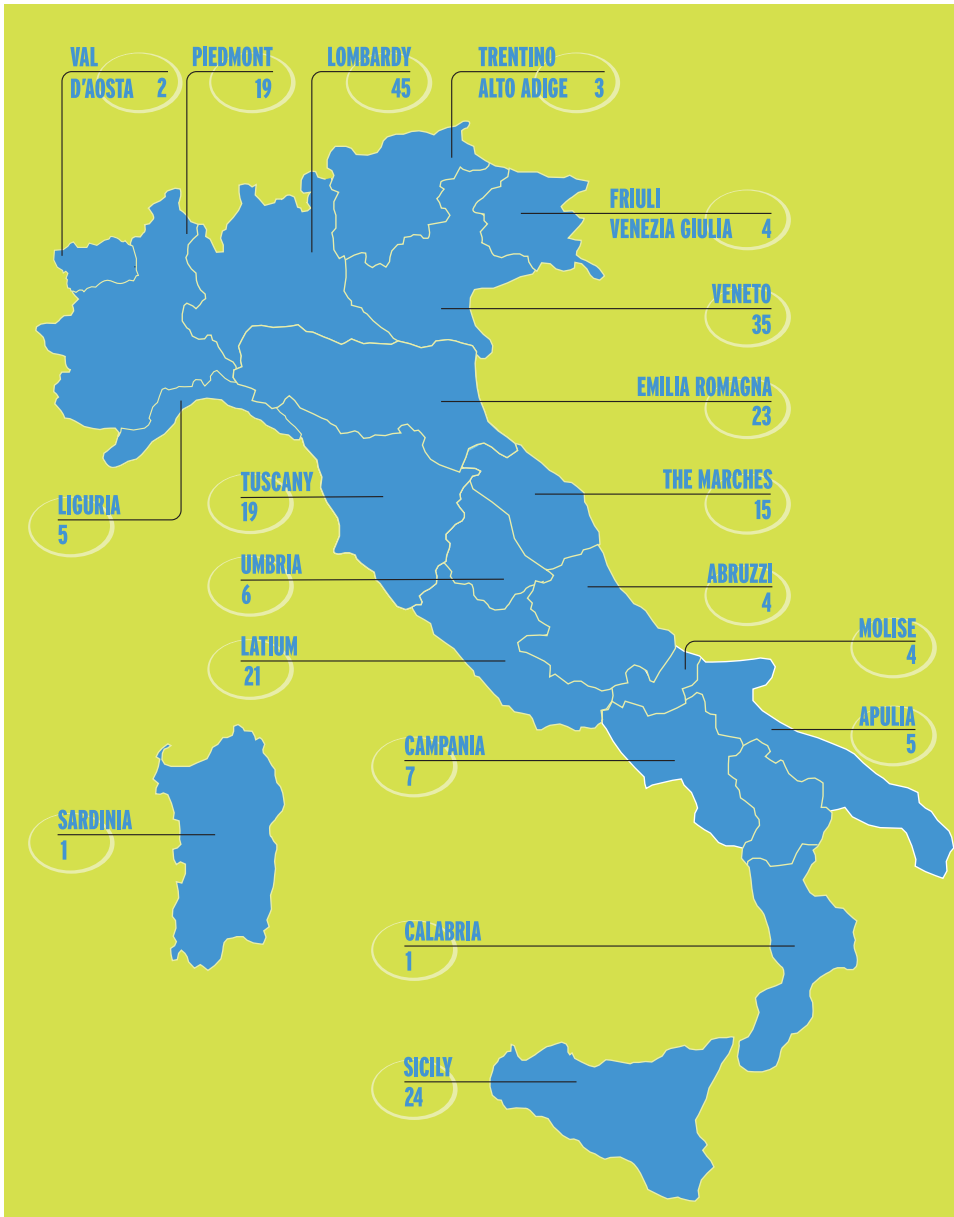


| Number | 2007 | 2006 | Change % |
|---------------------------|------|------|----------|
| Punto Mediolanum | 244 | 222 | 9.9 |
| Offices | 286 | 307 | (6.8) |
| Banca Mediolanum branches | 2 | 1 | 100 |

The number of Punto Mediolanum throughout the country is growing steadily (up about 10% in the past year). Here, customers can find out more about Banca Mediolanum and, with the help of a Family Banker™, they can also learn how to use the bank's multiple channels, i.e.. the Internet, the tele-text and the Banking Services Center.

Both Punto Mediolanum and advisor offices are run by Family Bankers.

A Banca Mediolanum branch was opened in Milan. Another branch had been in operation in Basiglio since 2006.



The distribution of the Punto Mediolanum offices covers practically the entire country. The regions with highest density are Lombardy, Veneto, Sicily and Emilia-Romagna. In 2008, Banca Mediolanum corporate signage will replace the existing Punto Mediolanum's signage.



DEDICATED MEETINGS

During the year, the Sales Network organises thousands of events throughout the country, both at Punto Mediolanum and at other venues, to meet existing customers and prospects: customer-dedicated evenings featuring movie premieres, concerts, black-tie dinners and various kinds of meetings.



**"It is clear it is a company
made of people, for people."**

(A Banca Mediolanum customer since 2001)

Employees



The development of new services and the significant increase in business required that **199 new hires** be added to the employee ranks, of which more than 100 are young and in their first job experience. The total number of employees in Italy reached 1,507, up **9,4%** on the entire workforce compared to the previous year.

A significant growth in terms of numbers but also in terms of quality. The Group has in fact demonstrated to have a very strong professional appeal on the market given the very high number of **unsolicited job applications** that in 2007 exceeded 7,800 considering only those received via e-mail.



The young new hires carefully selected based on their developmental potential undergo a particularly demanding training with the aim of maintaining the already high standards of the quality of service that the Group is known for.

The first stage of this in-house training in most cases is the Banking Services Center where the new hires acquire product and process competency and knowledge.

Moreover, in 2007, the policy of promoting **professional growth internally** was once again supported via job rotation and the development of cross-departmental competencies.

The average age of employees is currently 34.8. 53% of all employees are women.

Beyond the professional commitment involved, personnel work together in practice to improve the operational processes of the Group also through **spontaneous initiatives**. A clear example of these initiatives is represented by the Teams for Improvement. Each year, these numerous teams are involved in initiatives identifying projects for cost savings, efficiency or an increase in the level of service offered to customers.



Analysis of employees

The Mediolanum Group is described through its personnel in the following tables. The figures refer to the number of employees at the end of the year.

ANALYSIS OF EMPLOYEES BY CATEGORY AND GENDER

| Category | 2007 | | | | 2006 | | | |
|--------------------------|------------|------------|--------------|--------------|------------|------------|--------------|--------------|
| | Number | | | % of total | Number | | | % of total |
| | M | F | Total | | M | F | Total | |
| Senior Management* | 67 | 15 | 82 | 5.4 | 63 | 14 | 77 | 5.6 |
| Middle Management | 118 | 72 | 190 | 12.6 | 114 | 63 | 177 | 12.9 |
| Non-management employees | 522 | 713 | 1,235 | 82.0 | 456 | 667 | 1,123 | 81.5 |
| TOTAL | 707 | 800 | 1,507 | 100.0 | 633 | 744 | 1,377 | 100.0 |
| Men/Women(%) | 47 | 53 | | | 46 | 54 | | |

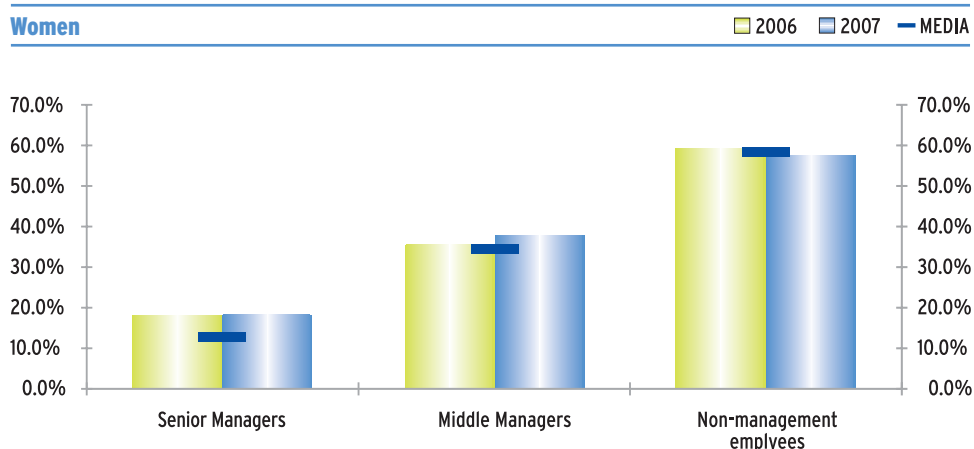
| Category | Change | | | |
|--------------------------|-----------|-----------|------------|-------------|
| | Number | | | Change % |
| | M | F | Total | |
| Senior Management* | 4 | 1 | 5 | 6.5 |
| Middle Management | 4 | 9 | 13 | 7.3 |
| Non-management employees | 66 | 46 | 112 | 10.0 |
| TOTAL | 74 | 56 | 130 | 9.4 |
| Men/Women(%) | 57 | 43 | | |

* The data referring to Executives do not take into account the 6 executives hired on a temporary basis in relation to a specific project underway in the Sales Network of Banca Mediolanum.

Overall, in 2007, 53% of the employees were women. This percentage is in line with previous years. The figure is significant if compared to the industry average of 40%**.

The distribution of professional categories remained virtually unchanged in the two year period, against a more than 9% increase in headcount.

** ABI, "2007 Report on the employment market in the banking industry", published by Bancaria Editrice (latest available edition).



The percentage of female employees was stable in the last two years.

In 2007, female executives accounted for 1.9% of all women employees, compared to the average of 0.5% in the Lending and Finance industry according to ABI (Italian Bankers' Association)*. Out of total executives, **18.3%** were women, in line with 2006 and well above the ABI average percentage of 12.8%.

ANALYSIS OF EMPLOYEES BY COLLECTIVE LABOUR AGREEMENT TYPE

| Collective Labour Agreement type | 2007 | | | | | 2006 | | | | |
|----------------------------------|-----------|------------|--------------|--------------|--------------|-----------|------------|--------------|--------------|--------------|
| | Category | | | | % | Category | | | | % |
| | SM | MM | NME | Total | of total | SM | SM | NME | Total | of total |
| Banking | - | 152 | 1,110 | 1,262 | 83.7 | - | 138 | 987 | 1,125 | 81.7 |
| Insurance | 3 | 5 | 32 | 40 | 2.7 | 3 | 6 | 35 | 44 | 3.2 |
| Commerce | 78 | 29 | 62 | 169 | 11.2 | 73 | 29 | 75 | 177 | 12.8 |
| Manufacturing | 1 | - | - | 1 | 0.1 | 1 | - | - | 1 | 0.1 |
| Private Radio & TV Networks | - | 4 | 31 | 35 | 2.3 | - | 4 | 26 | 30 | 2.2 |
| TOTAL | 82 | 190 | 1,235 | 1,507 | 100.0 | 77 | 177 | 1,123 | 1,377 | 100.0 |

The distribution of employees by collective labour agreement type reflects the weight of the different components of the Group's business.

Since the Group includes Mediolanum Comunicazione S.p.A., a company active in the communications business, some employees are covered under the "Private Radio & TV Networks" agreement. All other employees are covered under the banking, insurance and commerce agreements.

* (2007 Report on the employment market in the banking industry), Bancaria Editrice.

ANALYSIS OF EMPLOYEES BY CONTRACT

| Type of contract | 2007 | 2006 | Change % |
|-----------------------------------|--------------|--------------|---------------|
| | Number | Number | |
| Permanent employment | 1,274 | 1,211 | 5.2 |
| Total fixed-term contracts | 239 | 172 | 3.9 |
| Trainee contracts | 134 | 29 | 372.4 |
| Maternity Replacements | 24 | 21 | 14.3 |
| Fixed term contracts * | 81 | 122 | (33.6) |
| Total Standard Contracts | 1,513 | 1,383 | 9.4 |
| Total flexible contracts | 92 | 104 | (11.6) |
| TOTAL | 1,605 | 1,487 | 7.9 |

* The six executives hired on a temporary basis are included as part of a specific project underway in the Sales Network of Banca Mediolanum.

The percentage of the labour force on flexible contracts declined from 7% to 5.7% compared to the previous year.

Hiring contracts/CFL are the type of contracts used for the hiring of the young for their first work experience.

ANALYSIS OF EMPLOYEES BY AGE

| Age group | 2007 | | | | | 2006 | | | | |
|--------------|-----------|------------|--------------|--------------|--------------|-----------|------------|--------------|--------------|--------------|
| | Category | | | Total | % of total | Category | | | Total | % of total |
| | SM | MM | NME | | | SM | MM | NME | | |
| 18-25 | - | - | 90 | 90 | 6.0 | - | - | 72 | 72 | 5.2 |
| 25-35 | 1 | 35 | 769 | 805 | 53.4 | 1 | 43 | 739 | 783 | 56.9 |
| 35-45 | 33 | 112 | 319 | 464 | 30.8 | 33 | 101 | 260 | 394 | 28.6 |
| 45-55 | 34 | 40 | 46 | 120 | 8.0 | 30 | 30 | 44 | 104 | 7.6 |
| over 55 | 14 | 3 | 11 | 28 | 1.8 | 13 | 3 | 8 | 24 | 1.7 |
| TOTAL | 82 | 190 | 1,235 | 1,507 | 100.0 | 77 | 177 | 1,123 | 1,377 | 100.0 |

In 2007, about **53%** of total employees were in the 25-35 age group; only 2% were over 55. The breakdown by category also shows a large number of managers in the younger age groups: about 18.4% of middle managers are under 35 and 41.5% of the executives are under 45.

AVERAGE AGE

| Category (Years) | 2007 | | | 2006 | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | M | F | Total | M | F | Total |
| Senior Management | 47.5 | 47.0 | 47.4 | 46.9 | 46.7 | 46.8 |
| Middle Management | 41.0 | 39.5 | 40.4 | 40.3 | 38.8 | 39.6 |
| Non-management employees | 32.3 | 33.6 | 33.1 | 32.2 | 33.2 | 32.7 |
| TOTAL | 35.2 | 34.4 | 34.8 | 35.1 | 33.9 | 34.5 |

The average age (around 34.8) is considerably lower than the ABI average* (about 43). The increase in the average age in the period 2006-2007 was less than 1 year, showing the high rates of young new hires.

**"Mediolanum is also professionalism,
even though we are young."**

(A Mediolanum Group employee since 1995)

ANALYSIS OF EMPLOYEES BY LENGTH OF SERVICE**

| Length of service | 2007 | | | | | 2006 | | | | |
|-------------------|-----------|------------|--------------|--------------|--------------|-----------|------------|--------------|--------------|--------------|
| | SM | MM | NME | Total | % of total | SM | MM | NME | Total | % of total |
| 0-2 years | 6 | 23 | 300 | 329 | 21.8 | 5 | 16 | 264 | 285 | 20.7 |
| 2-5 years | 6 | 19 | 279 | 304 | 20.2 | 13 | 28 | 222 | 263 | 19.1 |
| 5-10 years | 35 | 93 | 520 | 648 | 43.0 | 30 | 92 | 515 | 637 | 46.3 |
| 10-15 years | 15 | 20 | 44 | 79 | 5.2 | 11 | 12 | 35 | 58 | 4.2 |
| over 15 years | 20 | 35 | 92 | 147 | 9.8 | 18 | 29 | 87 | 134 | 9.7 |
| TOTAL | 82 | 190 | 1,235 | 1,507 | 100.0 | 77 | 177 | 1,123 | 1,377 | 100.0 |

** Length of Service relates to service within the Group.

The length of service of over 40% of the employees is between 5 and 10 years; this is due to the fact that in 2000 many new employees joined the company and in 2006 they moved into the next age group.

* (2007 Report on the employment market in the banking industry), Bancaria Editrice.



