

**Report of the Board of Directors to the
Ordinary General Meeting
convened on April 23, 2009, on first call, and, if necessary,
on April 24, 2009, on second call**

Dear shareholders,

We convened the Ordinary General Meeting to vote on, *inter alia*, the following agenda item:

4) Amendments to the stock option plan approved on April 26, 2005 pursuant to art. 114-bis of the Consolidated Finance Act.

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In relation to this agenda item, the shareholders shall vote on amendments to the Stock Options Plan approved by the Extraordinary General Meeting of April 26, 2005 (the “**2005 Plan**”). In that respect, the Board of Directors reminds you that at the General Meetings held on April 26, 2005 and April 19, 2007 the shareholders voted for (i) the 2005 Plan and related rules, which are briefly summarised below; and (ii) three new share issues, one for each category of the 2005 Plan Beneficiaries, and conferred upon the Board of Directors the authority to effect those new share issues, pursuant to article 2443 of the Italian Civil Code.

2005 Plan Rules. The 2005 Plan entails the grant of rights (**Stock Options**) to subscribe to newly issued Mediolanum S.p.A. ordinary shares, upon the achievement of certain operating and/or financial performance targets, where applicable. Stock Options are registered in the name of the Beneficiary and are not transferable *inter vivos*. Each stock option entitles the holder to subscribe to one Mediolanum S.p.A. dividend-bearing share issued to service the 2005 Plan upon a related resolution passed by the Board of Directors. The 2005 Plan sets out three distinct categories of beneficiaries, i.e. employees, contract workers and directors.

The 2005 Plan is implemented through capital increases effected by issuing new shares. Newly issued shares under each capital increase are allotted to one category of beneficiaries pursuant to article 2441, paragraphs five and eight, of the Italian Civil Code. The capital increases are resolved by the Board of Directors pursuant to the authority delegated to it by the General Meeting as per article 2443 of the Italian Civil Code. In relation thereto, pursuant to art. 2443, first and second paragraphs, of the Italian Civil Code, by resolutions carried at the General Meetings of April 26, 2005 and of April 19, 2007 the shareholders authorised directors to increase share capital for a consideration, in one or more occasions, within April 2010, by a maximum total amount of:

- €400,000.00 issuing up to 4,000,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the employees of the Company and its subsidiaries selected as Beneficiaries under the Stock Options Plan. Those shares are offered for subscription at a share price equal to their fair market value – as defined in tax rules – at the date of the Board of Directors’ resolutions relating to the respective capital increases through the offer of subscription rights exercisable in one or more occasions and in different years;
- €400,000.00 issuing up to 4,000,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the contract workers of the Company and its subsidiaries selected as Beneficiaries under the Stock Options Plan. Those shares are offered for subscription at a share price equal to the weighted average of (i) the company’s equity value per share as reported in the last financial statements approved prior to the allotment of the Stock Options and (ii) the average stock market price of Mediolanum S.p.A. shares in the six-month period preceding the grant date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period, respectively, through the offer of subscription rights exercisable in one or more occasions and in different years;
- €400,000.00 issuing up to 4,000,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to directors of the Company and its subsidiaries selected as Beneficiaries under the Stock Options Plan. Those shares are offered for subscription at a share price equal to the weighted average of (i) the company’s equity value per share as reported in the last financial statements approved prior to the allotment of the Stock Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six-month period preceding the grant date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period, respectively, through the offer of subscription rights exercisable in one or more occasions and in different years.

The exercise of the Stock Options allotted to the Beneficiaries under the 2005 Plan is conditional upon the achievement of operating and/or financial performance targets and the uninterrupted employment/service of the Beneficiary with the Company or other companies within the Group. Said conditions are expressly set out in the 2005 Plan Rules.

For anything not expressly indicated herein, you are referred to the Reports of the Board of Directors to the General Meetings of April 26, 2005 and April 19, 2007 (attached hereto) prepared pursuant to art. 72 of Consob Regulation 11971/1998 (Regulation for Issuers) and art. 3 of Ministerial Decree 437/1998.

Stage of implementation of the 2005 Plan. To date, the 2005 Plan has been implemented – although not in its full amount – through different annual grants upon concurrent execution of the related share capital increases ⁽¹⁾. An analysis of Stock Options under the 2005 Plan not yet granted is set out in the table below:

2005 Plan	Total stock options	Stock Options not yet granted	Unexecuted capital increases
Employees	4,000,000	1,194,750	Euro 119,475.00
Directors	4,000,000	1,495,200	Euro 149,520.00
Contract workers (*)	4,000,000	1,478,577	Euro 147,857.70

(*) For contract workers there is a one-year lag in grants. Therefore, contract workers who met targets and were selected as beneficiaries under the 2005 Plan shall receive their allotted stock options in 2009 upon the new share issue still to be effected.

