

Report of the Board of Directors of Mediolanum S.p.A. on the proposed amendments to the Stock Options Plan approved on April 26, 2005, as per agenda item 5 of the Ordinary General Meeting convened on April 19, 2007 (first call) and April 20, 2007 (second call) pursuant to article 114-bis of Legislative Decree 58 of February 24, 1998 (Consolidated Finance Act)

Dear shareholders,

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

- Amendments to the Stock Options Plan approved on April 26, 2005.

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With respect to said agenda item, the Ordinary General Meeting was convened to examine the proposed amendments to the Stock Options Plan approved by the Extraordinary General Meeting of April 26, 2005 (the “Plan”). In that respect, it should be noted that article 114-bis of Legislative Decree 58/98, as amended by Legislative Decree 303 of December 29, 2006, expressly sets forth that equity-settled share-based payments, like the Plan, are to be approved by the Ordinary General Meeting. Therefore, the amendments presented herein, are submitted to the Ordinary General Meeting for approval. It should also be noted that at the date this report was approved by the Board of Directors, the consultation process started by CONSOB in relation to the document it issued on February 23, 2007, which sets out guidance on the implementation of article 114-bis of the Consolidated Finance Act (the “CONSOB Document”), was still under way. Therefore, in preparing this report the Board applied the regulations in force as of the date of this Report, while taking into account the indications set out in the CONSOB Document.

That said, the Board of Directors reminds you that the General Meeting of April 26, 2005 had approved (i) the Plan and related rules, which are briefly summarised herein; and (ii) three new share issues, one for each category of Plan Beneficiaries and had also conferred upon the Board of Directors the authority to effect those new share issues, pursuant to article 2443 of the Italian Civil Code.

Plan rules. The 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 Plan upon a related resolution passed by the Board of Directors. The Plan sets out three distinct categories of beneficiaries, i.e. employees, contract workers and non-employee directors. In this respect, the Board of Directors proposes to strike the term “non employee” and leave only directors, to avoid any doubts as to the eligibility of directors who are employees of Group companies other than those in which they hold the position of directors and who are selected as beneficiaries in relation to their position as directors.

The 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, the Extraordinary General Meeting of April 26, 2005 resolved to authorise directors to increase share capital for a consideration, in one or more occasions, for a period of no more than five years from the date of that EGM resolution (i.e. 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 will be 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 will be 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;
- €150,000.00 issuing up to 1,500,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to Non-Employee Directors of the company and its subsidiaries selected as Beneficiaries under the Stock Options Plan. Those shares will be 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 may be 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 Plan Rules.

For anything not expressly indicated herein, you are referred to the Report of the Board of Directors prepared on the occasion of the aforesaid General Meeting, pursuant to art. 72 of Consob Regulation 11971/1998 (Regulation for Issuers) and art. 3 of Ministerial Decree 437/1998, which is attached hereto.

Stage of implementation of the Plan. Exercising the authority delegated to it, the Board of Directors

effected share capital increases to service the Plan in more occasions and granted:

- 1,395,000 stock options to the employees of the Company and of Group companies. To-date there are still 2,605,000 stock options reserved for employees under the Plan, which have not been granted;
- 587,500 stock options to the contract workers of the Company and of Group companies. To-date there are still 3,412,500 stock options reserved for contract workers under the Plan, which have not been granted;
- 999,000 stock options to the directors of the Company and of Group companies. To-date there are still 501,000 reserved for directors under the Plan, which have not been granted.

You are reminded that the Board of Directors can exercise the authority delegated to it pursuant to article 2443 of the Italian Civil Code to effect capital increases to service the Plan within April 2010 (5 years from the date of the related General Meeting resolution).

Reasons for amending the Plan. The Board of Directors believes the Plan is an effective means to provide incentives and promote the loyalty of those people who are crucial to the success of the Company and of the Group. This is proven by past experience as well as the growth and positive performance of the Company and the Group in the past few years. Therefore, the Board of Directors intends to continue to implement the Plan as a means to provide incentives and promote the loyalty of key personnel through its expiration (5 years from the date of the related General Meeting resolution, i.e. April 2010). The Board of Directors notes that while the residual number of shares reserved under the Plan to the employees and contract workers of the Company and its subsidiaries is considerable (2,605,000 shares for employees and 3,412,500 shares for contract workers) and ensures the Plan continuity in the years to come, the residual number of shares reserved to the directors of the Company and its subsidiaries is scant (i.e. 501,000 shares) and cannot warrant the continuity of the Plan for this category of beneficiaries and consequently the achievement of its targets.

Given the increase in the number of directors at Group companies as well as the significant growth of the Company and the Group which needs to be consolidated and further expanded also through the contribution of key figures like the directors of the Company and its subsidiaries whose loyalty is to be encouraged, the Board of Directors believes it is appropriate to increase the number of shares to be issued under the Plan and reserved to directors to ensure the Plan continuity also in the years to come.