EDUCATION LEVEL

| Category (%) | Gender | 2007 | | | | 2006 | | | |
|--------------------------|--------|-------------------|---------------------|-------------------|--------------|-------------------|---------------------|-------------------|--------------|
| | | University degree | High school diploma | Vocational school | Total | University degree | High school diploma | Vocational school | Total |
| Senior managers | M | 80.6 | 19.4 | - | 100.0 | 79.4 | 20.6 | - | 100.0 |
| | F | 53.3 | 46.7 | - | 100.0 | 50.0 | 50.0 | - | 100.0 |
| TOTAL | | 75.6 | 24.4 | - | 100.0 | 74.0 | 26.0 | - | 100.0 |
| Middle managers | M | 54.2 | 41.6 | 4.2 | 100.0 | 55.3 | 41.2 | 3.5 | 100.0 |
| | F | 47.2 | 48.6 | 4.2 | 100.0 | 46.0 | 49.2 | 4.8 | 100.0 |
| TOTAL | | 51.6 | 44.2 | 4.2 | 100.0 | 52.0 | 44.0 | 4.0 | 100.0 |
| Non-management employees | M | 34.9 | 57.6 | 7.5 | 100.0 | 32.3 | 60.5 | 7.2 | 100.0 |
| | F | 28.3 | 65.7 | 6.0 | 100.0 | 27.0 | 67.8 | 5.2 | 100.0 |
| TOTAL | | 31.1 | 62.3 | 6.6 | 100.0 | 29.2 | 64.8 | 6.0 | 100.0 |
| TOTAL | | 36.1 | 57.9 | 6.0 | 100.0 | 34.6 | 60.0 | 5.4 | 100.0 |

The employees are educated to a high level. Those with a university degree account for almost 36% of total employees (ABI average: 30%*) and **75%** of executives.



EDUCATION LEVEL OF NEW HIRES

| Educational level | 2007 | | 2006 | |
|---------------------|------------|--------------|------------|--------------|
| | Number | % | Number | % |
| Postgraduate | 8 | 4.0 | 13 | 6.3 |
| University degree | 98 | 49.2 | 78 | 37.5 |
| High school diploma | 78 | 39.2 | 109 | 52.4 |
| Other | 15 | 7.6 | 8 | 3.8 |
| TOTALE | 199 | 100.0 | 208 | 100.0 |

Also new hires have a high level of education, **50%** of them hold a university or a post-graduate degree.

Fewer university graduates were hired in 2007. This is consistent with the Group career development policy based on internal promotion as well as on the specific profile of new hires.

* (2007 Report on the employment market in the banking industry), Bancaria Editrice.

Care for our people



CAREER PATH AND TURNOVER

The Group prefers to hire young university or high-school graduates and train them in-house because its comprehensive multi-step training favours the sharing of corporate values. The selection process entails inviting candidates, chosen on the basis of their curricula vitae, to spend a whole day at the company. Here they are given a full description of the organisation and its values as well as the induction and development processes. The candidates also take part in group assessments and have individual interviews with Human Resources personnel.

Most of those who pass the selection are hired to work in the Banking Services Center (BSC). During the first two months they receive classroom training and for the next four months they **work alongside** a senior BSC representative who coaches them. During this extended training period they gain in-depth understanding of the products and services. The Banking Services Center, where representatives provide a wide range of information to customers and execute their orders, is the ideal training place. At the end of the training period, the new hires begin to deal with customers on their own.

The various departments constantly draw on the Banking Services Center for the junior personnel they require, selecting them according to their personal characteristics, educational background and individual ambitions. These individuals then follow specific **career paths**, going on to hold positions of increasing technical and/or managerial responsibility.

Similar training is also given to high-potential, new university graduates so that they can become familiar with corporate processes as well as products.

Only when people with special skills or expertise in a given area are needed and cannot be found nor developed in-house does the Group hire them from the outside.

"The bank's ability to deal with requests falling outside the standard is at the highest level."

(A Banca Mediolanum customer since 2001)

NET NEW JOBS

| Number | 2007 | | | | 2006 | | | |
|----------------------|----------|-----------|------------|------------|----------|-----------|------------|------------|
| | SM | MM | NME | Total | SM | MM | NME | Total |
| Hires | 2 | 12 | 185 | 199 | 3 | 12 | 193 | 208 |
| Terminations | - | 6 | 63 | 69 | 1 | 6 | 64 | 71 |
| Resignations | - | 6 | 53 | 59 | - | 6 | 57 | 63 |
| Retirement | 0 | - | 1 | 1 | 1 | - | 1 | 2 |
| End of contract | - | - | 9 | 9 | - | - | 6 | 6 |
| Death | - | - | - | 0 | - | - | - | - |
| Net new jobs* | 2 | 6 | 122 | 130 | 2 | 6 | 129 | 137 |

*Where Net New Jobs = Hires - Terminations

NOTE: Please note that the figures shown in the table above do not coincide with those shown in the table 'Analysis of Employees by Category', as they do not include the effects of promotions to higher positions. The senior management category does not include the executives hired with a fixed term contract, people joining/leaving the Group's foreign operations, nor new personnel resulting from acquisitions.

The net increase in the number of employees is significant at both the lower and supervisory level indicating continuous business growth.



TURNOVER

| Turnover (%) | | 2007 | | | | 2006 | | | |
|-------------------|--------------------------|------------|------------|-------------|-------------|------------|------------|-------------|-------------|
| | | SM | MM | NME | Total | SM | MM | NME | Total |
| New Hires* | Length of service | 2.6 | 6.8 | 16.5 | 14.5 | 4.1 | 7.5 | 19.4 | 17.0 |
| Resignations** | 0-24 month*** | 0 | - | 11.3 | 10.5 | - | - | 17.9 | 16.6 |
| | > 24 month*** | - | 3.7 | 3.8 | 3.6 | 1.4 | 4.0 | 3.7 | 3.6 |
| | Total | - | 3.4 | 5.6 | 5.0 | 1.4 | 3.8 | 6.4 | 5.8 |
| | turnover TI**** | - | 3.4 | 3.9 | 3.6 | 1.4 | 3.8 | 4.1 | 3.8 |

* New hires = No. of hires in the category/total personnel in that category at the start of the year

** Resignations = No. of resignations in the category/total personnel in that category at the start of the year

*** Length of service = The ratio of no. of resignations in the category to the length of service at the date of termination divided by the ratio of total personnel in that category at the start of the year to the length of service at the start of the year

**** Resignations calculated on permanent employment contracts.

Once again in 2007, the number of incoming new employees was significantly higher than the number of those leaving, which is the condition required to support the continuous growth that characterises the Group's business.

The number of new hires is particularly high when compared with the industry average of 5.3%*. The number of resignations by key managers is exceptionally limited. This is a guarantee of continuity in business management and an indicator of employee satisfaction.

The number of resignations relating to permanent employment contracts is significantly low and indicates substantial stability in this category of employees.

* (2007 Report on the employment market in the banking industry), Bancaria Editrice.

Career paths



PROMOTIONS

Although figures vary from year to year in the different professional categories, the table below confirms **equal career development** for men and women, and the extensive use of internal promotion to fill higher positions.

Promotions accounted for 10.9% of personnel on standard contracts at the end of the previous year. This number is almost 3 percentage points higher than that registered in 2006.

| Promotions | 2007 | | | | 2006 | | | |
|--|-----------|-----------|------------|--------------|-----------|-----------|------------|--------------|
| | M | F | Total | Change % | M | F | Total | Change % |
| Middle to Senior Management | 2 | 1 | 3 | 0.2 | 1 | 1 | 2 | 0.1 |
| Middle to Middle Management | 5 | 2 | 7 | 0.4 | 10 | 2 | 12 | 0.9 |
| Non-management employees to Middle Management | 5 | 5 | 10 | 0.7 | 9 | 4 | 13 | 0.9 |
| Non-management employees to Non-management employees | 69 | 76 | 145 | 9.6 | 25 | 57 | 82 | 5.9 |
| TOTAL PROMOTIONS | 81 | 84 | 165 | 10.9 | 45 | 64 | 109 | 7.9 |
| TOTAL STANDARD CONTRACTS | | | | 1,513 | | | | 1,383 |



Thinking about the individual

The Group grows through the **development** of its employees.

This is why the Mediolanum Group places such great emphasis on all initiatives geared to listening, fostering, cultivating and developing personal aspirations and skills.

Not only did this kind of emphasis lead to the development of training and incentive systems that are so much appealing to employees, but also to services aimed at improving the work climate.

Working in a motivating environment with greater peace of mind makes sharing corporate values and goals easier.

EMPLOYEE BENEFITS

Over the years, the Mediolanum Group has put into place special conditions, services and activities for the work and private life of the employee, some of these stemmed from employee suggestions.

We believe in giving attention to people as a concrete application of the corporate values, as well as a way of improving the quality of our professional relationships.

Company day care centre

As shown by the data on employees, the Mediolanum Group personnel is young (average age: 35) and divided equally between the female (53%) and the male employees (47%). The shortage of services for child care often penalises female employees. The



management recognised that there was an interest in setting up a company day care centre, with 47% of the interviewees in a work climate survey conducted in 2003 stating they would greatly appreciate such a project.

In January 2004, the General Services Department of Banca Mediolanum took on the project, with the objective of opening the company day care centre by the end of the year.

“**Baby Med**” opened in early December 2004 and is run by people specialised in the field of child care. The day care centre is only 50 metres from the Group’s headquarters, so that it is very convenient for parents and easy to reach if necessary, allowing them great peace of mind. In 2005, the day care centre was enlarged, with capacity being raised from 60 places to **88** places.

The monthly fee paid by the employees for the day care centre is reasonable and lower than the average cost of the day care centres run by Milan's city government. This is mainly due to the "non-profit" nature of the initiative.

The local area also benefits from the positive effect of the day care centre. Thanks to the quality of the project, a contribution was obtained from the Lombardy Regional Government and a percentage (about 10%) of the capacity is allocated to families living in Basiglio, where the Group has its headquarters.

The day care centre covers an area of 732 square metres and was completely renovated and furnished in full compliance with regulations and through very strict contracting procedures. There is also an outdoor 300 sq. metre play park protected also by a system of video surveillance.

It is open from 8.30 a.m. to 6.30 p.m. all year round (including August); in the **summer**, children can be enrolled for short periods, to offer the service to other parents in periods when vacant places are available due to holidays.

In 2007, during the summer closure of nursery schools, Baby Med acted as a "campus" also for children of preschool age.

**"The tranquillity of a child
is the tranquillity that a parent conveys
in knowing the child is safe.
Thank you Mediolanum!"**

(A young mother, employee of the Group since 1999)

Flexitime

Under the Flexitime scheme which allows employees to arrive up until 9.30 a.m., Mediolanum also meets its employees half-way through the adoption of flexible, part-time contracts.

In 2007, the number of "job profiles" doubled and the number of part-time employees rose to 69 (+ 45%) mainly in relation to employees returning from maternity leave.

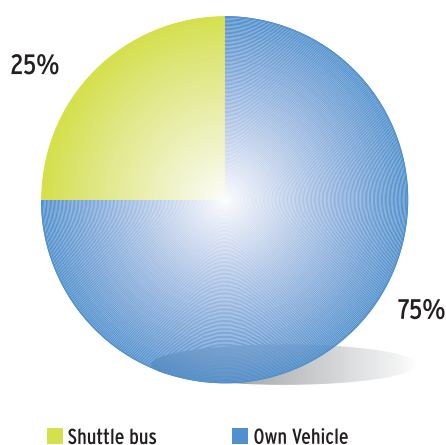
There are now 17 different alternative job profiles.

Shuttle bus service

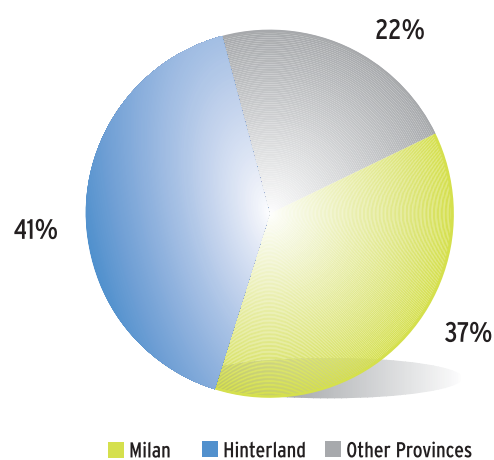
A private shuttle bus service has been active for some time, with frequent runs between the headquarters and Milan.

This service is appreciated: according to a study conducted in 2005, in which over 1,000 employees took part, the shuttle service is used by about 25% of the sample. This leads to saving a considerable amount of travel time, as well as reducing pollution and traffic.

Shuttle Bus



Area of Residence



Company-sponsored supplementary pension

Some time ago the Group established a **Pension Fund** to which all employees could contribute.

Participation in the fund is incentivised because fund members have their production bonus almost **doubled**, which is then partly paid into the fund.

At the end of 2007, 89% of middle managers and 91% of non-management employees were members of the Fund.

Protection: supplementary health insurance

Optional supplementary health care is a **benefit** offered, free of charge, to employees (middle managers and non-management employees covered under the banking and commerce labour agreement, on permanent employment or trainee contracts) and includes coverage for a range of medical expenses, with the possibility of extending it to the employee's family for a consideration.

| Insured | 2007 | | 2006 | |
|--|--------------|--------------|--------------|--------------|
| | Number | % | Number | % |
| Employee beneficiaries (middle managers and non-management employees) | 1,370 | 77.4 | 1,255 | 80.3 |
| No. of family members with extended health insurance | 399 | 22.6 | 307 | 19.7 |
| TOTAL NO. OF INSURED | 1,769 | 100.0 | 1,562 | 100.0 |

| Insured | 2007 | | 2006 | |
|--|--------|------|--------|------|
| | number | % | number | % |
| No. of employees who extended health insurance to their family members | 235 | 17.2 | 196 | 15.6 |

In 2006 and 2007, 196 and 235 employees respectively extended the health care service to their families representing 15.6 % and 17.2 % of the total number of employee beneficiaries.

Special terms for products and services

Other benefits for employees concern special terms for access to the products and services offered by the group, for example:

- mortgages;
- bank accounts;
- credit and personal loans;
- financial products and services (e.g. investment funds);
- headquarters support service (which provides information and operational support to employees, collecting and dealing with their requests relative to Group products).

Commercial agreements

The Mediolanum Group signs commercial agreements for discounts and/or special terms for its employees and for the Family Bankers.

These agreements cover sectors ranging from furniture to clothes, from well-being to leisure time and travel. Thanks to the agreement with ATM, the Milan's public transport company, for example, many employees have purchased annual passes at reduced rates. In addition to the agreements on an annual basis, agreements for special terms and discounts are made for sport and cultural events. An updated list of the agreements is published on the Intranet portal and through an internal communication service.

INCENTIVE SYSTEMS

The compensation system takes into account three components: the first is fixed, based on principles of internal and external equity, assessed according to results of market studies made by the HR Department. The second component is variable and is linked to three elements: the trend of the company results with regard to the individually assigned goals and specific projects, as well as a component of a discretionary nature. The third component of compensation is represented by the granting of stock options.

The goals are defined on an annual basis with respect to plan and the assessment is made by the direct superior, in agreement with the Director of Human Resources.

The objective is to reward the contribution to company results, consistent with the strategic objectives of the Group.

The stock option plans encourage greater **loyalty** by management to the growth in value of the Group, reinforcing the sense of belonging and alignment of personal objectives with those of the Group. The stock option plans also help retain key managers.

Under the stock option plans, when specific objectives of corporate performance are reached including those related to external benchmarks, stock options are granted to each of the assignees identified.

Long-term incentive plans based on stock options with similar features were developed for some Directors of Group companies and for Managers of the Sales Network.

For some (e.g. fund managers, securities traders, treasury staff), the system of assessment/incentive has the aim of rewarding results and is in line with the practices of the sector.

The assessment concerns absolute and relative quantitative results of product performance as compared to the benchmark, in addition to a quantitative component.

For the remainder of the personnel, an assessment system that considers performance both in the strict sense (results reached) and in terms of employee attitude and behaviour is in place.

Normally the person in charge draws up a concrete and simple individual work plan in agreement with the employee. For example, the Banking Services Center adopts a grid of assessment linked to skills, which records a number of **operational tasks** (e.g. handling phone calls in the correct length of time) and the capacity of **collaboration** (e.g. interaction with colleagues, sharing knowledge etc.).



Internal participation

The employees of the Mediolanum Group actively take part in improving the efficiency of the corporate processes, including via the Teams for Improvement.

This initiative identifies areas for improvement or innovation in a number of company domains, leading to solutions which are carefully evaluated by Top Management and then often applied.

GRUPPI DI MIGLIORAMENTO - TEAMS FOR IMPROVEMENT

The Teams for Improvement are formed spontaneously by employees and meet regularly to identify and study critical areas for improvement in their work and the company's business.

The most interesting and significant **projects** are analysed and operative solutions for improvement and optimisation are proposed. The Teams for Improvement have led to results in terms of substantially improving the workplace climate and in gaining active involvement of employees in company life, as well as in obtaining economic benefits and improvements in processes.



