

MEDIOLANUM S.p.A.

Social Report 2006

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Not everything that counts
can be counted,
not everything that can be counted
counts.

Albert Einstein



Letter to the Stakeholders

This first edition of the Mediolanum Group's Social Report was prepared alongside the Annual Report to provide a broader and more in-depth picture of our work, values and commitments in a year that is particularly significant in the life of our Group.

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

Three milestones in a history that sets us apart.

A history made of people and for people.

The original idea of creating a new banking model centred around the customer and based on freedom developed into a concrete alternative for one million families.

This was achieved by a management team that shares the Group's vision, not only the objectives; by our people: the employees and a Sales Network that is unique in the market and from the very start has been offering a value, advice, that is so much appreciated today; and clearly by our customers, i.e. the families we dedicate individual attention to and that we take care of with a variety of personalised solutions that protect them in the long run.

This, too, is being socially responsible.

The Chairman
Roberto Ruozi

The Chief Executive Officer
Ennio Doris

Introduction and note on method

The first edition of the Mediolanum Group's Social Report intends to demonstrate the connection between competitive business strategies, the values of the Group and the relationship with the stakeholders.

The Report is divided into four sections:

- **Identity.** This section presents the group's organisation, history, vision, mission, values, strategic guidelines and governance.
- **Key financials.** This section deals with the creation of value for stakeholders and represents the main link between Financial Reporting and Social Reporting.
- **Social and environmental indicators.** This section describes the interrelationships with the various stakeholders.
- **Projects and initiatives in 2007.** This section draws the reader's attention to the numerous projects, either underway or still in the pipeline, that are geared to make the relationship with the stakeholders more and more satisfactory.

The Social Report was prepared applying the guidelines set out in 'Model for Social Reporting in the Lending Business', 'Report to Stakeholders: guidance for Banks' drafted by the Italian Bankers' Association, and Document G3 published in 2006 by the Global Reporting Initiative (GRI).

The Group also applied the guidelines and indicators provided by the Work Group on Social Reporting (GBS).

The application of these guidelines entails, *inter alia*:

- identification of the stakeholders;
- neutrality in the presentation of information and figures;
- consistency of information to ensure full comparability over time;
- relevance of disclosed information and figures.

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 total Group employees and manage about 90% of total Group customer assets.

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



Indicators

Indicator	Guidelines			Type of data (N/Q)	Coverage (I/G)	Reference to the Mediolanum Social Report	Page
	GRI	ABI	GBS				
Content, purpose and organisation of the Social Report	X	X		Q	G	Introduction and note on method	4
IDENTITY							
Letter to the stakeholders		X		Q	G	Letter to the stakeholders	3
Information on the main sections of the Social Report	X	X		Q	G	Introduction and note on method	4
VISION AND STRATEGY							
Vision, mission and values		X	X	Q	G	Vision, Mission	14
Sustainable development strategy	X			Q	G	Service Quality and Corporate Social Responsibility	35
GROUP PROFILE							
History of the Group		X		Q	G	History of the Group	12
Business Name	X			Q		History of the Group, The Group Structure	12, 25
Main products and/or services and their brands	X			Q		The business model	19
Description of the main divisions, operations, subsidiaries and joint ventures	X			Q	G	The Group Structure	25
Countries in which the organisation operates	X			Q	G	The Group Structure	25
Ownership structure, legal status	X			Q	G	History of the Group, The Group Structure	12, 25
Markets	X			Q	G	Our people	33
CORPORATE GOVERNANCE AND MANAGEMENT SYSTEMS							
Governance structure	X	X	X	Q	G	Corporate governance	37
Boards and Committees (composition, frequency of meetings, responsibilities, independent members, number of women)	X	X		Q/N	I	Corporate Governance Boards and Committees	38
Internal rules of conduct and codes	X	X	X	Q	I	Rules of Conduct	46
Internal control system and risk management	X	X	X	Q	I	The Internal Control System	44
Relations with associations and regulatory authorities	X	X	X	Q	I	Regulatory and Legal Authorities, Trade Associations	159
Description of procedures for compliance with Legislative Decree 231/2001		X		Q	I	Supervisory Board (pursuant to Legislative Decree 231/2001)	41

LEGEND

Guidelines

GRI: Global Reporting Initiative

ABI: Italian Bankers' Association guidelines

GBS: Work Group on Social Reporting

Type of Data

N: Number

Q: Qualitative information

Coverage

I: Italian Companies

G: Mediolanum Group

Indicators (continued)

Indicator	Guidelines			Type of data (N/Q)	Coverage (I/G)	Reference to the Mediolanum Social Report	Page
	GRI	ABI	GBS				
FINANCIAL INDICATORS							
Key financial information	X			N	G	Key financial data	52
Value Added for the Stakeholders		X		N	I	Value Added for the Stakeholders	57
SOCIAL AND ENVIRONMENTAL INDICATORS							
CUSTOMERS							
Analysis of customers by category, analysis and characteristics of customers and markets	X	X		N	I	Analysis of customers	64
Analysis of customers by type of product/service offered and new customers	X			Q	I	Introduction to the section on customers	63
Customer Loyalty	X			N/Q	I	Customer Loyalty	67
Customer Satisfaction	X	X	X	N/Q	I	Customer Satisfaction	69
Complaints , complaint management	X	X		N/Q	I	Complaints	77
Ability to identify products/services that appeal to customers	X			N/Q	I	Development of the range of products and services	73
Description of promotional activities by product/service category and actual/expected customer response	X			N/Q	I	Advertising	75
Development and offering of new products or services	X			N/Q	I	Development of the range of products and services	73
Socially responsible products/services offered	X						
Contractual transparency - PattiChiari	X			Q	I	PattiChiari	76
Description of policies, procedures and systems to comply with data protection regulations and assure the protection of consumer privacy	X	X		N/Q	I	Personal Data Protection Code	76
Total number of complaints relating to infringement of privacy rights and loss of customer data	X	X		N/Q	I	Personal Data Protection Code	76
SALES NETWORK							
Policies and expected results in accordance with corporate values and mission			X	Q	I	Introduction to the section on the Sales Network	81
Assessment and surveys of stakeholder satisfaction			X	N/Q	I	Satisfaction of the Sales Network	87
Average number of hours of training	X	X		N/Q	I	Training & Learning	90
Continuous education and training policies and programmes	X	X	X	N/Q	I	Training & Learning	90
Turnover	X	X	X	N/Q	I	Annual Turnover	85



Indicators (continued)

Indicator	Guidelines			Type of data (N/Q)	Coverage (I/G)	Reference to the Mediolanum Social Report	Page
	GRI	ABI	GBS				
EMPLOYEES							
Analysis of Employees	X	X	X	N/Q	I	Analysis of Employees	96
Creation of net new jobs	X	X	X	N/Q	I	Career paths and turnover, Net new jobs	101, 102
Turnover	X	X	X	N/Q	I	Career paths and turnover, Turnover	101, 102
Employee benefits in addition to regulatory benefits	X			N/Q	I	Employee benefits	104
Social initiatives		X	X	Q	I	Company daycare centre, The Community at large	104, 133
Frequency of disciplinary measures and disputes with the company		X	X	N	I	Litigation and disputes	110
Relations with trade unions	X	X		N	I	Trade Unions	110
Employee safety and health	X	X	X	N/Q	I	Healthcare	116
Average number of hours of training in the year, per capita		X		N	I	Average number of hours of training and professional refresher courses	112
Continuous education and training policies and programmes	X	X	X	N/Q	I	Personal development	111
Percentage of employees who are regularly assessed in terms of performance and career development	X			N/Q	I	Incentive systems	107
Compensation scales and career paths	X	X	X	N/Q	I	Career paths	103
Equal opportunities	X	X	X	N	I	Equal opportunities	113
Hours absent by leave type		X		N/Q	I	Personal time	115
Description of policies and means used to communicate with employees		X	X	Q	I	Company- employee relations	117
Satisfaction of the employees		X	X	N/Q	I	Employee climate survey	117
Description of non-discriminatory policies	X			N/Q	I	Protected categories	114

Indicators (continued)

Indicator	Guidelines			Type of data (N/Q)	Coverage (I/G)	Reference to the Mediolanum Social Report	Page
	GRI	ABI	GBS				
SHAREHOLDERS AND INVESTORS							
Number and type of shares outstanding		X	X	N	I	Share capital	123
Analysis of shareholders by type		X		N/Q	I	Share capital, Investor Relations	123, 124
Segmentation of shareholders by category		X		N/Q	I	Share capital	123
Description of the company structure e.g. type of business, control, location		X		N	I	Share capital	123
Earnings per share		X		N	I	Stock history	122
Dividend		X		N	I	Share capital	123
Stock performance		X					
Rating		X					
Communications and analysis			X	Q	I	Investor Relations	124
Corporate presentations and documents			X	Q	I	Investor Relations	124
Roadshows, meetings and other forms of liaising with analysts and investors			X	N/Q	I	Investor Relations	124
VENDORS							
Analysis of vendors by business category		X	X	N	I	Analysis of vendors by business category	130
Geographic analysis of vendors (organisation and country)	X	X	X	N	I	Geographic analysis	131
Vendor's adoption of CSR policies and strategies		X	X	Q	I	Procurement Policy	128
Description of vendor selection policy		X		Q	I	Procurement Policy	128
Description of vendor management procedures/management models /databases, if any, including the indication of CSR criteria used		X		Q	I	Procurement Policy	128
Description of the policy adopted to communicate with, raise awareness of, and inform vendors		X	X	Q	I	Procurement Policy	128
Existence of processes for the assessment of vendor satisfaction in terms of treatment, prices, payment terms		X	X	Q	I	Procurement Policy	128
Claims and disputes			X	N/Q	I	Claims and disputes	131
Assessment of vendors in relation to environmentally-sensitive issues	X			Q	I	Procurement Policy	128
Policies and practices in relation to local vendors	X		X	N	I	Geographic analysis of vendors	131
Quality systems			X	Q	I	Procurement Policy	128



Indicators (continued)

Indicator	Guidelines			Type of data (N/Q)	Coverage (I/G)	Reference to the Mediolanum Social Report	Page
	GRI	ABI	GBS				
THE COMMUNITY AT LARGE							
Relationships with non-banking associations and foundations promoted by the bank		X		N/Q	G	Mediolanum Foundation	136
Allocation of funds to promote humanitarian and social projects and initiatives		X		N/Q	G	Mediolanum Group charitable programmes	134
Description of the company's direct contribution		X	X	N/Q	I	Value Added, Daycare centre, Mediolanum Group charitable programmes, Mediolanum Foundation	57, 104, 134, 136
Communication with and involvement of the community		X		N/Q	G	Communication Initiatives	143
COMMUNICATION INITIATIVES							
Virtual community - analysis of accesses		X		N/Q	I	Channels and Services	70
Virtual channel security and transactions		X		Q	I	Channels and Services	70
Development of virtual channels		X		Q	I	The all-around bank, Communication Initiatives	20, 143
IT awareness		X		Q	I	Business continuity	48
'Two-way' communication with the stakeholders		X		Q	I	Investor Relations, Communication Initiatives	124, 143
THE ENVIRONMENT							
Description of environmental targets		X	X	Q	I	Safety, Health and the Environment, Energy consumption	152, 154
Certifications held and environmental management processes/systems		X		Q	I	Safety, Health and the Environment	152
Analysis of materials used (ex water), type, weight or volume of materials		X	X	X	N	Electricity, Heating, Paper	154, 155
% of raw materials used that become waste		X	X		N/Q	Waste, Other initiatives	156, 157
Analysis of waste by type and destination		X			N/Q	Waste, Other initiatives	156, 157
Analysis of paper consumption by type		X			N/Q	Paper	155
Direct consumption of energy from a primary source of energy		X	X	X	N/Q	Electricity	154
Energy savings resulting from improved energy conservation and energy-efficient processes		X	X	X	Q	Electricity	154
Initiatives for the use of renewable energy sources; initiatives to reduce the demand for energy		X	X	X	Q	Electricity	154
Total water consumption		X	X	X	N/Q	Water	155
Nox, Sox and other relevant emissions, type and quantity		X			Q	Workplace health	157
Initiatives taken to mitigate the environmental impact of products or services		X			Q	Safety, Health and the Environment	152
Significant environmental impact of the transport means used by employees		X	X		N/Q	Environmental impact of transportation	156
Means of transport used		X			N/Q	Environmental impact of transportation	156
Total mileage		X			N/Q	Environmental impact of transportation	156
Initiatives to promote sustainable means of transport		X			Q	Sustainable mobility	156

Everything starts
from
freedom.

Jules Michelet



Identity

The idea of **creating** a different kind of bank centred around a freer relationship with customers was brought to life in 1982 and in 1997 with the formation of Banca Mediolanum.

The vision of its founder, Ennio Doris, was clear: a bank built around people.

A bank which would leverage an innovative model and superior service quality and allow families to fully take advantage of all features it has to offer, and would maximise their assets allowing them to look to the future with peace of mind.

"Many years ago I read that if you help a person make a smart decision you do that person a great favour.

That was the moment I had the idea of creating a different kind of bank based on freedom. A bank truly built around people.

A bank that would change the concept of banking".

Ennio Doris

Such a strong commitment has won the full trust of over one million customers over time, with whom the Mediolanum Group has a special day-to-day **relationship** and whose personal experience validates the premise upon which the bank was built.

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 stable 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.

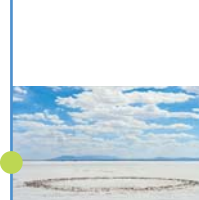


Banca Mediolanum expands into Spain to replicate its Italian business model with the acquisition of the Fibanc Banking Group.

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.

Feb. 2, 2007 The Mediolanum Group celebrates its 25th anniversary and Banca Mediolanum its 10th anniversary. Mediolanum is a distinctive market player that continues to grow at a fast pace without overlooking its mission and the values that have always characterised it.



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.

Freedom is nothing else
but a chance to be better.

Albert Camus



The business model

The Mediolanum Group's proposition to the market and families is based on a keystone concept: **the central role of the customer, whose satisfaction remains the prime goal of the company.**

That concept is well exemplified in the Banca Mediolanum business model, which offers the combined advantages of traditional and online banking, with none of the disadvantages.

The technology employed is simple and truly user-friendly, and is based on everyday, familiar devices: for example, using tele-text access to the bank account via the ever-present television and remote control.

And then there is the key difference made by the lasting, reliable, one-on-one relationship that develops over time between the customers and their personal advisor, the Family Banker™, who even brings the bank into their homes.

Banca Mediolanum combines the freedom of online banking with the human touch of traditional banking into a comprehensive innovative model.

The superior level of customer satisfaction - resulting from the quality of our offering, the close relationship we build with the customer and the service we provide - are the markers of our achievements, beyond the growth numbers.

Bringing to life the vision of 'Freedom in Banking' and fulfilling the promise 'The bank built around you' brought about a new **way of banking** that combines the best practices of traditional banking with those of the more recent model of online banking.

With the customer and their needs at the centre of it all.

True progress is made only when the advantages of a new technology are within reach of everyone.

Henry Ford

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.

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 '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.



Telephone: A Banking Services Center with over 300 Banking Representatives who assist clients until 10 p.m. on weekdays and on Saturday mornings; automatic VRU answering system 24/7; text messaging and mobile phone banking services.

The Internet: all banking and investment management transactions can be made through the web-based platform featuring easy-to-use navigational tools and great security of transactions.

Television: general information, checking on bank account status and ability to make certain transactions through the teletext of Rai and Mediaset; interactive features on digital terrestrial television.

Family Banker™: a network of over 6,200 professional advisors (as of December 31, 2006) who assist individual customers in high value transactions, and provide financial, insurance and retirement advice.

Clients can also count on over 15,000 3rd party outlets for cash deposits and withdrawals.



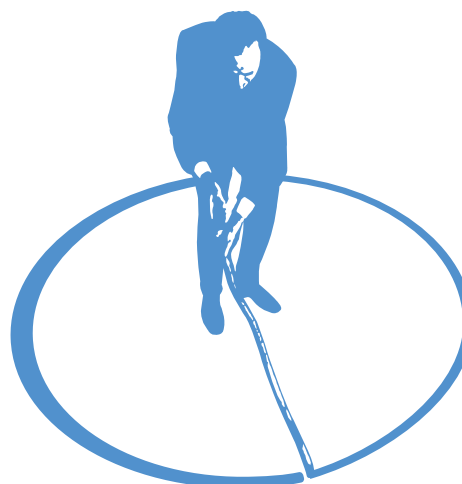
The special characteristic of the model, i.e. its 360° aspect, is born from the original vision of the founder, Ennio Doris, of a bank built around people.

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.

**An idea,
in the highest sense of that word,
cannot be conveyed but by a symbol.**

Samuel Taylor Coleridge



Asset management and advice

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

Again the guiding principle is putting the customer at the centre.

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 Bankers 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).

**When you look - look wide;
and even when you think
you are looking wide - look wider still.**
Robert Baden-Powell

If you want to lead people,
follow them.

Lao-Tze



The organisational structure

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

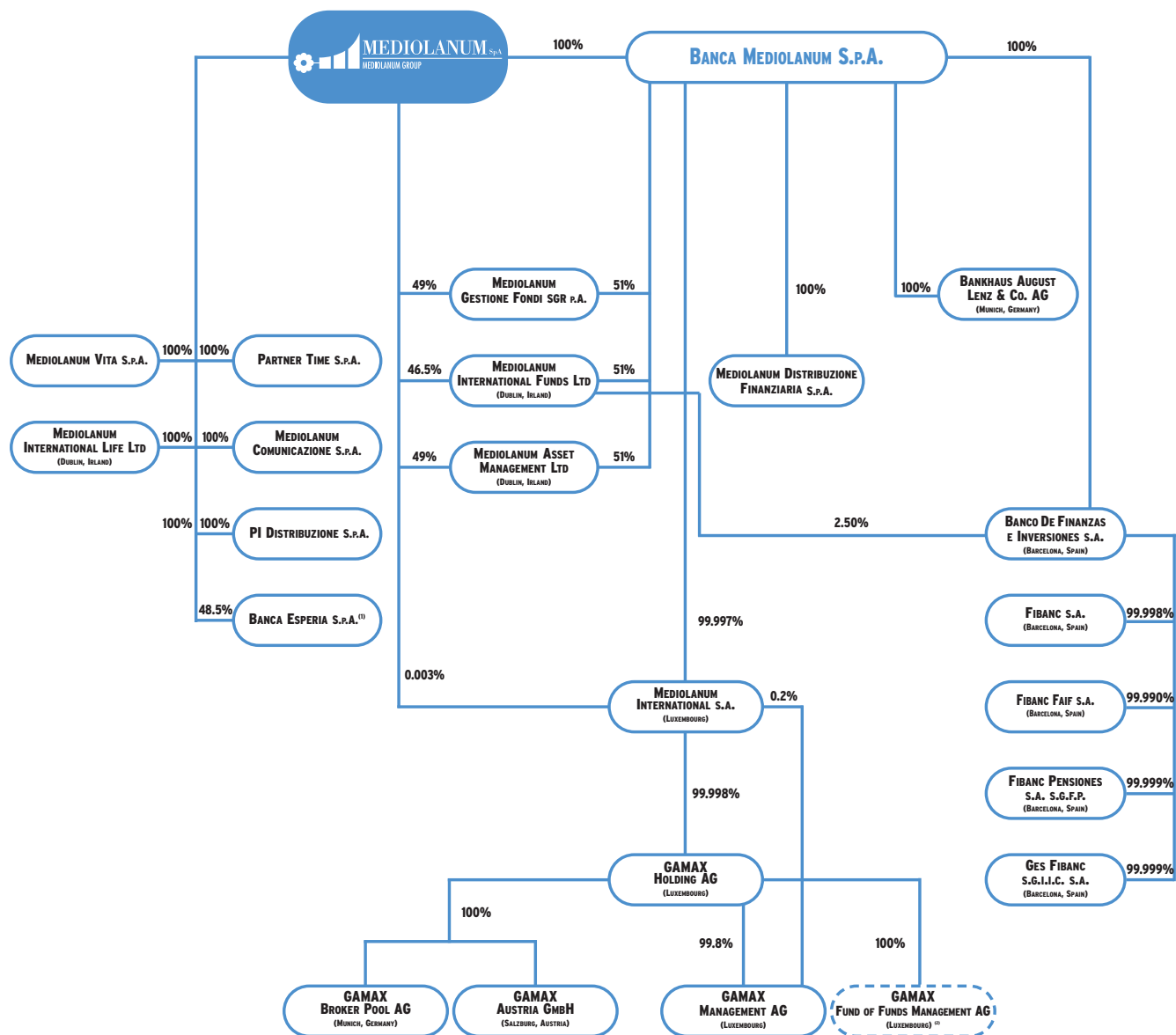
The organisational structure reflects the history of the continual development of the original idea year after year.

