



Assessment of the qualitative and quantitative composition
of the Supervisory Board

5 March 2013

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1. INTRODUCTION

The Bank of Italy provisions issued on 11 January 2012 through the "Application of the supervisory provisions concerning banks' organisation and corporate governance", in repeating the central importance of the quality of banks' governance as an indispensable requirement to ensure sound and prudent management, require that the board of directors, or the supervisory board and the management board in cases where the dual governance system is adopted, identify the optimum qualitative and quantitative composition of such boards prior to appointing candidates to offices on these boards. This must be implemented taking account of the specific characteristics of individual banks and in compliance with the application principles and guidelines set forth in the "Supervisory provisions concerning banks' organisation and corporate governance" of March 2008.

Said provision testifies to the growing importance of banks' corporate governance in regulatory terms, which is also confirmed by the focus on this issue by both the Basel Committee on Banking Supervision ("Principles for enhancing corporate governance" of October 2010) and the European Banking Authority ("Guidelines on Internal Governance", issued by the EBA on 27 September 2011, as further supplemented by the "Guidelines on assessment of the suitability of members of the management body and key function holders" of 22 November 2012).

The goal of the abovementioned Bank of Italy Provisions - in line with that of the supranational work – is to ensure that banks' governing bodies are composed of members capable of guaranteeing the effective performance of the functions they are assigned to carry out. To this end, the management and supervisory bodies must be composed of persons:

- who are fully aware of the powers and obligations inherent in the functions that each of them is expected to carry out (supervision or management function; executive and non-executive functions; independent members, etc.);
- who are endowed with professionalism that is suitable for the role to be covered, also in any internal committees, and proportionate to the operations and size of the bank;
- who, as a group, have 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 effectively contribute to ensuring effective governance of risks in all areas of the bank;
- who are able to dedicate suitable time and resources to the functions they are expected to fulfil.

It must also be pointed out, so that the Bank's shareholders may duly take note, that the document issued by the EBA on 22 November 2012 – "Guidelines on the assessment of the suitability of members of the management body and key function holders", which shall be adopted into internal regulations by May 2013 – provides additional focus on the requirements of the members of the management and supervisory bodies. The Guidelines specify that the bank shall be just as responsible as the competent supervisory authorities for assessing the actual fulfilment of the requirements for the persons called upon to join the management and supervisory bodies.

Specifically, based on the EBA Guidelines, which shall shortly be implemented (as mentioned above, by May 2013) as well as Italian regulations, the members of management and supervisory bodies must have:

- a good reputation (good reputation criteria), meaning there must be no evidence to suggest otherwise and no reason to have doubts about his or her good repute;
- sufficient experience (experience criteria), meaning that, in this regard, both the theoretical knowledge attained through the person's education and training, and the practical experience gained in previous occupations must be considered;
- personal qualities consistent with the needs of robust corporate governance (governance criteria), which requires the fulfilment of an additional set of subjective conditions suitable to ensure the efficient operation of the body the person is part of.

That being said, as part of the process of ensuring the suitable composition of the management and supervisory bodies to ensure the effective performance of the duties assigned, for the purpose of renewing the corporate offices, the required experience must be identified *ex ante*. Therefore, banks' management and supervisory bodies must firstly identify the theoretical profile (including the characteristics of experience and, if necessary, independence) of the candidates for appointment, considering the fact that the candidates' distinguished authoritativeness and

professionalism must be suitable to the duties the interested parties are called on to carry out in the above bodies (and in any internal committees therein) also considering the size and complexity of the company and its group.

Where the responsibility for appointing members of a body lies with the shareholders' meeting – as is the case for Intesa Sanpaolo in electing the members of the Supervisory Board – shareholders must be informed of the results of the analyses conducted with enough notice so that they may consider this information when selecting candidates: this document has been prepared for this purpose.

It is also important to specify that the identification of the optimum quali-quantitative composition of the management and supervisory bodies, conducted on the basis of the prevailing Bank of Italy Provisions, also complies with that set forth in Application Criteria 1.C.1, letter h, of the "Corporate Governance Code" for listed companies – understood as referring to the Supervisory Board in this specific case – concerning the identification and notification to shareholders of the evaluations concerning the professionals it is deemed important to have on the board.

2. INTESA SANPAOLO'S CORPORATE GOVERNANCE SYSTEM AND THE ROLE OF THE SUPERVISORY BOARD

The assessment of the optimum quali-quantitative composition of the Supervisory Board requires the specification of the existing restrictions pursuant to the Articles of Association concerning the board's composition on one hand and, on the other, the functions that the Supervisory Board is called upon to carry out, as well as its operating methods.