Those who take part in a Team for Improvement follow a path that includes acquiring a number of skills through training and targeted **coaching**. Training days are held to provide participants with :

- the rationale underlying teamwork;
- a problem-solving method (PDCA)*;
- basic information on the theory of continuous improvement (Kaizen philosophy)**.

The **results** of the teams are analysed and evaluated based on a series of known and shared criteria. All the Teams are given the possibility to present their results to top management. The Teams that present the best projects, more than just receiving a travel award, have the chance to participate in a dinner with top management.



**“ We thought that at the award's dinner
we would be separated by hierarchy
to the contrary everyone was truly involved.”**

(A Mediolanum Group employee since 2003)

* P.D.C.A. represents the scientific approach to problem-solving: P = plan (plan before starting); D = do (do what has been decided); C = check (check results, comparing them with what has been planned); A = act (maintain, standardise or repeat the PDCA cycle)

** KAI = improvement ZEN = for the better

Therefore, the Teams for Improvement are part of a broader scheme to develop a quality culture inside the Mediolanum Group.

The Teams for Improvement have always been a part of the culture of Mediolanum. The first Teams were initiated in the early '90s. To date, there have been more than 1,000 participants in total.

Personal development

Investment in the professional skills of our people is essential to offer customers excellent service.

Training is therefore a fundamental and prioritised element in the Group's strategies and is implemented to **develop** the skills of each person and foster their potential, so that personal ambitions converge with the company's needs.

The training programmes are based on an 'institutional' plan of courses with contents of an increasingly managerial nature and on specialised technical training, designed according to the needs of the people and the company.

Alongside this training there is training on the products, services, processes and institutional values that the Banking Services Center representatives receive in the first 18 months, with classroom courses and training in the field.

Finally, in 2007, as part of the collaborative agreement with Bocconi University to set up a chair of "Customer & Service Science" and the "Customer & Service Science Lab", a training course on quality was set up within Mediolanum. This training course is reserved for recent graduates of high potential who are granted the "**Mediolanum Service Quality Certificate**".



EMPLOYEE TRAINING

The following table shows the data relative to courses taken by Group employees. These courses are divided into three categories:

1. **training courses on values and on managerial skills:** these aim to convey to the Group's employees what it means to work for Mediolanum and to develop a number of relationship and managerial skills, in coherence with the group values;

2. **technical refresher courses:** these are technical and specialised and are tailored to the needs of the various company areas;
3. **compulsory training courses:** : all those required by the current regulations, such as courses on Personal Data Protection, Anti-Money Laundering, Act 231/2001 or Insurance Brokerage.

| Course name | 2007 | | 2006 | | Change % | |
|--|---------------------|---------------|---------------------|---------------|------------------|-------------|
| | No. of participants | Total hours | No. of participants | Total hours | No. participants | Total hours |
| Training on corporate values and managerial training | 288 | 4,713 | 249 | 3,902 | 15.7 | 20.8 |
| Technical refresher courses* | 727 | 14,166 | 772 | 14,313 | (5.8) | (1.0) |
| Compulsory training | 2,614 | 8,922 | 2,631 | 4,247 | (0.6) | 110.1 |
| TOTAL | 3,629 | 27,801 | 3,652 | 22,462 | 0.6 | 23.8 |

* As more detailed information for the year 2007 is available, in order to render the data comparable with the prior year, the data relating to 2006 have been reclassified according to the same criteria.

In 2007, there was a notable increase in the hours dedicated to regulatory updates, specifically with reference to insurance products or new products for headquarter employees.



AVERAGE NUMBER OF HOURS OF TRAINING AND PROFESSIONAL REFRESHER COURSES

| Type of course (hours) | 2007 | 2006 | Change % |
|--|-------------|-------------|--------------|
| Training on corporate values and managerial training | 3.1 | 2.8 | 10.7 |
| Technical refresher courses* | 9.4 | 10.4 | (9.6) |
| Compulsory training | 5.9 | 3.1 | 90.3 |
| Professional refresher courses** | 55.5 | 57.8 | (4.0) |
| TOTAL HOURS PER CAPITA | 73.9 | 74.1 | (0.3) |

* As more detailed information for the year 2007 is available, in order to render the data comparable with the prior year, the data relating to 2006 have been reclassified according to the same criteria.

** Update through specialized industry magazines and journals for the use by employees at no charge, corporate conventions for the launch of new products, specialized meetings to update on the development of the Group business and activities, presentation of quarterly earning release during meetings regarding the company's performance.



An average of about 70 hours a year of training and professional refresher courses has now been reached.



TRAINING COURSES FOR NEW-HIRES

| | 2007 | 2006 | Change % |
|---------------------------------------|------------|------------|------------|
| No. of sessions | 19 | 13 | 46.2 |
| No. of participants (1) | 197 | 152 | 29.6 |
| Total hours (2) | 66,236 | 50,080 | 32.3 |
| TOTAL HOURS PER CAPITA (2)/(1) | 336 | 329 | 2.1 |

New hires take part in training courses which equip them with the professional skills to perform their duties in the Banking Services Center.

Equal opportunities

This section highlights the relationship between average compensation for men and women, calculated as a ratio between the average compensation for men and the average compensation for women.

| Category | 2007 | | | | | Average |
|--------------------------|-------------------|-----------|------------|-------------|-----------|-------------|
| | Length of service | | | | | |
| | < 2 years | 2-5 years | 5-10 years | 10-15 years | >15 years | |
| Senior Management | 1.39 | n.a.* | 0.95 | 1.15 | 1.72 | 1.22 |
| Middle Management | 1.10 | 1.10 | 1.14 | 0.97 | 1.20 | 1.13 |
| Non-management employees | 1.07 | 1.00 | 1.07 | 1.01 | 1.04 | 0.99 |

| Category | 2006 | | | | | Average |
|--------------------------|-------------------|-----------|------------|-------------|-----------|-------------|
| | Length of service | | | | | |
| | < 2 years | 2-5 years | 5-10 years | 10-15 years | >15 years | |
| Senior Management | 1.14 | n.a.* | 0.98 | n.a.* | 1.70 | 1.20 |
| Middle Management | 1.10 | 1.06 | 1.12 | 1.04 | 1.13 | 1.12 |
| Non-management employees | 1.02 | 1.08 | 1.06 | 0.90 | 1.07 | 1.00 |

* This cannot be calculated because there are no female employees in this category and with this length of service

Not available data is due to the fact that in the company there are no women of that category in that length of service.

There are no significant differences between the average compensation for men and women in the middle management and non-management categories.

With reference to senior managers with more than 15 years' service, significant but not critical difference can be reported, and this is mainly due to fewer women in top management positions in the Group.

Protected categories

Current laws require hiring personnel belonging to what are termed "protected categories". Some Group companies have signed special **agreements** with the Provincial Government of Milan to plan these hirings over the next few years, in compliance with the limits of the law.

A possible channel for finding individuals belonging to the protected categories has also been activated through an agreement with an agency recognised by the Provincial Government, which is specialised in helping the disabled enter the world of work.

| | 2007 | 2006 | Change % |
|--------------------------|-----------|-----------|------------|
| Senior Management | - | - | - |
| Middle management | - | - | - |
| Non-management employees | 31 | 30 | 3.3 |
| TOTAL | 31 | 30 | 3.3 |

The agency the Group collaborates with has a team of psychologists who recruit, select and train these individuals beforehand, according to the characteristics of the job they will have and in close collaboration with the Human Resources Department of the Group.

These employees are helped to settle into the company by the presence of a dedicated and specialised **tutor**, who works for the external agency. This tutor follows the individual for the first 6 months of internal training. At the end of this period, the tutor, the team of psychologists and the company assess whether the activities of the job are suited to the individual, in order to guarantee the job is in line with the person's psychological and physical characteristics.

DISABLED ACCESS SERVICES AT HEADQUARTERS

At Mediolanum Group headquarters, there is the necessary infrastructure in place to guarantee the disabled employees and visitors access: in fact, 12 special entryways and 18 reserved parking spots were constructed for this purpose, There are 6 restrooms dedicated to the disabled.

LITIGATIONS AND DISPUTES

In 2007, there is only one dispute still in progress, which was started by a former fixed-term employee the previous year.

Personal time

BREAKDOWN OF HOURS ABSENT BY LEAVE-TYPE IN TERMS OF HOURS AVAILABLE

| | 2007 | | 2006 | |
|-----------------------------|------------------|--------------|------------------|--------------|
| | Hours | % *** | Hours | % *** |
| Holiday / Maternity leave | 317,658 | 12.7 | 300,160 | 13.8 |
| Sick leave | 114,064 | 4.5 | 92,822 | 4.3 |
| Paid leave | 47,041 | 1.9 | 42,583 | 2.0 |
| Other* | 40,238 | 1.6 | 46,465 | 2.1 |
| TOTAL HOURS ABSENT | 519,001 | 20.7 | 482,030 | 22.2 |
| REGULAR HOURS WORKED | 1,991,682 | 79.3 | 1,689,029 | 77.8 |
| AVAILABLE HOURS ** | 2,510,683 | 100.0 | 2,171,059 | 100.0 |

* Coursework, medical visits, family leave and work-related leave.

** Available hours are calculated as number of work-days in a year multiplied by the number of work hours according to the related labour agreement.

*** The percentage is calculated as the ratio to the total number of available hours.

Vacation and maternity leave are contractually **obligatory**, and account for more than half the total of hours absent.

Despite an increase in the number of **pregnancies**, the related hours absent declined. It is reasonable to assume that the availability of the company Day Care Centre contributed to this phenomenon.



Health & Safety – the Safety project

In 2007, the Mediolanum Group developed the Safety Project to minimize accidents in the workplace, communicate the importance of working safely in a safe place and thus create a **culture of safety in the workplace**.

Safety protection activities are conducted to ensure the safety of people and the workplace in compliance with statutory and regulatory requirements, first and foremost Act 626/94.

The activities carried out in the year to enhance workplace safety, as identified by a prior safety audit, were:

- the definition of a workplace safety unit;
- training of certain people at the company's headquarters to provide support during fire drills, real emergencies and for emergency aid, as well as training of employee representatives on workplace safety.

A loudspeaker system for emergency announcements and alarms will be installed in 2008. Workplace safety training is in place upon induction for new hires as well as on different occasions during the year to raise the awareness of the importance of safety among employees and department heads and steadily improve workplace safety.

In addition to these organisational novelties, premises were equipped with **new systems and fittings** to improve safety.

New measures were added to regular annual activities such as:

- sanitising the workplace and specific equipment;
- replacing air filters;
- periodic and preventive disinfestation.

Again in 2007, there was an anti-flu vaccine campaign which involved about 9.4% of employees. Two blood donation drives were organised at the Group Headquarters in collaboration with AVIS. Finally, in December a campaign was conducted to raise awareness of the importance of proper oral hygiene.

Industrial accident index

| | 2007 | 2006 | Change % |
|---|------|------|----------|
| Total industrial accidents | 15 | 16 | (6.3) |
| Of which driving to/from work | 13 | 12 | 8.3 |
| No. of days of work lost for industrial accidents | 422 | 226 | 86.7 |
| Severity index * | 0.21 | 0.13 | 61.5 |

* The severity index is defined as the ratio between days absent due to industrial accidents and thousands of hours worked.

“Total industrial accidents” refers to those recognised by INAIL (National Insurance Institute for Industrial Accidents) and recorded by the Human Resources Department (TIME LOST DUE TO ACCIDENTS).

The most frequent industrial accidents when driving to or from work are bumper-to-bumper collisions, whereas accidents in the workplace are mainly falls.

In 2006 and 2007, the percentage of industrial accidents while driving to or from work was 75% and 86.7% respectively.

Company-employee relations



EMPLOYEE CLIMATE SURVEYS

Since 1999, every two years the employees of the Mediolanum Group have taken part in an anonymous employee climate survey to measure their satisfaction and identify areas for improvement.

The questionnaire covers a variety of subjects, with 52 questions on:

- the environment and resources,
- characteristics of the Group,
- expectations and compensation,
- the direct superior,
- the work team,
- the quality of personal work,
- overall satisfaction,

as well as the possibility of offering suggestions and opinions to improve the quality of life and work in the company.

“The fact that the company gives all employees a platform to speak is an “added value”.

There are a lot of us... and the chance to express our opinion and to share our ideas makes individual growth possible benefiting the entire Group.”

(An anonymous comment by an employee taken from the 2007 survey)

LATEST EDITION: 2007

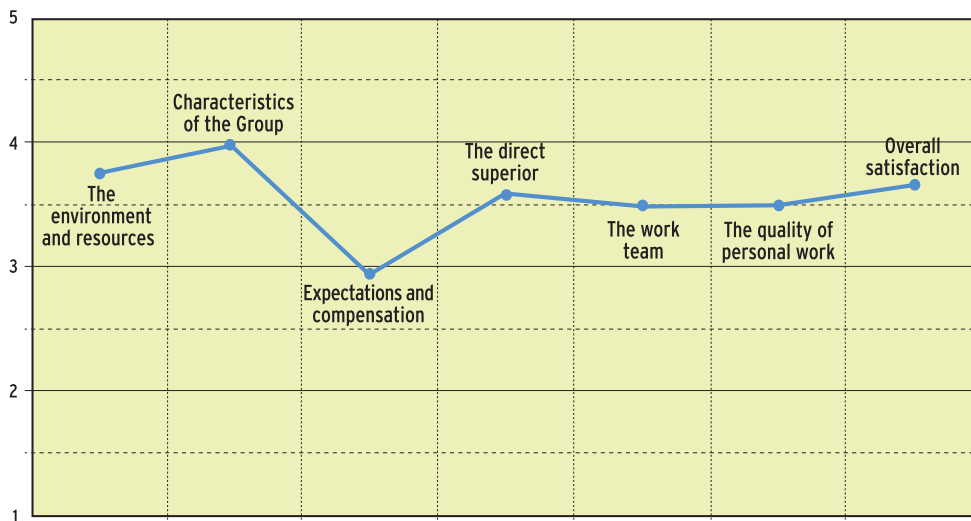
The latest survey was conducted online for the first time. The response rate was very high: **86%** of the questionnaires were returned and completed in full, even though anonymous in nature.

The high percentage (70.1% of the participants in this edition) of those who added at least one comment, is a tangible indicator of trust that becoming involved in company activities results in concrete projects. This compares to between 40% and 50% in the past editions. The level of overall satisfaction remains substantially unchanged compared to previous editions.

These surveys and comments result in a variety of improvement **projects** those of a wider scope are taken care of by the company, but many others involve the employees directly. A few examples include: an improvement of the shuttle bus service, an increased range of outside-work activities, the re-making of the parking lot, the reorganisation of the break rooms and the implementation of energy-savings ideas.

The fifth edition of the survey resulted in an overall score that was unchanged (**3.25** on an ascending satisfaction scale of 1 to 5) despite the high standards the employees are used to.

Average score by subject



The 2007 survey was conducted in conjunction with EIKON, a company specialising in the reading and analysis of the work place environment.

EMPLOYEE RELATIONS

In 2002, the Employee Relations unit was set up as part of the Human Resources department with the aim of improving the quality of work life via:

- communications with employees;
- initiatives to enhance the workplace environment.

A serene workplace further **motivates** employees to achieve the company objectives.

The various initiatives offered include:

- trips, travel and tourism;
- winter sports and skiing;
- recreational activities;
- cultural initiatives and courses (public speaking, photography, gymnastics, languages, etc.);
- athletics and sports;
- baby and wedding gifts;
- lectures;
- special events;
- services.



Some of these initiatives are offered once a year while others are repeated several times or are always available.

Some initiatives are spontaneously organised by the employees. These include the Mediolanum **Choir**, made up of employees who have also performed in public in the Church of Sant'Antonio Abate, in the Basilica of Santa Maria delle Grazie in Milan and at the Abbey of Chiaravalle.