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 1,600 employees and 7,200 members of the sales force.

The Group structure

As of DECEMBER 31, 2006



(1) The remaining capital is held by third parties

(2) Cancelled from the Register of Businesses on January 15, 2007 with effectiveness from October 24, 2006.



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).

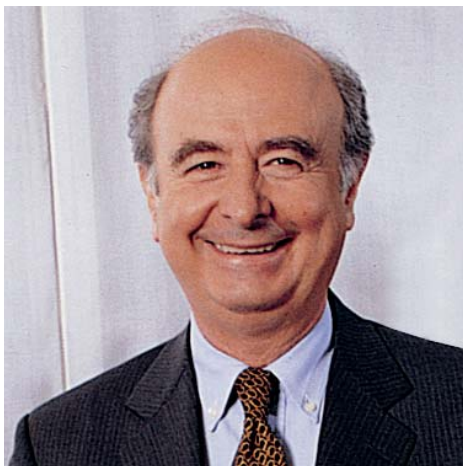
Mediolanum S.p.A. also owns Banca Esperia jointly with Mediobanca.

The Group's retail banks are: Banca Mediolanum based in Milan, Banco de Finanzias y Inversiones S.A. based in Barcelona and Bankhaus August Lenz & Co. AG based in Munich; the Luxembourg-based Gamax Holding AG is the company owning the companies that distribute products in Germany and Austria.

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.

Gamax Fund of Funds was voluntarily liquidated effective from October 24, 2006, while Gamax Broker Pool AG was sold to third parties effective on April 1, 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. 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.

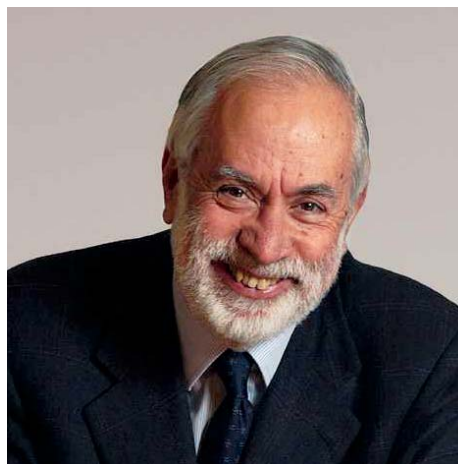
In 1989 he joined IRI as Planning and Control Director. In 1990 he joined Fininvest, first as General Manager and then, from February to July 1996, as Chief Executive Officer.

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.

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.

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 Sp.A.
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.

**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, Germany.

Member of the Board of Directors of Banca Mediolanum S.p.A., Banco de Finanzas e Inversiones S.A. and other companies within the Group.

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.

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



VALERIO BALDINI
Direttore Generale delle Reti

With Mediolanum since 1982.

Prior 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.

With Mediolanum since 1982.

Prior 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.



SILVIO CRACCO
National Manager of Partner Time Sales Network

With Mediolanum since 1982.

Prior 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.



Our people

The Mediolanum Group counts about 9,000 people falling into two main categories, i.e. employees and Sales Network members, in 4 markets: Italy, Spain, Germany, Ireland.

TOTAL EMPLOYEES

Category (Units)	2006	2005	Change %
Employees	1,673	1,510	10.8
Sales Network members	7,244	6,218	16.5
Total	8,917	7,728	15.4

MEDIOLANUM GROUP EMPLOYEES

Category (Units)	2006	2005	Change %
Total employees in Italy	1,377	1,225	12.4
Total employees abroad	296	285	3.9
Total employees	1,673	1,510	10.8

MEDIOLANUM GROUP SALES NETWORK MEMBERS

Category (Units)	2006	2005	Change %
Full-time sales force in Italy	6,173	5,220	18.3
Full-time sales force abroad	618	536	15.3
Total full-time sales force	6,791	5,756	18.0
Part-time sales force in Italy	163	172	(5.2)
Part-time sales force abroad	290	290	-
Total part-time sales force	453	462	(2,0)
TOTAL SALES FORCE	7,244	6,218	16.5

The conduct of our lives
is the only proof of
the sincerity of our hearts.

Thomas Woodrow Wilson



Service quality and corporate social responsibility

Everything begins with **responsibility**.

We are personally and fully responsible for working effectively and efficiently, we share corporate values and goals and steadily improve product and service quality.

We work with professionalism, participation and mindfulness. We continuously monitor processes as well as our own results. We are receptive and proactive.

To always give top quality responses to our customers and stakeholders.

Work ethics that go 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.

Whatever is worth doing at all is worth doing well.

Philip Dormer, Lord Chesterfield

All initiatives are constantly guided, managed and measured. In particular, measurement contributes to a raised awareness of the internal and external service level provided and to the implementation of actions aimed at improvement.

The final, though not last, step in the social responsibility process entails communicating and disseminating among all stakeholders the Group's **identity** and values as part of a business conduct that is increasingly oriented to quality.



Corporate governance

INSIDER 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 SpA 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 Officer.

The Board of Directors of the company at its meeting held on March 1, 2006 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.

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. 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;
- 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	12 members (of whom 3 executive members and 3 independent members)
Meetings held in 2006	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
Meetings held in 2006	13

Compensation Committee

The original Stock Options 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 2006	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 (of whom 1 non-executive member and 2 independent members)
Meetings held in 2006	4

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 2006	6

MEDIOLANUM S.P.A. GOVERNANCE OFFICERS

Composition of the Board of Directors

The Board of Directors of Mediolanum S.p.A. consists of 12 members, of whom 3 independent (25%) and 3 executive members.

In 2006 the Board of Directors held 8 meetings (vs. 9 meetings in 2005) and the average attendance rate was 76%.

Position	Surname and first name	Independent	Executive	Female	Committees		Board of Directors	
					Internal Audit	Compensation	Meetings Attended	% Attendance rate
Chairman of the Board	Ruozzi Roberto	✓					7	88
Chief Executive Officer	Doris Ennio		✓			✓	5	63
Deputy Chairman	Messina Alfredo		✓				5	63
Executive Deputy Chairman	Lombardi Edoardo		✓				8	100
Director	Berlusconi Marina			✓		✓	0	0
Director	Cannatelli Pasquale						8	100
Director	Doris Massimo Antonio						8	100
Director	Molteni Mario	✓			✓		6	75
Director	Renoldi Angelo	✓			✓		8	100
Director	Sciumè Paolo				✓	✓	8	100
Director	Ermolli Bruno					✓	3	38
Director	Zunino Antonio						7	88
Total	12	3	3	1	3	4	8	76



Composition of the Board of Statutory Auditors

Position	Surname and first name	Meetings attended	% Attendance rate
Chairman	Mauri Arnaldo	13	100
Standing Auditor	Frattini Achille	13	100
Standing Auditor	Giampaolo Francesco Antonio	13	100
Alternate Auditor	Gatti Ferdinando	0	0
Alternate Auditor	Vittadini Francesco	0	0
Total		13	

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 (%)	2006	2005
Board of Directors	76	78
Board of Directors (only independent members)	67	85
Board of Statutory Auditors at Board of Directors meetings	83	85
Board of Statutory Auditors	100	n/a
Audit Committee	88	87
Stock Option Plan Committee	75	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.

INTERNAL AUDIT

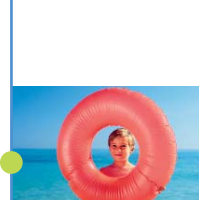
The Chief Auditor is the head of Internal Audit. Internal audit of all Group companies, including the Parent Company Mediolanum S.p.A. is performed under individual outsourcing agreements by the internal audit function of the subsidiary Banca Mediolanum S.p.A. The Internal Audit function is separate 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, that 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 (Number)	2006	2005	Change %
Reports	49	49	-
Remarks/Improvement areas	129	127	1,6

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.

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. That function verifies the adequacy of procedures for the control of financial, operational and credit risks as well as compliance, also within the financial conglomerate.

Risk management and compliance work is conducted by the risk management department of Banca Mediolanum under a service agreements.

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.

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 SGR p.A.).

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

In accordance with art.58 of the Regulation for Intermediaries adopted by Consob through its resolution 11522/98, 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.

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.

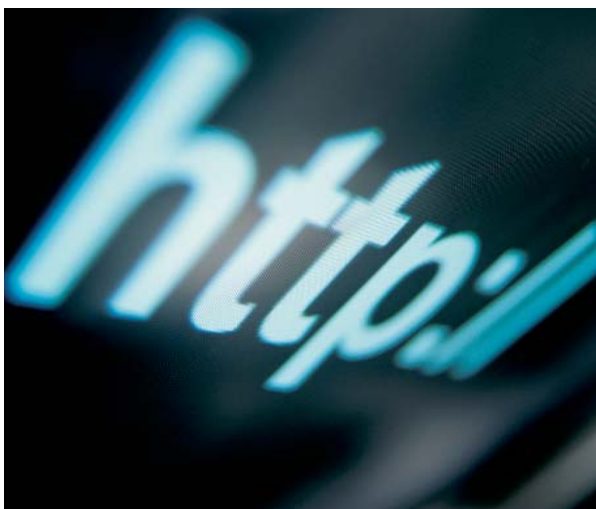
It should be noted that Banca Mediolanum not only provides Information Technology services but also manages, via intercompany service agreements, the information system processes of the Group's Italian 'product factories', whose products it sells.



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.



Small opportunities are often
the beginning of great enterprises.

Demosthenes



Financial indicators

The good work being done by the Group is demonstrated by results that are impressive from a qualitative point of view.

Assets under management and administration increased **10%** over 2005; inflows of customer assets were strongly positive with net inflows climbing **27%**.

Embedded Value - an estimate of the value of a company - increased by **6%** to €3,122 million.

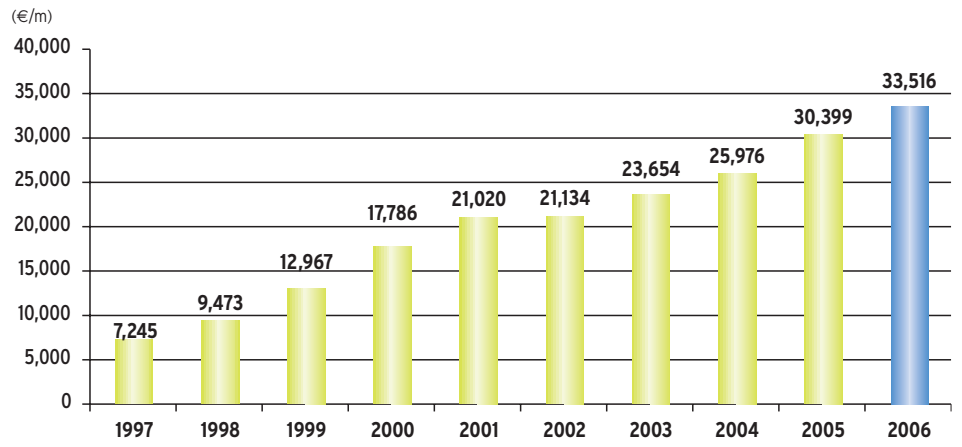
Value Added for the Stakeholders - a measure of the value created for and distributed to the stakeholders over the year - rose **6.77%** and was **evenly distributed** among the various stakeholders.

Profit before tax remained flat as it was impacted by a lower level of performance fees generated in 2006 compared to 2005, due to a different performance of equity and forex markets. Excluding this volatile component, profit before tax grew by 47%.

Key financial data

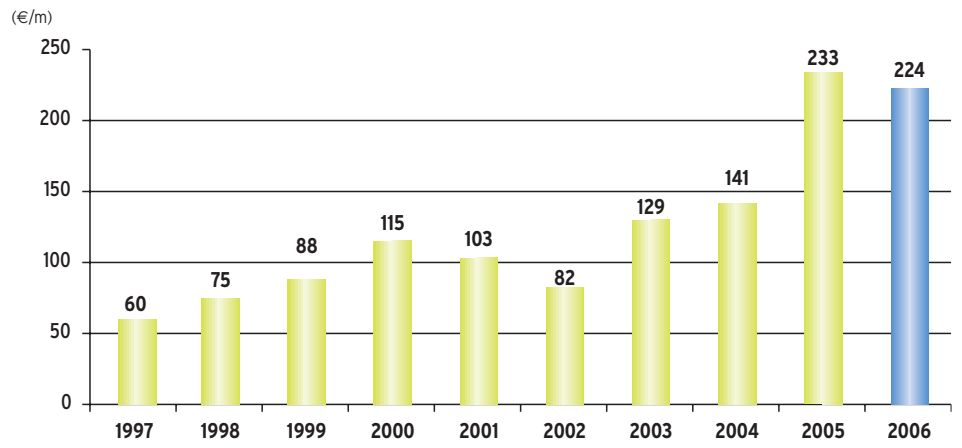
CONSOLIDATED DATA

Group assets under management & administration



Group assets under management and administration had a compound annual growth rate of 18.55% hitting €33.516 billion at year end 2006.

Group net profit

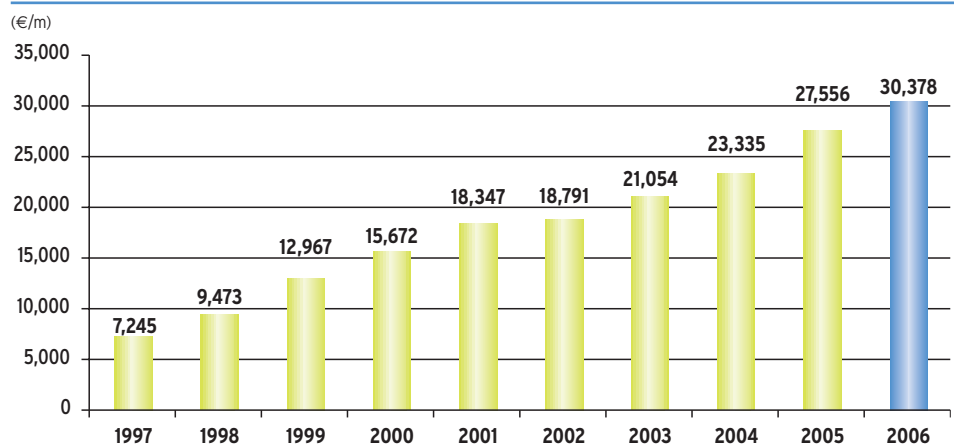


Consolidated net profit remained substantially in line with the prior year's figure. The slight decline was largely due to a lower level of performance fees, which are a volatile revenue item.



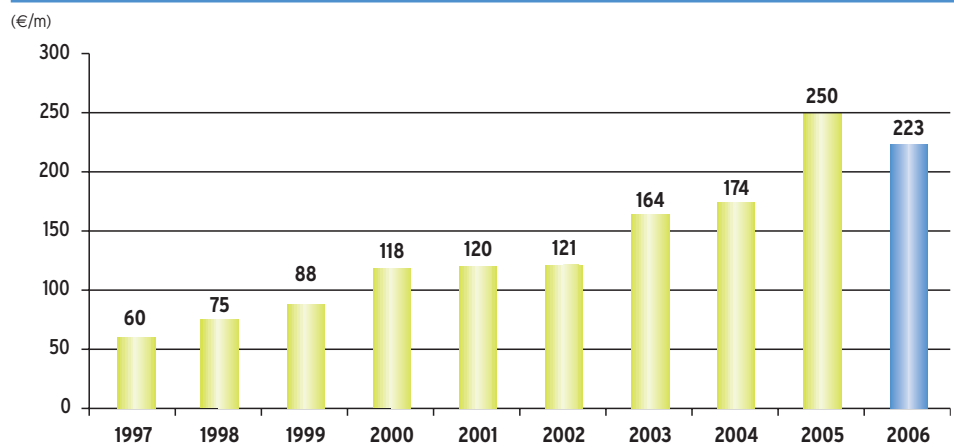
DOMESTIC MARKET*

Assets under management & administration - domestic market



Compared to December 31, 2005 assets under management and administration grew 10.24% to €30,378 million.

Net profit - domestic market



Net profit declined 11% over the prior year to about €223 million. This decline was largely due to the performance of the most volatile revenue components such as performance fees.

* 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

Group Business Lines

Asset Management

Life Insurance
Mutual Funds and Managed Accounts
Banking

(Number)	2006	2005	Change %
Ordinary shares outstanding	728,835,317	727,379,928	0.20

GROUP (€/m)	2006	2005	Change %
Group Assets under Management & Administration	33,516	30,399	10.25
Gross Inflows	8,176	6,275	30.29
Embedded Value, post-acquisitions	3,122	2,951	5.79
Revenues	4,077	3,159	29.06
Profit before tax	285	290	(1.72)
Income tax	61	57	7.02
Net profit	224	233	(3.86)
Dividend	146	146	-
Dividend per share	0.20	0.20	-

DOMESTIC MARKET	2006	2005	Change %
Total Customers	995,300	941,000	5.77
Total Primary Account Holders	840,000	798,000	5.26
Total Sales Force	6,336	5,392	17.67

Assets under Management & Administration (€/m)	26,944	24,806	8.62
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Total Gross Inflows, of which (€/m)	7,605	5,749	32.28
Gross Life Premiums Written	3,215	2,457	30.85
Gross inflows to Mutual Funds & Managed Accounts	2,569	1,927	33.32
Gross inflows to assets under administration	571	445	28.31
Banca Esperia Gross Inflows	1,229	899	36.71
other*	21	21	-

Total Net Inflows, of which (€/m)	1,805	1,546	16.75
Managed assets	1,234	1,101	12.08
Administered assets	571	445	28.31

Banca Esperia** (€/m)			
Assets under Management & Administration	3,434	2,750	24.87

INTERNATIONAL MARKETS (€/m)	2006	2005	Change %
Assets under Management & Administration	3,139	2,844	10.37

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

** Mediolanum shareholding (48.5%).



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

Embedded Value - the estimate of the value of a company - grew by about 6% to €3,122 million.