Duties and powers of the Supervisory Board

The Supervisory Board is the highest body in the dual management and control system adopted by Intesa Sanpaolo and performs the steering, strategic supervision and control duties assigned by law, the Articles of Association and regulations.

To this end the Supervisory Board is assigned suitable duties and powers, including those concerning the following:

- the approval of the separate and consolidated financial statements;
- the appointment, removal and remuneration of the members of the Management Board and the designation of the Managing Director and executive Management Board members;
- decisions, on recommendation of the Management Board, concerning the general programmes and strategic guidelines, business plans and/or financial plans and budgets of the Bank and the Group, strategic transactions as defined in the Articles of Association and the risk management policies;
- the approval of the remuneration policy for employees and other staff of the Group;
- the right to request updates from the Management Board on the performance of corporate transactions or specific deals;
- inspections and controls, to be implemented through the Control Committee which, in turn, avails of the Company's appropriate functions;
- cultural initiatives of the Bank and Group, with particular reference to promoting the historic, archaeological and artistic heritage and managing the "Allowance for charitable, social and cultural contributions".

Composition of the Supervisory Board

According to the provisions of the Articles of Association, the Supervisory Board of Intesa Sanpaolo is composed of a minimum of 15 up to a maximum of 21 members, appointed by the Shareholders' Meeting, who meet the requirements of integrity, experience and independence set forth by prevailing regulations.

The minority gender shall be reserved at least the number of Board members established by the current laws in force on the matter of gender balance in the composition of the administrative and control bodies of companies listed on regulated markets, equal, herein, to one-fifth of the members of the Supervisory Board.

Furthermore, at least 10 Board members shall have the independence requirements provided for by the Corporate Governance Code promoted by Borsa Italiana S.p.A. and at least 4 Supervisory Board members must also be enrolled with the Register of Auditors and must have practices as auditors for at least a three-year period.

With the entrance into force of the prohibition of interlocking pursuant to art. 36 of Law Decree 201/2011 (converted with amendments by Law 214/2011), the Supervisory Board members are also required to provide and periodically renew their certification that they do not hold offices in the management, supervisory or control bodies of competing enterprises or groups of enterprises.

Supervisory Board operations, including those through its internal Committees

The Supervisory Board has specific regulations which describe the responsibilities of the body in detail and govern its organisation and operating methods, also taking into account the principles and criteria of the Corporate Governance Code. These regulations apply to the board as well as the Chairman and members of the Board, who contribute to forming the decisions of the Board.

Its operation is ensured, from the start, by the following organisational and operational choices:

- internal Committees have been established, in the number and with specific responsibilities exceeding the requirements set forth in applicable regulations: there are currently six internal Committees, which include the Committee with specific responsibilities in relation to transactions with related parties and associated entities. This provides the board as a whole and its members with appropriate and timely in-depth data feeds on the matters they are responsible for, including precise and detailed reports on the activity performed by each Committee and remarks and opinions on the matters covered;
- in forming the Committees, the Supervisory Board takes into consideration the independence requirements and the professional characteristics and experience of its members, so that each Committee is composed of members with appropriate expertise in terms of the duties attributed, able to dedicate suitable time to the position;
- the duties, operation and organisation of the Committees are governed by specific Regulations, approved by the Supervisory Board. Each Committee is headed by a Chairman, designated by the Supervisory Board. The Chairman of each Committee shall set the issues on the agenda, coordinate the discussion thereof and illustrate the activities, approaches and, where requested, proposals of the Committee in each Board meeting;
- with regard to their specific specialist duties, the Committees play an important role in the analysis and in-depth study of matters to be put forth before the Supervisory Board. These activities, which, as stated, also take the form of the formulation of proposals, recommendations and opinions, facilitate the task of the Supervisory Board in making reasoned decisions, without limiting the powers and responsibilities of the Board, rather, increasing the effectiveness and efficiency of its work. The Related Party Transactions Committee carries out particular activities, as it is called upon to express non-binding opinions in advance concerning transactions – usually subject to decisions of the Management Board – concerning related parties of Intesa Sanpaolo and associated entities of the Group, which are not exempt from the decision-making procedure set forth in the specific Group Regulations. The role assigned to the Control Committee is also emphasised in the Articles of Association, in compliance with the Supervisory Provisions: it is a permanent reference point for the company's units in charge of control functions, from which it receives periodic reports or briefings on specific situations or company trends. The Committee is also assigned the duties of a Surveillance Body pursuant to Italian Legislative Decree 231/01.

3. CURRENT STRUCTURE OF THE SUPERVISORY BOARD AND THE PROCESS OF ASSESSING ITS OPTIMUM QUALI-QUANTITATIVE COMPOSITION

The current size of the Board, confirmed by the Shareholders' Meeting of 30 April 2010, is 19 members. This is the same size as the Board elected in the previous term, a size which ensures the presence of persons who can dedicate suitable time and resources to performing his/her duties, also in relation to the requested participation in internal Committees.