Excluding the year-round services and the deals offered under agreements with other companies (which cannot be quantified) 87 initiatives were offered in 2007, up 74% from 50 in 2006. Every year over **1,000** employees and people in the Group participated in these initiatives. Family members also took part in many of them.

| Initiatives (%) | 2007 | | 2006 | |
|---|------------|--------------|------------|--------------|
| | Initiative | Participants | Initiative | Participants |
| Cultural initiative and courses | 65.0 | 40.0 | 53.6 | 42.1 |
| Athletic initiatives and sports/tournaments | 25.0 | 45.7 | 14.3 | 39.1 |
| Trips, travel and tourism | 5.0 | 1.1 | 21.4 | 5.1 |
| Recreational activities | 5.0 | 13.2 | 10.7 | 13.7 |
| TOTAL | 100 | 100 | 100 | 100 |



MED INNOVA PORTAL

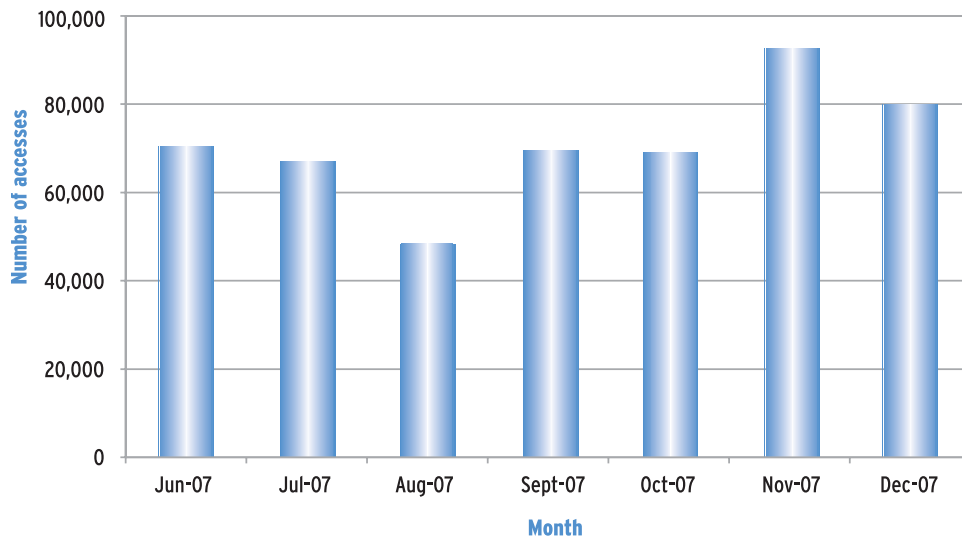


The InnoVa Portal is the Group Intranet site. Upgraded in 2007, it is the **gateway** to all information and tools that are relevant to working and “living” at Mediolanum

(information, opportunities, tools, rules and procedures).

- the Group, its organisation, values, rules, results, events, initiatives, facts and new developments;
- the administrative aspects (days worked, pay packet, benefits, etc);
- training opportunities;
- teamwork opportunities (Teams for Improvement, collaboration and exchange of information);
- individual work (such as software applications, work tools or e-mail programmes);
- services and initiatives available to employees (leisure time activities, work-life balance, special terms for Group products and services, discounts and special offers).

Number of accesses to the portal



Excluding accesses to just the Home Page, there were over 70.000 visitors per month with a slight decline during the summer holiday season.



**“Even though I am a small investor.
I was treated as if I were a big investor.”**

(A Banca Mediolanum customer since 2002)

Shareholders and investors



The Mediolanum Group has always pursued the creation of **shareholder** value, as testified by its policy to distribute a considerable and steady portion of the Group's earnings in the form of dividends.



Currently Mediolanum has about 68,000 shareholders in 46 different countries.

Given that these shareholders are largely organisations that act in the interest of millions of people, e.g. mutual funds, pension funds and insurance companies, one can easily understand how important the relationship with those stakeholders is.

This relationship needs to be managed with competence and dedication, and requires timely and transparent disclosure of information about all aspects of the Group's strategies and conduct of affairs.

The Investor Relations team is in charge of managing this relationship, which every year involves hundreds of one-on-one meetings with shareholders and investors from all over the world as well as numerous meetings during which the Group's top management shares the Group's plans, strategies and results with the financial community.

The Mediolanum stock

HISTORY

The Mediolanum stock is traded on the Italian Stock Exchange and is a component of the S&P/MIB index.

- June 3, 1996: the Mediolanum stock is first traded on the Italian Stock Exchange in Milan at ITL 12,000 (€ 6,197) per share.
- November 1997: "1:5 stock split" when ordinary shares were divided by 5;

If we were to recalculate the IPO stock price after the split, the price would be ITL 2,400 (€ 1,239).

HISTORICAL DATA IN EURO

| | 2007* | 2006* | 2005* | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|-----|-------|-------|-------|------|------|------|------|------|------|------|------|
| EPS | 0.29 | 0.31 | 0.32 | 0.19 | 0.18 | 0.11 | 0.14 | 0.16 | 0.12 | 0.10 | 0.06 |
| DPS | 0.20 | 0.20 | 0.20 | 0.14 | 0.11 | 0.10 | 0.10 | 0.09 | 0.07 | 0.06 | 0.05 |

* International Accounting and Financial Reporting Standards (IAS/IFRS)

EPS= Earnings per Share
DPS= Dividend per Share

Share capital

At December 31, 2007, the share capital of Mediolanum S.p.A. was made up of 792,475,929 ordinary shares with par value of € 0.10.

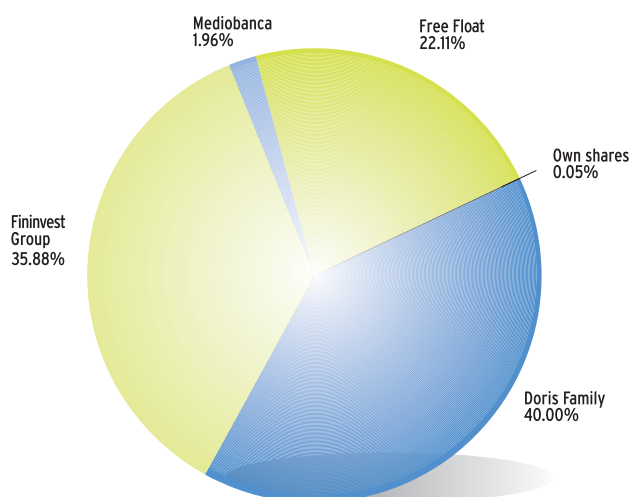
The main shareholders of Mediolanum S.p.A. are the Doris Family (40%) and the Fininvest S.p.A. Group (35.88%). Mediobanca holds a 1.96% interest. The free float is 22.16%.

The Doris Family and the Fininvest Group control the company through a Shareholders' Agreement whereby they locked up their respective equal shareholdings (Doris Family 25.55%/Fininvest Group 25.55%) totalling 51.10% of share capital. The Shareholders' Agreement was renewed on September 14, 2007 and will remain in force for 3 years.

The Mediolanum S.p.A. stock is listed on the Italian Stock Exchange in Milan and is a component of the S&P/MIB Index, the Italian Blue Chip stock index, including the most liquid and large-cap companies in each industry. The stock is also a component of other major international stock indices, e.g. the DJ EuroStoxx 600 Index and the S&P Euro 350 Index.

Mediolanum S.p.A. has a policy of distributing its earnings in the form of dividends. In the past decade, the payout ratio averaged about 65%. In 2007, the payout ratio reached 68% with a dividend of 20 eurocents per share.

2007 Shareholding



Investor Relations

For a Group that intends to be a leader on the Italian market and expand internationally, and that has made communications one of its strengths, liaising continuously and effectively with the financial community is fundamental.

From this point of view, the commitment of the Mediolanum Group to maximise return for the shareholders and to ensure the economic and financial soundness of the company, is also apparent in the timely, complete and transparent disclosure of information on the management of the Group's strategies through its Investor Relations team.

We have about **68,000** shareholders of record in about 50 countries. These are largely pension funds, mutual funds and insurance companies, which results in millions of people having a financial interest in the success of our business.

Top management itself has always guided the Group's commitment towards the community of investors.

The Group communicates with investors via:

- the Quarterly, Interim and Annual Reports;
- the General Meeting of Shareholders;
- the "Investor Relations" section on the corporate website;
- "Live webcasts" of the presentations of earnings results.
- Numerous meetings with institutional investors during roadshows held in a number of European countries and in North America as well as at international conferences organised by major financial brokers.



Our continuous efforts for quality financial communication are reflected in the progressive increase in the number of meetings held in the past few years, also as a result of greater investor demand, as well as the increasingly accurate segmentation of markets and investors that offer the best investment potential for Mediolanum.

In addition, IR engages in a continuous and open dialogue with sell-side analysts from major international financial markets, which involves not only meetings, but also telephone conversations and e-mail exchanges.

| | 2007 | 2006 | Change % |
|------------------------------|------|------|----------|
| Analyst presentations | 6 | 6 | 0.0 |
| Investor presentations | 10 | 9 | 11.1 |
| Roadshows in Italy | 1 | 2 | (50.0) |
| Roadshows abroad | 24 | 27 | (11.1) |
| One-on-One Analyst meetings* | 14 | 20 | (30.0) |
| One-on-One Investor meetings | 217 | 275 | (21.1) |

* Presentations of end-of-period results are held for both analysts and investors



**"Perhaps I am old-fashioned,
but I must admit that aside from the bottom line,
the thing I liked the most about this deal
was the importance placed on
keeping one's word in each phase of the process."**

(A Banca Mediolanum IT service provider)

Vendors

We aim at establishing a lasting relationship based on trust also with our **vendors**.

The Mediolanum Group selects its vendors using increasingly sophisticated methods, which entail the assessment of the relationship as it unfolds.

Assessments are not based exclusively or mainly on price, but on a entire set of largely qualitative aspects, especially when looking at Information Technology, considering the Group's multi-channel business model.

Cost-competitiveness is not enough. Vendors are assessed also based on their reliability, quality, service and timely delivery.

We seek value to generate value.



Procurement policy

Reliability, quality, cost competitiveness, service and timely delivery are the aspects examined when assessing a vendor.

The price of goods or services is important but it is not the only aspect considered nor the exclusive focus of assessment. In fact, the Group seeks Best Total **Value** in the marketplace, and Best Total Value is also a function of the ethical business conduct and social corporate responsibility of the vendors selected.

The terms and conditions of procurement contracts with vendors are transparent, comparable, and binding. They reflect the application of the Procurement Rules.

Pursuant to Legislative Decree 231 of June 8, 2001 on the liability of legal persons, Banca Mediolanum has adopted specific "Organisation, Management and Control Models". Within this framework, Procurement Rules are examined by the Board of Directors of Banca Mediolanum. In 2007, said rules were reviewed for the renewal scheduled in 2008. Procurement rules are inspired by the **principles** set out in the Codes of Ethics of Banca Mediolanum and of other companies within the Group. They stipulate the conduct to conform to for the regular and reliable management of the company.

The guidelines and procedures set out in the Procurement Rules are incorporated in and supplemented by additional operational procedures as laid out in the Internal Procurement Policy prepared by the Procurement Department. This is the function responsible for the management of purchases of goods and services.

Procurement of goods and services is largely automated. The automated system manages all steps in the procurement process from purchase order requisition through order placement and invoicing to payments.

In 2005, the Procurement Department implemented a system for the electronic management of all paper documents e.g. offers, contracts and framework agreements. This system features an optical filing tool that enables the tracking of all paper documents produced during the negotiations or in the subsequent phases of the relationship with vendors,

In 2007, electronic document storage was extended to other areas in the company allowing for a significant savings of space and paper. Moreover, it should be noted that the company's photocopier scanners were used in this process.

In 2006, to optimise the procurement process, a **web-based portal** was created under a service agreement for the electronic management of requests for quotes (RFQ), for auctions as well as for contractor eligibility and evaluation (**Vendor Management**).

The portal is a means to:

- gather intelligence on the procurement market for both goods and services;
- optimise the exchange of information with potential vendors in the initial stage of the procurement process;
- standardise requests for quotes;
- keep track of information received;
- assess eligibility of potential vendors that submitted their candidacy by filling out a form with their details;
- create an automated **Vendor List**;
- include new vendors into the Vendor List;
- evaluate and monitor the performance of vendors that are on the Vendor List (Vendor Rating).

**"Clarity and honesty help you to work better.
Superior service creates a long-term relationship...
It's a virtuous circle, for everyone."**

(A Banca Mediolanum vendor since 2004)

In 2006, certain services were purchased on-line e.g. incentive travel packages, system maintenance and fixed telephony services.

In the course of 2007, the portal for the management of the sections “Vendor Pre-qualification” and “Vendor Management” was customised according to the needs of Mediolanum including a link to the Social Report and to the area dedicated to the social responsibility on the corporate website and all due preparatory information necessary to fully utilise the portal. In fact, early in 2008, an official document about the creation of the portal with an official invitation to become registered will be sent to all the 250 main vendors of the Group.

The portal registration applications are examined by the procurement office, which issues the necessary codes to access the reserved area of the website. The vendor, or the perspective vendor, at this point has the possibility to fill out a questionnaire with 220 questions, some of which are designed to **measure supplier satisfaction**.

Therefore, the portal is an important means to communicate with vendor-stakeholder along with the initiatives already in place, such as the distribution of the Social Report.

Registered vendors must then download a general vendor contract in PDF format directly from the portal, sign and return it. Among other things, the contract sets out three important clauses concerning:

- disclosure in compliance with Law Decree 231, dated June 8, 2001;
- the obligation of confidentiality relative to the data and information concerning the purpose of the contract or the information acquired in the course of business, and the obligation of compliance with the Privacy Law Decree 196/2003;
- the obligation to comply with safety rules in the workplace.



It should also be noted that Banca Mediolanum is a member of the ABI Procurement Group, that assists banks in identifying and implementing procurement management best practices.

Banca Mediolanum has been a member of the ABI Procurement Group since 2005; the Procurement Officer Alessandro Cecconello is a member of the Executive Board of the ABI Procurement Group.



- Richiesta di iscrizione
- Primo accesso
- Recupero password persa
- Contattaci

Area Riservata

User id:

Password:

Accedi ►

Richiesta di iscrizione

Per iscriversi all'Albo Fornitori del Gruppo Mediolanum, gestito da i-Faber S.p.A., è necessario compilare i campi sotto riportati. Vi verranno assegnate username e password con cui potrete accedere al servizio tramite il link "Primo Accesso". Il portale è ad accesso riservato. Per visualizzare il regolamento del servizio premete il link sottostante. L'iscrizione al servizio è gratuita.

 [Regolamento del servizio](#)

Dati Aziendali

Ragione sociale:

Partita IVA:

Codice Fiscale:

DUNS Number:

Tipo di operatività:

Accedi ►

Analysis of vendors by business category

The distribution of vendors by business category reflects the composition of the Mediolanum Group's activities and services.

| Business Category (%) | % of sales | | Change % |
|---------------------------------------|--------------|--------------|------------|
| | 2007 | 2006 | |
| EDP and Data Banks | 28.7 | 31.1 | (7.7) |
| General expenses | 22.0 | 20.3 | 8.4 |
| Promotions, Advertising and Marketing | 17.4 | 16.4 | 6.1 |
| Professional services | 10.1 | 9.8 | 3.1 |
| Property Management | 5.0 | 5.3 | (5.7) |
| Utilities | 5.3 | 5.2 | 1.9 |
| Transportation and shipment | 3.5 | 3.9 | (10.3) |
| Insurance | 2.4 | 1.9 | 26.3 |
| Other | 5.6 | 6.1 | (8.2) |
| TOTAL | 100.0 | 100.0 | 0.0 |

Analysis of vendors by sales level

Over 55% of vendors have sales to the Group that are less than € 5,000, and only 10% have sales to the Group higher than €100,000.

| Annual sales (€) | N. of vendors | | | |
|---------------------|---------------|--------------|--------------|--------------|
| | 2007 | % | 2006 | % |
| 0 - 1,000 | 780 | 32.1 | 748 | 34.3 |
| 1,001 - 5,000 | 555 | 22.9 | 481 | 22.1 |
| 5,001 - 10,000 | 255 | 10.5 | 380 | 17.4 |
| 10,001 - 50,000 | 424 | 17.5 | 146 | 6.7 |
| 50,001 - 100,000 | 169 | 7.0 | 210 | 9.6 |
| 100,001 - 500,000 | 160 | 6.6 | 148 | 6.8 |
| 500,001 - 1,000,000 | 44 | 1.8 | 38 | 1.8 |
| >1,000,000 | 39 | 1.6 | 29 | 1.3 |
| TOTAL | 2,426 | 100.0 | 2,180 | 100.0 |

Geographic analysis of vendors

56% of vendors are based in Lombardy, the region where the Mediolanum Group is headquartered. About 90 vendors who supply the Italian subsidiaries of the Group have registered offices abroad.

| Region | N. of vendors | | Change % |
|-----------------------|---------------|--------------|-------------|
| | 2007 | 2006 | |
| Lombardy | 1,375 | 1,166 | 17.9 |
| Latium | 212 | 211 | 0.5 |
| Emilia Romagna | 153 | 120 | 27.5 |
| Veneto | 138 | 115 | 20.0 |
| Piedmont | 101 | 98 | 3.1 |
| Abroad | 92 | 105 | (12.4) |
| Tuscany | 56 | 64 | (12.5) |
| The Marches | 51 | 41 | 24.4 |
| Sicily | 38 | 58 | (34.5) |
| Liguria | 35 | 38 | (7.9) |
| Campania | 34 | 25 | 36.0 |
| Sardinia | 32 | 43 | (25.6) |
| Umbria | 23 | 19 | 21.1 |
| Friuli Venezia Giulia | 22 | 12 | 83.3 |
| Apulia | 19 | 24 | (20.8) |
| Abruzzi | 15 | 13 | 15.4 |
| Trentino Alto Adige | 15 | 14 | 7.1 |
| Calabria | 8 | 9 | (11.1) |
| Valle d'Aosta | 4 | 3 | 33.3 |
| Basilicata | 2 | 1 | 100.0 |
| Molise | 1 | 1 | 0.0 |
| TOTAL | 2,426 | 2,180 | 11.3 |

Claims and Disputes

In 2007, a dispute with a vendor was settled. A dispute started in 2006 was still pending at year end.