(Euro/millions)	EEV		Change %
	2006	2005	
Net asset value *	904	808	11.88
Adjustments to net asset value **	(155)	(160)	(3.13)
Adjusted net asset value	749	648	15.59
Value of in-force business, life business	1,895	1,793	5.69
Value of in-force business, asset management	346	410	(15.61)
Value of in-force business, banking	132	100	32.00
Total value of in-force business	2,373	2,303	3.04
EMBEDDED VALUE	3,122	2,951	5.79

* 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;

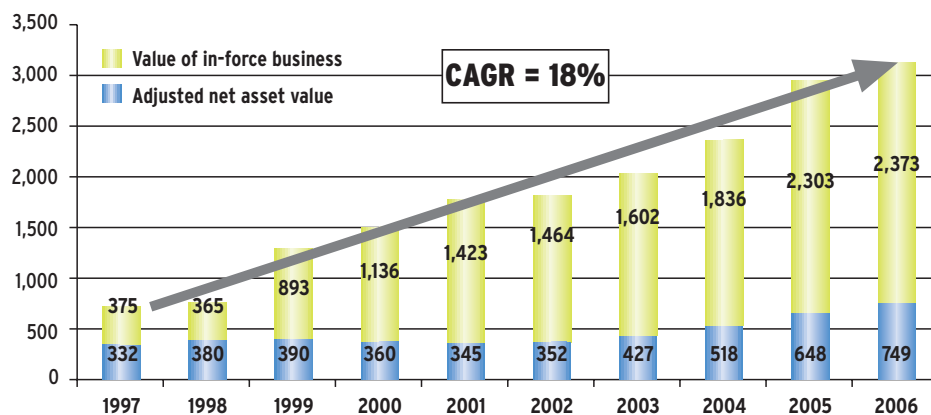
(ii) to eliminate the impact of goodwill arising in prior years, largely from the acquisitions of Fibanc, Gamax, B.A. Lenz and MILL;

(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



CAGR: Compound Annual Growth Rate.



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 2005 and FY 2006 for our domestic market (Italy) using the same classification of items as in the segment report attached to the 2005 and 2006 Annual Reports ('Financial Information by Business Segment - Italian Market').

Formation of consolidated value added - Italian market

(Thousands of euro)	FY 2006	FY 2005	Change %
1 Net sales			
2 Net premiums written	3,196,127	2,432,018	31.42
3 Amounts paid and change in technical reserves	(2,981,951)	(2,250,293)	32.51
4 Commission income	511,559	503,836	1.53
5 Commission expense ⁽¹⁾	(29,146)	(26,873)	8.46
6 Net financial income	82,354	66,712	23.45
7 Net income on other investments ⁽²⁾	20,239	12,716	59.16
8 Other revenues	24,637	28,431	(13.34)
9 Total net sales	823,819	766,547	7.47
10 Costs			
11 General and administrative expenses ⁽³⁾	(123,625)	(108,826)	13.60
12 Net impairment	(2,538)	(3,998)	(36.52)
13 Provisions for risks and charges ⁽¹⁾	(2,583)	(6,185)	(58.24)
14 Total costs	(128,746)	(119,009)	8.18
15 Gross value added from ordinary operations	695,073	647,538	7.34
16 Profit/(loss) of discontinued operations	-	-	
17 Profit/(loss) from disposals of investments ⁽²⁾	10,446	13,233	(21.06)
18 Total gross value added	705,520	660,771	6.77
19 Amortisation and depreciation ⁽³⁾	(16,858)	(17,315)	(2.64)
20 Impairment of goodwill	-	-	-
21 Total net value added	688,662	643,456	7.03
22 Cost of labour			
23 - employees ⁽³⁾	(90,040)	(82,126)	9.64
24 - Sales network ⁽¹⁾	(288,545)	(230,509)	25.18
25 Gift and donations ⁽³⁾	(1,821)	(3,413)	(46.65)
26 Direct and indirect taxation ⁽³⁾	(26,029)	(23,157)	12.40
27 PROFIT BEFORE TAX AND MINORITY INTERESTS	282,227	304,251	(7.24)
28 Income tax for the period	(59,210)	(54,382)	8.88
29 Minority interests	-	-	-
30 NET PROFIT	223,017	249,869	(10.75)

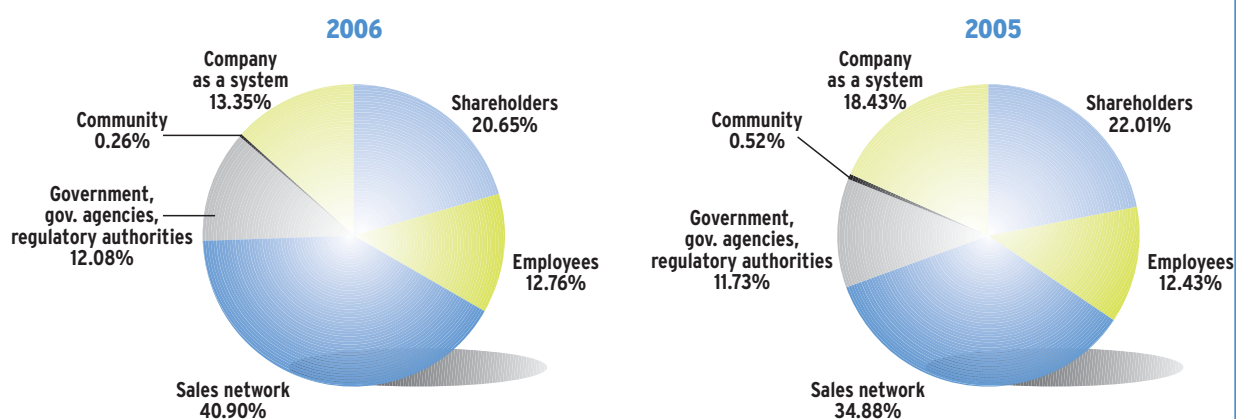
(1) - (2) - (3) The figure differs from that reported in the reclassified income statement due to the separate indication of the amounts relating to the items reported after Total Net Value Added



Distribution of consolidated total gross value added - Italian market

(Thousands of euro)	FY 2006	FY 2005	Change %
1 Distribution of total gross value added			
2 Shareholders	145,690	145,419	0.19
3 - dividend to third party shareholders	145,690	145,419	0.19
4 Employees	90,040	82,126	9.64
5 Sales Network	288,545	230,509	25.18
6 Government, gov. agencies, regulatory authorities	85,239	77,539	9.93
7 - direct & indirect taxes	26,029	23,157	12.40
8 - income tax for the period	59,210	54,382	8.88
9 Community	1,821	3,413	(46.65)
10 - gifts and donations	1,821	3,413	(46.65)
11 Company as a system	94,185	121,765	(22.65)
12 - amortisation and depreciation	16,858	17,315	(2.64)
13 - impairment of goodwill	-	-	-
14 - foreign operations	(660)	16,556	(103.99)
15 - retained earnings	77,987	87,894	(11.27)
16 Total Gross Value Added	705,520	660,771	6.77

Value added distribution



The future comes
one day at a time.

Deane Acheson



Social and environmental indicators Italy

Freedom in the singular
exists only
in freedom in the plural.

Benedetto Croce



Customers

Customers are the key assets and strength of the Group.

This statement translates into products, services and behaviours that place the customers and their life **at the centre** of everything the Group does. This allow us to advise them on the most suitable investment for the different phases of their life.

To respond today to their needs of tomorrow and to build a lasting, transparent relationship based on mutual understanding and trust.

The soundness of our approach is also testified by the high level of customer loyalty.

This **relationship** begins with the bank account and from there we grow together.

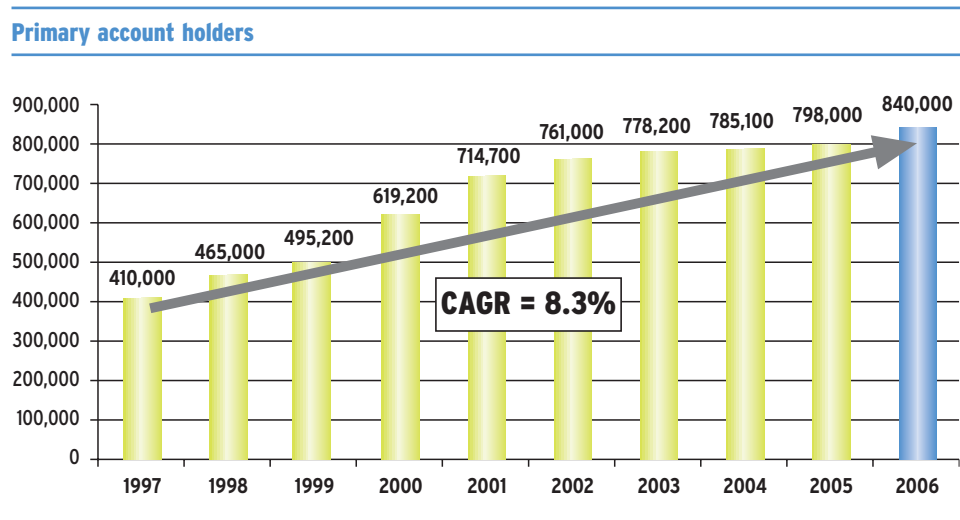
This strategy has brought about a significant increase in both the number of customers and in the number of products per customer during the past two years.

At year end 2006, the Group had about one million customers.

Analysis of customers

NUMBER OF CUSTOMERS

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



In 2006 the number of primary account holders rose **5.3%**.

Total customers also grew **5.8%**.

(Number)	2006	2005	Change %
Primary account holders (no duplications)*	839,954	797,985	5.3
Total customers (no duplications)**	995,312	941,038	5.8

* Excluding customers who are primary holders of more than one contract.

** Excluding customers who hold more than one contract.

NUMBER OF CONTRACTS

In 2006, the total number of contracts increased 6.2%; growth was particularly strong in bank accounts, up 21.2% and in the banking business in general, up 19%.

(Number)	2006	2005	Change %
Number of Contracts *	2,302,444	2,167,293	6.2

* 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 2006, the number of customers increased across all geographic macro-areas, and particularly so in Southern Italy and Islands where growth was 12.1%.

Geographic area (Number)	2006	2005	Change %	% out of total Italy
				2006
Northwest	244,007	237,295	2.8	29.0
Northeast	243,335	236,026	3.1	29.0
Centre	191,257	180,695	5.8	22.8
South and Islands	161,355	143,969	12.1	19.2
Total Italy	839,954	797,985	5.3	100.0

ANALYSIS OF PRIMARY ACCOUNT HOLDERS BY GENDER

Gender (%)	2006	2005
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 the past few years the average age did not grow proportionately, as the age of new customers was increasingly lower than the average age.

Age group (%)	2006	2005
Up to 25 years	3.8	3.5
26-30	7.5	7.7
31-35	12.6	12.8
36-45	29.6	29.9
46-55	21.0	20.7
56-65	14.0	14.1
>65	11.5	11.3
Total	100.0	100.0
Average age	47.0	46.9

ANALYSIS OF PRIMARY ACCOUNT HOLDERS BY PROFESSIONAL CATEGORY

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

Professional category (%)	2006	2005
Non-management employee	34.8	34.4
Entrepreneur	15.8	15.2
Blue collar	11.5	11.7
Retired	12.8	13.2
Self-employed	12.8	12.9
Homemaker	7.6	7.9
Manager	1.3	1.4
Student	2.9	2.8
Unemployed	0.5	0.5
Total	100.0	100.0

ANALYSIS OF PRIMARY ACCOUNT HOLDERS BY LEVEL OF EDUCATION

In 2006, 68.4% of Group customers held a high school diploma or university/postgraduate degree.

Level of education (%)	2006	2005
Elementary school	8.3	8.9
Junior high	23.3	23.5
High school	51.7	51.6
University/Postgraduate	16.7	16.0
Total	100.0	100.0



Customer Loyalty

Customer Loyalty means customers maintain a lasting relationship with the Bank. It is an effective measure of customer satisfaction with products and is expressed by a set of indicators: Average Customer Longevity, Cross-Selling rate and Retention rate. A special loyalty programme, called 'PrimaFila', was developed for the Group's best customers to provide them with superior service. Further details on this programme are set out below.

**Consumers are statistics.
Customers are people.**
Stanley Marcus

AVERAGE CUSTOMER LONGEVITY

Average customer longevity increased in 2006, indicating growing customer loyalty.

(Years)	2006	2005	Change %
Average customer longevity	8.0	7.9	1.3

CROSS-SELLING RATE

An indicator of the degree of coverage of the customers financial needs by the bank. It indicates the number of product lines that are **actively** used by a customer. In 2006, the average number of products held by each customer increased, reflecting greater customer **loyalty**.

	2006	2005	Change %
Average number of products held	2.7	2.6	3.8

No. of products held (% out of total customers)	2006	2005	Change %
One product	36.7	40.5	(9.4)
2-5 products	53.6	50.4	6.4
At least 6 products	9.7	9.1	6.6
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 bank at the end of a financial year expressed as a percentage of those who were active customers at the beginning of the year.

In spite of the strong growth in the customer base, customer retention has been **steady**, in the region of **94%** in the past few years.

(%)	2006	2005
Mediolanum Group customer retention rate	93.9	94.1

“PRIMA FILA”

Prima Fila is a programme developed to **reward** the Group's most loyal customers with prizes, special deals through third party companies and other advantages, which foster relationship continuity.



The programme also features meetings, events, conventions and other activities, all of which brings together the **community** of Prima Fila customers, fostering the customer's closeness to Mediolanum.

Advantages and services

Prima Fila customers have access to an array of special offers, which, in **2006**, included a number of first-rate entertainment and cultural events.

- Food and wine-tasting tours.
- Sports events with sports celebrities, e.g. football matches with former AC Milan football players, bicycle rides with the cycling champions Francesco Moser and Maurizio Fondriest.
- Reserved seats at sports events: National Football Championship A League matches, Champions League matches, Giro d'Italia bicycle race, Formula 1 races, Winter Olympics in Turin, Genoa Boat Show, hockey championship games.
- Performances and shows, e.g. movie premieres, concerts.
- Events, trade exhibitions and black-tie dinners reserved for customers.
- Guided tours at major art exhibitions and museums in Italy.

In addition to those special offers, customers can take advantage of special deals with other companies, and preferential treatment in relation to certain Banca Mediolanum services, e.g. **priority** telephone access to a highly qualified dedicated staff.

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



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, 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

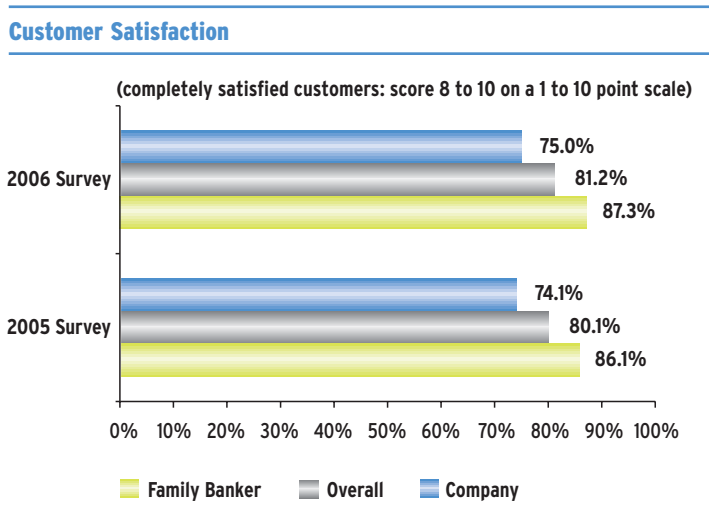
Each year the institute interviews a sample of **10,000** customers, 60% are existing customers who also had been interviewed in the previous year and 40% are new customers. The survey measures customer satisfaction overall and also with respect to specific items, and identifies areas for improvement.

The latest survey was conducted in 2006 and revealed a year-on-year improvement in customer satisfaction, not only with the company, but especially with the **Family Banker™**, whose courtesy, availability, professionalism and attention to customer needs were particularly appreciated.

Among the variables used to rate the company, promptness of response, adequacy of products and performance were the items that **improved** the most.

It should 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.

The chart below shows that 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™.



Channels and Services

Since Banca Mediolanum's business model is based on an integrated multi-channel approach, this section sets out information about the various channels used by customers to access services.

In 2006, the number of bank account holders who used the Direct Channels* to access banking services continued to grow. Specifically, in 2006, nearly **86%** of them used the telephone or the Internet to access the Bank.

During the year, new options were added to the banking services already provided through the multiple channels of our all-around bank. This generated a further increase in the number of customer accesses and orders placed. On a year-on-year basis, accesses grew **93%** to over **27 million**.

USAGE RATE OF DIRECT CHANNELS 2006 VS. 2005

Last year, the use of direct channels by customers grew significantly, indicating their increasing familiarity with the tools offered by the Bank.

- **Total accesses** rose **93%** to 27 million. Excluding text messaging alerts, there were 16.6 million accesses, up **27%** over the prior year.
- **The Internet:** internet accesses were 64% of total accesses, and increased by **31%**.
- **Banking Services Center:** phone calls were up **24%**. The overall increase in accesses did not affect the superior standard of service: about 95% of phone calls were answered in **20 seconds**.
- **Text messaging:** there were over 10 million accesses, increasing more than ten-fold over the prior year. New text-messaging services were added to further enhance security. The most common text messages were alerts for ATM withdrawals (35% of total messages), website log-ins (24%), and bank account balance inquiries (24%).

85% of accesses (+3%) were made through the Bank's automatic systems: the Internet and the automatic VRU answering system.

Finally, **customer orders** were **up** about **40%**, thanks to the substantial contribution of banking orders (+48%), which continue to account for the greatest portion of business, and also to the increase once again in trading orders (+12%) and in investments in financial instruments (+31%).

* Television, pc and telephone.



WHAT'S NEW IN 2006

During the year, many **new options** were added to the direct channels in relation to both customer orders and information.

