
Considerations from the Supervisory Board

Substitution of a Supervisory Board Member

1. Introduction

On 23 April 2012, Supervisory Board Member Gianluca Ferrero submitted his resignation, effective from 27 April 2012, following the entry into force of art. 36 of Law Decree 201/2011, converted with amendments by Law 214/2011.

As a result of this regulation, Supervisory Board Members cannot accept or exercise offices in the management, supervisory or control bodies of competing companies or groups of companies operating in the banking, insurance or financial sectors. On initial application, the deadline for exercising the option is 26 April.

Following such resignation, the provisions of art. 23.9 of the Articles of Association apply, which state that where a member who has left service cannot be substituted via the list mechanism, using the list the member belonged to, the Shareholders' Meeting is called to resolve on his/her substitution upon the proposal of the parties with voting right attending the Meeting.

2. Regulatory provisions and decision-making process

In order for the Shareholders' Meeting to substitute said Supervisory Board Member, the Board, which is in charge of the strategic supervisory function, is required - based on the application regulations of the Supervisory Provisions concerning banks' organisation and corporate governance, issued by the Bank of Italy on 11 January 2012 ("Application Regulations"), the subject of specific disclosure to the Board at its meeting of 24 January 2012 - to provide the shareholders with specific considerations on the theoretical profile of its quali-quantitative composition deemed optimum, including the professionalism and, possibly, independence characteristics of the candidates to be appointed.

In this regard, the Application Regulations require that the governing bodies include persons:

- who are fully aware of the powers and obligations inherent in the functions that each of them is expected to carry out;
- who are endowed with professionalism that is suitable for the role to be covered, also with regard to internal committees within the Board, and proportionate to the operations and size of the bank;
- with skills spread among all members and suitably diversified, so that each of the members, both in the committees they participate in and in board discussions, can actually contribute to ensuring effective governance of risks in all areas of the bank;
- who dedicate adequate time and resources in relation to the complexity of their office.

Thus, suitable professional profiles must be defined ex ante, to be taken into consideration by shareholders in selecting and appointing Supervisory Board Members, also in the event of substitution.

These duties are the responsibility of the Supervisory Board, which, with the support of the Nomination Committee, is required to identify, in advance, its optimum quali-quantitative composition, identifying and justifying the theoretical profile (including professionalism and possible independence characteristics) of candidates deemed suitable to carrying out the duties assigned.

In this view, the Nomination Committee was actively involved in analysing the characteristics of professionalism which candidates must possess to substitute the resigning Supervisory Board Member, while ensuring compliance with the current regulations on the number of offices held, independence and incompatibility, also pursuant to art. 36 referred to in the introduction.

3. The Nomination Committee's activities

The Nomination Committee carried out its analysis at the meeting of 24 April 2012, using the positive outcome of the self-assessment performed by the Supervisory Board in its meeting of 14 February 2012 as reference, with specific regard to:

- size (19 members as determined by the Shareholders' meeting of 30 April 2010), which allows all members to participate in at least one of the Committees established within the Board;
- qualitative composition, to the extent that:
 - 18 members (exceeding the minimum of 10 envisaged by the Articles of Association) are independent in accordance with the Corporate Governance Code for listed companies;
 - 9 Board Members (exceeding the minimum of 4 envisaged by the Articles of Association) are enrolled with the register of auditors and have practised auditing for at least three years;
 - the expertise currently represented in the Supervisory Board in legal, economic, tax, accounting and financial matters, as well as in the conduct of entrepreneurial activities constitutes a complementary range of skills with a view to ensuring adequate resources over time for the size and complexity of the bank and the Group it heads;
 - these professional skills are reflected in the composition of the Committees, which are participated in by Board Members that meet the requirements of independence and skill functional to performing the duties assigned to each of them, and that are able to dedicate suitable time to the office.

In light of the above, the Supervisory Board – without prejudice to the current size of the Supervisory Board, as decided by the Shareholders' Meeting of 30 April 2010 – points out the need for the Bank's governing bodies to express suitable authority and professionalism in the specific areas of interest of the banking, insurance and financial sectors, also considering the growing complexity of the reference scenario and the role performed by the Bank, also as a company heading an international financial conglomerate.

4. Closing considerations

Based on the above considerations – without prejudice to the fact that each candidate for the position of Supervisory Board Member must also meet the professionalism and integrity requirements set forth for members of the Board of Directors of banks by the Regulation adopted with Ministerial Decree 161 of 18 March 1998 and those set forth for the statutory auditors of listed companies by the Regulation adopted with Ministerial Decree 162 of 30 March 2000 – the Supervisory Board recommends that the candidate possess skills, preferably acquired in an international context, in one or more of the following areas:

- banking and/or insurance and/or financial business, as a result of long-term experience in administration, management and control acquired in medium/large companies in economic terms, operating in the specific sectors;
- dynamics of the economic-financial system, as a result of specific, long-term experience acquired at the highest levels of responsibility in companies or public or private institutions or through studies or surveys conducted with research centres or through teaching in academic environments;
- regulation of financial activities and markets, as a result of long-term experience acquired in positions of responsibility with supervisory authorities, international organisations, foreign institutions, companies or groups with an international scope or teaching in academic environments;
- risk management and control methods, as a result of significant experience in risk management or management control or practice of a profession or teaching in academic environments;
- accounting or financial matters or remuneration policies, as a result of long-term experience with companies or private institutions of significant size, also as the Manager responsible for preparing the company's financial reports or practice of a profession or teaching in academic environments;

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- internal control and corporate organisation, as a result of long-term experience in auditing, corporate management and organisation in significantly large companies or groups of companies in economic terms, or practise of a profession or teaching in academic environments.

Torino, 26 April 2012

For the Supervisory Board
the Chairman – Giovanni Bazoli