This reflects the Mediolanum Group's careful selection of vendors and strict compliance with contractual terms and conditions.



“Banca Mediolanum has achieved the objective of rediscovering the human relationship.”

(A Banca Mediolanum customer since 2007)

The community at large

The Mediolanum Group's deep understanding of real life issues and civic commitment generate benefits for the **community at large**.

The value attributed to individuals translates into a variety of tangible programmes in different areas.

A wide spectrum of programmes promoting culture and research completes the variety of tools and events geared to communication and information.



In particular, also through the Mediolanum Foundation, the Group invests in the future, i.e. in the education and nurturance of **children**, especially in the most disadvantaged areas of the world.

The nurturance of children by giving them the opportunity to learn and to do contributes to spreading **education for freedom**.

Mediolanum Group charitable programmes

The Mediolanum Group is directly and actively involved in important social initiatives in Italy and abroad. These initiatives are carried out on both an on-going and emergency basis in the areas of

- scientific
- medical research
- culture

particularly through **Mediolanum Foundation** humanitarian work.

SCIENTIFIC RESEARCH

The value placed on education and training is also demonstrated by research initiatives carried out in partnership with universities and institutions.

In 2006, service quality and customer satisfaction became the subject matters studied at the university, thanks to a collaborative agreement signed by Banca Mediolanum and Bocconi University designed to initiate two different activities:

- a **"Customer & Service Science"** chair;
- the **"Customer & Service Science Lab"**, a centre for applied research in the service area.

The Group has committed to fund € 750,000 over a **five-year** time period.

Both the chair and the centre are headed by Enrico Valdani, professor of Economics and Business Management at Bocconi University. He will work alongside a scientific committee including, among others, Parsu Parasuraman, Professor and Chair of Marketing at the University of Miami and Edoardo Lombardi, Deputy Chairman and CEO of Banca Mediolanum S.p.A.

Over the course of 2007, alongside the research activities carried out by the Customer & Service Science Lab in the area of customer service, quality and innovation in services, the Mediolanum Group created a training course on Quality reserved for new graduates of high potential who at the end of the session receive the **"Mediolanum Service Quality Certificate"**. The first edition of the programme ended on January 31, 2008.

MEDICAL RESEARCH

The Mediolanum Group has an about 4.7% shareholding in Istituto Europeo di Oncologia (IEO), a non-profit organisation formed to achieve excellence in cancer prevention, diagnosis and treatment through scientific research, clinical trials, innovation in organisation and management, and an emphasis on superior patient care.

SUPPORT OF THE ARTS

“Adorazione del Bambino” by Camillo Procaccini: an artwork found and restored by Banca Mediolanum

The main Sacristy in Milan's Sant'Antonio Abate church held a canvass in a state of total neglect with a barely visible pictorial representation of the Nativity scene with the Madonna and Saint Joseph surrounded by angels in adoration.

In the spring of this year, Banca Mediolanum offered to restore the canvass to the Santi Apostoli and Nazaro Maggiore church, the owner of the work. This gesture was made to return to the community and to the cultural heritage of Milan that which was revealed to be the masterpiece of Camillo Procaccini, previously thought to be lost.

The Ministry for Cultural Heritage and Activities authorised the restoration that was entrusted to the restorers Paola Ronchetti and Giuseppina Cattaneo of C.R.D. (Conservazione Restauro Dipinti) who restored the artwork to its original beauty.

Banca Mediolanum, backed by the moral patronage of the Department for Culture of the city government of Milan, fully funded the restoration that returned the artwork to its original splendour that from now on will be available for the enjoyment by historians and those impassioned by the arts.



OTHER INITIATIVES 2007

Moreover, over the course of 2007, two blood drives were organised at the Group headquarters in cooperation with AVIS who provided the blood mobile, with 91 employees **donating**.

Once again in 2007, “Christmas packages” were donated to a “soup kitchen” for the poor of Milan, continuing on with a tradition that has been in place for quite a few years.

Mediolanum Foundation

The Mediolanum Foundation was established in 2002 with the main objective of following, developing and carrying out the Group's activities in the social environment.

Over the years, various initiatives aimed at helping the less fortunate and disadvantaged have been taken on in the areas of assistance, solidarity and research, including initiatives of an artistic and cultural nature.

OBJECTIVES



In 2007, the Mediolanum Foundation chose to concentrate primarily on the care, the assistance and the help of children in disadvantaged conditions. This is also due to the significant results achieved through the Piccolo Fratello (Little Brother) initiative that has resulted in the implementation of an important project in Kenya aimed at helping street children in Nairobi.

Children in every part of the world often are the weakest and most vulnerable link in society. The Mediolanum Foundation intends to work towards helping today's children become the free adults of tomorrow.

To this end, it is important to equip the children with a background of knowledge and values that will enable them to face the reality of life and their environment in a free and independent manner.

In addition to basic education, an enormous amount of effort is given to the fulfilment of primary needs such as food, a place to stay, vaccinations and medical care, meaning everything that makes it possible to reach a level of independence and autonomy that allows these children to become free adults that respect the universal values of the individual. All of this is done in line with local cultural and religious traditions.

In order to reach this objective, the Mediolanum Foundation pursues:

- long-term commitments in order to verify the efficacy of the project and the significance of the change brought about;
- concrete and lasting projects to develop and create added value in the local areas where it operates;
- transparency in the activities carried out and a continuous verification of the advancement of the projects via continuous and systematic communication with its stakeholders through the designated contact channels.

2007 PROJECTS

The Foundation's projects in 2007 involved **assistance and training** for children and teenagers.

Additionally, the Foundation carried out projects backing **medical and scientific research** with primary research institutes in paediatric medicine, namely genetics, neurology and cardiology.

The project with the greatest visibility was the Piccolo Fratello initiative that has been active for years and has the aim of giving concrete help to underprivileged children, particularly in developing countries, and launched a new activity in Haiti in May.

"PICCOLO FRATELLO"

Over the course of the years, the Piccolo Fratello project took on an increasingly important role in activities carried out by the Mediolanum Foundation and has become more and more a socially-conscious brand.

Piccolo Fratello was set up in 2005 to promote a number of humanitarian projects geared to improve the quality of life and the education of children in developing countries. The first project it carried out was an important initiative for children in Kenya. In 2007, another project was launched in Haiti: another area of the world where children need assistance and help.

The experience in Kenya



Relying on the experience and work of Father Kizito Renato Sesana, a Combonian missionary who has been involved in the cause of street children in Africa for many years, and also on the non-profit organisation "Associazione Amani", the Mediolanum Foundation has supported an important project in Nairobi to protect and take care of street children in the slums of Kibera, a village near Kenya's capital city.



This project was complemented by another project **to train educators** and teachers at the local level who would then be able to take care of the education of these children. The objective of this initiative is to allow young people, many of whom are ex street children themselves and who are particularly sensitive to the management and education of children with serious problems and disadvantages due to their own personal knowledge and direct experience of the local situation to become expert in emergency teaching.

The initiative launched in 2005 was concluded in 2007 with important results.

The raising of more than € 600,000 allowed all planned projects to become a reality.

- **The permanent education centre:** that houses the local educators who are trained to prepare the street children to face life autonomously. The building has four floors of 375 sq.m. each for a total of about 1,500 sq.m. and has been fully operational since October 2006. An application was filed with the authorities to obtain university status.
- **The emergency shelter:** this drop-in centre establishes a first point of contact with the street children where they can go in times of emergency. This place offers them a trouble-free, warm environment, a hot meal and shelter. Here, they can wash up, play, be in the company of other children in a protective environment. This represents a first step towards care in a foster home and a change toward a more tranquil life that is more suitable for a child.
- **The family foster home "Ndugo Mdogo":** a completely new building inaugurated in December 2006 is able to host three couples of foster parents and 40 children entrusted to their care. Here the children can find warmth, security and taste the experience of real family life.

Thanks to the funds raised, the initiative has been given the chance to continue on in Nairobi for **another two years**, bringing the time closer to when the **project** will be fully **autonomous**. However, the Foundation will continue monitoring the project on an on-going basis.

A new project to help the children of Haiti

In 2007, in cooperation with the non-profit Francesca Rava N.P.H. Foundation, a new Piccolo Fratello project was started to help disadvantaged children in Haiti, a difficult area the world is very poorly informed about.

Haiti is a country in Central America, defined as a fourth world country for its incredible level of poverty and backwardness. The data are discomfoting: 1 child in 3 dies before age 5 due to diseases that are curable in other parts of the world, and 56% of the population suffers from malnutrition. There is no stable government and all the principal public infrastructure is absent (electricity, running water, sewage system, hospitals). The unemployment rate is extremely high (70%) and the first victims of this kind of poverty are the weak and children who are exposed to the dangers of street life - from crime to poverty.

Therefore, Piccolo Fratello Haiti set an **objective of building 4 street schools over a period of three years** in the slums of Port au Prince, where Father Rick Frechette, an active American Catholic priest has been cooperating with the N.P.H. association for years. He decided to obtain a degree in medicine to be able to help in a concrete manner those most needy and to counter the lack of medical infrastructure locally.

The 4 schools built by Piccolo Fratello under the supervision of Father Rick **will give over 1,800 children access to primary education** as well as a daily hot meal and access to vaccination and to medical care when needed.

A **self-funding project** is planned to accompany this initiative that will allow the generation of funds to keep the street schools fully operational by buying a water truck, a vehicle that distributes water to the slums. Involving the street children in micro-businesses gives them work and keeps them far from organised crime that tries to recruit them offering money to support their families. The proceeds from the sale of the water are also used to fund the school activities.

Pregnancy is another area of focus. In fact, in Haiti, the statistics regarding death of the mother during childbirth are disturbing. This is a result of poor hygienic conditions, but also malnutrition, a lack of folic acid and HIV.

A project was launched to help women who become mothers at a very young age to face pregnancy consciously and, above all, to preserve their health, in addition to that of the newborn, indispensable for their future. An outpatient centre was set up to follow them before, during and after pregnancy through medical care, check-ups, and exams to check the health of the foetus.



INITIAL RESULTS

Fund raising for Piccolo Fratello started in May 2007, during the 90th Giro d'Italia. To support the fund raising, a number of charitable initiatives were set up, such as the Christmas markets, a charitable prize drawing and the donation of part of the proceeds from the sales of Mediolanum Merchandising products to the Piccolo Fratello project.

With the funds raised by the Mediolanum Foundation in 2007, concrete progress was made.

In fact, the first two street schools Cité du Soleil **are almost completed.**

The first was inaugurated in December 2007 and was called Saint'Ambroeus au Milieu du champs in honour of the Mediolanum Foundation.

Thanks to the contribution from Milanese street artists who visited Haiti, the school was painted in extremely lively colours by the same children who will attend the school: by express request of the children, the only banned colours were grey and black because they are too common and widespread on the streets of Port au Prince.



Visible result

Just like the project for Kenya, you can also follow the progress of Piccolo Fratello Haiti and get updates by tuning into the weekly episodes of “Piccolo Fratello” on the Mediolanum Channel (channel 803 on the SKY platform). The new Piccolo Fratello episodes started in October 2007, with a window on the new initiative underway while keeping a constant attention on the progress made in Kenya.

When the new initiative was launched, the site www.piccolofratello.it dedicated to the project was revised and was turned into a portal to host the various projects underway and to illustrate their progress.

Also in 2007, the new brand for the project was designed. It shows a firm handshake that conveys the concept of trust and commitment underlying the project, i.e., to always be, no matter what, “on the side of the children”.





"It's a new way of communicating with the Network, through the corporate TV and our satellite channel... to be virtually close to those physically far away from headquarters ... to "feel" the values of the Group and to always be guided."

(A comment by a Banca Mediolanum Advisor since 1986)

Communication initiatives

In addition to corporate and internal communication, the Mediolanum Group is engaged in a series of initiatives aimed at **involving**, all the stakeholders at several levels.



An active and profound relationship is created with the individual, but also with the community and the territory: with the objective of **spreading a culture of finance** on the one hand, and an optimistic approach to life on the other.

In addition to the activities of advertising, Media and Investor Relations (described in other sections), there are those related to the Internet, satellite TV, corporate TV, conventions and the sponsoring of initiatives, which represent different forms of communication.

A significant example of this “interactive educational dialogue” with stakeholders was the Mediolanum Market Forum held in 2007 for the first time. This conference-event open to the public and viewable live or in recorded format on the internet and via satellite channel has an impact that goes well beyond corporate communication.

To speak to everybody by speaking to each person.



The Internet

The Internet is one of the channels used to turn the spotlight on certain key events in the financial markets and the economy in general and to promote a variety of innovative initiatives.

- The campaign on pension reform and the choice regarding the destination of employee completion-of-service fund (TFR).
- Open days (held at Punto Mediolanum on holidays), an event created ad hoc to present to customers and prospects the updates and opportunities regarding pension reform.
- The First Mediolanum Market Forum, an event centred on the financial world held at Palazzo Mezzanotte (the Headquarters of the Italian Stock Exchange in Milan) that was broadcast live on the corporate TV channel and on the website.



These events intended for the general public were complemented by **the updating of the website** in the customer area with the introduction of personalised graphics and information content for PrimaFila customers. Thus the customers belonging to the various PrimaFila clusters were able to benefit from dedicated communication and initiatives.

Moreover, certain promotions and non-banking services were highlighted for the benefit of all customers, particularly through a series of initiatives and communications dedicated to security.

The **Piccolo Fratello website** was also updated including the new project in Haiti, however still keeping track of the previous project developments and the objectives achieved.

In 2007, Mediolanum (www.mediolanum.it) climbed from the 18th to the 17th position in the ranking of the best corporate websites of the 82 companies with the largest capitalisation listed on Milan Stock Exchange compiled by the Swedish company Hallvarsson & Halvarsson that has assessed and ranked online communication for some years now.



The Group has participated in this study since its very first edition in 2002 when the ranking came in at 35th out of 45 companies.

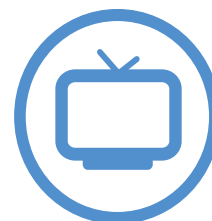
The progressive moving up in ranking over the years is another demonstration of the Group's attention to its visibility on the internet.

The overall score obtained in the latest edition was higher than the average with the most appreciated section being the area dedicated to Investor Relations.



Mediolanum Channel

“KEEP OUR PASSION TURNED ON”



Created in 2001, the Mediolanum Channel is the unencrypted satellite channel of the Mediolanum Group with the aim of promoting communication.

The distinctive feature of this multi-thematic TV channel is that it addresses subjects ranging from economics to culture, from news to entertainment. The editorial style consists of programmes dedicated to people's “passions”, i.e. programmes on cars, music, art, yachting, technology, theatre, history and solidarity.

The Channel naturally reflects the model of the Bank “built around you” - just as the customer is at the centre of the Bank, the viewer is at the centre of the Mediolanum Channel that pursues the viewer's highest degree of satisfaction.

Mediolanum Channel is a TV channel for customers, the Family Bankers™ and for all digital TV viewers who seek new ways of more mindful, in-depth entertainment, different from common television programming.

THE PROGRAMMES



Mediolanum Channel is a free multimedia channel conceived and designed from the very beginning to be viewed via internet streaming from the website www.mediolanumchannel.tv, as well as via satellite on channel 803 of the SKY platforms.