The new options added to the Internet-based services were:

- the ability to view ATM card and credit card movements and statements,
- the ability to reload pre-paid credit cards online and to pay the municipal property tax anywhere in Italy using post office slips,
- the ability to view bond ratings as well as the status and the repayment schedule of mortgage loans,
- the ability to update customer personal data,
- the 'memos & notes' option, which lets customers write notes in their personal daily calendar, in wire transfers orders and securities buy/sell orders.

New options were also added to services via the telephone to further expand the offering. Now, customers can also make bill payments and 'postal slips' payments over the phone with the help of a representative. In addition, customers can check their credit card and ATM card movements and status as well as reload their pre-paid credit cards.

In November 2006, a new channel became available: the **digital terrestrial** television channel on the Canale 5 platform. This enables customers to view the status of their bank account and securities account, their credit card and ATM card movements, and their investments on their TV screen, in addition to topping up their mobile phones and requesting chequebooks.

Finally, during the year, further steps were taken to strengthen **security**:

- introduction of a virtual keyboard. When logging onto the website, customers are requested to enter their identification number on this keyboard, in a sequence that is always different. When placing orders, customers are requested to enter a second identification number. Also this procedure was changed to bring it line with the procedure for transactions made over the phone;
- to prevent online scams, customers were alerted to be always cautious when using Internet-based functions;
- text messaging alerts were enhanced to promptly inform customers about any movements in their accounts.

**Nothing is lasting
but change.**
Ludwig Börne

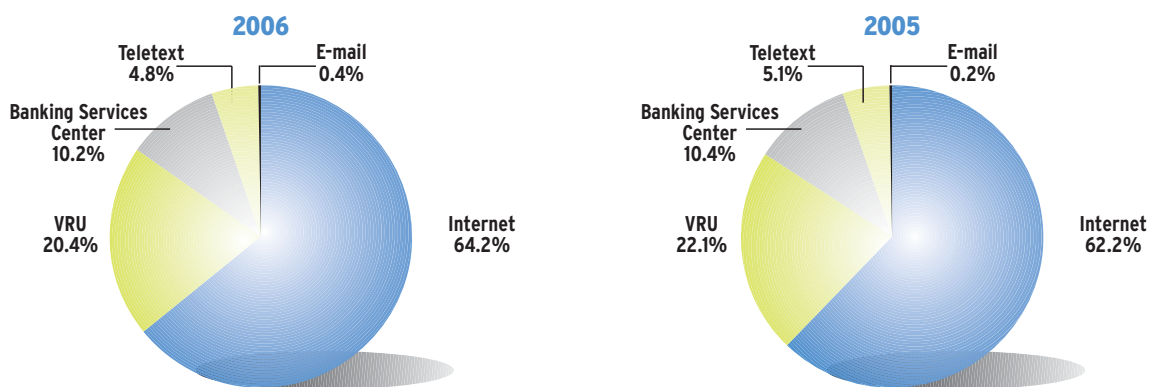
2007 INITIATIVES

In 2007, the direct channels used by customers to access the information services provided by the bank will be further expanded with the launch of **B.Med Mobile**.

B.Med Mobile is a service that will enable customers to check on the status of their bank accounts and investments via the Internet through 'Smartphone' wireless connections. In the future, this service will also enable customers to place certain orders.

Actions to ensure increasing security in the use of services provided through the direct channels will continue also in 2007.

Channels and services





Development of the range of products & 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.

2006: INNOVATION

In 2006, five new products were launched. The Riflex product line, introduced in 2005, was expanded with the addition of a pre-paid card, a mortgage loan product and an account dedicated to self-employed professionals.

Riflexcash is a pre-paid credit card. Customers who opt for the innovative 'semprerarca' plan can have their card automatically topped up by a fixed amount every month, easily and inexpensively.

This card was introduced to meet the growing interest in 'light' and secure products that provide an alternative to cash, for example when travelling. The card was also proposed as a first card for young people, e.g. a card parents can give as a gift to their children.



Mutuo Riflex is a mortgage product developed along the same lines as Conto

Riflex: not a one-size-fits-all product but a mortgage that can be tailored to the actual needs of individual customers. Its key feature is the ability to modify a number of terms (not only interest rates) every five years without having to renegotiate the mortgage. 'You choose it according to how you are, and you change it as you wish.'

Such flexibility adds to the fullest initial customisation and gives customers the greatest freedom, at no additional cost.

Finally, in 2006, two new products were added to the insurance product line: **Mediolanum Trio** and **Double Premium**. Mediolanum Trio is a Unit-Linked coupon-bearing life policy. Double Premium allows the investor to take advantage of the performance of the European economy, transforming the possible lows of the market into earnings as long as the European stock benchmark never reaches or goes below the minimum predetermined threshold.



(Number)	2006	2005
New products launched	5	4

PRODUCT EVOLUTION

In addition to new product launches, a number of innovative features were introduced into existing product 'families' (e.g. the different Index-Linked product structures: DiPiù), as a result of the continuous effort to analyse and upgrade products and services to best respond to customer needs as well as market and regulatory changes.

Putting the customer - and not products - at the centre means being capable of continuously evolving services to best adapt them to the new requirements and different needs people may have in the various stages of their life.

The product range has to be solid, but not static; it has to be the result of listening, therefore, relationship-based.

MARKET RESPONSE

In 2006, **products that have been in the line less than five years** accounted for **over 60% of the product portfolio**.

Customer appreciation for the new products is represented by the fact that **new contracts related to products that have been in the line less than five years accounted for over 60% of total new contracts**.

Years (%)	Number of products		Years (%)	New contracts	
	2006	2005		2006	2005
<5	61	61	<5	64	59
<i>of which <1</i>	<i>16</i>	<i>15</i>	<i>of which <1</i>	<i>4</i>	<i>31</i>
1	12	7	1	37	4
2	6	11	2	2	7
3	9	7	3	6	6
4	6	14	4	6	10
5	12	7	5	9	1
>5	39	39	>5	36	41



Advertising

The **Riflex** advertising campaign continued in **2006**. This is a multi-image campaign featuring not only the figure of Ennio Doris, but also customers. The symbol of the campaign is the customer sitting in an armchair at the centre of the bank. The bank 'built around you' becomes the bank built 'around me'.

During the year, advertising over the **Internet** increased 18%, however the most used advertising medium was the television. Television advertisements featured a visual and verbal style targeted to the audience and included a special series of commercials broadcast during the World Football Cup. Billboards were used to support the recruitment for the Sales Network at the local level. Billboards featured the closest Punto Mediolanum, with a new slogan that became a mainstay in all communication directed at recruitment: 'Join the bank that has changed banking'.

Advertising spending also included the I.Co.N.A. campaign to recruit individuals to become Family Bankers and increase the numbers in the Sales Network.

ANALYSIS OF ADVERTISING SPENDING

Medium (%)	Media Mix	
	2006	2005
TV	58	54
Radio	6	11
Billboards	3	10
Print	9	16
Internet	24	6
Movie theatres	-	3
Total	100	100



EFFECTIVENESS AND RECALL

The 'Multifintrack/Eurisko' survey constantly monitors spontaneous recall of advertisements featuring Italian banks through interviews with the general public. According to the survey, in 2006, Banca Mediolanum ranked first in Italy in terms of spontaneous recall, together with two other traditional banks that, however, are larger and spend much more in advertising.



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 Patti Chiari Consortium and participated in the programme named '*Conti Correnti a confronto*' (Comparing Bank Accounts) presenting its Riflex, Unico, Free, Profit and Extra banks accounts. By participating in that programme the Bank agreed to comply with the **Rules** drafted by the PattiChiari Consortium.

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.

The PattiChiari initiative did not end with the initial certification received in February 2005 for the participation in the *Conti Correnti a Confronto* programme, nor with the subsequent re-certifications obtained in September 2005 and in June 2006.

In the first few months of **2007**, we participated in '*Cambio conto*' (i.e. switching accounts), a programme aimed at helping customers who decided 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, easily and rapidly.

PERSONAL DATA PROTECTION

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

- preparing **information** about deeds, contracts, 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.

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:** are 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 2006, requests for cancellation of personal data grew exponentially. This trend was already apparent in 2005 and was largely due to:

- the greater quantity of data collected through direct marketing programmes.
- the greater public interest in and awareness of privacy rights.

Type of notice or request (Number)	2006	2005
Notices of infringement	-	-
Notices of investigation	-	-
Notices of official complaints	1	-
Requests for information	1	8
Requests for cancellation	270	55
Total	272	63

COMPLAINTS

The **Internal Audit** function is responsible, among other things, for keeping the Customer Complaints Registers on behalf of Group companies (ISVAP Circular Letter 518/D and CONSOB Regulation 11522/99), for preparing the related reports to be sent to Supervisory Authorities and for regularly producing related statistics for examination by Senior Management.

Analysis of complaints by channel

In 2006, the Group received 4,644 complaints. About 85% of them were addressed to Banca Mediolanum, which sells all the Group's products through its distribution network.

Channel (Number)	2006	2005	Change %
Regular mail	2,514	2,197	14.4
Fax	443	381	16.3
e-mail	1,687	1,138	48.2
Total Claims	4,644	3,716	25.0
Total Active Contracts	2,302,444	2,167,293	6.2
Total Claims/Total Active Contracts (%)	0.20	0.17	17.6

In 2006, the year-on-year increase in the number of complaints was 14.4% for complaints received by regular mail, 16.3% for complaints received by facsimile and 48.2% for complaints received via e-mail. E-mail enables faster response and exchange of information than traditional channels and is therefore more and more used by customers.

It should be noted that beginning January 1, 2006 all legal claims (334) must also be entered in the register of complaints, even if they do not relate directly to Group companies. Together with the greater use of electronic mail, this requirement caused an increase in the percentage of complaints out of total active contracts. This percentage, however, remained contained.

Analysis of complaints by status

'Unresolved and expired complaints' out of 'total complaints received' increased from 3.15% in 2005 to 6.24% at year end 2006. The increase was largely in connection with the new law that requires that also notices of legal claims are recorded in the register of complaints. Specifically, the notices of legal claims received in 2006 were 192, of which 185 related to cases still pending. It should be noted that cases submitted to a judicial authority take much longer to be resolved since the parties have to wait for a final court decision and the case, in certain instances, goes through all degrees of adjudication.

Status of complaints (Number)	2006	2005	Change %
Not upheld / baseless	2,930	2,634	11.2
Upheld	779	668	16.6
Total complaints resolved at year-end	3,709	3,302	12.3
Unresolved but not expired	645	297	117.2
Unresolved and expired	290	117	147.9
Total complaints unresolved at year-end	935	414	125.8
TOTAL COMPLAINTS	4,644	3,716	25.0
Total complaints unresolved and expired/ Total complaints received (%)	6.24	3.15	3.09

Average time taken to resolve complaints

In comparison with 2005, **two** opposite **trends** emerged:

1. on the one hand, average time to resolution improved. That was partly due to the greater use of e-mail, which enables faster response time (about 14 days). The reduced average time-to-resolution indicates overall improved efficiency and customer service levels;



2. on the other hand, the average time-to-resolution for unresolved complaints increased. This was substantially due to the registration of legal claims which are considered to be resolved only when a final court decision is issued. Registration of legal claims became mandatory only on January 1, 2006.

Time-to-resolution (Days)	2006	2005	Change %
Average time-to-resolution	26	36	(27.8)
Average time-to-resolution (for unresolved complaints)	75	39	92.3

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.

Effective January 1, 2006, two important changes were introduced. First, any type of customer, and not only private consumers, can refer their case to the Ombudsman. Second, the limit set for the economic loss suffered a complainant can claim was raised from €10,000 to 50,000 (for transactions made after January 1, 2006).

Customers must first complain to their bank. If the bank does not respond or customers are dissatisfied with the response, they can refer their case to the Ombudsman.

Outcome of Complaints (Number)	2006	2005	2006 % distribution	Change %
Upheld	3	1	9.1	200.0
Not upheld	8	5	24.2	60.0
Resolved by mediation	1	4	3.0	(75.0)
Dismissed	3	3	9.1	-
Outside jurisdiction	18	16	54.6	12.5
Total complaints resolved	33	29	100.0	13.8
Total complaints received	35	27	-	29.6

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 2006, the Ombudsman resolved those complaints received in 2005, and in 2007 will make decisions on those complaints received in 2006.

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.
- 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.).

In 2006, the number of complaints submitted to the Ombudsman by Banca Mediolanum customers grew 29.6%. This was due to the fact that broader categories of customers can now submit their complaints to the Ombudsman and to the higher limit allowed for claims.

Luck is what happens
when preparation
meets opportunity.

Seneca



Sales Network

The Mediolanum business is driven by its **Sales Network**, one of the first to provide financial advice in Italy and one of Italy's largest structures in the industry.

The Mediolanum Consulente Globale® (Global Consultant) was the brainchild of Ennio Doris whose objective was to break down the boundaries that existed between business lines. These advisors were different from 'traditional' financial advisors both for the range of products they offered and their continuous attention to customer needs.

That difference is even more significant today with the new generation of banking professionals: the **Family Banker™**. The Family Banker™ is essentially an **entrepreneur** who decides how to manage their time and resources in order to maintain the promise of providing the highest level of service to the customer.

The Family Banker™ is unique to the Mediolanum Group. Their role is to establish a relationship with customers based on **ethics**, provide complete innovative solutions to meet and even exceed customer needs and expectations in different area on a day-to-day basis over the long run, and to deliver a **superior and lasting quality of service**.

At year end 2006, the Sales Network grew over 17% to nearly 6,200 Family Bankers dedicated to taking care of about one million customers.

I.Co.N.A. Project

Repositioning the role of the professional advisor from Consulente Globale® to Family Banker™ was the strategic objective of a multi-step project that was rolled out in July 2005: I.Co.N.A. ('Innovating the Communication of the New Advisor').



The **mission** of the Family Banker™ is to give families the freedom of Banca Mediolanum's distinctive model and, through listening and coaching, to maintain a relationship based on trust in order to meet all their banking, credit, financial, investment, insurance and retirement planning needs. A key instrument the Family Banker™ can leverage to build a lasting relationship between the bank and customers is the bank account.

**If a man does not know
to what port he is steering
no wind is favourable to him.**

Seneca

The rapid growth in the number of bank accounts in the past few years and the complexity of the role of the Family Banker™ brought about the need for further **education and training**. Education and training are particularly significant for an organisation like Banca Mediolanum that chooses to train young

people in the profession. Training facilitates understanding and sharing of the Group's business model and values.

In 2006, recruitment was supported by a multi-media communications campaign that presented the new professional figure to the market.

The campaign was developed in synergy with corporate communications and featured testimonials from the local Sales Network management.

 An advertisement for the Family Banker role. It features a man in a dark suit standing behind a large, bright red armchair. The background is a solid blue color. Text on the advertisement includes:

- Top headline: "La banca che ha cambiato la banca oggi può cambiarti la vita. Diventa Family Banker."
- Signature of Gianmario Mora and his name: "GIANMARIO MORA".
- Small text below the signature: "Un ruolo, diversi il Management. Per il cliente la Banca Mediolanum. Per chi ama il lavoro il Family Banker. Un lavoro che cambia la vita." and "A 360° gradi."
- Contact information: "Inserisci il tuo CV su: www.familybanker.it o chiama il numero 840 700 700".
- Bottom left: Banca Mediolanum logo and tagline "CONSULENZA, INTERNO E A TU".
- Bottom right: "CHIARI (BS) Via delle Battaglie 4 tel 030 - 7002721".



Analysis of the Sales Network

The full-time Sales Network members increased remarkably last year.

Sales network (Units)	2006	2005	Change %
Full-time Sales Network, Italy	6,173	5,220	18.3
Part-time Sales Network, Italy	163	172	(5.2)
Total Sales Network	6,336	5,392	17.5

The part-time Sales Network members refer to Partner Time S.p.A., the organisation that sells the insurance products of the fellow subsidiary Mediolanum Vita S.p.A., and are registered Insurance Agents. The full-time Sales Network includes Credit Executives, who are mortgage specialists working under a mandate from Banca Mediolanum S.p.A. This professional figure will not continue in the coming years.

**Nothing great
was ever achieved
without enthusiasm.**
Ralph Waldo Emerson

BANCA MEDIOLANUM NETWORK

The Banca Mediolanum Sales Network 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, and the junior Family Banker™, who is still being trained and coached while preparing to take the examination to qualify as licensed.

Sales network (Units)	2006	2005	Change %
Banca Mediolanum total Full-time Sales Network	6,173	5,220	18.3

In the following sections we will analyse the characteristics of just the Banca Mediolanum S.p.A. Sales Network, since its 6,200 Family Bankers make it the largest and most representative Sales Network within the Group.

GEOGRAPHIC AND GENDER ANALYSIS

52% of the Sales Network operate in Northern Italy, 26.5% in Central Italy and 21.5% 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™	% of total	% Female	Average age			Average length of service		
				M	F	Total	M	F	Total
Piedmont and Liguria	667	11.1	25	40.0	35.7	38.9	6.8	3.4	6.0
Lombardy	914	15.1	16	41.5	37.4	40.8	7.8	4.0	7.1
Northwestern Regions	1,581	26.2	20	40.9	36.5	40.0	7.4	3.7	6.7
Emilia Romagna	692	11.4	16	41.2	39.5	40.9	7.6	5.9	7.3
Triveneto	871	14.4	11	40.4	38.5	40.2	7.9	5.3	7.6
Northeastern Regions	1,563	25.8	13	40.7	39.1	40.5	7.8	5.6	7.5
Tuscany	413	6.9	18	39.6	37.7	39.3	6.6	5.4	6.4
Marche/Abruzzi/Umbria	327	5.4	19	40.6	38.4	40.2	7.6	4.6	7.0
Latium/Sardinia	860	14.2	25	39.0	35.5	38.1	5.9	3.4	5.3
Central Regions	1,600	26.5	22	39.5	36.5	38.8	6.5	4.1	5.9
Apulia	183	3.0	15	37.3	35.6	37.1	4.4	2.4	4.1
Campania/Calabria/Basilicata	523	8.7	30	35.9	33.1	35.0	4.4	2.3	3.8
Sicily	592	9.8	24	37.0	33.1	36.0	5.1	2.6	4.5
Southern Regions	1,298	21.5	25	37.3	33.3	35.8	4.7	2.5	4.1
SALES NETWORK - ITALY*	6,042	100.0	20	39.6	36.1	38.9	6.7	3.8	6.1

* The total Sales Network broken down by geographic area does not include the Headquarters Sales Network (40 advisors), Expatriates abroad (18 advisors) and Credit Executives (73).

Women account for about 20% of the total Sales Network.



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 Northeast. The average for Italy stands at 15.6%.

Region (%)	Turnover	
	2006	2005
Northwest	18.3	16.0
Northeast	13.6	11.9
Centre	15.3	11.8
South	20.0	16.4
Sales Network - Italy	15.6	12.9

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 turnover rate. From the second year on, the relationship with the company becomes more and more stable.

	Months			Total
	0-24	25-60	> 60	
Turnover % 2006	31.9	14.7	4.8	15.6
Turnover % 2005	27.2	13.7	5.1	12.9

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™.

