

**QUANTITATIVE AND QUALITATIVE
COMPOSITION
OF THE
SUPERVISORY BOARD
OF UBI BANCA Scpa**

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1. Introduction

Pursuant to the measures issued by the Bank of Italy on 11th January 2012 in 'Application of the Supervisory Measures concerning the Organisation and Governance of Banks' of March 2008, the boards of banks are obliged to specify the qualitative and quantitative composition deemed to be optimal for the purpose of correctly carrying out the tasks of the supervisory and management bodies, which require their members:

- To be fully aware of the powers and obligations embodied in the tasks each of them is called upon to perform (supervisory or management functions, executive and non-executive duties, independent members, etc.);
- To be in possession of the professional skills required for the role in question, including members of internal board committees, to the level required by the type of operations and size of the bank;
- To have skills that are both common to all members and sufficiently diverse, in order to ensure that each member can effectively contribute to ensuring effective risk management in all areas of the bank, both on the committees on which they sit and in collective decision-making;
- To dedicate the appropriate time and resources to their task.

The aforementioned measures issued by the Bank of Italy require all members to meet the same criteria, including non-executive members. The latter participate in the decisions taken by the entire board and are required to play an important role of monitoring and communicating the decisions taken by the executive members.

Their authority and professionalism must be suited to such tasks, which are increasingly decisive for the bank's sound and prudent management. Therefore it is crucial that the non-executive board members also possess and can communicate an appropriate knowledge of banking, the dynamics of the economic and financial system, financial regulation, and above all risk assessment and management methods. This is essential knowledge in order for them to be able to carry out their tasks effectively.

The objective of the aforementioned Measures is to guarantee – both after the appointment process, which involves several bodies and functions (appointments committee, where present; board; and shareholders' meeting), and on an on-going basis – that there are people in the management bodies capable of guaranteeing that their role is carried out effectively. This means that the professional skills necessary for achieving this aim need to be clearly specified beforehand, and if necessary revised over time in order to take account of any critical issues, and that the process of candidate selection and appointment needs to take these requirements into account.

The supervisory and management bodies of banks must therefore first of all identify the theoretical candidate profile (including professional qualifications and independence, if relevant), bearing in mind that their authority and professionalism must be appropriate to the duties the directors will be called upon to fulfil as members of the aforementioned bodies (and any internal committees), and taking into account the size and complexity of the companies and the groups to which they belong.

The results of the analyses carried out by the aforementioned corporate bodies must also be provided to shareholders in good time so that they can take them into account when making their choice of candidate.

2. The Governance Model

UBI Banca is a cooperative limited by shares.

UBI Banca has always implemented a dual system of management and control, the main characteristic of which is the distinction between the following functions:

- The strategic supervision and control functions assigned to the Supervisory Board, which combines some of the powers traditionally assigned to shareholders' meetings (approval of the financial statements, appointment of the members of the management body and setting of their remuneration) and to boards of statutory auditors, and assumes some 'senior management' responsibilities, insofar as it is called upon to take decisions on proposals submitted to it by the Management Board on the business and/or financial plans and budgets of the Bank and the Group, and also on strategic operations indicated in the Corporate By-laws (Article 46 of the Corporate By-laws);
- The corporate management function assigned to the Management Board, which is exclusively responsible for carrying out all ordinary and extraordinary operations necessary in the pursuit of the company purpose, in compliance with the general guidelines and strategic policies approved by the Supervisory Board (Article 37 of the Corporate By-laws).

3. The Supervisory Board

The Supervisory Board is composed of 23 members appointed at a shareholders' meeting chosen from among those registered shareholders possessing the necessary qualities of integrity, professionalism and independence required by law. At least 15 of the members of the Supervisory Board must be in possession of the professional requisites required by the legislation currently in force for persons performing the functions of bank directors.

Specifically, at least three members of the Supervisory Board must be chosen from persons on the Register of Auditors who have carried out statutory auditing for a period of no less than three years.

Without prejudice to legal requirements, regulations or measures required by regulatory authorities, persons already holding the office of full statutory auditor, or who are members of other supervisory bodies in more than five listed companies and/or their parent companies or subsidiaries, may not hold office as a member of the Supervisory Board. In the event that ineligibility as referred to in the previous paragraph arises and is not resolved within 60 days of election or notification of the fact to the person concerned, whichever comes first, the Member of the Board will automatically be removed from office.

In accordance with the principle of collegial responsibility in the performance of its duties, with regard to its responsibilities, composition and the characteristics of its members, the Supervisory Board voted to set up specific internal committees for making proposals, providing advice and carrying out investigations, in compliance with Bank of Italy guidelines and the recommendations of the Italian Stock Exchange Corporate Governance Code.

The following committees have been set up in order to allow the Supervisory Board to pass resolutions on a more informed basis and are composed of at least three members: Appointments Committee (six members), Remuneration Committee (five members), Internal Audit Committee (five members), Budget Committee (four members), and Related Parties Committee (three members).

4. The Supervisory Board Self-assessment Process

The UBI Banca Supervisory Board (hereinafter also 'Board') carried out an assessment of its size, composition and operation, as well as that of its internal committees, for the 2010 and 2011 financial years. This took the form of a survey carried out at a Board meeting after each member had been asked to fill in a special self-assessment questionnaire.