Mediolanum Channel offers complete programming that covers the day from start to finish: culture, news, current affairs. Ample airtime is also given to finance: expressed in simple, but not dull language, the world of economy and investments is explained through in-depth discussions within everyone's reach, thanks to the help of experts and with the active **involvement** of the managers of the Mediolanum Group.

Two programmes deserve special mention. The first is “Navigators in Time”, which presents case studies and business strategies drawing parallels to historical events and battles. In the fall 2007, a new series of episodes was launched. The episodes were dedicated to the concept of leadership and offered training opportunities to viewers by referring them to an interactive website containing exhaustive information and tests for self-assessment. The second programme is “People of the Sea” (stories of the sea told by people of the sea) with a new series of episodes. “Navigators in Time” won the Prize for “Best Small Large Screen Programme”, while “People of the Sea” won the “Special Award” for Best Format at the 29th International Tourism Film Festival.

In 2007, “People of the Sea” received another international recognition, the “Absolute Award” for Best Format at the latest TV Festival.

In 2004, Mediolanum Channel also received a major award for its polished productions in the “unencrypted digital TV” category.

Lastly, in 2006, the programme "**Piccolo Fratello**", won the Aretê Award for responsible communication in the "television programmes" category. The programme received the prize for: "the idea of using a popular TV format to show the real lives and world of a group of African children."

Mediolanum Channel is a bonafide TV channel with a broad schedule and programmes belonging to three thematic groups.

- Economy and finance, with news and in-depth analysis, including live programmes such as "Money Talk".
- Community: in particular, this group includes the specials on the "Piccolo Fratello" project and the programmes on "MCI-Mediolanum Community Italia", the large community of Italian companies that revolves around the Mediolanum world.
- Lifestyle: this includes all the programmes on sport, culture and, in general, leisure time.

The majority of the programmes have a running time of between 30 and 60 minutes.

| Subject of programmes | Number programmes | | |
|-----------------------|-------------------|-----------|------------|
| | 2007 | 2006 | Change % |
| Economy e Finance | 5 | 5 | 0.0 |
| Community | 6 | 7 | (14.3) |
| Lifestyle | 12 | 11 | 9.1 |
| TOTAL | 23 | 23 | 0.0 |

| Subject of programmes | Number of episodes | | |
|-----------------------|--------------------|------------|-------------|
| | 2007 | 2006 | Change % |
| Economy e Finance | 71 | 105 | (32.4) |
| Community | 444 | 306 | 45.1 |
| Lifestyle | 273 | 293 | (6.8) |
| TOTAL | 788 | 704 | 11.9 |

The number of programmes remained unchanged, but the number of episodes grew over 10% compared to the prior year.



Communication with the Sales Force

The Group has two other important means for communicating with the members of the Sales Network: the Intranet and corporate TV.

THE INTRANET

The Intranet is the site where all the technical information of interest to the Sales Network is available.

There are about 6.000 pages which replaced all paper manuals.

THE CORPORATE TV

The corporate TV broadcasts many TV programmes for training and updating, focusing on the products and commercial initiatives.

Created with the objective of promoting communication across the Group, these programmes have been transmitted on the Internet (through IP frequencies broadcast by Mediolanum's own satellite) and they reach the entire sales network: every Family Banker™ can view the programmes, at any time, from his or her laptop through ADSL or using a normal modem. It is a fully fledged TV channel, produced by professionals, which is an important contributor to the training of the Family Banker™. It also brings everyday subjects into the realm of financial news. In addition to the programmes for the Italian sales network, there are also TV programmes produced for the foreign subsidiaries (broadcast in various technologies).

The Mediolanum Group was the first company to use these innovative means of communication, creating its first TV channel as early as 1989, on the basis of some pilot projects in American companies.

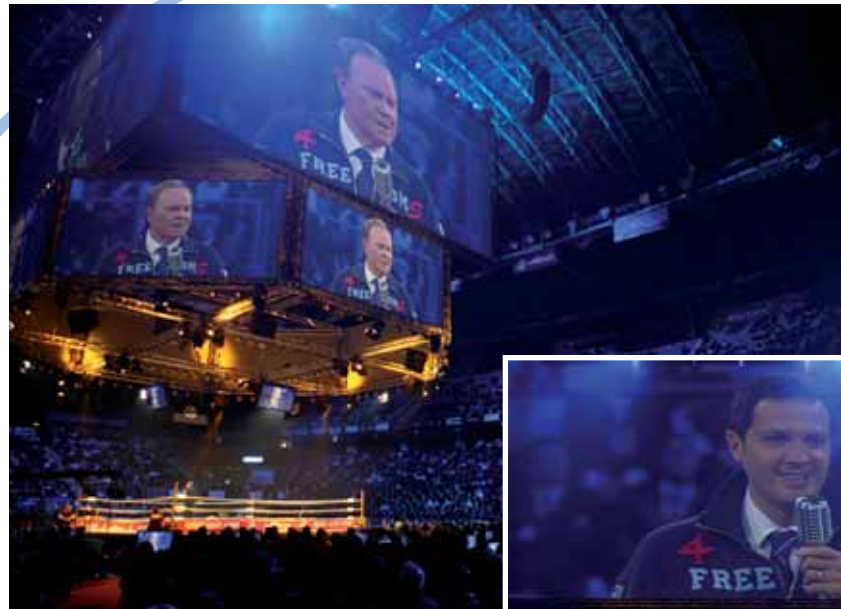
Thanks to the corporate TV, communication between headquarters and the Sales Network can be timely in reporting and analysing facts and events useful to business, and can provide a constant guide for the sales network, spreading a common spirit and culture.

A total of 191 individual programmes were produced and broadcast in 2007, with an average running time of 30 minutes each.

CONVENTIONS

Conventions are a key occasion for sharing corporate identity and communicating with the Sales Network. In particular, national conventions feature presentations of new products and analyses of the global economy and provide an opportunity to meet key managers.

On October 26, 2007, a convention was held to celebrate the 25th anniversary of the Mediolanum Group. Over 10,000 employees and sales network members participated in the event and for the first time they were given the opportunity to invite others to accompany them.





Mediolanum Market Forum

On December 11, 2007, Mediolanum organised a multimedia event for its stakeholders: the Mediolanum Market Forum. It was the first meeting centred on the financial world to be broadcast live over the Internet and the corporate television. Renowned economists and opinion leaders spoke about the different cycles in the world economy in an authoritative yet easy-to-understand way.

The aim of the Mediolanum Market Forum is to become a key event making economic concepts more accessible with the ultimate objective of providing guidance to consumers and help them make more informed choices.

To do so, Banca Mediolanum relies on two key levers:

- its relationships with authoritative business, academic and opinion leaders;
- its well-oiled multi-channel “communication machine” that uses television, production companies, the Internet and text messaging services.

Plus a sales network of over 7,000 people in Europe, who can leverage the strength of their longstanding, continuous relationship with each individual customer.

The Forum was broadcast live over the Internet (live webcast at www.banca-mediolanum.it and www.mediolanumchannel.tv) and the Mediolanum Channel (the unencrypted satellite channel on channel 803 of the SKY platform) that aired both a live and a recorded special programme on the Forum. On December 12, a video of excerpts from the Forum was uploaded to Banca Mediolanum’s website. The Forum participants included: Ennio Doris - Chairman of Banca Mediolanum; Oscar Giannino - Chief Editor of Libero Mercato; Mauro Ferraresi - Professor of Sociology of Consumer Behaviour and Social Change at IULM University; Emanuele Maria Carluccio - Professor of Financial Intermediation and Insurance at Bocconi University; Corrado Caironi - Head of Investment Strategies at Black Rock - Merrill Lynch, Italy. The moderator was Andrea Cabrini - Chief Editor of CFN/CNBC and Class News.

Future Forums will be broadcast live with a translation in 4 languages: Italian, English, Spanish and German.



The event was highly publicised via:

- 70,000 targeted electronic newsletters;
- over 790,000 text messages sent to customers;
- messages sent to customers through the various channels (teletext and Banca Mediolanum’s website);
- advertisements in the press and advertorials in major daily newspapers.

Thanks to Mediolanum’s command of all these communication means, the Mediolanum Market Forum became a successful event and created a communication format that will be repeated at six month intervals in 2008 and broadcast on all Mediolanum channels and websites.

Sponsorships and other initiatives

For five years now, Mediolanum has been sponsoring the Green Jersey of Giro d'Italia, the long-distance road bicycle race. This is the occasion for local sales network members and customers to meet one another in a variety of local venues.

Following the race, also the Bank tours Italy offering entertainment and information to the public at large. The Bank also meets thousands of people-customers in person and holds dedicated dinners that are also attended by managers.

Leveraging on past experience and the presence of celebrities, these tour-related events became even more appealing and featured Mediolanum hospitality areas and counters at the starting and finishing lines of each tour stop. The interest generated by the celebrities present at the 2007 Giro d'Italia helped to promote the Piccolo Fratello humanitarian project that helps disadvantaged children in Haiti.

Open Day was another vehicle to meet customers and prospects at Punto Mediolanum premises.

Launched in 2006, in 2007 they were expanded to include a day dedicated to the new supplementary pension plans at all 244 Punti Mediolanum across Italy.

In addition to nationwide initiatives, there are also events at the local level e.g. fairs and festivals, meetings, sports events, exhibitions. It is the Family Bankers™ themselves who target the individual events to the customers and prospects.

In 2007, **local events** more than doubled compared to the prior year, going from 150 to **350** events. The number of customers and prospects who participated in these events doubled as well, from 36,000 in the prior year to about 70,000 people in 2007.





**"I don't go to the bank like everyone else:
I stay at home
and I do my banking from home.
... my home is my bank."**

(A Banca Mediolanum customer since 2006)

The environment

The Mediolanum Group is strongly committed to **protecting the environment**.

The very choice of having its Headquarters in a quiet place surrounded by nature, away from the hustle and bustle of Milan's financial heart, is proof of the Group's attention to the environment.

The day-to-day business of a Group with over 1,800 people - employees and contract workers - at its Headquarters alone, inevitably has an impact on the environment. The impact originates from different sources. We continuously monitor and optimise the use of resources in view of reducing the impact of our activities on the environment.

A number of measures in that direction were taken based on suggestions provided by the Teams for Improvement created by the employees.

Preferring electronic transmission over paper use. Renovating workplace spaces using **environmentally-friendly** materials and criteria. Setting up and using collective transportation services. Encouraging behaviours and practices geared to the responsible use and saving of energy and resources.

Large and small actions taken in the workplace that contribute to protect and improve the environment.



Protecting the environment

Our attention to minimise the direct impact of the Group's activities on the environment results in projects geared to reducing consumption, using resources (energy, paper, water, ...) more efficiently and adopting environmentally-friendly behaviour. We also strive to reduce any indirect impact, by giving priority to those vendors who implemented highly environmentally-sensitive processes, including the use of innovative materials with lower environmental impact.

RAISING EMPLOYEE AWARENESS

As part of our programme geared to encourage our employees to adopt environmentally-friendly behaviour, in 2007 we took some simple, easy-to-implement actions, including:

- Encouraging a wiser use of copiers. By posting instructions at the main copy centres at the HQ we encouraged our employees to use both sides of paper when making copies and thus reduced paper use;
- Changing copier settings to automatic switch off, we contributed to reduce electricity consumption.

We expect to further reduce paper consumption by code-locking copiers, printers, facsimiles, scanners, email (by sending documents to an email box). This measure is already in place in certain departments and it will soon be extended to all HQ premises. These measures were widely communicated via the intranet to raise employee environmental awareness and encourage them to adopt environmentally-friendly behaviour, e.g. preferring electronic transmission over paper use, shutting down PCs at the end of the day, and more generally reduce the consumption of water, energy etc.

TARGETED MEASURES

The optimisation and reorganisation of HQ spaces started in 2006 continued in 2007. Additionally, the Group developed and implemented a number of projects designed to significantly reduce energy consumption and enhance workplace safety and health.

These included:

- The installation of energy-saving lamps that ensure ideal artificial illumination of rooms by adjusting light intensity according to external natural light and protect the eyes.

- The installation of false ceilings to improve the acoustics of those offices in which isolation from noise is particularly important, e.g. the Banking Services Center.
- The installation of sun protection films to those windows that are most exposed to sunlight for optimal climate control and visual comfort inside rooms.
- The installation of independent air conditioning for better climate control in those rooms where temperature tends to be too high due to sunlight exposure.
- Optimisation of electricity supply and transforming stations for a more efficient use of electricity according to the needs of the various HQ offices.
- The replacement of all CRT displays with over 1,000 LCD monitors not only to save energy but to ensure greater user comfort and eye protection.
- At the HQ utility room, a new cooling system was installed to ensure steady temperature in the room and save energy.

To improve safety, a new power supply and distribution system will be installed under the floor during 2008.

In addition, as part of the comprehensive reorganisation and reconfiguration of the Headquarters started in 2006, Mirra chairs, which had been used initially only at the Banking Services Center were installed also at the HQ.

Mirra chairs are produced by Herman Miller (ISO 14001 certified company) using renewable energy and at least 50%-recycled and 96%-recyclable materials. This product received a number of recognitions for environmental sustainability, including those awarded by the Lombardy Regional Government and Lega Ambiente.

“Baby Med”

Also the **day care centre** is an example of the company's commitment in this area. The project for the day care centre included all the works needed to adapt the office spaces to the new function. The criteria adopted in space planning were those set out in the Welfare Plan of the Lombardy Regional Government (section: day care centres).

The design criteria meet the requirements of Act 13 of 1989 “Regulations to facilitate the overcoming and elimination of architectural barriers”; Act 104 of 1992 “Outline Legislation on Disability”; and Presidential Decree 503 of July 24, 1996 “Regulations for the elimination of architectural barriers in public premises, spaces and services”.

Furnishings were chosen according to the quality of materials, their compliance with regulatory requirements and certification, following the procedures indicated in the ISO 9001 Quality Management Manual for certified companies.

The furnishings selected for BabyMed are made of **fully recyclable** chipwood, certified by TÜV ITALIA as compliant with UNI EN ISO 9001 standards for safety and with UNI and UNI EN standards for robustness.

Furnishings are manufactured in compliance with the regulations in force using **non toxic** coatings and colours, class E1 formaldehyde content, class 1 fire-resistant materials. They are easy to assemble, maintain, clean, and are anchored to the floor or the walls to avoid tipping over. All measures were taken to ensure maximum safety and security, In compliance with Act 46/90 and CEI regulations the premises were fitted with systems to optimise safety and security, e.g. anti-theft system, smoke and fire detection system, CCTV, emergency call buttons, improved primary air circulation system.



Energy consumption

The information presented in this section relates only to the Milano 3 headquarters (33,898 sq. m in 2007) and to a population that includes both employees and contract workers e.g. interns, project contractors and advisors who are usually present at the Headquarters. For 2006, we considered a population of 1,686 people, in 2007 this figure increased to 1,894.

ELECTRICITY

The Mediolanum Group devotes much attention to energy consumption, since this is an area in which direct actions can be taken **to reduce the environmental impact**.

In February 2006, through its membership in ASSBANK, the Association of Italian Private Bankers, Mediolanum joined the "ABI Energia" Consortium.

ABI Energia provides services to its member for optimal energy procurement and use. Thanks to agreements made with energy companies, the members of the consortium can benefit from below-market energy prices and other advantageous contractual terms.

| | 2007 | 2006 | Change % |
|---------------------------------------|-------|-------|----------|
| Total consumption [MWh] | 9,735 | 9,344 | 4.2 |
| Consumption / sq. m [kWh/sq. m] | 287.2 | 275.6 | 4.2 |
| Per capita consumption [MWh/employee] | 5.1 | 5.5 | (7.3) |

In the past year, per capita energy consumption declined thanks to the targeted actions described above and actions geared to raise employee awareness.

HEATING

Thanks to the improvements made to the ventilation system, in the past year energy consumption declined.

| | 2007* | 2006** | Change % |
|--|-----------|-----------|----------|
| Total consumption [MCal] | 1,889,583 | 2,045,398 | (7.6) |
| Consumption /sq. m [MCal/sq. m] | 55.7 | 60.3 | (7.6) |
| Per capita consumption [Mcal/employee] | 997.7 | 1,213.2 | (17.7) |

* October 15, 2007 to April 15, 2008, Estimated on the basis of actual consumption in the prior year.

** October 15, 2006 to April 15, 2007.

WATER

The initiatives taken to raise personnel's awareness of environmental issues contributed to reduce water consumption.

| | 2007 * | 2006 | Change % |
|--------------------------------------|--------|-------|----------|
| Total consumption [m3] | 7,244 | 7,190 | 0.8 |
| Per capita consumption [m3/employee] | 3.8 | 4.3 | (11.6) |

* Estimated on the basis of actual consumption as of October 2007.