Length of time as a member of the Sales Network	2006		2005		Change %	
	0-5 years	> 5 years	0-5 years	> 5 years	0-5 years	> 5 years
Average customers per Family Banker™ (Number)	59	227	65	207	(9.2)	9.7
Average assets per Family Banker™ (€/1,000)	1,007	8,003	1,287	6,833	(21.8)	17.1

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 **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 commission.

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.



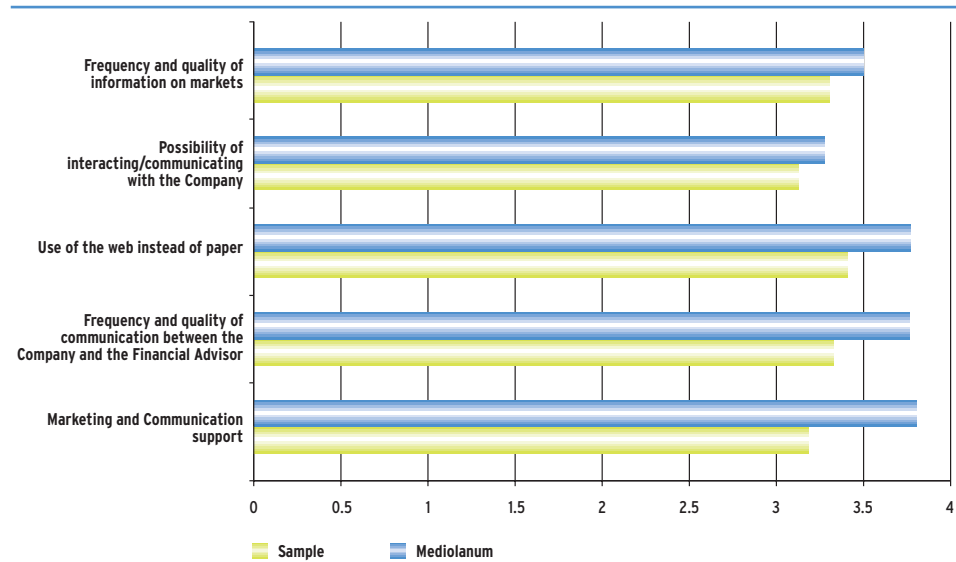
Satisfaction of the Sales Network

In 2006, an independent research company (GfK Eurisko) conducted a survey on the level of satisfaction of Financial Advisors working in Italy's banking and asset management industry. The survey showed a very high degree of satisfaction overall (3.53 on a scale from 1-4 where 4 is the best).*

96% of interviewees responded they were fairly or completely satisfied, compared to 94% in 2005.

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

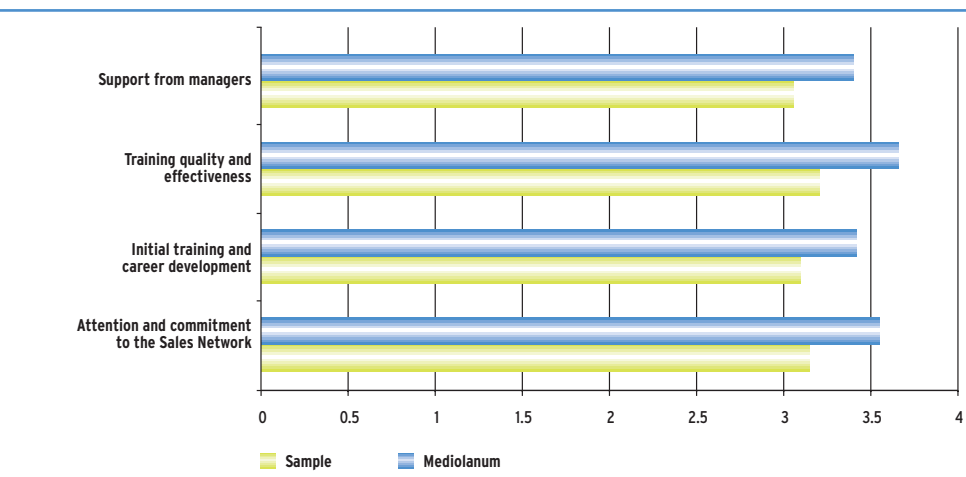
Communication



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

Career

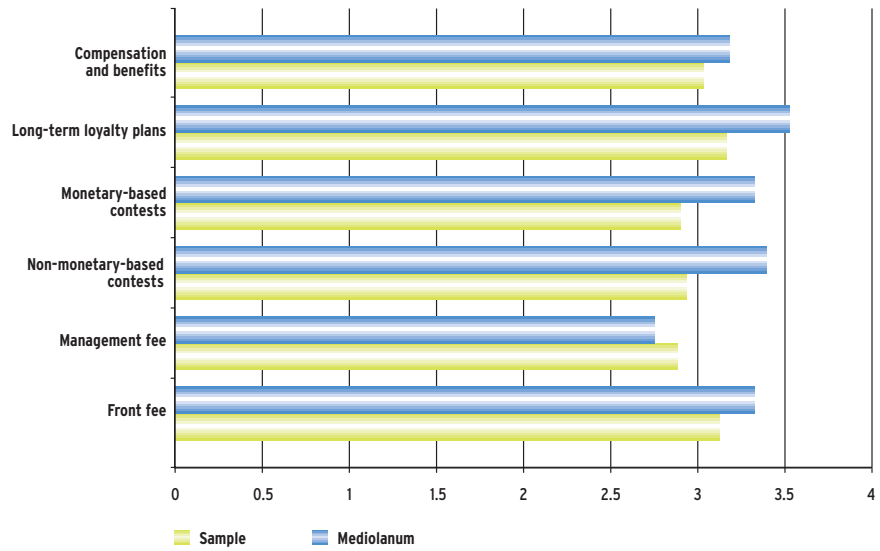
The career model adopted is appreciated from all points of view.



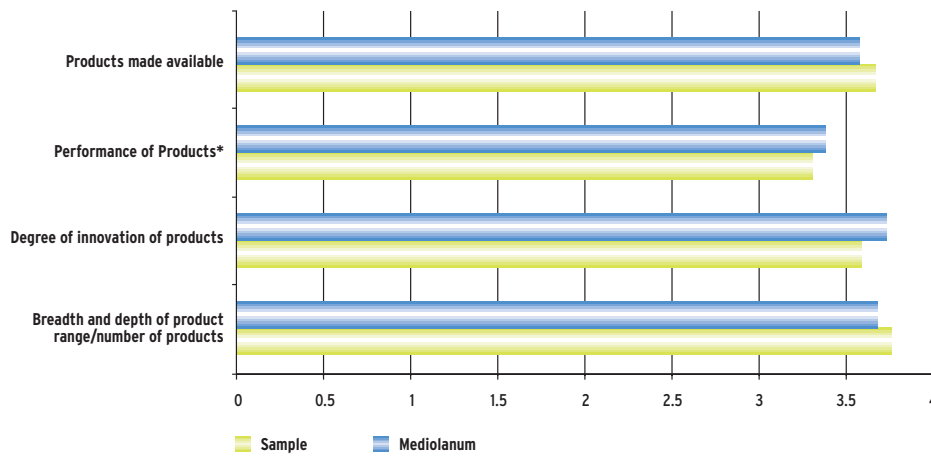
* The 2006 survey included a sample of 904 Financial Advisors from the following companies: Banca Mediolanum, Azimut, S. Paolo Invest, Banca della Rete, Finanza & Futuro, Banca Fideuram, RasBank, Banca Generali and Xelion.

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

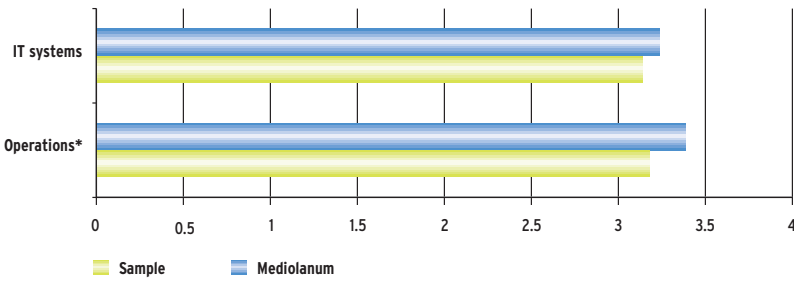


The degree of innovation of Mediolanum products and their performance in the market were rated above the sample's average.

* In terms of customer returns.



Support

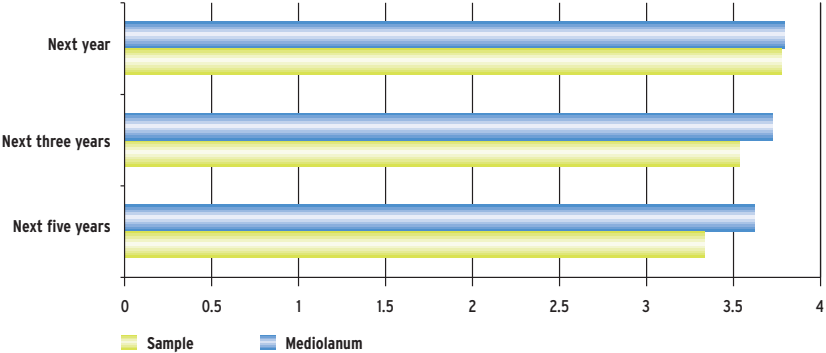


A high degree of satisfaction was expressed for the infrastructures supporting the Financial Advisors.

* Time required to open contracts, deliver material etc.

Propensity to remain in the Network

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.

Training is geared to provide continuous support to each professional so that they can deal with new market challenges from the vantage point of *lifelong learning* and sharing of corporate values.

The objectives of the training are to meet the needs of the Network through a step-by-step training process in which personal growth and career development are deeply intertwined.

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** (Act 197/91).
- **Personal data protection** (Act 675/96).
- **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 training:** teaches insurance basics along with aspects of law and taxation, as well as management techniques for the distribution of insurance products.

After passing the examination and becoming licensed Financial Advisors, they attend a course on 'Global Consulting and Customer Development'.

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.



CONTINUOUS EDUCATION

Education is tailored to the different career steps.

The multi-discipline refresher programme provides continuous education **to every level** of the Sales Network. Technology is used to provide much of the 'higher' education.

In the near future, the Mediolanum Group will also open an advanced training school that is currently in the design phase - **Mediolanum Corporate University (MCU)** - located on Headquarter grounds in Basiglio.

CLASSROOM TRAINING

In 2006, 160,280 hours of training were given. The number of participants grew by 58.2%, from 5,693 units to 9,007.

Courses offered (hours)	2006	2005	Change %
Banking	56,582	23,635	139.4
Insurance	54,744	19,846	175.8
Finance	15,840	11,591	36.7
Other subjects*	33,114	25,652	29.1
Total	160,280	80,724	98.6

(Units)	2006	2005	Change %
Total participants	9,007	5,693	58.2

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

Training increased significantly compared to the previous year mainly due to the addition of courses on new products and to the rising number of new Sales Network members.

TRAINING FOR THE EXAMINATIONS FOR LICENSED FINANCIAL ADVISORS

Classroom training (held also by university professors) is complemented by **multi-channel e-learning**.

This way, most of the basic training can be received from a remote location.

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.

	2006	2005	Change %
Total MedCampus users	8,960	6,443	39.1
Total MedCampus accesses	131,281	58,370	124.9
Total hours of training	65,641	29,185	124.9

In 2006, MedCampus had 131,281 accesses for a total of 65,641 hours of training. In 45% of cases, the system was accessed by individual participants more than 10 times.

The considerable increase in accesses with respect to 2005 is mainly due to :

- 1 the larger number of participants in classroom training, which in many cases also included time spent using MedCampus;
- 2 additional courses and updates on regulations (Anti-money laundering, Personal Data Protection, Legislative Decree 231/2001, Insurance brokerage, etc.).

RAINBOW PROJECT

Rainbow is the name of the Banca Mediolanum training centre for the development of human potential. The aim is to help company personnel to attain **excellence**.

Underlying this idea is the certainty that only when the personal potential of individuals is fulfilled can they make a worthwhile contribution to the success of the company.

The courses, held by external lecturers at off-site structures, are made up of modules lasting from 1 to 3 days. Each day corresponds to 6 classroom hours.

Participants are **trained** to develop broad-mindedness and concentration to enable them to attain defined objectives with the greatest efficiency.

625 people, including Financial Advisors and Headquarters executive staff, took part in this project between 2004 and 2006.

Beginning in 2007, the key principles of this project were incorporated into the standard, lifelong education of the Sales Network.



The Customer-Family Banker™ Relationship

Banca Mediolanum guarantees efficient customer service through a network that is present in a variety of ways all over Italy and is dedicated to taking care of the relationship with the customer.

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.

Punto Mediolanum shops and Mediolanum Family Banker™ offices are evenly spread throughout Italy. The areas with the highest presence of *Punto Mediolanum* are: Lombardy, Veneto, Sicily and Emilia Romagna.

(Number)	2006	2005	Change %
Punto Mediolanum	222	160	38.8
Offices	307	362	(15.2)

The number of *Punto Mediolanum* throughout the country is growing steadily (up about 39% 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.



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.

Many events are organised together with Mediolanum Comunicazione S.p.A.

Special initiatives are organised for those customers who are entrepreneurs. Small and medium-sized businesses are given the chance to enhance their image and pursue new business opportunities, through communication products featuring their business, most specifically, dedicated weekly programmes broadcast by Mediolanum Channel.

Freedom
is participation.

Giorgio Gaber



Employees

Mediolanum employs 1,377 people with an average age of 34. 54% of them are women. 208 new hires joined the company in 2006.

They represent a **15%** increase in headcount. The increase was due to the addition of new services to the Mediolanum offering and to the strong growth in business. The new hires are mainly young people in their first job. In selecting them, great attention was paid to their potential for development. They also followed particularly demanding training courses, which turned them into highly qualified industry professionals.

Consistent with the Group's policy of continuous education for all its people, the internal professional development programmes continued in 2006, also through job rotation and the development of cross-functional skills.

Mediolanum employees proactively contribute to improving the Group's operating processes through a variety of initiatives, such as the spontaneously-formed Gruppi di Miglioramento ('Teams for Improvement'), which identify opportunities to save costs, increase efficiency or raise the standard of customer service.

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	2006				2005			
	Number			% of total	Number			% of total
	M	F	Total		M	F	Total	
Senior Management *	63	14	77	5.6	61	12	73	6.0
Middle Management	114	63	177	12.9	100	59	159	13.0
Non-management employees	456	667	1,123	81.5	376	617	993	81.0
Total	633	744	1,377	100.0	537	688	1,225	100.0
Men/Women (%)	46	54			44	56		

Category	Change			
	Unità			% of 2005
	M	F	Total	
Senior Management *	2	2	4	5.5
Middle Management	14	4	18	11.3
Non-management employees	80	50	130	13.1
Total	96	56	152	12.4
Men/Women (%)	63	37		

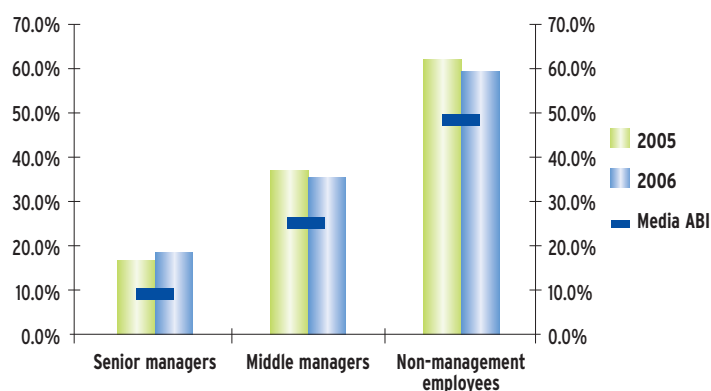
* For 2005 and 2006 the number of Senior Managers excludes those hired for a specific time period, 3 and 6 respectively, as these refer to a specific project of the Banca Mediolanum Sales Network..

Overall, in 2006, 54% of the employees were women. This percentage is in line with previous years. The figure is significant if compared to the industry average of 39.3%** . The distribution of professional categories remained virtually unchanged in the two year period, against a more than 12% increase in headcount.

** ABI, 'Rapporto 2006 sul mercato del lavoro nell'industria finanziaria' (2006 Report on the labour market in the financial industry), Bancaria Editrice.



Women



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

In 2006, female executives accounted for 1.9% of all women employees, compared to the average of 0.4% in the Lending and Finance industry according to ABI (Italian Bankers' Association)*. Out of total executives, 18.2% were women, up from 16.4% in 2005 and well above the ABI average percentage of 9.1%.

ANALYSIS OF EMPLOYEES BY COLLECTIVE LABOUR AGREEMENT TYPE

Collective Labour Agreement type	2006					2005				
	SM	MM	NME	Total	% of total	SM	MM	NME	Total	% of total
Banking	-	138	987	1,125	81.7	-	123	882	1,005	82.0
Insurance	3	6	35	44	3.2	3	6	34	43	3.5
Commerce	73	29	75	177	12.8	68	30	77	175	14.3
Manufacturing	1	-	-	1	0.1	2	-	-	2	0.2
Private radio & TV networks	-	4	26	30	2.2	-	-	-	-	-
Total	77	177	1,123	1,377	100.0	73	159	993	1,225	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.

* ABI, 'Rapporto 2006 sul mercato del lavoro nell'industria finanziaria' (2006 Report on the labour market in the financial industry), Bancaria Editrice.

ANALYSIS OF EMPLOYEES BY CONTRACT

Type of contract	2006		2005	
	Number	% of total	Number	% of total
Permanent employment	1,211	81.4	1,093	83.1
Total fixed-term contracts	172	11.6	135	10.3
Trainee contracts	29	2.0	28	2.1
Maternity replacements	21	1.4	22	1.7
Fixed term contracts *	122	8.2	85	6.5
TOTAL STANDARD CONTRACTS	1,383	93.0	1,228	93.3
Internship	49	3.3	36	2.7
Project contracts	21	1.4	16	1.2
Temporary employees	34	2.3	36	2.7
TOTAL FLEXIBLE CONTRACTS	104	7.0	88	6.7
TOTAL	1,487	100.0	1,316	100.0

* For 2005 and 2006 the figure includes also Senior Managers hired on a fixed term contract, 3 and 6 respectively, for a specific project of the Banca Mediolanum Sales Network.

Only 7.0% of the labour force were on flexible contracts.

The increase in fixed-term contracts was mainly due to the start-up of new projects.

ANALYSIS OF EMPLOYEES BY AGE

Age group	2006					2005				
	Category			Total	% of total	Category			Total	% of total
	SM	MM	NME			SM	MM	NME		
18-25	-	-	72	72	5.2	-	-	45	45	3.6
25-35	1	43	739	783	56.9	3	43	690	736	60.1
35-45	33	101	260	394	28.6	29	91	218	338	27.6
45-55	30	30	44	104	7.6	29	23	32	84	6.9
over 55	13	3	8	24	1.7	12	2	8	22	1.8
Total	77	177	1,123	1,377	100.0	73	159	993	1,225	100.0

In 2006, about **57%** of total employees were in the 25-35 age group; only 1.7 % were over 55.