Reasons for amending the 2005 Plan. The Stock Options granted under the 2005 Plan have not always been effective in rewarding those individuals who through their dedication and performance contributed to the Mediolanum Group’s growth. In fact, the Stock Options could not always be fully exercised due to unfavourable market conditions. In order to enable Directors and Contract Workers to take full advantage of the Stock Options granted to them to date under the 2005 Plan, the Board of Directors deems expedient to make changes in the vesting conditions – which are set out below for ease of reference:

*“(i) that on the Vesting Date, the closing price of Mediolanum S.p.A. ordinary shares on the stock exchange be not lower than the closing price of Mediolanum S.p.A. ordinary shares on the Grant date; **or** (ii) that the change in the closing price of Mediolanum S.p.A. ordinary shares in the period between the Grant Date and the Vesting Date (the “**Vesting Period**”) be not lower than the arithmetic mean of the changes recorded in the Vesting Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the “**Indices**”), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Vesting Period; the adjusted mean change in the Indices will be calculated by an independent third party appointed for that purpose by the Board of Directors of the Company; **or** (iii) that the **Embedded Value** of the Mediolanum Group, as calculated by an independent third party appointed for that purpose by the Board of Directors of the Company and reported in the last financial statements approved prior to the Vesting Date, be at least*

⁽¹⁾ The last occasion when the Board of Directors exercised the authority delegated to it by the shareholders under art. 2443 of the the Italian Civil Code to increase share capital to service the Stock Option Plan was on May 13, 2008. Cf. Company’s Bylaws.

equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.”

The Board of Directors proposes that the vesting conditions be assessed **not only in relation to the Vesting Date, but over the Vesting Period**. The incentive mechanism of the 2005 Plan – i.e. the link between value creation and stock grants - would remain unchanged, but there would be no adverse impact on vesting in circumstances like the current market downturn, when the share price does not reflect the company’s growth over time. For the sake of completeness of information, we advise you that the proposed amendment does not affect the fair price of share issues under the 2005 Plan, as confirmed by the independent auditors that will issue their report pursuant to art. 158 of the Consolidated Finance Act.

In the light of recent changes in the tax regime applied to stock option plans, including those under IAS which brought about uncertainties regarding treatment, as well as global market developments which have subverted many established practices, including, in certain instances, the incentivising and retention value of stock option schemes, the Board of Directors believes it is expedient to discontinue the 2005 Plan for employees and directors for the portion not yet executed. Stock options for selected contract workers under the 2005 Plan shall be granted in the coming months as they have been pre-allotted and achievements against set targets are currently being measured. For the sake of completeness of information, you are also advised that for the unexecuted portion of the 2005 Plan, in 2009 the Compensation Committee and the Board of Directors will proceed to discuss and put in place alternative medium/long-term incentive and retention schemes for employees, contract workers and directors. These alternative schemes might include stock grants, or options to subscribe to/buy shares, as appropriate.

Approval. It is proposed that the Board of Directors be authorised by the General Meeting to make any amendments to the rules governing the 2005 Plan in relation to directors, contract workers and employees of the Company and its subsidiaries as may be needed to reflect the resolutions taken by this General Meeting.

Proposed resolution. In consideration of the foregoing, the Board of Directors intends to propose to the shareholders at the Ordinary General Meeting convened on April 23, 2009 (first call) and April 24, 2009 (second call):

- to amend the 2005 Plan in relation to Stock Options already granted to directors and employees under the 2005 Plan for which the term for assessing vesting conditions has not yet expired, by assessing the satisfaction of vesting conditions not only at the Vesting Date but over the entire Vesting Period, subject to the 2005 Plan goals;
- to terminate the 2005 Plan ahead of schedule in relation to Stock Options not yet granted, except for Stock Options under the 2005 Plan allotted to contract workers of the Company and its subsidiaries, considering that residual Stock Options for this category of

beneficiaries are going to be granted in the coming months, as achievements against set targets are currently being assessed;

- to confer upon the Board of Directors the broadest powers for the implementation of the resolutions above and in particular to comply with all related formalities as well as the authority to amend or supplement them as necessary and appropriate.

Dear Shareholders,

We invite you to pass the following resolutions:

“The Shareholders

- having examined the report of the Board of Directors

resolve

- 1) to amend the 2005 Plan in relation to Stock Options already granted to directors and employees under the 2005 Plan for which the term for assessing vesting conditions has not yet expired, by assessing the satisfaction of vesting conditions not only at the Vesting Date but over the entire Vesting Period, subject to the 2005 Plan goals;
- 2) to terminate the 2005 Plan ahead of schedule in relation to Stock Options not yet granted, except for Stock Options under the 2005 Plan allotted to contract workers of the Company and its subsidiaries, considering that residual Stock Options for this category of beneficiaries are going to be granted in the coming months, as achievements against set targets are currently being assessed;
- 3) to confer upon the Board of Directors the broadest powers for the implementation of the resolutions above and in particular to comply with all related formalities as well as the authority to amend or supplement them as necessary and appropriate”.

Milan, March 4, 2009

Mediolanum S.p.A.

For the Board of Directors

The Chairman

Roberto Ruozi