PAPER

In 2007, the consumption of paper fell dramatically, also thanks to the greater use of all-in-one copiers/scanners for the optical filing of documents.

| | 2007 | 2006 | Change % |
|--------------------------------------|------|------|----------|
| Letterhead and blank paper [ton] | 0.5 | 0 | n.a. |
| Recycled paper [ton] | 41.3 | 43.4 | (4.8) |
| Per capita consumption [Kg/employee] | 22.1 | 25.8 | (14.3) |

In 2006, consumption of letterhead and blank paper was nil as prior years' stocks were used. In 2007, use of blank paper was modest.

Waste

The following waste is source separated:

- paper,
- packaging (cardboard, styrofoam, wood),
- toner and cartridges for printers and copiers,
- PCs and electronic equipment.

Under the Mediolanum waste collection and disposal programme, 5.5 and 2.5 tons of paper were sent to recycling facilities in 2006 and 2007, respectively. In 2008, separated recycle bins will be installed at break rooms.

Environmental impact of transportation

SUSTAINABLE MOBILITY

Mediolanum has had in place for some years now a **shuttle bus service** for its employees, with frequent runs from Milan to the Headquarters in Basiglio. The number of employees who took the shuttle bus to go to work increased from 245 in 2006 to 258 in 2007.

In 2007, a **car pool** scheme became operational. Car pooling is the sharing of rides in a private vehicle among two or more employees who live in the same area to go to work. Car pooling reduces the need for car use and is beneficial for the environment (abatement of polluting emissions, reduced traffic congestion) as well as for employees (reduced travel expenses). The employees who are willing to join the car pool scheme can go to the Innova section of the intranet portal and get in touch with colleagues who travel on the same route.

TRAVEL EXPENSES

The table below sets out the expenses repaid by the company to the employees who use a company car.

The expenses relating to the shuttle bus service are directly **borne by the company**.

| (€) | 2007 | 2006 | Change % |
|---------------|-----------|-----------|----------|
| Fuel | 282,575 | 276,774 | 2.1 |
| Car rental | 1,383,597 | 1,218,528 | 13.5 |
| Bus (shuttle) | 503,046 | 471,576 | 6.7 |

The increase in car rental expenses is due to the greater number of company cars.

The increase in shuttle bus service expenses is due to the addition of two extra runs.

Workplace health

The workplace health initiatives include the regular analysis and monitoring of certain emissions, namely:

- the values of electromagnetic field emissions (company television aerial) in the workplace and adjoining premises. In 2005, these values were within regulatory limits,
- the values of Radon gas emissions from the ground in the area surrounding the Headquarters. In 2005, these values were also within regulatory limits.

The initiatives taken to protect health in the workplace include also the smoke-free programme adopted by Group companies several years ago: smoking is prohibited in the offices and in common areas.



**"The authority
that is by definition something cold, antiseptic,
is all of the sudden personalised."**

(A Banca Mediolanum customer since 2005)

Regulatory and legal authorities trade associations

For a Group that operates in the financial services industry, relations with **regulatory authorities** are particularly important.

In addition to relating to supervisory authorities, the Group collaborates, shares views and practices with trade associations, with which it also develops programmes, in view of monitoring, expanding and improving its knowledge base.

Supervision is not only an obligation, supervision is actively sought.

Regulatory Authorities

The industries in which the Mediolanum Group operates are heavily regulated (statutes and other industry regulations) and companies are subject to **inspections** by the competent supervisory authorities.

In the two-year period 2006-2007, in relation to Group companies

- Italy's Supervisory Authority for Insurance Companies **Isvap** conducted an inspection at Mediolanum Vita S.p.A. in 2006;
- **Consob** conducted an inspection at Banca Mediolanum S.p.A from December 2006 to July 2007;
- **The Bank of Italy** conducted an inspection at Banca Mediolanum S.p.A which started in May 2007 and ended in July 2007;
- In 2007, Italy's Sales Reps Social Security Service **Enasarco** conducted an inspection at Mediolanum Distribuzione Finanziaria S.p.A (October and November) and at Partner Time S.p.A., and in November it started an inspection at Banca Mediolanum S.p.A.

| Company | Type of Business | Antitrust | Electricity and Gas Regulator | Communications Authority | Bank of Italy | Borsa Italiana | CONSOB | COVIP | Information Commissioner's Office | ISVAP | Italian Foreign Exchange Office | UIC |
|---|---|-----------|-------------------------------|--------------------------|---------------|----------------|--------|-------|-----------------------------------|-------|---------------------------------|-----|
| Mediolanum S.p.A. | Holding company | ✓ | ✓ | | | ✓ | ✓ | | ✓ | ✓ | | ✓ |
| Banca Mediolanum S.p.A. | Bank | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mediolanum Gestione Fondi SGR p.A. | Asset Management | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | | | ✓ |
| Mediolanum Vita S.p.A. | Life Insurance | ✓ | ✓ | | | | | ✓ | ✓ | ✓ | | ✓ |
| Partner Time S.p.A. | Sale of insurance products | ✓ | ✓ | | | | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Mediolanum Comunicazioni S.p.A. | Communications | ✓ | ✓ | ✓ | | | | | ✓ | | | |
| Mediolanum Distribuzione Finanziaria S.p.A. | Financial Services (Section 106 of the Consolidated Banking Act) | ✓ | ✓ | | ✓ | | ✓ | | ✓ | | ✓ | ✓ |

Trade Associations

The companies within the Mediolanum Group are members of a variety of trade associations in relation to the different business they conduct. These memberships include:

- ABI (Italian Bankers' Association);
- Assoreti (National Association of Sales Networks in the Financial Services Industry);
- Assogestioni (Asset Managers Association);
- Assofin (Association of Consumer Credit and Mortgage Lenders);
- ANIA (Association of Italian Insurers);
- Assonime (Association of Italian Joint-Stock Companies);
- Assosim (Italian Association of Securities Brokerage Firms).



Mediolanum constantly exchanges information with and is an active **member** of the trade associations above. This entails, *inter alia*:

- Membership of the Group officers in the governance bodies of certain trade associations (the General Manager of Banca Mediolanum S.p.A., Mr. Giovanni Pirovano, is a member of the ABI Board of Directors; the Chief Executive Officer of Mediolanum Gestione Fondi SGRp.A., Mr. Walter Ottolenghi, sits on the Executive Board of Assogestioni);
- Consultation on specific issues (e.g.: Capital Requirements for Banks, Application of IAS/IFRS, ISVAP Circular 577/D, ISVAP Document 11/06, MiFID, etc.);
- Participation in initiatives geared to regularly monitor developments in the relationship with customers, regulatory and legal authorities, etc.;
- research studies and surveys.



* * *

In the course of business, the Mediolanum Group also interacts with the **Judiciary** through the Group's Legal Affairs Department, which is responsible, among other things, for the preparation and delivering of documents expressly requested by members of the Judiciary.

Standards

TABLE OF INDICATORS

| Indicators | Standard GBS | Type of data (N/Q) | Coverage (I/G) | Reference to Mediolanum Social Report |
|--|--------------|--------------------|----------------|---|
| CORPORATE IDENTITY | | | | |
| CORPORATE GOVERNANCE STRUCTURE | ✓ | N e Q | G | 25 |
| PRINCIPLES | ✓ | Q | G | 13 |
| MISSION | ✓ | Q | G | 14 |
| STRATEGIES | ✓ | Q | G | 3, 18, 35 |
| POLICIES | ✓ | Q | G | 3, 18, 35 |
| VALUE ADDED CREATION AND DISTRIBUTION | | | | |
| RECONCILIATION WITH FINANCIAL REPORTING | ✓ | N | I | 60 |
| VALUE ADDED FORMATION | ✓ | N | I | 61 |
| VALUE ADDED DISTRIBUTION | ✓ | N | I | 62 |
| Personnel | ✓ | N | I | 62 |
| Public Administration | ✓ | N | I | 62 |
| Financing Parties | n.a. | | | |
| Return on Equity | ✓ | N | I | 62 |
| Company Return | ✓ | N | I | 62 |
| Donations | ✓ | N | I | 62 |
| SOCIAL INDICATORS | | | | |
| <i>KEY SECTIONS</i> | | | | |
| CONTENT | ✓ | Q | I | 1, 35, 64 |
| Indication of commitments, goals, rules of conduct | ✓ | Q | I | 3, 35, 49 |
| Identification of the stakeholders | ✓ | Q | I | 3, 35 |
| Policies relating to each stakeholder category, expected results, consistency with stated values | ✓ | Q | I | 66, 96, 116, 142, 148, 156, 166, 176, 184 |
| Opinions and judgments of the stakeholders | ✓ | N e Q | I | 6, 74, 103, 137 |
| Objectives to improve process design and process substance | ✓ | Q | I | 3, 35 |
| Opinions of third parties requested to assess process quality and compliance with standards | ✓ | Q | I | 189 |
| IDENTIFICATION OF THE STAKEHOLDERS | ✓ | Q | I | 3, 4 |
| MAIN ASSUMPTIONS BY STAKEHOLDER CATEGORY | ✓ | Q | I | 66, 96, 116, 142, 148, 156, 166, 176, 184 |
| <u>Common denominator in the relations with stakeholders</u> | | | | |
| Policies and expected results consistent with corporate values and mission | ✓ | Q | I | 66, 96, 116, 142, 148, 156, 166, 176, 184 |
| Measurement process, legitimate expectations and level of satisfaction/agreement | ✓ | N e Q | I | 71, 103, 137 |
| Disclosures and communications | ✓ | N e Q | I | 5 |
| Litigations and disputes | ✓ | N e Q | I | 92, 135, 154 |
| <u>Recommended detailed information</u> | | | | |
| Personnel* | | | | |
| 1. Analysis of personnel | ✓ | N e Q | I | 97, 117 |
| 2. Analysis by age, gender, level of education, category, job title, length of service, origin, nationality and type of contract | ✓ | N e Q | I | 98, 117 |
| 3. Work organization | ✓ | N e Q | I | 99, 117 |
| 4. Turnover | ✓ | N e Q | I | 100, 123 |
| 5. Social initiatives | ✓ | N e Q | I | 125, 139 |
| 6. Recruitment policy | ✓ | N e Q | I | 122, 124 |
| 7. Equal opportunities policy | ✓ | N e Q | I | 133 |
| 8. Training policy | ✓ | N e Q | I | 107, 131 |
| 9. Compensation and incentives | ✓ | Q | I | 102, 129 |
| 10. Workplace Health & Safety | ✓ | N e Q | I | 127, 136 |
| 11. Relations with trade unions | n.a. | | | |

* Personnel includes employees and sales network members

TABLE OF INDICATORS

| Indicators | Standard GBS | Type of data (N/Q) | Coverage (I/G) | Reference to Mediolanum Social Report |
|--|--------------|--------------------|----------------|---------------------------------------|
| Shareholders | | | | |
| 1. Analysis of shareholders by status and nationality | ✓ | N e Q | I | 144 |
| 2. Shareholders' benefits | n.a. | | | |
| 3. Return on invested capital | ✓ | N e Q | I | 143 |
| 4. Shareholders' participation in corporate governance and protection of minority shareholders | ✓ | Q | I | 142 |
| 5. Investor relations | ✓ | N e Q | I | 145 |
| Financing parties | | | | |
| Customers/Users | | | | |
| 1. Characteristics and analysis of customers and markets | ✓ | N e Q | I | 67 |
| 2. Quality systems | ✓ | N e Q | I | 35 |
| 3. Assessment of customer satisfaction | ✓ | N e Q | I | 71 |
| 4. Customer contractual terms and conditions | ✓ | N e Q | I | 90 |
| Vendors | | | | |
| 1. Characteristics and analysis of vendors | ✓ | N e Q | I | 148, 149 |
| 2. Quality systems | ✓ | Q | I | 149 |
| 3. Vendor contractual terms and conditions | ✓ | Q | I | 149 |
| 4. Local economic benefits | ✓ | N | I | 154 |
| 5. Compliance with consistent standards along the supply chain | ✓ | Q | I | 149 |
| Public Administration | | | | |
| 1. Income tax, other taxes and contributions paid | ✓ | Q | I | 61, 62 |
| 2. Subsidies, tax reliefs and/or soft loans received by segment | n.a. | | | |
| 3. Preferential rates | n.a. | | | |
| 4. Contractual relationships with the Public Administration | n.a. | | | |
| 5. Internal rules and control systems to ensure regulatory and statutory compliance | ✓ | Q | I | 43 |
| The community at large | | | | |
| (a) Initiatives in the social sphere | ✓ | Q | I | 156 |
| (a.1) Improvement of the quality of life in programme areas: | ✓ | Q | I | 157 |
| 1. Education | ✓ | Q | I | 157 |
| 2. Sports | ✓ | Q | I | 139, 173 |
| 3. Healthcare | ✓ | Q | I | 158 |
| 4. Culture | ✓ | Q | I | 158 |
| 5. Research | ✓ | Q | I | 157 |
| 6. Solidarity | ✓ | Q | I | 184 |
| (a.2) Relations with associations and organisations | ✓ | Q | I | 157 |
| (b) The environment | ✓ | Q | I | 177 |
| 1. Environmental and risk management systems | ✓ | Q | I | 177 |
| 2. Education and training | ✓ | Q | I | 177 |
| 3. Environmental performance indicators | ✓ | N e Q | I | 179 |
| 4. Use and consumption of energy and non-recyclable materials | ✓ | N e Q | I | 179 |
| SUPPLEMENTARY SECTIONS | | | | |
| OPINIONS AND JUDGMENTS OF STAKEHOLDERS | ✓ | N e Q | I | 6, 71, 103, 137 |
| COMMENTS AND STATEMENTS MADE BY THE COMPANY | ✓ | Q | I | 1 |
| SOCIAL REPORT IMPROVEMENT | ✓ | Q | I | 4 |

| | | |
|----------------|----------------------------|----------------------|
| Legenda | Type of data: | Coverage: |
| | N: Number | I: Italian Companies |
| | Q: Qualitative Information | G: Mediolanum Group |

AUDITORS' REPORT

(Translation from the original Italian text)

To the Board of Directors
of Mediolanum S.p.A.

1. We have carried out the compliance procedures and analyses on the Social Report as of December 31, 2007 of Mediolanum Group, described in paragraph 2. of this report.

The audit procedures were carried out to evaluate the Board of Directors' statements, included in paragraph "Introduction and Note on Method" of the Social Report as of December 31, 2007 of Mediolanum Group, which describes the guidelines adopted for the preparation of the Social Report. The preparation of the Social Report is the responsibility of Mediolanum S.p.A.'s management.

2. In order to evaluate the Board of Directors' statements mentioned in paragraph 1., we have performed certain audit procedures, as suggested by the Document n.1 issued by the GBS – The Study Group for the Social Reports - which are summarized as follows:
 - verified that the financial data and information are consistent with those included in the financial statements and in the consolidated financial statements as of and for the year ended December 31, 2007, approved by the Shareholders' Meeting of Mediolanum S.p.A. and for which we issued the Auditors' Reports on April 4, 2008;
 - analyzed the operation of the processes underlying the production, recording and management of quantitative data. In particular, we have performed the following procedures:
 - interviews and discussions with management and personnel, to obtain an overview of the activity of Mediolanum Group, to gather information on the technology, accounting and reporting systems used in preparing the Social Report, and to document the processes and procedures used to gather, combine, process and transmit data and information of the Group's operating units and departments to the function responsible for preparing the Social Report;
 - sample-based analysis of supporting documentation used in preparing the Social Report to confirm the reliability of the interview-derived information, the effectiveness of processes and their adequacy in relation to business objectives, and the operation of the internal control system in managing data and information;

- analyzed the completeness and consistency of the qualitative information included in the Social Report. This activity was carried out in line with the above mentioned guidelines;
- verified the process of stakeholders' involvement, in terms of the methods adopted, completeness of the stakeholders and analysis of data on significant findings in this respect, compared to the information reported in the Social Report;
- obtained the Representation Letter on the reliability and completeness of the Social Report, of the relative information and data and on the compliance with the guidelines and principles which form the basis of preparation of the Social Report.

As far as the results of the prior Social Report are concerned, whose data and information are reported for comparison purposes, reference is made to our Auditors' report dated May 10, 2007.