Therefore, the Board of Director proposes to amend the Plan and increase the maximum total number of ordinary shares of the Company to be issued under the Plan and reserved to directors from 1,500,000 shares with par value of €0.10 to 4,000,000 shares with par value of €0.10, through a further capital increase reserved to directors to service the Plan from the maximum amount of €150,000 to €400,000, under the same terms and conditions as set out in the Plan. Therefore, we propose that up to additional 2,500,000 stock options entitling the holder to subscribe to a corresponding number of dividend-bearing ordinary shares with par value of €0.10 be allotted to the directors of the Company and its subsidiaries and the maximum amount of the share capital increase reserved to directors be €250,000.

For completeness of information, you are advised that the dilution effect resulting from the additional capital

increase reserved to directors under the Plan for the current company's shareholders is equal to about 0.34% of subscribed share capital.

Characteristics of the stock options – Vesting conditions - Strike price. The Board of Directors specifies that all other terms and conditions of the Plan, as indicated in the Report of the Board of Directors to the General Meeting of April 26, 2005 and approved by that General Meeting, will remain unchanged. Therefore, as to stock options granted to directors under the Plan, should the Board of Directors proposal be approved by this Meeting, the exercise of the new Stock Options granted to directors shall be subject to at least one of the following conditions (the "Vesting Conditions"): (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 equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.

The stock options granted to directors shall be exercisable to subscribe to newly issued shares 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 months preceding the Grant Date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period.

Approval and allotment of the stock options. It is proposed that the Compensation Committee (previously the Stock Options Plan Committee) be authorised by the General Meeting to make any amendments to the rules governing the Stock Options Plan in relation to the directors of the Company and its subsidiaries as may be needed to reflect the resolutions taken by this General Meeting. In addition, following the changes in tax regulations introduced by Legislative Decree 223 of July 4, 2006 and later by Legislative Decree 262 of October 3, 2006 that have an impact on the taxation applicable to the Stock Option Plans in relation to employees it is proposed that the Compensation Committee be also authorised to make amendments to the Plan rules, as may be required to reflect said regulatory changes.

The allotment of Stock Options giving the holder the right to subscribe to newly issued shares shall be made pursuant to the resolution of the Board of Directors taken on the basis of the resolutions passed by the

Compensation Committee. The Compensation Committee is, therefore, authorised to select the beneficiaries of the stock options among the directors of the Company and its subsidiaries, to determine the number of options to be allotted to each of them and allot them. The names of the directors selected as stock options beneficiaries will be announced to the public at a later date, if required by applicable laws.

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 19, 2007 (first call) and April 20, 2007 (second call):

- to amend the Plan: (i) by striking the term “non employee” in relation to directors who are defined as beneficiaries under the Plan, to avoid any doubts as to the eligibility of directors who are employees of Group companies other than those in which they hold the position of directors and who are selected as beneficiaries in relation to their position as directors; and (ii) to increase the number of Stock Options to be allotted to directors under the Plan from the current number of 1,500,000 to 4,000,000 Stock Options entitling the holder to subscribe to an equal number of dividend-bearing ordinary shares with par value of €0.10 each;
- to confirm the power of the Compensation Committee (previously the Stock Options Plan Committee) to amend and supplement the rules governing the stock options plan as may be needed to reflect the resolutions above as well as the changes in tax regulations introduced by Legislative Decree 223 of July 4, 2006 and later by Legislative Decree 262 of October 3, 2006;
- to confirm all powers of the Compensation Committee to implement the stock options plan (as amended), including the selection of the Beneficiaries (directors), the number of options to be allotted to each of them and the rules to apply in case of termination or changes in their service relationship with the company;
- to confer upon the Board of Directors the broadest powers for the implementation of the resolutions above and in particular to comply with all formalities required for their statutory approvals 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 approve the amendments to the Stock Options Plan approved by the General Meeting of April 26, 2005, as proposed by the Board of Directors in its report;
- 2) to confirm the power of the Compensation Committee (previously the Stock Options Plan Committee) to amend and supplement the rules governing the stock options plan as may be needed to reflect the resolutions above as well as the changes in tax regulations introduced by Legislative Decree 223 of July 4, 2006 and later by Legislative Decree 262 of October 3, 2006;

- 3) to confirm all powers of the Compensation Committee to implement the stock options plan (as amended), including the selection of the Beneficiaries (directors), the number of options to be allotted to each of them and the rules to apply in case of termination or changes in their service relationship with the Company;
- 4) to confer upon the Board of Directors the broadest powers for the implementation of the resolutions above including the authority to amend or supplement them as necessary and appropriate”.

Milano 3, Basiglio March 1, 2007

Mediolanum S.p.A.
For the Board of Directors
The Chairman
Roberto Ruozi