The breakdown by category also shows a large number of managers in the younger age groups: about 24% of middle managers are under 35 and 44% of the executives are under 45.



AVERAGE AGE

Category (Age)	2006			2005		
	M	F	Total	M	F	Total
Senior Managers	46.9	46.7	46.8	46.5	47.3	46.6
Middle Managers	40.3	38.8	39.6	39.8	38.1	39.1
Non-management employees	32.2	33.2	32.7	32.1	32.8	32.6
Total	35.1	33.9	34.5	35.2	33.6	34.3

The average age (around 34) is considerably lower than the ABI average* (about 42).

The increase in the average age in the period 2005-2006 was less than 1 year, showing the high rates of young new hires.

ANALYSIS OF EMPLOYEES BY LENGTH OF SERVICE*

Length of Service	2006					2005				
	Category				%	Category				%
	SM	MM	NME	Total	of total	SM	MM	NME	Total	of total
0-2 anni	5	16	264	285	20.7	3	11	210	224	18.3
2-5 anni	13	28	222	263	19.1	20	30	143	193	15.8
5-10 anni	30	92	515	637	46.3	24	81	519	624	50.9
10-15 anni	11	12	35	58	4.2	12	10	38	60	4.9
over 15 anni	18	29	87	134	9.7	14	27	83	124	10.1
Total	77	177	1,123	1,377	100.0	73	159	993	1,225	100.0

* Length of Service relates to service within the Group.

The average length of service of almost 50% 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.

* ABI, 'Rapporto 2006 sul mercato del lavoro nell'industria finanziaria' (2006 Report on the labour market in the financial industry), Bancaria Editrice.

EDUCATION LEVEL

Category (%)	Gender	2006				2005			
		University degree	High school diploma	Vocational school	Total	University degree	High school diploma	Vocational school	Total
Senior managers	M	79.4	20.6	-	100.0	78.7	21.3	-	100.0
	F	50.0	50.0	-	100.0	50.0	50.0	-	100.0
Total		74.0	26.0	-	100.0	74.0	26.0	-	100.0
Middle managers	M	55.3	41.2	3.5	100.0	56.0	41.0	3.0	100.0
	F	46.0	49.2	4.8	100.0	47.5	49.1	3.4	100.0
Total		52.0	44.0	4.0	100.0	52.9	44.0	3.1	100.0
Non-management employees	M	32.3	60.5	7.2	100.0	32.5	61.4	6.1	100.0
	F	27.0	67.8	5.2	100.0	24.0	70.8	5.2	100.0
Total		29.2	64.8	6.0	100.0	27.2	67.3	5.5	100.0
TOTAL		34.6	60.0	5.4	100.0	33.3	61.8	4.9	100.0

The employees are educated to a high level. Those with a university degree account for almost 35% of total employees (ABI average: 25.4*) and **74%** of executives.

Within each professional category, men have more education than women.

EDUCATION LEVEL OF NEW HIRES

Education level	2006		2005	
	Number	% of total	Number	% of totale
Postgraduate	13	6.3	9	7.4
University degree	78	37.5	54	44.3
High school diploma	109	52.4	59	48.3
Other	8	3.8	-	-
Total	208	100.0	122	100.0

Also new hires have a high level of education, **44%** of them hold a university or a postgraduate degree.

Fewer university graduates were hired in 2006. This is consistent with the Group career development policy based on internal promotion as well as on the specific profile of new hires.

* ABI, 'Rapporto 2006 sul mercato del lavoro nell'industria finanziaria' (2006 Report on the labour market in the financial 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. 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.

**For the things we have to learn,
before we can do them,
we learn by doing them.**

Aristotle

NET NEW JOBS

Tipologia (Number)	2006				2005			
	SM	MM	NME	Total	SM	MM	NME	Total
Hires	3	12	193	208	1	4	117	122
Terminations	1	6	64	71	2	1	32	35
Resignations	-	6	57	63	2	1	27	30
Retirement	1	-	1	2	-	-	-	-
End of contract	-	-	6	6	-	-	4	4
Death	-	-	-	-	-	-	1	1
Net New Jobs *	+2	+6	+129	+137	-1	+3	+85	+87

* 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.

TURNOVER

Turnover (%)	2006				2005			
	SM	MM	NME	Total	SM	MM	NME	Total
New hires*	4.1	7.5	19.4	17.0	1.5	2.6	12.8	10.7
Resignations**	1.4	3.8	6.4	5.8	2.9	0.7	3.5	3.1

* 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.

The net creation of jobs is significant both in operational and coordinating positions, reflecting the continuous growth in business.

In 2006, the number of new hires out of total personnel increased in order to support the continuous growth of the Group's business.

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. Resignations in other job categories were very limited in previous years and in 2006 increased in line with the market.



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 7.9% of personnel on standard contracts at the end of the previous year.

Promotions (Units)	2006				2005			
	Units			% of total standard contr.	Units			% of total standard contr.
	M	F	Total		M	F	Total	
Middle to Senior Management	1	1	2	0.1	4	1	5	0.4
Middle to Middle Management	10	2	12	0.9	7	5	12	1.0
Non-management employees to Middle Management	9	4	13	1.0	5	4	9	0.7
Non-management employees to Non-management employees	25	57	82	5.9	43	67	110	9.0
Total promotions	45	64	109	7.9	59	77	136	11.1
Total standard Contracts	1,383				1,228			

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.

To wish to progress is the largest part of progress.
Seneca

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 daycare centre

As shown by the data on employees, the Mediolanum Group personnel is young (average age: 34) and divided equally between the female (54%) and the male employees. The shortage of services for child care often penalises female employees. The management recognised that there was an interest in setting up a company daycare 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 daycare 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 daycare 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 daycare centre was enlarged, with capacity being raised from 60 places to **88** places.

The monthly fee paid by the employees for the daycare centre is reasonable and lower than the average cost of the daycare 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 daycare 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 daycare 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. metres 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.

There is no finer investment for any community than putting milk into babies.

Winston Churchill

Flexitime

Under the Flexitime scheme, the starting time is between 8.00 a.m. and 9.30 a.m.

Mediolanum also meets its employees half-way through the adoption of flexible, part-time contracts.

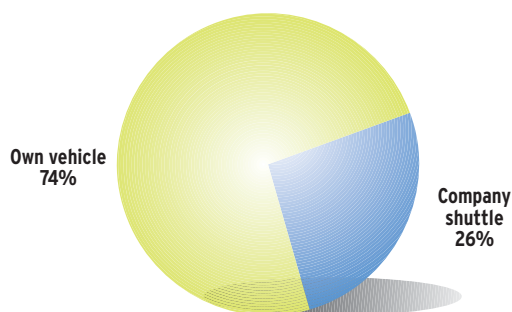
In 2005, the number of 'job profiles' doubled and the number of part-time employees rose to 48 (+ 45%). In 2006, the number of employees who work on a part-time contract increased to 67, with a further increase of 40% compared to the previous year. There are now 14 different alternative job profiles.

Shuttle bus service

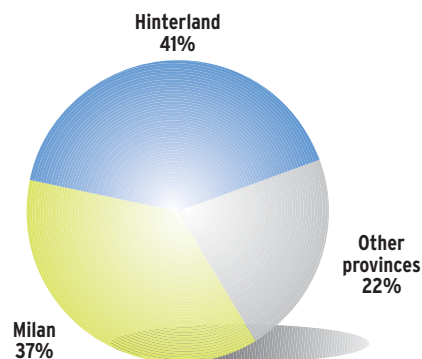
A private shuttle bus service has been active for some time, with frequent runs between the headquarters and Milan.

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



Social security: Pension Fund

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 2006, 72% of middle managers and 37% 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	2006		2005*	
	Unità	% of total	Unità	% of total
Employee beneficiaries (middle managers and non-management employees)	1,255	80.3	964	78.7
No. of family members with extended health insurance	307	19.7	261	21.3
Total No. of insured	1,562	100.0	1,225	100.0

* The figure refers to March 2005, which was when employees were able to extend the policy to members of their family

In 2005 and 2006, 167 and 196 employees respectively extended the health care service to their families, which represents 17.3 % and 15.6 % out 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;
- current 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.

In 2006, **95%** of the Executives benefited from the incentive plans described compared to 91% in 2005.

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 behaviour and attitude, is being finalised and rolled out.

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 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 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.

**Ideas are lit up by one another,
like electric sparks.**
Friedrich Engels

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 groups are analysed and assessed on the basis of a series of well-known and commonly agreed criteria. All the groups are given the possibility of illustrating the results of the team to top management and the best projects are rewarded with books and travel. The Teams for Improvement are thus part of a wider path of development of a culture that promotes quality in the Mediolanum Group.

* 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).

The Teams for Improvement have always been a part of the culture of the Mediolanum Group. These teams were started in the early 1990s.

Since 2001, 12 sessions have been activated at six-month intervals: about 6-7 teams, each with 6-7 participants, take part in these sessions.

During these sessions, 102 cross-departmental projects have been presented and 35 problem-solving sessions were held.

Since the first session in 2001, there has been a total of 609 attendances involving 509 people.

Trade unions

The Group is characterised by a low level of unionisation.

Trade unions (Units)	2006	2005	Change %
FISAC/CGIL	37	38	(2.6)
FNA	1	1	0.0
UIL CA	1	1	0.0
FABI	1	1	0.0
Total	40	41	(2.4)
<i>In percentage terms of total employees</i>	2.9%	3.3%	

Litigation and disputes

There were no litigation or disputes with employees in 2005 and 2006. At the end of 2006, there was only one lawsuit in progress, started by a former temporary employee.



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.

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	2006		2005		Change %	
	No. of participants	Total hours	No. of participants	Total hours	No. of participants	Total hours
Training on corporate values and managerial training	249	3,902	339	6,401	(26.5)	(39.0)
Technical refresher courses	496	27,437	743	9,593	(33.2)	186.0
Compulsory training	2,631	4,247	1,255	3,051	109.6	39.2
Total	3,376	35,586	2,337	19,045	44.5	86.9

The reduction in the number of hours for the training courses on corporate values and managerial training is due to the fact that almost everyone in the company has already taken these courses and they are now being offered to new hires.

In 2005 and 2006, a special effort was made to define new courses on corporate values and managerial skills and improve the quality of the training given.

For 2006, professional technical training has increased considerably, required for the new employees and to guarantee excellence in customer service.

AVERAGE NUMBER OF HOURS OF TRAINING AND PROFESSIONAL REFRESHER COURSES

Type of course (Hours)	2006	2005	Change %
Training on corporate values and managerial training	2.8	5.2	(46.2)
Technical refresher courses	19.9	7.8	155.1
Compulsory training	3.1	2.5	24.0
Professional refresher courses *	57.8	62.8	(8.0)
Total hours per capita	83.6	78.3	6.8

* Through specialised press provided free of charge to the employees, corporate conventions for the launch of new products, specialist meetings on Group's activities and business developments, presentations of quarterly results at corporate meetings.

An average of about 80 hours a year of training and professional refresher courses has now been reached.

TRAINING COURSES FOR NEW-HIRES

	2006	2005	Change %
No. of sessions (1)	13 classes	11 classes	18.2
No. of participants (2)	152	102	49.0
Total hours (3)	50,080	26,040	92.3
Total hours per capita (3)/(2)	329	255	29.0

New hires take part in training courses which guarantee they are trained 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 (%)	2006					Average
	Length of service					
	< 2 years	2-5 years	5-10 years	10-15 years	>15 years	
Senior Management	113.9	n/a*	98.0	n.a.	169.6	120.1
Middle Management	110.4	106.4	112.3	103.5	113.3	111.5
Non-management employees	102.3	107.9	105.6	90.2	107.1	99.7

Category (%)	2005					Average
	Length of service					
	< 2 years	2-5 years	5-10 years	10-15 years	>15 years	
Senior Management	106	n/a*	95	105	171	113
Middle Management	112	102	111	113	115	111
Non-management employees	102	113	105	89	109	102

* 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.

	2006	2005	Change %
Non-management employees	30	21	42.9
Total	30	21	42.9

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.



Personal time

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

	2006		2005	
	Hours	% of total hours***	Hours	% of total hours***
Holiday	178,990	8.2	166,261	8.4
Maternity leave	121,170	5.6	125,580	6.3
Sick leave	92,822	4.3	91,929	4.7
Paid leave	42,583	2.0	36,489	1.9
Other*	46,465	2.1	33,943	1.7
Total hours absent	482,030	22.2	454,202	23.0
Hours worked	1,689,029	77.8	1,522,748	77.0
Available hours**	2,171,059	100.0	1,976,950	100.0

* Unpaid leave, medical examinations, strike and other leave.

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

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

Holidays and days absent which **must be taken** according to the contract, account for more than one-third of the total number of hours absent.

Despite an increase in **maternity leave**, which has almost doubled in the past two years, the hours absent in the period immediately following the return to work are limited, thanks to the creation of the company daycare centre.

In detail, the breakdown of the hours worked by professional category is as follows:

	2006			2005		
	Q	I	Total	Q	I	Total
Hours worked	230,081	1,458,948	1,689,029	210,171	1,312,577	1,522,748
%*			77.8			77.0

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

Healthcare

Each year, the requirements as per Act 626/94 are carried out, with particular focus on :

- implementing the healthcare programme,
- sanitising the workplace and specific equipment,
- replacing air filters,
- periodic and preventive disinfestation.

New external emergency stairs were built in 2005 to reinforce safety in the workplace.

In 2005 and 2006 there was a campaign for the anti-flu vaccine, with about 17% of employees in 2005 and 13% in 2006.

There were also some **awareness-raising campaigns** on blood donation and correct diets.

Industrial accident index

	2006	2005	Change %
Total industrial accidents	16	11	45.5
<i>of which driving to/from work *</i>	12	8	50.0
No. of days of work lost for industrial accidents	226	137	65.0
Severity index **	0.13	0.077	68.8

* Per infortuni in itinere si intendono quelli scaturiti durante lo spostamento casa-lavoro.

**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 2005 and 2006, the percentage of industrial accidents while driving to or from work was 73% and 75% 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 80 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.

LATEST EDITION: 2005

Filled out on paper forms, the latest survey recorded a high response rate: **88%** of the questionnaires were returned, completed in full (vs. an average response rate of 64% for other companies*).

47% made suggestions or expressed opinions on how to improve the quality of the work life, which is a very significant indicator of employee involvement in the company's activities.

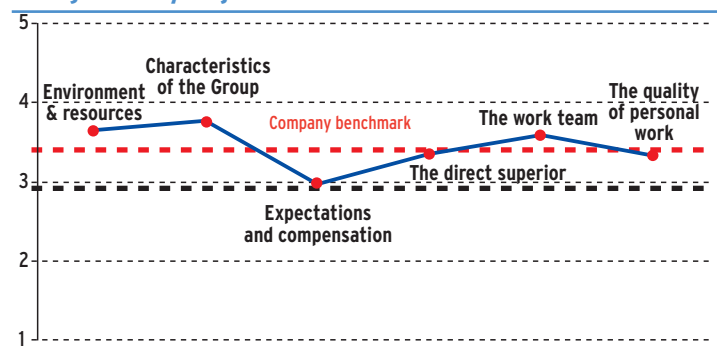
Past employee surveys and suggestions led to the development of numerous **projects**, including the creation of a new unit within the Employee Relation department for the management of the workforce leisure time activities and 'Baby Med', the company daycare centre.

The survey recorded an average score of **3.53** (on a 1 to 5 point scale where 5 indicates the highest level of satisfaction) with above-average employee ratings of the Group's characteristics, the environment and resources, and overall satisfaction.

Even the section on 'Expectations and compensation', which is rarely included in surveys of this kind and typically scores

lower than other items, recorded improved employee ratings compared to previous editions.

Average score by subject



* Employee climate surveys based on criteria and methods similar to those used by the Mediolanum Group.

EMPLOYEE RELATIONS

In 2003 the Employee Relations department 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;
- offers and deals;
- lectures;
- special events;
- services.

Some of these initiatives are offered once a year while others are repeated several times or 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 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) 50 initiatives were offered in 2006, up 16% from 43 in 2005.

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 (%)	2006		2005	
	Initiatives	Participants	Initiatives	Participants
Cultural initiatives and courses	53.6	42.1	57.5	43.4
Athletics and sports /tournaments	14.3	39.1	21.2	33.1
Trips, travel and tourism	21.4	5.1	15.2	14.6
Recreational activities	10.7	13.7	6.1	8.9
Total	100.0	100.0	100.0	100.0



MED INNOVA PORTAL

The Med Innova Portal is the Group Intranet site through which the employees can find or exchange information on:

- ideas to set up a Team for Improvement; improvement projects underway;
- promotional offers and deals;
- leisure time activities;
- various corporate announcements and information on the Group's performance;
- information on services offered to employees (tax advice, health policies, canteen menus etc.).

In 2006, a project for the portal upgrade was developed and will be implemented in 2007.

The portal will become the **gateway** to all information and tools that are relevant to working in Mediolanum (information, opportunities, tools, rules and procedures), and in particular:

- 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).

A wise man
will make more opportunities
than he finds.

Francis Bacon



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 75,000 shareholders in 50 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 listed 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).

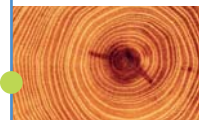
Historical data

Euro ITALIAN GAAP	2006*	2005*	2004	2003	2002	2001	2000	1999	1998	1997
EPS	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	0.14	0.11	0.10	0.10	0.09	0.07	0.06	0.05

* International Accounting and Financial Reporting Standards (IAS/IFRS).

EPS = Earning per Share

DPS = Dividend per Share



Share capital

At December 31, 2006 the share capital of Mediolanum S.p.A. was made up of 728,835,317 ordinary shares with par value of €0.10.

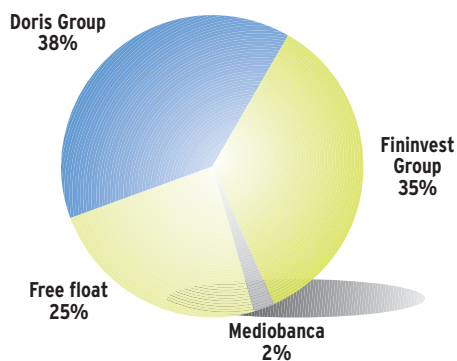
The main shareholders of Mediolanum S.p.A. are the Doris Group (38.44%) and the Fininvest S.p.A. Group (35.07%). Mediobanca holds a 1.96% interest. The free float is 24.53%.

The Doris Group and the Fininvest Group control the company through a Shareholders' Agreement whereby they locked up their respective equal shareholdings (Doris Group 25.55% / Fininvest Group 25.55%) totalling 51.10% of share capital. The Shareholders' Agreement was renewed on September 14, 2004 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 to distribute its earnings in the form of dividends. In the past decade, the payout ratio averaged about 65%.