The assessment looked at the size and composition of the Board and the committees, and the qualifications and experience of Board members in relation to the size of the Group and their tasks.

More specifically, the self-assessment looked at the following criteria: the quality and overarching nature of skills, experience and knowhow within the Board and internal committees; adequacy of the number of Board members; levels of effectiveness of each of the five internal committees; quality of the Board and internal committee meetings; quality and timeliness of information flows and presentations within the Board; effectiveness and efficiency of decision-making processes within the Board; clarity, consensus and satisfaction in respect of strategy, performance/risk objectives and results achieved; and benchmarking with other Company/Group boards on which each individual Board member sits.

As a result of the investigations and evaluations carried out, the Supervisory Board confirmed that its size was appropriate, and that the overall work carried out by the Board and the committees, in terms of organisation, exploration of topics, participation in meetings and debates, allows the Supervisory Board and its internal committees to carry out their tasks effectively and efficiently.

For the self-assessment process the Board used an external company Egon Zehnder International, a leading consultancy firm on corporate governance issues using the global practice of board consulting.

5. The Quantitative Composition of the Supervisory Board

The Supervisory Board is composed of 23 members, in accordance with article 44 of the UBI Banca Corporate By-laws.

At present the Board has 21 members, following the resignation of Giovanni Bazoli and Alessandro Pedersoli due to ineligibility under Article 36 of Legislation Decree No. 201 of 6 December 2011, converted by Law No 214/2011 entitled 'Safeguarding competition and personal cross holdings in the credit and financial markets'.

In the Supervisory Board internal committees Mr Bazoli was a member of the Nominations Committee and Mr Pedersoli was Chairman of the Remuneration Committee.

Following these resignations Paolo Ferro-Luzzi, who should have joined the board in accordance with Article 45 of the Corporate By-laws - in his capacity as the 23rd un-elected candidate in the list presented by the Supervisory Committee that received the most votes in the shareholders' meeting of 24th April 2010, and which also included the aforementioned resigning Board members - declared that he was unable to join the Supervisory Board due to the number of his existing commitments.

The two resigning Board members will be replaced at the next shareholders' meeting, the first call of which is on 27th April 2012 and the second call on 28th April 2012.

6. The Qualitative Composition of the Supervisory Board

In accordance with the measures issued by the Bank of Italy on 11th January 2012, the UBI Banca Supervisory Board identified the theoretical candidate profile for members of the Supervisory Board, based also on the results of the self-assessment process.

The Board therefore recommends that candidate applications should take into consideration the professional experience and skills indicated, which are considered necessary in order to maintain optimal composition of the Board as a whole.

To this end, candidate proposals put forward by shareholders should include a curriculum vitae showing the theoretical profile matched by each of them, although shareholders are welcome to present candidate applications with different profiles provided they include suitable explanations to back the application.

a) Professional Requirements

In addition to the professional requisites required by law and the Corporate By-laws, the Supervisory Committee has identified the following areas of competence considered to be in line with the role to be filled, in order to maintain the required levels of competence which the Board represents as a whole. Candidates for the role of UBI Supervisory Board members are therefore required to have a good knowledge and experience of at least one of the following areas:

- Knowledge of the dynamics of the economic and financial system acquired through several years as a manager, director, auditor or member of a supervisory body of companies or groups of substantial worth, or through the carrying out of professional activities or university teaching.
- Knowledge of the audit and risk management and control systems acquired through several years as a manager, auditor or member of a supervisory body of companies, or through the carrying out of business or professional activities, or university teaching.
- Knowledge of corporate governance and company processes acquired through several years of experience of legal work or process and management monitoring and control within large enterprises or acquired in the carrying out of related professional activities.

b) Integrity Requirements

The Supervisory Board recommends that, in addition to possessing the integrity requirements required in accordance with Ministerial Decree No 161 of 18 March 1998 and Ministerial Decree No 162 of 30 March 2000, candidates for membership of the UBI Supervisory Board must not be in circumstances that could bring about the suspension of their duties in accordance with Article 6 of Ministerial Decree No 161 of 18 March 1998, nor must they have behaved in such a way that they could bring the bank's reputation into serious disrepute.

c) Independence Requirements

The Supervisory Board recommends that candidates for membership of the Supervisory Board should comply with the independence requisites required by law and the Corporate By-laws.

d) Incompatibility

The Supervisory Board recommends that candidates should be investigated beforehand to ensure there are no grounds for incompatibility as prohibited by law, as specified in the following provisions:

- Article 36 of Law 214/11, containing provisions relating to ‘personal cross holdings in the credit and financial markets’ forbids ‘holders of office in management, supervisory or monitoring bodies and top management in companies or groups of companies operating in the credit, insurance and financial markets to take on or practice similar roles in competitor companies or groups of companies’;
- Article 44 of the Corporate By-Laws states that persons who already occupy posts of full statutory auditor or member of the governing bodies in more than five listed companies and/or their parent or subsidiary companies may not hold the office of Member of the Supervisory Board.