3. Based on the procedures performed, we believe that the Social Report as of December 31, 2007 of Mediolanum Group complies with the guidelines and principles which form the basis of preparation and which are described in the paragraph "Introduction and Note on Method" of the Social Report. Moreover, the financial data included in the Social Report are consistent with the data and information included in the Group's consolidated financial statements as of December 31, 2007 and the other data and information are consistent with the supporting documentation and meet the content requirements established by the guidelines and principles governing the preparation of the Social Report.
4. Special attention should be paid to the paragraph "Introduction and Note on Method" which describes the new guidelines adopted for the preparation of the Social Report compared to last year and the connected effects on the information provided.

Milan, May 9, 2008

Reconta Ernst & Young S.p.A.
Signed by: Natale Freddi
Partner



Glossary

Glossary



ABI (Associazione Bancaria Italiana) Italian Bankers' Association

The Italian Bankers' Association represents, defends and promotes the interests of the banking and financial services industry. The majority of Italian banks are ABI members.

AGCM (Italian Competition Authority)

Also known as the Antitrust Authority, it is an independent agency established under Act 287 of October 10, 1990 ("Regulations for the protection of competition and the market") responsible for overseeing compliance therewith.

The Antitrust Authority also protects consumers from misleading and unacceptable comparative advertising and its jurisdiction also includes the overseeing of bank M&A's.

AGCOM (Italian Communications Authority)

Independent Authority established under Act 249 of July 31, 1997, AGCOM is first and foremost a watchdog.

Agenda

The list of items for discussion during a meeting (e.g. meeting of the Board of Directors, General Meeting, meeting of a Committee).

ANIA (Association of Italian Insurers)

The Association of Italian Insurers that represents and defends the interests of insurance companies with the government and during negotiations with trade unions.

Annual Report

The report presented annually by the company to its shareholders, It sets out the analysis of the financial position and results of operations for the prior year including the following financial statements: balance sheet, income statement, cash-flow statement, auditors' report etc.

Asset management

The management of assets invested on behalf of the customers.

**Bank of Italy**

The Bank of Italy is the central bank of the Republic of Italy and part of the European System of Central Banks (ESCB) and the Eurosystem. It is a public-law institution and pursues objectives of general interest in monetary and financial matters: price stability, the primary objective of the Eurosystem under the Treaty establishing the European Community (the EC Treaty); the stability and efficiency of the financial system, thus implementing the principle of the protection of savings embodied in the Constitution (Article 47 - "The Republic encourages and protects savings in all its forms. It regulates, coordinates and controls lending"); and the other duties entrusted to it by Italian law.

Banking Services Center

Call center for customers that provides assistance with banking transactions (home banking) or information. It is also used as customer care centre and telemarketing service.

Best practice

Generally, it indicates a practice which reflects the best knowledge in a certain technical/professional area.

Bylaws

Document which sets forth the regulations for the management and operation of a public or private organisation.

Borsa italiana - Italian Stock Exchange (ISE)

Created in 1998 with the privatisation of the Italian stock market, the ISE has been responsible for the organisation, management and operation of Italy's financial markets. Its main objectives are market growth and maximisation of liquidity, transparency, competitiveness and efficiency.

Board of Directors

Members elected by the shareholders and called "directors" who are responsible for the conduct of the business and corporate policies.

Board of Statutory Auditors

Collegial body mainly responsible for: verifying the adherence to principles of proper management, compliance with the law and the articles of incorporation, ensuring that accounting records are properly kept and reflected in the financial statements.

Brand

An identifying mark or trademark. It indicates the name or symbol whereby a company distinguishes its product from other products that are similar or are in the same category.



Chief Executive Officer

A member of the Board of Directors of an organisation, to whom the Board may delegate certain powers and determines the limits of those powers.

Code of ethics

The document a company prepares on a voluntary basis that concisely stipulates all the values recognised and internalised by the company and the consequent set of principles and standards of behaviour all those working for the company are to comply with.

Those principles and standards of behaviour also include the environmental, social and financial commitments of the company vis-à-vis the main categories of stakeholders, both within and outside the company.

Code of insider dealing

The code sets out disclosure requirements and the limits on the dealing of financial instruments that are issued by the company or its listed subsidiaries by individuals who are close family members or otherwise related to insiders, e.g. directors, statutory auditors, the Chairman's and the Chief Executive Officer's direct reports. The identification of insiders and the disclosure to the market if ever the value limit of dealings is exceeded are two requirements set out in the Borsa Italiana Regulation and in the Code of Conduct of the individual listed companies.

CONSOB (Commissione Nazionale per le Società e la Borsa) - Stock Market Regulator

An independent authority established under Act 216 of June 7, 1974, Act 281 of 1985 conferred legal personality and full independence to CONSOB. Its key purposes are to protect investors and ensure the efficiency, transparency and growth of securities markets. Its functions have progressively increased over time together with the need for greater investor protection associated with the expansion of financial markets and related regulations.

Consolidated Financial Statements

The financial statements (Balance sheet, Income Statements and Notes) of a group of companies of a holding company. The consolidated financial statements include the balance sheets and income statements of all the companies within the group.

Core Business

The main business that is the focus of the strategic choices and policies of an organisation.

Corporate Governance Code

The set of rules and functions that govern and control the company, especially in relation to the transparency of documents and the complete disclosure to the market.

Corporate Governing Bodies

The Boards and officers of a company that manage and run the business.

Corporate Social Responsibility

Reporting, on a voluntary basis, of social and environmental issues as they relate to industrial and commercial activities of a company and to the stakeholders.

COVIP (Commissione di vigilanza sui fondi pensione) - Pension Fund Supervisory Authority

The Pension Fund Supervisory Authority was established in 1993 by Legislative Decree 124/93, and started to operate under the current configuration in 1996. Its mandate is to ensure the protection of retirement savings, the transparency and proper operation of the pension fund industry to ensure the greatest possible pension coverage.

Cross Selling rate

An indicator of the degree of coverage of the customers financial needs by the bank.

Current account

The most common form of bank deposits under an agreement whereby the bank undertakes the custody of money for the account holder (and pays the holder regular interest) and allows withdrawals at any time.

Customer care

All those forms of assistance provided by an organisation to its customers to help them choose the right products and services and properly use them post-sales. It can also include the assistance provided by call centers or service centers helping customers troubleshoot any problems they may have.

Customer satisfaction

The customer is the focus of the attention of the company, which seeks to provide superior customer service. Winning the customer and retaining his/her trust: these are the objectives that make measuring customer satisfaction increasingly important for all functions within an organisation.

Customer satisfaction can be assessed by measuring customer perception of the product and service quality and how much actual values deviate from expected values.



Diversification

Strategy geared to mitigate risk exposure and ensure greater stability by investing into a variety of asset classes.

Dividend

Amount distributed by a company to its shareholders at the end of the financial year as return on invested capital.

Dividend per share

The amount of dividend for each share entitled to dividend distribution.



Extraordinary General Meeting

General Meeting of shareholders with powers to vote on special business e.g. amendments to the articles of incorporation, the issue of bonds (for joint stock companies) and, in case of winding up, the appointment and powers of liquidators.

Embedded value

The valuation measure of the core business of an organisation, which analyses sources of income/loss. Embedded value is measured on the basis of estimated future cash flows (in the form of streams of profits) discounted at their net present value.



Family Banker

Banca Mediolanum sales network member.

Financial Agent

Junior Family Banker of Mediolanum Distribuzione Finanziaria that promotes and sells banking and credit products and services, excluding financial products and investments services.

These professionals are regulated by the decree 485 dated December 13, 2001 issued by the Minister of Economy and Finance. They are entrusted by one or more financial intermediaries with the sale and the signing of contracts associated with the carrying out of financial activities as set out by article 106, paragraph 1, of the Consolidated Finance Act without being entitled to autonomously set prices nor other contractual conditions. The carrying out of this profession with the public is reserved to those agents registered in the UIC list (now renamed UIF).

Financial Statements

The purpose of financial statements is to provide shareholders and third parties with faithful and transparent information on the Company's balance sheet, income statement and cash-flows at the end of the financial year. The financial statements are a snapshot of the main business activities conducted in the year and the related results of operations (net profit or loss).

**IAS/IFRS**

The international accounting and financial reporting standards that under EU regulations are to be used by all European publicly traded companies in the preparation of their consolidated financial statements beginning from 2005.

The adoption of these accounting and financial reporting standards is intended to ensure uniformity, comparability and transparency of the financial information reported by European listed companies.

Index linked policies

These are term policies under which the amount paid at maturity is linked to the performance of certain benchmark indices (stock indices or basket of shares).

Independent auditors

External auditors responsible for auditing the accounts and the financial statements of an organisation and for verifying compliance with accounting standards.

Information Commissioner's Office

The Information Commissioner's Office was established in 1997. This office is responsible for overseeing protection of personal data in every aspect of Italy's social, economic and cultural life.

The responsibilities of the Information Commissioner's Office are set out in Section 31 of Act 675/1996.

Insider Trading

Illegal use of confidential information relating to a publicly traded company by individuals who received this price sensitive information in the fulfilment of their duties or from third parties, which if made public, would have a significant effect on the companies stock price.

Internal audit department

The department within the organisation which conducts internal audit.

Institutional Investors

Organisations that invest in securities markets as part of their business. These organisations are largely banks, investment funds, insurance companies, pension funds and financial companies.

Insurance agent (Banca Mediolanum)

A member of the Banca Mediolanum sales force under a mandate to sell insurance products.

Insurance policy

The most common insurance contract issued by an insurance company that demonstrates that the insured is protected against certain risks.

Investor Relations

The department in listed companies that is responsible for communicating with investors and intermediaries.

Italy's Electricity and Gas Regulator

An independent authority established under Act 481 of November 14, 1995 responsible for regulating and supervising the electricity and gas markets.

ISVAP (Supervisory Authority for Insurance Companies)

Supervisory Authority for Insurance Companies.

Established in 1982, ISVAP is an independent authority set up as an organisation with its own capital, financial reporting system and management. The objective of this authority is to guarantee the stability of the market and of insurance companies and also the transparency of products in the interest of the insured and of insurance market participants in general.

**Joint Venture**

Agreement between two or more parties to work together on an investment or work project, where the duties and responsibilities as well as the risks and profits are shared between the parties on a pro-rata basis.

**Life policy**

An insurance contract under which the insurer's payment to the beneficiary is conditional upon the occurrence of a certain event in the life of the policyholder.

Life policies are classified into:

- death benefit policies where the insurer makes the payment upon the death of the policyholder;
- living benefit policies where upon maturity the insured receives a lump sum payment, which is the sum of premiums paid plus annual interest, or an annuity. If the insured dies before the expiration of the term of the policy, the insurance company will pay the amount equivalent to the premiums paid to the heirs.

Licensed Financial Advisor

Professional advisor specialised in the selling of financial products and services on behalf of a securities brokerage firm or a bank.

A financial advisor needs to be licensed and registered in the FA register in order to practice, and has to meet basic minimum requirements and pass a state exam in order to become licensed. The state exam certifies that the candidate is capable of practicing ethically and effectively.

Loan

Sum of money given by a bank to an individual (or organisation) for a period of time to be paid back with interest.

Logo

Graphic symbol that identifies an organisation.

**Management**

The management techniques of an organisation or the management team that runs the business.

Managed accounts investing in mutual funds

Asset management service under which customer assets are invested in mutual fund units.

Managed accounts investing in securities

Asset management service under which customer assets are invested in securities (shares, bonds, treasuries, mutual funds, etc.).

Mission

A company's overriding corporate purpose. It expresses the ideals and values which form the foundation of the company's policies and are fundamental and drive the organisation.

Mortgage loan

A loan extended by a bank for the purchase or the renovation of a property or a house. The loan is repaid in instalments (typically, half-yearly or monthly); interest on the residual debt can be at a fixed or floating rate.

Multi-channel bank

A bank, that in addition to traditional channels, uses innovative channels based on electronic or telecommunications networks for the provision of banking services, e.g. home banking, telephone and cellular phone banking.

Mutual Funds

Financial instruments managed by an investment professionals and targeted to individual investors, investing their assets in a variety of securities or property. The individual becomes a shareholder in the Fund with a stake that is equal to the amount invested.

**NGO (Non-Governmental Organisation)**

A private, non-profit organisation. NGOs are active in various areas of international cooperation and solidarity and may have different purposes (humanitarian, political, religious).

Net profit

Profit for the year after tax.

**Ordinary General Meeting**

General Meeting of shareholders, who have the power to vote on: 1) the approval of the financial statements; 2) the appointment of directors, statutory auditors, the chairman of the board of statutory auditors; 3) the determination of the compensation of directors and statutory auditors, when not stipulated in the articles of incorporation 4) other business relating to the management of the company that they have the authority to vote on, under the articles of incorporation, or other business submitted to them by the directors, as well as on the directors' and statutory auditors' liability.

**Parent Company**

The company - also called holding company - that provides guidance and controls the policies and management of subsidiaries.

Payout ratio

The percentage of a company's earnings paid out to shareholders, i.e. the ratio of total dividends (distributed earnings) to total earnings for the period.

Pension Funds

Funds established to provide pension benefits which supplement those paid by the national social security and pension agency under the national mandatory pension scheme to retired workers (employees or self-employed).

Pension funds are classified into two categories: occupational and non-occupational pension funds. Occupational funds are those created under collective agreements and provided to homogeneous groups of workers (e.g. the employees of a company or of an industry). Non-occupational funds are those set up by authorised financial intermediaries (insurance companies, banks, securities brokerage firms or asset management companies) and are offered to any category of workers, employees or self-employed, for which there is no occupational pension fund.

Pre-tax profit

Profit for the year before tax.

**Quote**

The price of a security as it results from its trading on an exchange.

**Rating**

Evaluation by independent agencies, e.g. Moody's and Standard & Poor's, of a company's ability to meet its financial obligations.

Return

Profit on investment.

Risk profile of the investor

Represents the risk tolerance of the investor measured on the basis of the investor's objective personal characteristics and subjective behaviour.

ROE (Return on Equity)

The percentage obtained by dividing net profit by shareholders' equity, which indicates how effectively equity was employed to generate net profit.

Ruir

Isvap Register of Insurance and Reinsurance Intermediaries established in February 2007.

**Share capital**

Shares subscribed by the shareholders of a joint-stock company to form the capital needed to start up and run the business.

Share capital may be increased or reduced only by a resolution passed by the shareholders at the extraordinary general meeting, which sets out the terms thereof (e.g. amount of share capital increase/decrease, procedures for subscribing to new share issue or for reducing share capital).

Share certificate

A document of ownership in a joint stock company and related rights. A company can issue different classes of shares which give the holders different rights. Shares can be registered shares or shares in the bearer's name.

Shareholders' Agreement

Agreement among major shareholders aimed at stabilising control in a company.

S&P/MIB

The S&P/MIB index tracks the performance of major stocks listed on the markets regulated and managed by Borsa Italiana.

SGR (Asset Management Company)

A company that actively manages the assets of a mutual fund.

SIM (Securities brokerage firm)

A joint stock non-bank company with registered offices and headquarters in Italy, authorised to provide investment services.

Stakeholder

Any category of individuals who can influence, be affected or have an interest in the business, e.g. employees, shareholders, clients, vendors, non-governmental organisations, local communities.

Stock Option Plan

A plan for employees for the granting of options on corporate shares (either for a consideration or not) exercisable at a certain date.

Stock split

Increase in a corporation's total number of shares outstanding, without any capital increase. Each shareholder will thus hold a greater number of shares with lower par value without any disbursement.

Sustainable development

A term that indicates the ability to ensure the industrial, infrastructure, and economic development of an area, fully respecting the local environment.

It entails a form of growth in which the use of resources, the investments, the direction of economic development and governmental changes are all in harmony with each other and preserve the physical environment and ensure the availability of fundamental resources such as clean air, drinkable water, fertile soil, diversified ecosystems and climate stability.

Supplementary pension

Pension schemes underwritten by individuals that are meant to complement the national compulsory pension system.

**Teletext**

A news and information service in the form of text transmitted from a database to the television screen.

**UIC (Ufficio Italiano dei Cambi) - Italian Foreign Exchange Office**

Established in 1945 and reformed in 1998, it is the Bank of Italy's agency responsible for processing the balance of payments statistics, managing currency reserves, preventing and combating money laundering.

Unit linked policy

A policy under which benefits are linked to the unit value of shares in ad hoc insurance funds or mutual funds.



Vision

Strategy for a future scenario that reflects the company's values.

Volatility

Indicator of the level of risk of an investment that through statistical analysis measures the amount a security is expected to fluctuate in a given period of time.



Yield

Coupon rate of interest on fixed-income securities divided by the purchase price, or the rate of return paid on a stock in dividends.

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