2006 Shareholdings



Investor Relations

For a Group that intends to be a leader on the Italian market and expand internationally, and that has made communication 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.

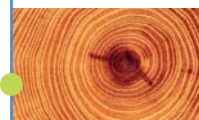
Mediolanum counts about **75,000** shareholders of record in about 50 countries. These are largely pension funds, mutual funds and insurance companies, which results in millions of people having a financial interest in the success of its business.

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.

The screenshot displays the Mediolanum Corporate Website. At the top left is the Mediolanum logo with the text 'GRUPPO MEDIOLANUM'. A navigation bar contains links for 'About us', 'Investor Relations', 'Media Relations', 'Careers', and 'Contacts'. Below this, a banner features the text 'Freedom in banking' and 'Mediolanum Corporate Site: Italiano English'. A secondary navigation bar includes 'Corporate Governance', 'News & Events', 'Financial Data', 'Mediolanum & the market', and 'Contacts'. On the left side, there is a vertical menu with 'IR Policy', 'Financial highlights', and 'Presentations'. The main content area shows a breadcrumb trail: 'Home > Investor Relations > Financial Data > IR Policy', followed by the heading 'IR Policy'.



Mediolanum 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.

To provide analysts with more information and a deeper understanding of the company, in the past few years we have also organised

Analyst Days, which are full-day meetings with key managers to share the Group's culture beyond numbers.

(Number)	2006	2005	Change %
Analyst presentations *	6	7	(14.3)
Investor presentations *	9	9	-
Roadshows in Italy	2	2	-
Roadshows abroad	8	12	(33.3)
One-on-One Analyst meetings **	20	16	25.0
One-on-One Investor meetings	275	233	18.0

* Presentations of end-of-period results are held for both analysts and investors.

**The figures do not include phone calls or e-mail exchanges, which were numerous and involved in-depth discussions.

Public morals are
natural complements of all laws:
they are by themselves
an entire code.

Napoleon Bonaparte



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 that framework, Procurement Rules are examined by the Board of Directors of Banca Mediolanum.

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 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.

In 2006, certain services were purchased on-line e.g. incentive travel packages, system maintenance and fixed telephony services.

In 2007, the Vendor Eligibility Assessment and Management portal will be tailored to the specific requirements of Banca Mediolanum. Specifically, it will include a questionnaire for the assessment of eligibility of potential vendors and the assessment of existing vendors. For existing vendors, Vendor Satisfaction **measurements** will also be introduced, together with procedures geared to ensure that vendors share the Code of Ethics and comply with Legislative Decree 231 of June 8, 2001.

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 Ceconello is a member of the Executive Board of the ABI Procurement Group.

**Well begun
is half done.**
Aristotle

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 %
	2006	2005	
EDP and data banks	31.1	34.0	(8.3)
General expenses	20.3	20.1	1.0
Promotions, advertising and marketing	16.4	15.1	8.6
Professional services	9.8	9.5	3.2
Property management	5.3	6.0	(11.7)
Utilities	5.2	5.6	(7.1)
Transportation and shipment	3.9	4.1	(4.9)
Insurance	1.9	1.9	-
Other	6.1	3.7	64.9
Total	100.0	100.0	-

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 (Euro)	No. of vendors			
	2006	% of total	2005	% of total
0 - 1,000	748	34.31	478	29.31
1,001 - 5,000	481	22.07	377	23.11
5,001 -10,000	380	17.43	147	9.01
10,001 - 50,000	146	6.70	311	19.07
50,001 - 100,000	210	9.63	124	7.60
100,001 - 500,000	148	6.79	135	8.28
500,001 - 1,000,000	38	1.74	30	1.84
>1,000,000	29	1.33	29	1.78
Total	2,180	100.00	1,631	100.00



Geographic analysis of vendors

53% of vendors are based in Lombardy, the region where the Mediolanum Group is headquartered, while 10% of vendors are based in Latium where the Public Relations office is located.

Region	No. of vendors		Change %
	2006	2005	
Lombardy	1,166	853	36.7
Latium	211	182	15.9
Abroad	105	92	14.1
Emilia Romagna	120	83	44.6
Veneto	115	76	51.3
Piedmont	98	74	32.4
Tuscany	64	46	39.1
Sardinia	43	41	4.9
Sicily	58	43	34.9
Liguria	38	23	65.2
The Marches	41	22	86.4
Campania	25	18	38.9
Apulia	24	18	33.3
Calabria	9	14	(35.7)
Umbria	19	13	46.2
Friuli Venezia Giulia	12	12	-
Abruzzi	13	10	30.0
Trentino Alto Adige	14	8	75.0
Valle d'Aosta	3	2	50.0
Basilicata	1	1	-
Molise	1	-	n/a
Total	2,180	1,631	33.7

Claims and Disputes

In 2006, there were only two disputes with vendors; one was amicably settled in the same year, while the other is still pending.

This reflects the Mediolanum Group's careful selection of vendors and strict compliance with contractual terms and conditions.

That which is not good
for the swarm,
neither is it good for the bee.

Marcus Aurelius



The community at large

The Mediolanum Group's deep understanding of real life issues and civic commitment generate benefits for the **community at large**.

Everything starts from the value attributed to individuals and relationships, which 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**.

Anytime aid is needed, either to provide emergency relief or to support longer-term projects, the Group's employees and customers are always ready to give and raise funds and their response is overwhelming.

Mediolanum Group charitable programmes

The Mediolanum Group actively and directly participates in charitable initiatives in Italy and abroad in the form of either emergency aid or longer term humanitarian, cultural, research and healthcare programmes.

HUMANITARIAN AID

The Group launched a number of fund raising campaigns in the immediate aftermath of natural disasters to provide relief to the victims.

Specifically:

- the victims of the earthquake in Umbria (Italy) in 1997;
- the victims of the flooding in Piedmont (Italy) in 2000;
- the victims of the **tsunami**, that hit Southeast Asia on December 26, 2004. This campaign raised €210,000 largely donated by Group's customers and employees.

The population hit by the tsunami was also helped through additional programmes.

In collaboration with Caritas Ambrosiana, the Mediolanum Group developed a **microfinance** project for the population of the Andaman Islands in India. The project spans three years, 2006 to 2008, and entails the formation of 50 self-help groups, each made up of 20 people. Each group manages the financial resources received and allocates them to establish micro-enterprises and processes for medium/long-term economic and social development.

In collaboration with Indonesian Caritas and the Community of Sant'Egidio, a **school** was built in Banda Aceh, Indonesia. In addition to the construction of the school complex, the programme also covers the cost of education for the first school year.

Humanitarian aid is provided also on smaller scale through the **voluntary** mobilisation of the Group's employees. For example in 2006, a building collapsed in Via Lomellina, Milan, following a gas leakage. The employees raised funds for the victims, which together with the funds donated by the Mediolanum Foundation were given to the Via Lomellina Solidarity Committee.



SCIENTIFIC RESEARCH

The Group places great value on education and training. This is reflected in the study and research projects it created by partnering with universities and other institutions.

Following an agreement made with Bocconi University, in 2006 service quality and customer satisfaction became part of the university curriculum with the establishment of a '**Customer & Service Science**' course.

An Applied Research Customer & Service Science Lab was also established.

The university course and the Lab are both managed by Enrico Valdani, Professor of Economics and Business Management at Bocconi University, with the assistance of the scientific committee that includes, among others, Parsu Parasuraman, Chair and Professor of Marketing at the University of Miami, and Antonio Maria Penna, the Chief Executive Officer of Banca Mediolanum.

The Group committed to donate €750,000 over **5 years**.

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.

Other Mediolanum Group initiatives

In the 2005/2006 two-year period, three blood donation drives were organised at the Group Headquarters in collaboration with AVIS, 278 **employees donated** their blood.

Finally, a team that includes Banca Mediolanum employees and customers is participating in the first 'Milan Foundation-Adidas Cup 7-player Football Tournament' organised by the non-profit organisation 'Milan Foundation' to support charitable projects in Italy and abroad. Specifically the tournament will raise funds for the construction of a **neonatology** unit in Nazareth.

Mediolanum Foundation

ITS ORIGINAL PURPOSE

'The Foundation exclusively pursues the aims of training, education, recreation, assistance and scientific research. It operates in the fields of arts and culture, training, education, assistance, scientific research, health and the environment, addressing all citizens and working with players in the social sphere, without distinction of gender, race, language, religion, political opinions or personal and social conditions'.

(Article 3 of the Bylaws - Purpose).

With the establishment of the Mediolanum Foundation in 2002, the Group's mission and direct work in the social sector unfolded mainly through the Foundation itself, which was created with an objective that indicates a strong commitment to the future, i.e. to make scientific/economic progress and technological innovation available to the less fortunate.



THE MISSION

The mission of the Mediolanum Foundation is to **help today's weak and less fortunate**, i.e. those members of our society, who live in a world of continuous change, scientific progress and global economy, but are unable to take part in this 'new world' and are still on the sidelines of our society.

The Foundation's objective requires:

- long-term commitments - so that all activities generate an effective and **lasting** change;
- **respect** for local situations - to develop discussions, trust and relationships;
- **concrete** actions - aimed at creating new professional skills at the local level for project maintenance;
- the transparency of each single action - including the constant **verifiability** of the status of the projects, which is also made possible by the Mediolanum Group's communication channels;
- giving support to those new technologies projects and research that are aimed at improving the conditions of people in difficult situations and relieving new forms of poverty afflicting those who are unable to be retrained or integrated in a world that is undergoing such a rapid transformation.

*"... the Foundation is committed to respecting the value of the person before all else, and - in its operations - to implement initiatives which - although on a small scale - are always concretely verifiable!
Our commitment will be that of '**corporation of solidarity**', characterised by pragmatism, concrete actions, continuity and constancy."*

Ennio Doris



ITS ACTION

More in general, the Mediolanum Foundation has offered widespread, direct commitment to aid the less fortunate, with donations and different types of actions, all having the common denominator of caring for people.

These include the support for **voluntary services** that provide food and shelter to people who are 'all alone', needy and homeless; for organisations committed to the **prevention** of the HIV virus transmission all over the world, in particular, mother to child; for voluntary associations that entertain children in hospitals; for the implementation of projects for social, cultural and religious **integration**, as well as for vocational **training**, education and vocational and professional guidance.

For the sake of completeness, the commitment to supporting art and culture must also be mentioned.

The Foundation supports various activities of recuperating and restoring works of **art**, literature and architecture; giving them back to the men and women of today and tomorrow, restored to their original state.

**The manner of giving
is worth more
than the gift.**

Pierre Corneille

ACTIONS IN 2006

In 2006, the Foundation was involved in many activities, spanning the range from assistance to vocational training and guidance in Italy and abroad, and to research and initiatives supporting art and culture.

In the social context, contributions and aid were given to needy populations, through specific foundations, help to hospitals, rehabilitation centres and immediate help to meet the minor needs of people in difficulty.

THE "PICCOLO FRATELLO" (LITTLE BROTHER) PROJECT

In addition to the above, since spring 2005 the Mediolanum Foundation has promoted and supported the project called 'Piccolo Fratello', a series of humanitarian activities aimed at improving the quality of life and the education of children in developing countries.

The first of these activities started in **Kenya** where, due to poverty and the spread of AIDS, the number of 'street children' who live without any support is increasing all the time.

In Nairobi, the Mediolanum Foundation relies on the experience and work of Father Renato Kizito 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'.

An essential part of the project is to **train** educators and teachers at the local level who become experts in emergency teaching and can thus help these children.

Training local people means having teachers who have greater awareness of the social and cultural context.



The base projects

The initial phase of the campaign started in 2005 was concluded with great success: the objective of collecting €400,000 was reached and the funds raised were used to build the project's three main facilities in a very short period of time.

The permanent education centre houses the local educators who 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.

The emergency shelter establishes a first point of contact with the street children where they can go in times of emergency: there is a hot meal for them, they can wash up, play, be with others and get some help. Because taking the children 'physically' off the streets is the first step towards change.

**It is not enough to do good,
it also has to be done well.**

Denis Diderot

The family foster home. Three Kenyan families foster 40 children who had already been cared for at the emergency shelter. The aim is to take them off the streets for good. The home was inaugurated on December 17, 2006 and is called '**Ndugu Mdogo**': Little Brother.

One of the cornerstones of the Foundation is the lasting nature of the projects. So, to not waste what has already been accomplished in Nairobi and to render the projects fully operational, the second phase, i.e. project 'maintenance', was started in December 2006, and was supported by an awareness-raising and communication campaign.



Project maintenance

Specifically, in February 2007, thanks to the technical support of all the mobile telephone companies associated with the cause, '**solidarity text messaging**' was launched. To donate 2 euro to 'Piccolo Fratello', all you had to do was send a text message to the number 48545. The initiative was widely publicised in the media (TV, the Internet, radio, press and billboards) thanks to the numerous partners, friends and supporters.

The initial data indicates that the objective of collecting the **€200,000** needed for Ndugu Mdogo (Little Brother) to 'function' for another two years in Nairobi has been reached.

The visible action

You can follow the progress of the project and get information updates by tuning into the weekly episodes of 'Piccolo Fratello' on the Mediolanum Channel (channel 803 on the SKY platform).

This programme also won the Aretê Prize in 2006 for responsible communication.

There is also a site dedicated to this initiative: www.piccolofratello.it.

THE FOUNDATION: TODAY AND TOMORROW

Following the success of the 'Piccolo Fratello' initiative, the decision was made to refocus the strategic orientation of the Mediolanum Foundation.

The vision

'The Mediolanum Foundation intends to contribute to the social sector, starting from supporting children in difficult situations and areas, creating and spreading education in disadvantaged areas with the objective of freedom, and promoting new opportunities for the future.'

It is a question of working with enthusiasm, transparency and dedication:

- with the capacity of intervening immediately and with a long-term view;
- more than just assistance, to give a better chance to the adult of tomorrow;
- in developing countries and also looking at places close to home.

Through the work of the Foundation, Banca Mediolanum and the Group intend to help those who are often the frail members in the family, i.e. small children.

To do this and in the best way possible, we believe we have to act, keeping a number of objectives and firm points clearly in mind.

First of all, we believe that education given to children should not be an end in itself or understood in the literal sense of primary education.

The aim is to give tomorrow's adult a heritage of knowledge and values to enable him or her to act freely and independently when confronted by the events of life.

Obviously, help can also come in the form of meeting the primary needs of a child during their school years, providing such basics as vaccinations, essential goods, school books. The Foundation meets these needs through its projects.

The principles we wish to transmit are inspired by universal human values (freedom, respect, solidarity and progress), while protecting the traditions, culture, thought and religions of each place.

For us, the transmission of this 'heritage of values' must take place through dialogue and discussion.

The ultimate purpose of each action must be real, effective and concrete help for the weakest children.

To make them independent and free adults, with strong values and who are strong examples.

The success of the fund-raising campaign via text messages in support of the 'Piccolo Fratello' project was the best evidence for us that the aims and seriousness of our commitment are increasingly shared by civil society.

Sara Doris



The application

The values, objectives and methodology of actions are the fundamentals.

- The **focus** must be on getting projects off the ground, but also on attaining and maintaining the independence of the project.
- The projects must be well-defined and have clear and concrete **objectives** that are based on a schedule.
- It must be possible to monitor and measure the projects and constant **information** on the state of progress must be provided. This is to assure that the donations have been put to good use, and to guarantee clarity and transparency to the community and the stakeholders of the Group.
- Any **partners** in the initiative must be accredited, have exemplary and proven experience in the sector and agree with the values of the Group.

The benefits in terms of image for the Group must come from the successful result of the social projects.

The evolution

Consistent with the new strategic orientation, and building on the tremendously positive experience of 'Piccolo Fratello' in Kenya, the Mediolanum Foundation now intends to duplicate this success elsewhere.

'Piccolo Fratello' is meant to increasingly become a **socially-conscious brand** that brings together projects of humanitarian solidarity in favour of children in different parts of the world, and a certificate of guarantee for donors, ensuring seriousness, professionalism and transparency.

Therefore, in the second half of 2007, the second project under the aegis of 'Piccolo Fratello' will start, this time in **Haiti**, in association with Francesca Rava - NPH, an Italian non-profit foundation.

**The future is
in the hands
of a schoolmaster.**
Victor Hugo

Think as wise men do,
but speak
as common people do.

Aristotle



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.

To speak to everybody by speaking to each person.

The Internet

The two years 2005/2006 were characterised by an expansion in the representation of the Mediolanum Group on the web.

The corporate site of the Group (www.mediolanum.it), dedicated to the corporate and financial communities, was published in April 2005 and is also available in English.

Websites were developed for the insurance products companies and the asset management companies of the Group.

In 2006, three new sites were created, dedicated respectively to:



- Civic activities and support of the children of the Mediolanum Foundation (www.fondazionemediolanum.it) in addition to the already well-established projects of 'Piccolo Fratello' (www.piccolofratello.it)
- the introduction of the new professional figure of the Family Banker™ (www.FamilyBanker.it)
- the advantages for PrimaFila customers (www.primafilamediolanum.it mini-site).

All the sites are recognisable as they are consistent with the corporate image of the main site accessible to customers, www.bancamediolanum.it.

The project of harmonising and differentiating the sites of the Group also involved websites of the individual Family Banker™, which were expanded and personalised, again in line with the image of the Group, with the aim of promoting the level of professionalism and facilitating contact with customers through e-mail.

Visibility on the internet was also enhanced thanks to advertising through banners, sponsorships and newsletters, as well as the mini-sites created for the Giro d'Italia cycling race and the 2006 World Football Cup.



Mediolanum Group Links

https://www.mediolanum.it/	https://www.fibancmediolanum.es/
https://www.bancamediolanum.it/	http://www.alboran.it/
http://www.mediolanumvita.it/	http://www.mediolanumchannel.com/
http://www.mediolanuminternationalife.it/	http://www.primafilamediolanum.it/
http://www.mediolanumgestionefondi.it/	http://www.familybanker.it/
http://www.mediolanuminternationalfunds.it/	http://www.concorsimediolanum.it/
http://www.bancaesperia.it/	http://www.fondazionemediolanum.it/
http://www.banklenz.de/	http://www.piccolofratello.it/
http://www.gamax.de/	



Mediolanum Channel

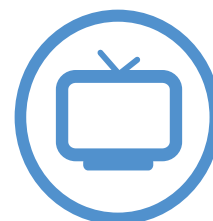
THE CHANNEL OF OPTIMISM

Created in 2001 with the aim of promoting communication, Mediolanum Channel is the unencrypted satellite channel of the Mediolanum Group.

Its **philosophy** is to 'put people together' through knowledge and discussion: starting from the conviction that optimism is contagious and represents the condition indispensable to enjoy the present and create the future.

It is multi-thematic television, capable of talking about subjects that concern everyday life starting from a positive viewpoint.

Mediolanum Channel is a TV channel for the million customers, the Family Bankers of the Group and for all digital TV viewers.