The Supervisory Board members in office were elected via list voting procedures governed in the Articles of Association, ensuring that the various components of the corporate shareholder base are

suitably represented: 10 members were elected from a list presented by the two major shareholders of the Bank, 7 from several lists representing qualified minority shareholders and 2 from the list presented by the asset management company.

In terms of composition, 17 members – exceeding the minimum number envisaged by the Articles of Association – are independent according to the Corporate Governance Code. This considerable presence is reflected in the composition of the Committees, three of which are exclusively composed of independent members (Control Committee, Remuneration Committee and Related Party Transactions Committee), while in the other three Committees there is a significant majority of independent members (Nomination Committee, Strategy Committee and Financial Statements Committee).

As regards the professionalism requirement, without prejudice to the legal requirements, 8 Board members (highly 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. More generally, the skills represented in the Supervisory Board – in legal, economic, tax, accounting and financial matters, as well as in the conduct of entrepreneurial activities – are complementary and ensure adequate resources and contributions over time for the size and complexity of the Bank and the Group.

Both for 2011 and for 2012, the Supervisory Board conducted a self-assessment of its size, composition and operation, as well as that of the internal Committees, through an analysis conducted at meetings, with active contribution from the Nomination Committee.

Following the in-depth studies and assessments conducted, the Intesa Sanpaolo Supervisory Board – with specific regard to the responsibilities assigned to the Board, its operation and organisation into committees, as well as to the complexity and size of the Bank and Group it is a part of due to the scope of operations, type of business conducted, ownership structure and listing on regulated markets – has deemed the current composition, size and operation of the Board to be suitable.

4. THE OPTIMUM QUANTITATIVE COMPOSITION

In compliance with the provisions issued by the Bank of Italy on 11 January 2012, without prejudice to the fact that the Shareholders' Meeting is free to determine, in compliance with the provisions of the Articles of Association, the number of Supervisory Board members, the Intesa Sanpaolo Supervisory Board has identified the optimum quantitative composition of the Board, based on the proposal from the Nomination Committee following an in-depth analysis.

Specifically, considering the functions assigned to the Board, its organisation into internal Committees and the need to ensure the effective operation of such Committees, as well as the high level of complexity of Intesa Sanpaolo's operations, the Supervisory Board deems that the optimum number of members can be identified at the high end of the range set by the Articles of Association, thus confirmed at 19 and, in any event, no fewer than 17.

5. THE OPTIMUM QUALITATIVE COMPOSITION

Also in compliance with the provisions issued by the Bank of Italy on 11 January 2012, the Intesa Sanpaolo Supervisory Board has identified the theoretical profiles of the candidates for the office of Supervisory Board members suitable to ensure the optimum qualitative composition thereof, based on the proposal from the Nomination Committee, also formulated in light of the results of the self-assessment process.

Therefore, the Board recommends that, when forming the lists of candidates to be appointed, the professionalism and experience indicated below, deemed necessary in order to maintain the optimum composition of the Board as a whole, must be taken into suitable consideration.

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 each candidate possess skills 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 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, at national and international level, 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 long-term experience in 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;
- 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.

Growing attention is being paid (and highly emphasised by the Supervisory Authorities) to the ability to dedicate time and resources to performing the functions relating to the office of member of a Bank's supervisory or management body. Therefore, with a view to additionally optimising the operations of the Supervisory Board, having specific regard to the best performance of the strategic supervision function, it is considered important to recommend the following: in future, from a more general and advisable framework of reducing the number of offices held, which should preferably remain under the limits set by the Intesa Sanpaolo Articles of Association, the members of the Supervisory Board (and, in any event, candidates for the related position) should not hold additional offices in control bodies of companies in the Intesa Sanpaolo Group or subsidiaries over which Intesa exercises significant influence. This is without prejudice to the fact that such members shall not participate in management bodies of Group companies, as per the provisions of law.

It is important to announce, herein, that an equivalent recommendation shall be formulated with regard to the members of the Management Board, as concerns positions in management bodies, in compliance with the cited approach of the Supervisory Authorities in terms of ability to dedicate time to positions of such importance.

In application of the provisions of the Bank of Italy measure of 11 January 2012, information on the personal and professional background of each candidate which must be filed on presentation of the lists pursuant art. 23.1 of the Articles of Association shall include a sufficiently detailed CV, in order to identify which of the above areas each candidate is suited to, without prejudice to shareholders' right to present candidates with different profiles, providing suitable justification.

Torino, 5 March 2013

For the Supervisory Board
the Chairman – Giovanni Bazoli