The sun is new
each day.
Heraclitus

THE PROGRAMMES

Mediolanum Channel is on channel 803 of the SKY platform with complete programming that covers the day from start to finish: culture, news, current affairs, entertainment, leisure, drama and sport.

Ample airtime is also given to finance: in simple, but not dull language, the world of economy and investments is explained through in-depth discussion within everyone's reach, thanks to the help of experts and with the active **involvement** of the managers of the Mediolanum Group.

Two programmes deserving special mention are 'Navigators in Time', which presents case studies and business strategies drawing parallels to historical events and battles; and 'People of the Sea'.

The two programmes won the Prize for 'Best Small Large Screen Programme' and the 'Special Award' at the 29th International Tourism Film Festival, respectively.

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 

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.

Subject of programmes	Number of programmes		
	2006	2005	Change %
Economy and Finance	5	7	(28.6)
Community	7	6	16.7
Lifestyle	11	13	(15.4)
Total	23	26	(11.5)

The majority of the programmes have a running time of between 30 and 60 minutes.

In 2006, fewer programmes were broadcast but the number of episodes remained essentially in line with the previous year.

Subject of programmes	Number of episodes		
	2006	2005	Change %
Economy and Finance	105	131	(19.8)
Community	306	301	1.7
Lifestyle	293	287	2.1
Total	704	719	(2.1)

An example of live TV

The case study that best explains the spirit of Banca Mediolanum and Mediolanum Channel is the reaction to the crisis of **September 11, 2001**, when Ennio Doris went on-air 'live' to address as broad an audience as possible. (Sales Network, customers, the financial community and the public)

In two hours time, the Chairman of the Mediolanum Group explained what would and what would not likely happen, giving advice and reassurance.

The programme, pre-announced by text message to the Sales Network and then broadcast, enabled the community to better understand the events and avoid hasty actions, thus protecting everyone's interests.

There was a similar example of the timely communication of information after the attacks in Madrid on **March 11, 2004**: the following day, Ennio Doris made a special appearance on the corporate TV of Fibanc (the Group's company based in Spain) explaining the possible impact on the global economy.



Communication with the Sales Network

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.

In 2006, the total number of individual programmes produced by the corporate television increased by almost 13% compared to 2005.

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 209 individual programmes were produced and broadcast in 2006, with an average running time of 20 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.

**No man is an island,
entire of itself,
every man is a piece
of the continent,
a part of the main.**

John Donne





Sponsorships and other initiatives

In the sports field, in 2003 Banca Mediolanum began to sponsor Giro d'Italia, the long-distance road bicycle race. This tradition connects the bank with the nation. In fact, following the race, also the Bank tours Italy offering entertainment and information to the public at large. The Bank also meets in person thousands of people/customers and holds dedicated dinners attended by managers too.

In addition to nationwide initiatives, there are also events at local level or, occasionally, meetings at the Headquarters.

In 2005, as part of the 4 Freedoms programme, the Group organised events which were well received by the public. These included *Caffè e Conto* - Coffee and Accounts (140 events attended by 18,800 people) and **Anteprima Cinema** - Movie Premieres (10 events attended by 7,000 people).

In 2006, a wine-tasting event was concurrently held at all Punto Mediolanum premises. Other local events organised by Family Bankers (fairs and festivals, meetings, sports events, exhibitions) more than doubled over the prior year, from 60 to 150 events. The number of customers and prospects who participated in these events increased four-fold, from 7,800 in the prior year to 36,000 people in 2006.



My interest is in the future,
because I am going to spend
the rest of my life there.

Charles Franklin Kettering



The Environment

The Mediolanum Group is strongly committed to **protecting the environment**.

The day-to-day business of a Group with over 1,500 people - employees and contract workers - at 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.

Safety, Health and the Environment

Today, the management of environmental aspects is mainly focused on the direct impact of our activities.

The Group promotion of **environmentally-friendly** practices addresses multiple areas.

- Encouraging customers to increase their use of electronic channels in order to reduce consumption of 'physical' materials, e.g. paper.
- Taking actions geared to raise the environmental awareness of our people, e.g. giving preference to electronic transmission over paper use, reducing the consumption of water, energy, etc.
- Giving priority to those vendors who implemented highly environmentally-sensitive processes, e.g. use of innovative materials with lower environmental impact.

In addition, in 2006 we analysed the most prestigious **environmental certification** processes in view of a possible future certification of our Group.

INITIATIVES

Optimising and reorganising the use of Headquarter offices

In 2006, environmentally-sensitive criteria were applied in the comprehensive **reorganisation and reconfiguration** of the Milano 3 Headquarters. The project is meant to favour synergies through proximity and create a more comfortable and functional workplace.

New **low environmental impact furnishings** were selected, e.g. the Mirra chairs produced by Herman Miller (ISO14001 certified company) using renewable energy and at least 50%-recycled and 96%-recyclable materials. This product received a number of environmental sustainability recognitions, including those awarded by the Lombardy Regional Government and Lega Ambiente.

Also the new flooring was chosen in accordance with environmentally-sensitive criteria: new high-insulation carpeting (energy savings) with special anallergic features (certified by Martin Shata, MD, allergist, Cambridge University).

“Baby Med”

Also the **daycare centre** is an example of the company’s commitment in this area. The project for the daycare 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: daycare 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 2006) 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 2005, we considered a population of 1,510 people, in 2006 this figure increased to 1,686.

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.

The **energy audit** conducted in 2006 examined a series of actions geared to reduce installed power and streamline energy uses. The audit will continue in 2007. It will include the testing of actual energy consumption as well as an assessment of potential energy savings across the organisation (e.g. installation of different types of lamps to monitor their consumption, replacement of chillers).

This is crucial to ensure optimal system management and the identification of alternative energy sources for the future (photovoltaic systems, trigeneration) as well as to reduce energy losses (insulation, system changes, etc.).

	2006	2005	Change %
Total consumption [MWh]	9,344	8,670	7.8
Consumption / sq. m [kWh/sq. m]	275.6	276.0	(0.1)
Per capita consumption [MWh/employee]	5.5	5.7	(3.5)

Thanks to a series of initiatives developed within the Teams for Improvement (e.g. changes in copier settings, shutting down PCs at the end of the day, etc.) in the past two years per capita energy consumption declined.



HEATING

Thanks to the improvements made to the ventilation system, in the past year energy consumption declined.

	Apr. 06 - Dec. 06 **	Oct. 05 - Apr. 06 *	Change %
Total consumption [MCal]	2,793,627	2,592,212	7.8
Consumption /sq. m [MCal/sq. m]	82.4	82.5	(0.1)
Per capita consumption [Mcal/employee]	1,656.9	1,716.7	(3.5)

* Estimated on the basis of actual consumption as of February 2006.

** Estimated on the basis of actual consumption in the prior year.

WATER

The initiatives taken to raise personnel's awareness of environmental issues contributed to reduce water consumption.

	2006 *	2005	Change %
Total consumption [m ³]	7,122	8,220	(13.3)
Per capita consumption [m ³ /employee]	4.2	5.4	(22.4)

* Estimated on the basis of actual consumption as of October 2006.

PAPER

In 2006, the consumption of paper fell dramatically, also thanks to the greater use of all-in-one copiers/scanners for the optical filing of documents.

	2006	2005	Change %
Letterhead and blank paper [ton]	0.0	1.4	(100.0)
Recycled paper [ton]	43.5	57.3	(24.1)
Per capita consumption [Kg/employee]	25.8	38.8	(33.6)

The decline in the use of letterhead and blank paper in 2006 is due to the use of prior year's paper stocks.

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, 5.4 and 5.5 tons of paper were sent to recycling facilities in 2005 and 2006, respectively. This testifies the growing attention the Mediolanum Group pays to the environment.

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 240 in 2005 to 245 in 2006.

During 2006, a study was made to assess the feasibility of a **car pool scheme**, i.e. the sharing of rides in a private vehicle among two or more employees resident 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).

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**.

(Euro)	2006	2005	Change %
Fuel	276,774	236,812	16.9
Car rental	1,218,528	1,169,131	4.2
Bus (shuttle)	471,576	448,361	5.2



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.

**I think that I shall never see
A poem lovely as a tree.**

Joyce Kilmer

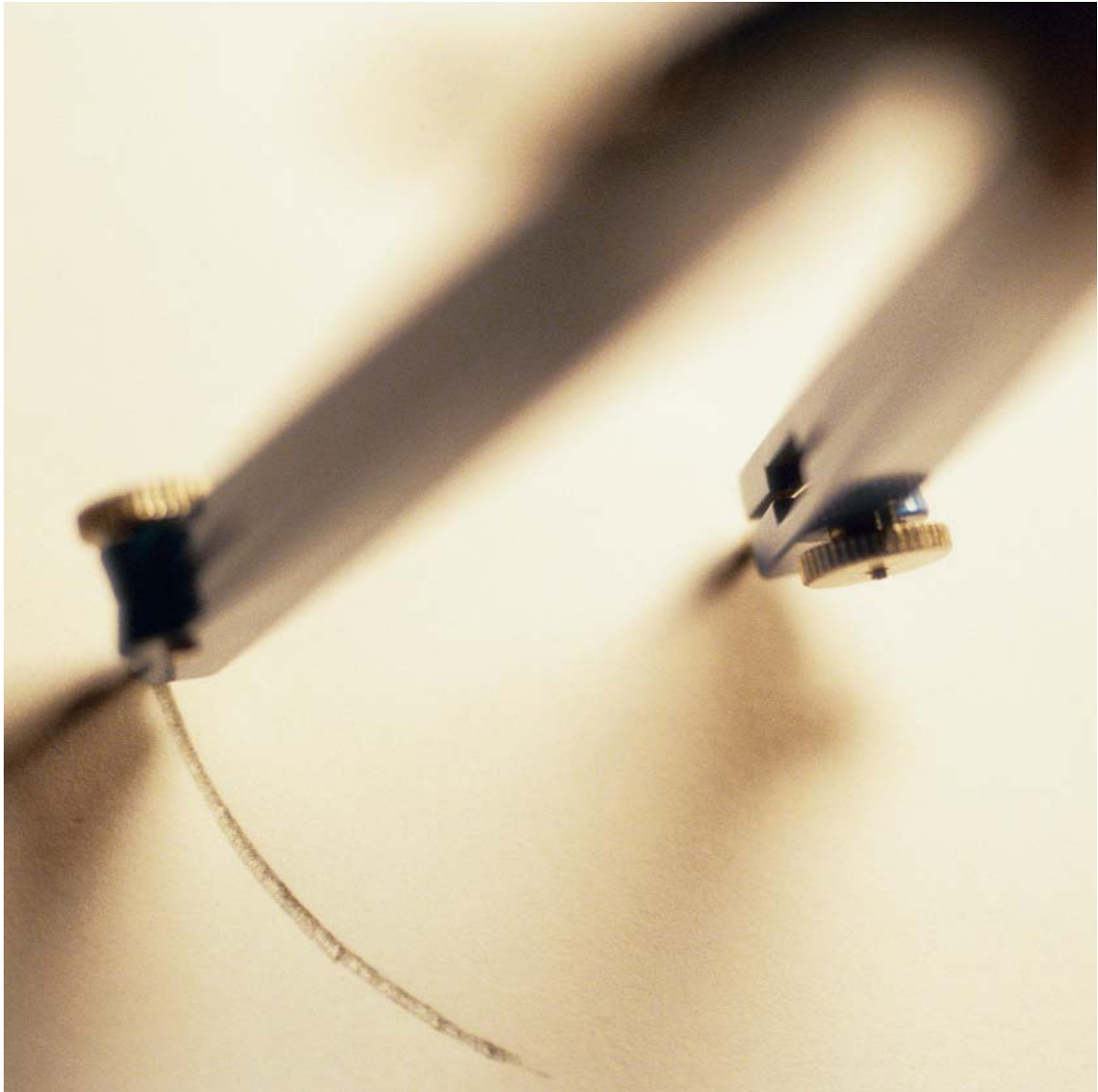
Other initiatives

In the past years, many other initiatives were taken to protect the environment. These include:

- construction of environmentally-friendly parking lots;
- adoption of All-in-One copiers to optimise the use of paper and toner;
- source separation and collection of special waste (toner) by a certified specialist waste disposal firm;
- source separation of large amounts of paper for recycling.

Working without rules
is the hardest and
toughest job in the world.

Alessandro Manzoni



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.

No inspections or checks were made by Supervisory Authorities in 2005.

In 2006, Italy's Supervisory Authority for Insurance Companies (ISVAP) conducted an inspection at Mediolanum Vita S.p.A., and in December 2006 CONSOB started an inspection at Banca Mediolanum.

Company	Type of business	Antitrust	Electricity and Gas Regulator	Communications Authority	Bank of Italy	Borsa Italiana	CONSOB	COVIP	Information Commissioner's Office	ISVAP	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 SGR p.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, 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.

Do not linger
in the rut of results.

Renè Char



Projects and initiatives in 2007

This section draws the reader's attention to the numerous projects, either underway or still in the pipeline, that are geared to make the relationship with the stakeholders more and more satisfactory. This section covers the short-term objectives and the activities and projects with the 'idea of improvement in mind' we commit to account for to the stakeholders in the next edition of the Social Report.

Future developments

The Group continually invests in the relationship with its stakeholders. The relationship is based on mutual trust and satisfaction as reflected by two significant indicators, i.e., average assets under management and administration per customer, and the number of products held by customers. These growth indicators are steadily improving and will continue to do so in the future.

As shown by inflows of customer assets, assets under management and administration as well as the number of customers, **business growth** has been particularly strong in the past years. These achievements were possible also thanks to the 4Freedoms initiative that contributed to the opening of about 203,000 new bank accounts and to the sales of related products/services, especially credit cards, in the period March 2005 to February 2007.

The growth targets for the coming years are twofold: growth in the number of bank accounts and in the number of **Sales Network members**. The Group's major recruitment project, I.Co.N.A., will continue also in 2007. At year end 2006, 60% of Sales network members had adopted the new project policies based on the Family Banker™ concept, while the remaining 40% will do so during 2007.

The main additional short-term initiatives connected with the I.Co.N.A. project are:

- the opening of a training centre in Milano tre, in an area next to the headquarters;
- the expansion of headquarters training premises to train professionals so that they can stay at the cutting edge of the market;
- the increase in the number of supervisors at management level, to enhance education of and support to the Sales Network members and help them work in sync with the values stated in the new vision and mission of the Group.

Looking forward, the development of new products and services for customers is an area that cannot be overlooked. The reform of the pension system offers us a great opportunity to satisfy unmet customer needs. An in-house study group was formed to review current products (TaxBenefit and My Pension) and to develop appropriate new products in time to seize the opportunities offered by the fact the reform of supplementary pension legislation had been moved forward.

To further improve customer service, following the evolution of our technology-based channels, a new service called B.Med Mobile will be launched in 2007. For further details on B.Med Mobile, readers are referred to the 'customer' section.



Other initiatives geared to further strengthen our relationship with the stakeholders are:

- Upgrade of the 'Med Innova' portal to create a site where **employees** can go anytime they need something. The portal will become the gateway to all information and tools that are relevant to working at Mediolanum, a site where employees can contact others in the Group and share values and results, exchange information, ideas and experiences, fostering mutual growth.
- Develop a system for the assessment of the eligibility of potential **vendors** and the creation of a single vendor database, that will enable us to measure the satisfaction of existing vendors and ensure they share the Code of Ethics of the Group.
- The numerous initiatives of the Mediolanum Foundation and the '**Piccolo Fratello**' **human solidarity projects** will continue in the years to come, in line with the Foundation's vision and strategic focus on *'actions in the social sphere, beginning from help to deprived children in the most disadvantaged areas of the world, to create the conditions to educate them to be free and spread freedom in developing regions, and promote new opportunities for their future'*. In particular, we would like to remind the reader that the second project under the aegis of 'Piccolo Fratello' will start in Haiti in 2007, in association with Francesca Rava - NPH, an Italian non-profit foundation.

Finally, you would also like to inform the reader that the drafting of Corporate Social Responsibility principles and their analysis which was rolled out in the Italian companies will be gradually extended to international operations.

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, 2006 of Mediolanum Group, described in paragraph 2. of this report.

The 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, 2006 of Mediolanum Group, which describe 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 procedures 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, 2006, approved by the Shareholders' Meeting of Mediolanum S.p.A. and for which we issued the Auditors' Reports on April 3, 2007;
 - analyzed the operation of the processes underlying the generation, 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 information 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 the 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 used, completeness of the stakeholders and analysis of data of significant findings in this respect, compared to the information reported in the Social Report.

The Social Report presents the prior year's unaudited data and information for comparative purposes, with respect to which we have not performed any audit procedures and, therefore, we do not issue an opinion.

3. Based on the procedures performed, we believe that the Social Report as of December 31, 2006 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 and the other data and information are coherent with the documentation and meet the content requirements established by the guidelines and principles governing the preparation of the Social Report.
4. We draw your attention to the section "Projects and Initiatives in 2007" indicating the activities that Mediolanum Group is going to develop.

Milan, May 10, 2007

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 & As.

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**

In 1998 the Bank of Italy became a member of the Euro System of Central Banks (ESCB). Today, the Bank of Italy has the following functions:

- issues euro banknotes;
- contributes to formulating the monetary policy for the Euro zone through the Governor's participation in the Governing Council of the European Central Bank and implements the Governing Council's decisions in Italy;
- supervises banks and non-bank financial intermediaries pursuant to the Consolidated Banking Act and the Consolidated Finance Act;
- promotes and protects competition in the credit sector, in collaboration with Italy's Antitrust Authority;
- collaborates with the Italian Foreign Exchange Office against money laundering and usury;
- supervises markets (in particular wholesale markets in government securities and the interbank market) as well as payment and settlement systems, central securities depositories and guarantee systems;
- oversees the payment system and directly manages certain systems including the settlement system and the central database on borrowers' credit risk.

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.

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.

Cross Selling rate

An indicator of the degree of coverage of the customers financial needs by the bank.

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.

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.

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.

**Board of Statutory Auditors**

The Board of Statutory Auditors is 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.

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.

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.

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.

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.

**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 (Istituto per la Vigilanza sulle Assicurazioni Private) Supervisory Authority for Insurance Companies

Established in 1982, ISVAP's responsibility is to ensure the stability of the insurance market and insurance companies as well as the transparency of products in the interest of the insured and the interested parties in general. Its responsibilities are to:

- oversee the operations of domestic and international insurers and reinsurers operating in any form and class of insurance business
- issue the authorisations needed to conduct insurance business
- issue regulations that are deemed to be useful or necessary to protect insurance businesses and users
- conduct investigations into and inspections of insurance companies and intermediaries
- establish the rules needed to ensure the fair business conduct of insurance companies and their compliance with regulations
- impose penalties and sanctions, or request the Ministry for Production Activities to do so.

**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 company that targets individual investors, investing their assets in a variety of securities. 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.

Pay out 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.

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.

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.

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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